Hitachi Capital Corporation

Annual Report 2008

Year ended March 31, 2008

HITACHI

Power of Solutions, Power to Customers

Hitachi Capital

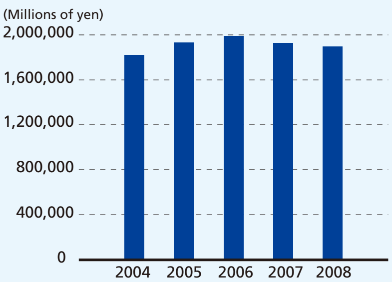
FINANCIAL HIGHLIGHTS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

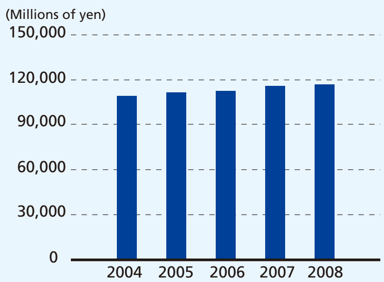
	In millions of yen, except per share data			Thousands of U.S. dollars, except per share data
	2008	2007	2006	**2008**
FOR THE YEAR:				
Volume of business	**¥1,899,166**	¥ 1,927,259	¥ 1,989,161	**$18,991,660**
Revenues	**117,185**	115,992	112,725	**1,171,850**
Operating income	**22,486**	24,963	26,189	**224,860**
Income before income taxes and minority interests	**20,504**	26,347	26,129	**205,040**
Net income	**10,722**	14,954	14,219	**107,220**
AT YEAR-END:				
Trade receivables	**¥ 611,063**	¥ 632,048	¥ 588,309	**$ 6,110,630**
Total assets	**2,447,791**	2,516,721	2,436,132	**24,477,910**
Net assets	**239,077**	247,897	236,987	**2,390,770**
Number of employees	**3,418**	3,409	3,607	**—**
PER SHARE DATA (in yen and U.S. dollars)**:**				
Net income (basic)	**¥ 91.7**	¥ 127.9	¥ 121.1	**$ 0.92**
Net income (diluted)	**91.7**	127.9	121.0	**0.92**
Cash dividends paid and declared for the year	**40.0**	36.0	35.0	**0.40**
Stockholders' equity	**2,033**	2,061	1,974	**20.33**

Notes: 1. U.S. dollar amounts in this report represent translations of yen, solely for the convenience of the reader, at the rate of ¥100=US$1, the approximate exchange rate at March 31, 2008.
2. Net income (basic) per share is based on the weighted average number of shares of common stock outstanding during the respective years (see Note 3 (l) for per share data).
3. A year-end dividend of ¥40.0 per share for the fiscal year ended March 31, 2008 includes a commemorative dividend of ¥4.0 per share on the occasion of the Company's 50th anniversary.

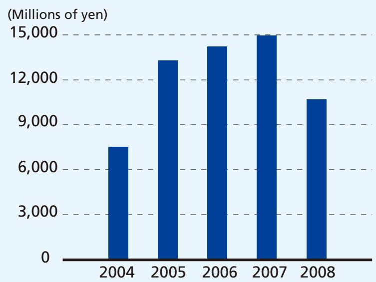
Volume of business



Revenues



Net income



CONTENTS

Forward-Looking Statements

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

Basic Management Policy

MANAGEMENT PHILOSOPHY

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

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

ACTION GUIDELINES

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

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

MANAGEMENT POLICIES

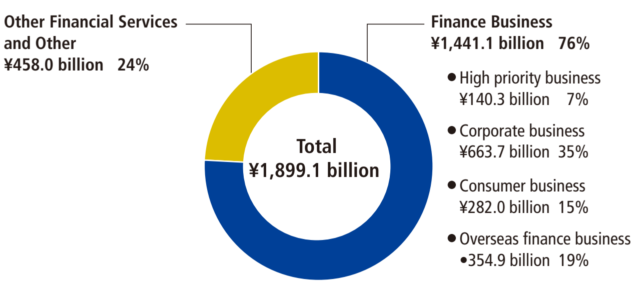
1. The companies will respect the dignity and individuality of every employee.
2. The companies will provide financial services with an emphasis on products.
3. The companies will provide services that are tailored to the needs of customers and communities.

Our Business Lines

● Finance Business

The finance business encompasses two primary areas. The first area caters to companies, farms, medical facilities and government and municipal offices, to whom we provide leases; and rental service, credit guarantees and installment finance for information equipment, industrial machinery, construction machinery, medical devices, and agricultural equipment. In the second area, lease, credit guarantee and financial services help consumers purchase products and services that enhance their standard of living, such as automobiles, household appliances, homes and home refurbishment services.

Volume of business by products/services
(Year ended March 31, 2008)



● Other Financial Services

This segment is composed of four businesses. These include the card business, which offers financial services through credit cards; non-life insurance business that provides non-life insurance-related products and services; securitization business, which offers corporate finance-related services through securitization and trust schemes; and outsourcing business, which includes services such as outsourced payment and collection services.

Kazuo Takano
President & CEO

Hitachi Capital Corporation celebrated 50 years in business on September 10, 2007. Since our earliest days, the Hitachi Capital Group has made steady progress in the financial services field, driving strong corporate growth along the way. I would like to express my warmest appreciation to all shareholders, customers and other stakeholders for your support and patronage over the years.

OVERVIEW OF FISCAL 2008

In fiscal 2008, ended March 31, 2008, the global economy was impacted by various changes, notably rising market interest rates in numerous countries, the subprime loan crisis in the United States and steep increases in prices for crude oil and other raw materials. The Japanese economy was also affected by these factors.

Amid such a volatile environment, the volume of business for the Hitachi Capital Group in fiscal 2008 amounted to ¥1,899,166 million (US$18,991 million), down 1.5% year-on-year. Broken down, the overseas finance business increased by 14.7% due to business expansion in Asia, while other financial services increased by 4.5% due to steady growth in the outsourcing business. Although the volume of business decreased by 9.1% in the high priority business areas of agricultural equipment and medical and nursing business, we still fared relatively well considering market stagnation. Corporate business was down 10.6% as a result of a marketing strategy aimed at boosting profitability. Despite a slump in housing loans, automobile finance was solid, keeping the decline in consumer business to 1.0%.

Revenues totaled ¥117,185 million (US$1,171 million), up 1.0%, owing to efforts to raise profitability including accumulating operating receivables of high credibility in leasing and strengthening automobile finance services in credit guarantees. Despite steady measures to reduce selling, general and administrative expenses, operating income was down 9.9% to ¥22,486 million (US$224 million) due to the impact of an increase in financing costs associated with rising market interest rates in Japan and overseas. We recorded other expenses during the period, such as loss on valuation of investments in securities due to a downturn in the stock market and impairment loss on fixed assets in line with business restructuring reforms at our subsidiary, Hitachi Capital Insurance Corporation. As a result, net income decreased by 28.3% to ¥10,722 million (US$107 million).

Hitachi Capital (UK) PLC, a subsidiary in Britain, was made into a wholly owned subsidiary, and Hitachi Capital subscribed to shares from Hitachi Capital Insurance Corporation through a capital increase as a means to bolster Group management.

FORMULATED NEW MID-TERM MANAGEMENT PLAN AIMED AT FURTHER REFORM

Going forward, competition is expected to intensify and market reorganization is expected to accelerate in the non-banking industry on the back of amendments to laws and regulations, beginning with changes to accounting standards for leases. Market interest rates are also forecast to rise. Consequently, the business environment is projected to become more severe.

Over the years, Hitachi Capital has pushed forward with reforms of its business structure in anticipation of changes in the business environment. Through the provision of diverse financial services as a business partner to our customers, we have achieved growth in finance income as well as commission revenues.

In light of the results of our initiatives and sudden changes in the business environment, we reviewed our "strengths as a finance company for manufacturers," "community-based nationwide network" and "diverse customer base, from corporations to individuals," along with formulating a new three-year mid-term management plan to clarify ways to drive future growth, together with speeding up and ensuring the thorough implementation of reforms.

Under this plan, we clarified our aim to be "the No. 1 financial services company with a focus on products" by further promoting our stance as a corporation with a genuine concern for "products." We will implement three strategies to help us achieve this vision: "reform the profit structure," "enhance and expand overseas business" and "strengthen the management foundation."

First, in reforming our profit structure, we will increase operating leases and asset-based loans, while expanding services such as recovery of accounts receivable and settlement of accounts payable, rental transactions, auto lease transactions and recycling and reuse transactions. We will also aggressively develop new products that tackle current issues related to the environment, resources and energy, and that meet the needs of a society characterized by an aging population and a declining birthrate, regional development (shift from public to private sectors) and advancements in information technology.

By fiscal 2011, we aim to have around 30% of total operating income accounted for by overseas business as our new growth pillar. We will achieve this by expanding business in areas in which we have an established presence as well as through entry into new areas. To strengthen our management foundation, we will enhance productivity through the restructuring of information systems and improve service quality.

Through this new mid-term management plan, I believe we can achieve diversification in the profit structure of the entire Group and establish a solid basis for ongoing growth.

DIVIDEND POLICY AND MESSAGE TO SHAREHOLDERS

While maintaining a stable distribution of dividends linked to business performance, we seek to ensure a sound financial position and secure internal reserves necessary for sustainable growth and to cope with the changing management environment. Based on this policy, we paid a year-end dividend for the fiscal year ended March 31, 2008 of ¥18.00 (US$0.18) per share. Including a commemorative dividend of ¥4.00 (US$0.04) per share paid at the end of the interim period, our annual dividend amounted to ¥40.00 (US$0.4) per share, up ¥4.00 (US$0.04) over the previous year.

After celebrating 50 years in business, we have embarked upon fresh initiatives with our new mid-term management plan. Nonetheless, we remain dedicated to providing financial services with a focus on "products." We also seek to realize a recycling-oriented society by making full use of "products," while implementing highly transparent management and making a positive contribution to society. I ask all shareholders for your continued support.

Kazuo Takano
President & CEO

"Aiming to be the No. 1 financial services company with a focus on products"

The Hitachi Capital Group initiated a new three-year mid-term management plan that runs from fiscal 2009 to fiscal 2011. The plan is based on our vision "to be the No. 1 financial services company with a focus on products." We will implement three strategies to help us achieve this vision: "reform the profit structure," "enhance and expand overseas business" and "strengthen the management foundation." This special feature gives an overview of the new mid-term management plan.

In Pursuit of Sustainable Growth amid a Changing Business Environment

Japan's leasing industry has been characterized by reform on the back of changes to accounting standards for leases and expansion in scale. Meanwhile, the credit industry has been undergoing immense change on account of amendments to the Money-Lending Business Control and Regulation Law and the Installment Sales Law. Under such an environment, Hitachi Capital aims to drive sustainable growth for the next 50 years to build on the solid footing established in its first 50 years. The business structural reform program laid out in our new mid-term management plan seeks to achieve this goal.

New Business Vision

The vision of the plan is to establish the Hitachi Capital Group as "the No. 1 financial services company with a focus on products." Manufacturing operations of the Hitachi Group cover a wide spectrum ranging from power stations and plants to railway cars, construction equipment, computers, home appliances and electronic components. The state-of-the-art technology and reliability of these products have earned high praise from customers around the world.

Hitachi Capital's New Services

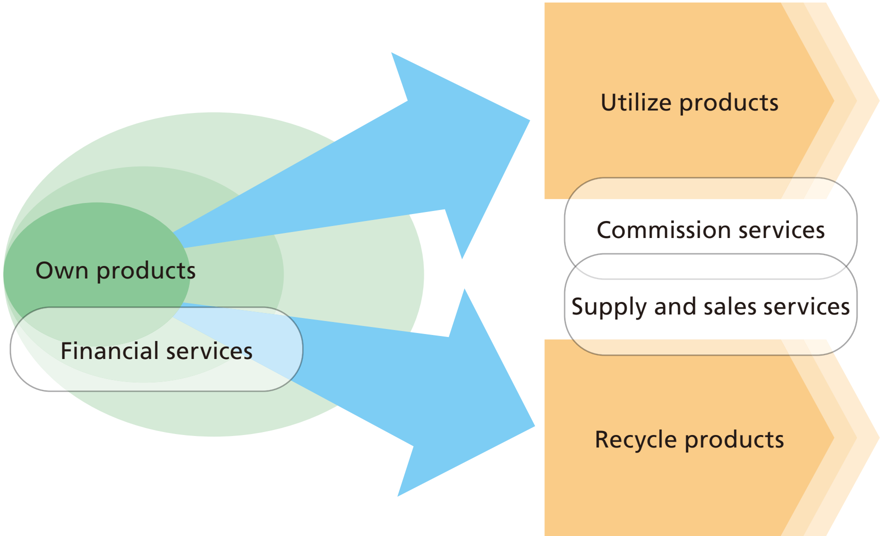
Food Analysis Services


Liquid chromatograph mass spectrometer

Hitachi Capital together with Hitachi Kyowa Engineering Co., Ltd. started providing food analysis services that conform to the Positive List System* for regulating residual agricultural chemicals, including pesticides, in February 2008. Objects subject to testing include all agricultural products, compost, water quality, soil and crop residues. Samples requested by customers are analyzed and the data on residual agricultural chemicals is extracted and made available. We can therefore assist customers, from producers and processors to distributors, with the management of agricultural chemicals and support the food industry in Japan from the perspectives of food safety and reliability.

* Positive List System is a system that, more than ever before, strictly regulates pesticides and other substances contained in food products and prohibits the sale of foodstuffs with residual agricultural chemicals above a certain level. The system was launched in May 2006, and all foodstuffs, including processed food products, are as a rule subject to regulations for all pesticides, antibiotics, synthetic antimicrobials and other designated substances.

No. 1 Financial Services Company with a Focus on "Products"



Incorporated in our vision is a strong desire to develop diverse businesses related to owning "products," using "products" and recycling "products," and to create a new business model featuring a composite profit structure, which we will accomplish by leveraging traditional strengths and accumulated know-how in manufacturing.

While maintaining our long-standing competitive advantage in promoting business activities that are closely tailored to communities and customers, we will offer a multitude of new services aimed at achieving our vision.

Three Strategies

The Hitachi Capital Group will implement three strategies to help us achieve our new mid-term management plan: "reform the profit structure," "enhance and expand overseas business" and "strengthen the management foundation."

• Reform the Profit Structure

Under our traditional business model, we sought to expand finance income through leasing and installment sales. Intensifying competition, however, is expected to put downward pressure on profitability. Conversely, we can develop business by exploiting our advantage as a manufacturer-affiliated financial services company through financial services pertaining to the ownership, utilization and recycling of "products." To this end, we will shift to a profit structure that enables sustainable growth by executing the following four initiatives.

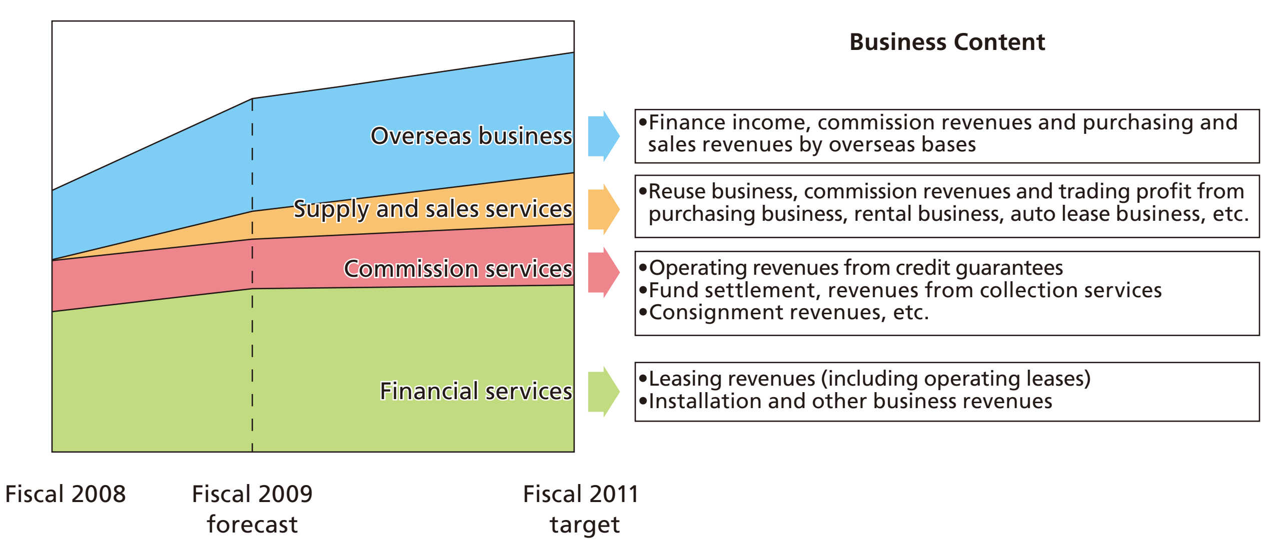
First, we will strengthen finance income based on "products." In addition to traditional finance leases, we will expand our range to include operating leases and asset-based loans.

Second, we will boost commission revenues by focusing on the management and consignment of "products." By making the most of our accumulated know-how, we can strengthen the consignment of equipment installation, operations management and disposal. We will also work to expand loan sales through alliances with financial institutions by exploiting our strengths in screening, credit and collection.

Third, we will enhance purchasing and sales revenues by focusing on the utility value and recycling of "products." Besides our rental and auto lease businesses, we will bolster our recycling and reuse business.

Fourth, we will implement initiatives in new markets. We will aggressively develop new products

■ **Desired Business Portfolio**



that tackle current issues related to the environment, resources and energy, and that meet the needs of a society characterized by an aging population and a declining birthrate, regional development (shift from public to private sectors) and advancements in information technology.

We will take a proactive approach to business alliances and M&A in order to accelerate this series of profit structure reforms and to strengthen our underlying revenues base.

Hitachi Capital's New Services

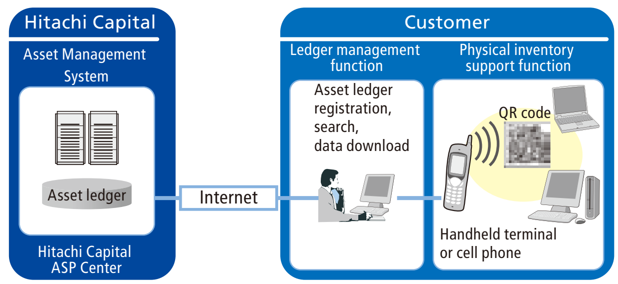
Total Asset Management Service

Hitachi Capital started providing a total asset management service called "Asset Navi Service" in October 2007 that can be used by businesses to manage and take inventory of all assets and equipment such as data processing equipment and office machinery.

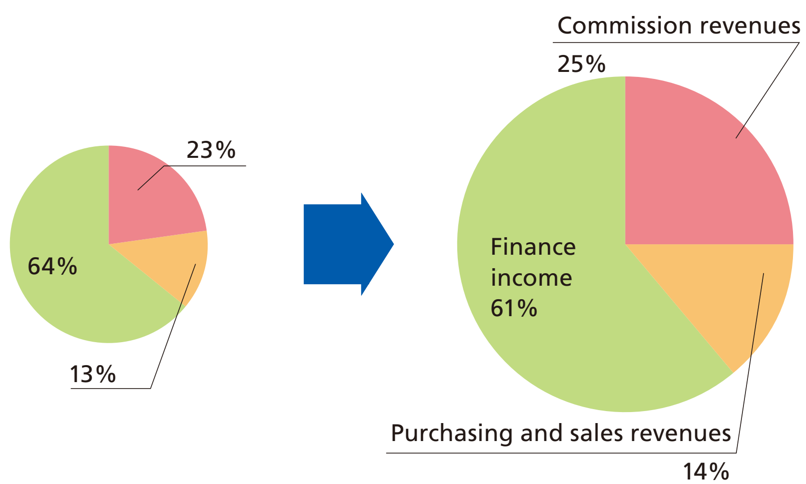
While businesses face an increasingly greater need to control their assets in the interest of internal control and protection of personal information, in practice, many businesses struggle to accurately track and control their assets. Hitachi Capital has developed "Asset Navi Service" to help customers solve such problems.

In that the system is provided as an ASP (Application Service Provider) service, it can be implemented quickly and economically. In addition, the system's servers are installed at the Hitachi Group's data center with high levels of security via detection and notification of illegal access together with data backup. Hitachi Capital's ongoing upgrades of software and hardware maintenance service will ensure significant reductions in customer management costs.

■Outline of Total Asset Management Service



Domestic Business Profit Structure Reform



Fiscal 2009 forecast

Fiscal 2011 target

• Enhance and Expand Overseas Business

We will foster and strengthen business overseas in key fields for the Hitachi Capital Group over the medium to long term. It is difficult to expect significant growth in the domestic market in part because of the aging population and declining birthrate. We believe that promoting business overseas as one of our growth strategies will in turn help drive sustainable growth for Hitachi Capital.

Specifically, we will bolster our network of operational bases, primarily in the three regions of Asia, Europe and North America. We will implement initiatives in each of these regions that target individuals and small and medium-size companies. Efforts will focus on business expansion, especially vendor finance in leasing and credit services that are closely tailored to local communities, the same as in Japan. Asia is viewed as our most promising market. We already have a strong track record in Singapore and Hong Kong and will expand business in Thailand going forward. In Europe, we plan to start operations in Eastern Europe, notably Poland, based on positive results in the United Kingdom. In North America, since further stagnation is forecast in the U.S. market owing to the subprime loan crisis, we will focus our energy on Canada.

Hitachi Capital's New Services

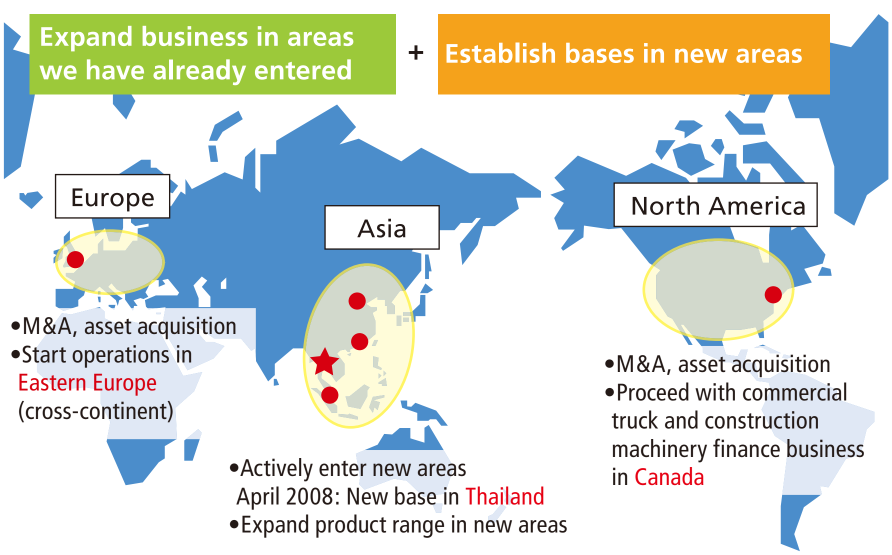
Comprehensive Operation and Administration Services for Office IT Equipment

Hitachi Capital has teamed up with Hitachi Electronics Services Co., Ltd. to provide new comprehensive operation and administration services from equipment installation to disposal for such office IT equipment as personal computers and printers catering to small and medium-size businesses. The new services started at the end of October 2007.

As businesses become increasingly dependent upon IT equipment, the need for operational management of this equipment, such as internal control and environmental management, has increased and become more advanced. The costs associated with installing and subsequently managing equipment are a heavy burden for small and medium-size companies.

As a new service menu, Hitachi Capital provides such companies with services that encompass operation and management from installation to disposal (purchasing, installation, lease, expansion, transfer, troubleshooting, inventory, data erasure and equipment disposal), in addition to curbing initial capital investment for customers through financing. Reducing the burden of operating and managing IT equipment provides the benefits of lower costs and permitting employees more time to concentrate on core businesses. Through these services, Hitachi Capital aims to boost management efficiency for customers' businesses and realize a society that doesn't waste resources, including effective utilization of equipment after disposal.

■ **Overseas Business Strategies**



• Strengthen the Management Foundation

To strengthen our management foundation amid a fast-changing business environment, the Hitachi Capital Group will work to enhance productivity through the restructuring of information systems and improve service quality.

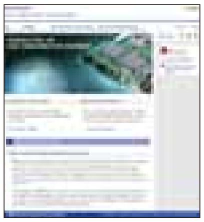
In restructuring information systems, we will execute R&D investment to ensure that we can respond quickly to changes in accounting standards, taxation, laws and regulations, and systems. We will respond to customer queries and applications via the Internet by creating a "customer front system" directed towards realizing convenience for customers and operating efficiency.

In order to improve service quality, we will constantly review our business processes based on the slogan "Quality First," as well as conduct training and provide education for each employee to raise the level of quality across the board.

Hitachi Capital's New Services

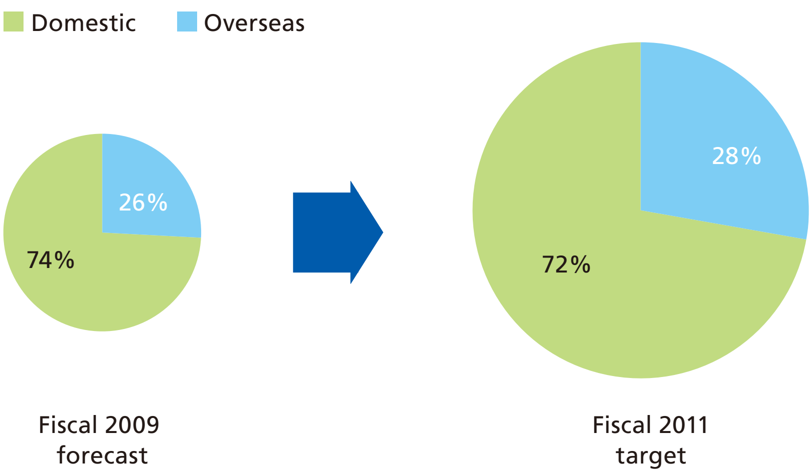
Used Semiconductor Equipment Website

Hitachi Capital has been developing a recycling business for many years. In particular, we provide services relating to the reuse of used equipment and machinery, including assets that have been rented or leased, through various channels such as a website. The sale of used semiconductor equipment is one of these services. The product information section of the website shows a lineup of over 280 different kinds of used semiconductor equipment in three categories: returned equipment for which the Hitachi Capital lease has expired or is about to expire; equipment sold via consignment by our business partners; and equipment purchased by Hitachi Capital for the purpose of selling. Expertise in evaluating equipment is one of our strengths as a manufacturer-affiliated leasing company. By satisfying the needs of device makers who want to use high-end equipment at a reasonable price, we play an important role in creating a recycling-oriented society.



Used semiconductor equipment website:
http://www.hitachi-capital.co.jp/semicon/english/index.html

Domestic/Overseas Operating Income



DIRECTORS AND OFFICERS

Directors

Yoshiki Yagi
Chairman of the Board

Kazuo Takano
Director

Kazuya Miura
Director

Yukio Ooki
Director

Kunimitsu Mukunoki
Director

Akira Tsuda
Director

Kazuhiro Mori
Director

Corporate Officers

Kazuo Takano
President and
Chief Executive Officer

Kazuya Miura
Vice President
and Chief Executive Officer,
General Manager of
Business Control Division

Yasushi Matsushita
Senior Corporate Officer,
General Manager of
Legal Department

Sadahiro Katoh
Senior Corporate Officer,
General Manager of Tokyo
Regional Head Office
Division II

Keiji Momoi
Senior Corporate Officer,
General Manager of Finance
Division

Yasuo Kitaura
Senior Corporate Officer,
General Manager of Kansai
Regional Head Office

Yuichiro Shimada
Senior Corporate Officer,
General Manager of
Group Company Office

Seiji Kawabe
Senior Corporate Officer,
Deputy General Manager of
Business Control Division

Top Management at Subsidiaries

Toru Honda
Okinawa Hitachi Capital Corporation

Misuo Yoshii
Hitachi Capital Servicer Corporation

Takashi Furukawa
Hitachi Capital Services Co., Ltd.

Kenji Suzuki
Hitachi Capital Auto Lease Corporation

Fumio Kuboyama
Hitachi Capital Securities Co., Ltd.

Kenichi Murakami
Hitachi Triple Win Corp.

Masahiko Okuno
Sekisui Leasing Co., Ltd.

Ryoji Sato
Hitachi Capital Insurance Corporation

Mitsuhiro Watanabe
Iseki Capital Corporation

Masami Aishima
Hitachi Capital Ayase SC Corporation

Kiyoshi Kojima
Hitachi Capital Trust Corporation

Ken Ara
Gontazaka Square Corp.

Hironori Tozawa
Hitachi Capital (Hong Kong) Ltd.

David Anthony
Chihiro Shirai
Hitachi Capital (UK) PLC

Simon Oliphant
Hitachi Capital Vehicle Solutions Ltd.

Steven Lawler
Hitachi Capital Insurance Europe Ltd.

Yoshiyuki Kume
William Besgen
Hitachi Capital America Corp.

Seiji Yasuda
Hitachi Capital Singapore Pte. Ltd.

Hideyuki Iikura
Seika Ryu
Hitachi Capital Leasing (China) Co., Ltd.

Tadashi Tohyama
Hitachi Capital (Thailand) Co., Ltd.

(As of August 1, 2008)

BASIC POLICY

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

1. DESCRIPTION OF INTERNAL ORGANIZATIONS

Hitachi Capital uses a committee system as part of a management structure suitable for achieving fast and fair solutions to management issues currently facing the Company as well as in addressing future issues.

As of June 23, 2008, Hitachi Capital's Board of Directors consisted of seven directors, including four external directors, who normally convene monthly. As prescribed by laws, the Company's Articles of Incorporation and the regulations of the Board of Directors, it conducts decision-making on such pressing management issues as basic policies and key management strategies. The Board also undertakes the appointment of Corporate Officers, requests explanations and reports regarding executive activities when needed and ensures the proper functioning of operations.

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

Corporate Officers (eight as of June 23, 2008) elected by the Board make executive decisions and execute business affairs within the scope of authority delegated by the Board of Directors. A Corporate Officers Committee convenes monthly to make decisions on key matters.

2. COMPLIANCE STRUCTURE

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

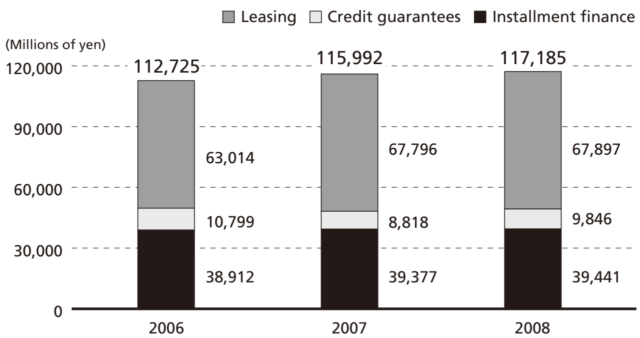
In addition, Hitachi Capital employs an internal reporting system that allows Group employees to report any illegal activities or improper conduct occurring within the Group to either an internal contact point or external legal counsel.

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

3. RISK MANAGEMENT STRUCTURE

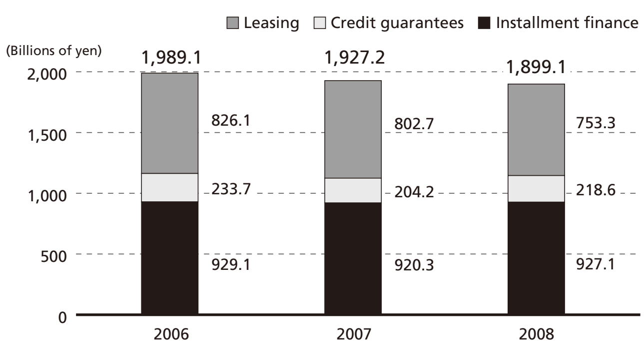
Hitachi Capital has formulated Basic Policies for Risk Management as a means of clarifying basic management policies as well as the methods for addressing risks. Cognizant of the fact that accurately detecting business risks and adjusting accordingly is a core and essential competency of the financial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

Revenues (by type of contract)

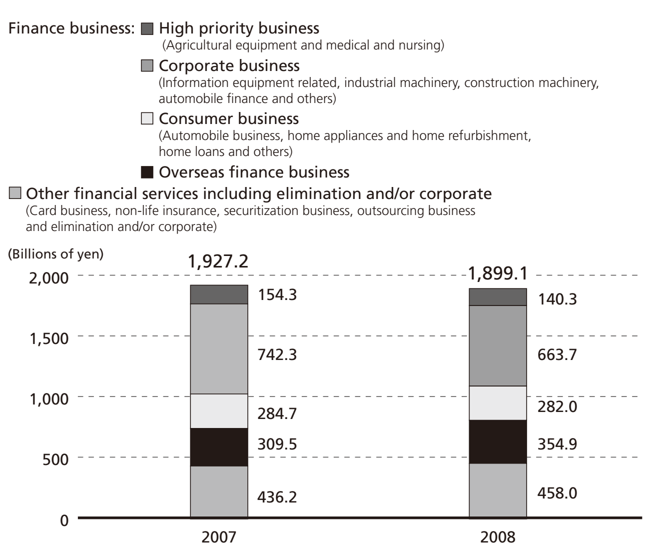


Leasing includes rental and auto leases and others.
Credit guarantees include loan sales through alliances and others.
Installment finance includes installment sales, business loans, card services and others.

Volume of business (by type of contract)



Volume of business (by product/services)



BUSINESS RESULTS

During the fiscal year ended March 31, 2008, revenues increased 1.0% to ¥117,185 million (US$1,171 million). Looking at performance by type of contract, we accumulated operating receivables of high credibility in leasing by focusing on profitability. In credit guarantees, we strengthened our automobile finance services. These and other activities were aimed at enhancing profitability.

Despite efforts to reduce selling, general and administrative expenses, operating income declined 9.9% to ¥22,486 million (US$224 million) due to an increase in financial expenses accompanying a rise in market interest rates in Japan and overseas. Net income declined 28.3% to ¥10,722 million (US$107 million). The Company posted other expenses such as loss on valuation of investments in securities associated with a stock market slowdown in the second half of the fiscal term, and impairment loss on fixed assets in line with business restructuring reforms at subsidiary Hitachi Capital Insurance Corporation. The Company implemented the subscription of shares from Hitachi Capital Insurance Corporation through a capital increase, as well as made Hitachi Capital (UK) PLC a wholly-owned subsidiary.

BY BUSINESS SEGMENT

Finance Business

The overall volume of business in the finance business declined 3.3% to ¥1,441,153 million (US$14,411 million), attributable to such factors as efforts in focusing on profitability. Revenues increased 1.1% to ¥108,846 million (US$1,088 million) due primarily to a focus on automobile finance services. However, operating income declined 7.0% to ¥22,597 million (US$225 million) owing mainly to an increase in financial expenses.

Other Financial Services

In the outsourcing business, we worked to increase the number of business customers, while focusing on trustee business, such as payroll and accounting services, and receivables collection services. As a result, the total volume of business in other financial services increased 4.5% to ¥464,902 million (US$4,649 million). Revenues declined 5.8% to ¥14,184 million (US$141 million). In line with the absorption of a subsidiary engaged in the card business in the year ended March 31, 2007, associated revenues previously recorded as intersegment transactions were not recorded for the year. Operating income fell 2.0% to ¥2,275 million (US$22 million).

PER SHARE INDICES AND ROE/ROA

Consolidated net income per share dropped 28.3% to ¥91.7 (US$0.92) due to a decrease in net income. Annual cash dividends per share were ¥40.00 (US$0.40), including a 50th anniversary commemorative dividend of ¥4.00 (US$0.04). The payout ratio was 43.6% (consolidated). ROE was 4.5% and ROA was 0.43%.

FINANCIAL POSITION

As of March 31, 2008, total assets amounted to ¥2,447,791 million (US$24,477 million), down ¥68,930 million (US$689 million) from the previous fiscal year-end. This was due primarily to decreases in trade receivables included in current assets and equipment held for lease included in fixed assets owing to the liquidation of receivables and efforts to focus on profitability.

Total net assets at year-end declined ¥8,819 million (US$88 million) to ¥239,077 million (US$2,390 million). This was due to decreases in valuation and translation adjustments reflecting the impact of the market environment in Japan and overseas and minority interests in Hitachi Capital (UK) PLC upon being made a wholly owned subsidiary, despite an increase in retained earnings of ¥6,046 million (US$60 million). The stockholders' equity ratio rose 0.1 percentage point from the previous fiscal year-end to 9.7%.

Interest-bearing debt declined ¥103,246 million (US$1,032 million) to ¥789,499 million (US$7,894 million) as a result of continued efforts to reduce outstanding debt.

CASH FLOWS

Cash and cash equivalents at end of year amounted to ¥100,366 million (US$1,003 million), an increase of ¥18,337 million (US$183 million) from the previous fiscal year-end. This is in line with our current policy to keep cash at hand given the uncertainty in today's business environment. Cash flows for each category were as follows.

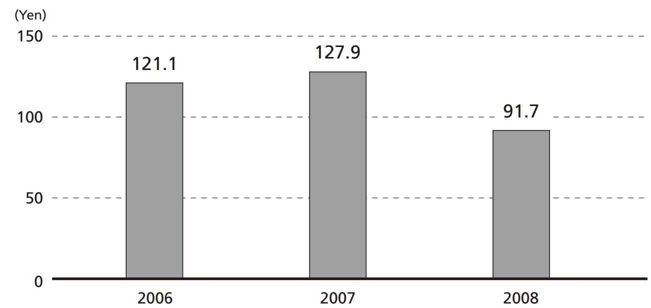
Net cash provided by operating activities was ¥127,347 million (US$1,273 million). This consisted mainly of such inflows as depreciation of ¥550,792 million (US$5,507 million), cash provided by asset backed securitization of ¥1,306,386 million (US$13,063 million), as well as such outflows as payment for asset backed securitization of ¥1,236,648 million (US$12,366 million) and acquisition of equipment for lease of ¥589,882 million (US$5,898 million).

Net cash used in investing activities was ¥11,406 million (US$114 million) due mainly to the additional acquisition of shares in Hitachi Capital (UK) PLC.

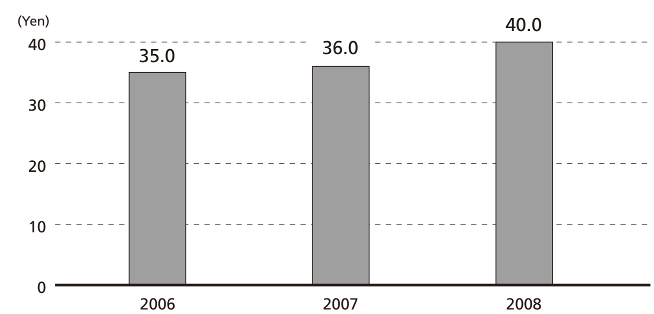
Net cash used in financing activities amounted to ¥97,017 million (US$970 million) due primarily to a reduction in interest-bearing debt.

As a result of these activities, free cash flows, the sum of operating and investing cash flows, totaled ¥115,940 million (US$1,159 million).

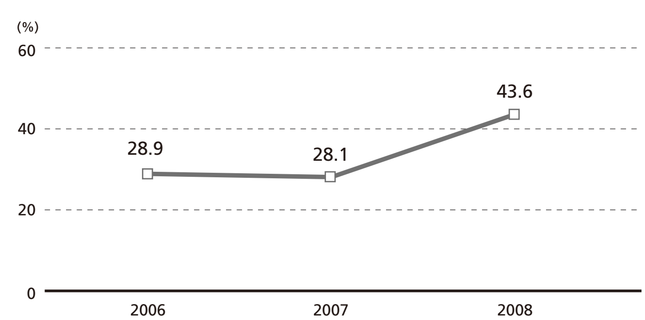
Net income per share

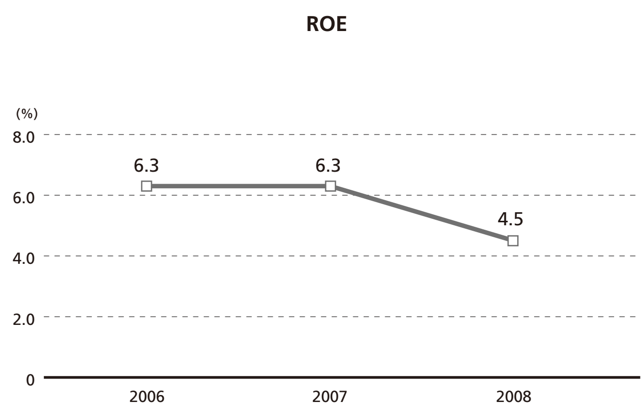


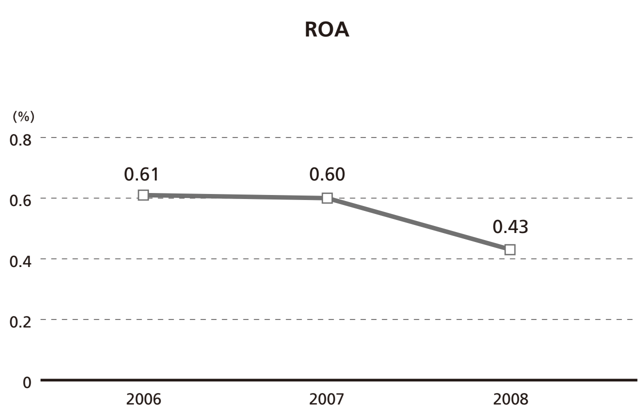
Annual cash dividends per share

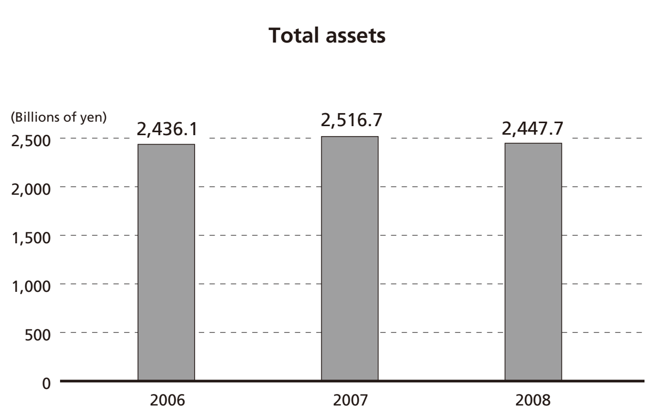


Payout ratio









BUSINESS RISK

Interest Rate Risk

Because the Group provides financial services, including leasing and installment financing, 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 appropriately conducts screening at the time of a contract and ascertains such factors as the state of credit when a credit receivable is being collected and makes an appropriate level of reserves. Nevertheless, deterioration in the collection of receivables along with 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 provision for allowance for losses on receivables and guarantees.

Laws and Regulations Changes Risk

Changes in laws and regulations relative to Group business could also impact results.

With the second phase of the amendments to the Money-Lending Business Control and Regulation Law in December 2007, there could be additional costs associated with the changes. The Group has always complied with the Interest Limitation Law, so there is no direct risk of returning excess payments.

New accounting standards were adopted for leases in April 2008, and lease taxation was reviewed as a result. While we will strive to add new value to our products and services with a focus on "products" in response to these changes, such changes could have an adverse impact on the Group's business results.

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.

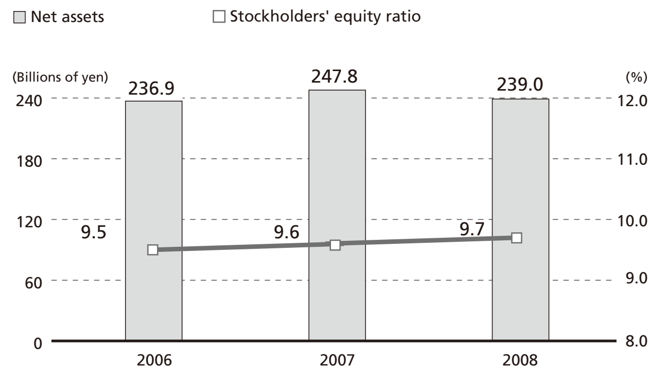
Leased Assets Residual Value Risk
One of the Group's business strategies is "Providing financial services that focus on 'products'." We will focus on operating leases in order to respond to changes in market demand accompanied by changes in accounting standards for financial leases. We will continue 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 Risks
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.

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 corporate rules from internal regulations and voluntary industry rules to social ethics and norms. The Company established a Compliance Group within the Legal Department 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.

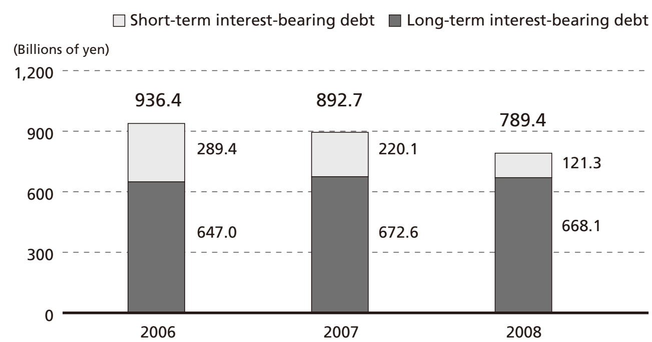
Human Resources Risk
The Group considers employees' abilities as important assets of a company and is implementing intensified recruitment, well-planned educational programs as well as improved training programs. However, there is a risk that the Group will not be able to secure the human resources required 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.

Net assets/stockholders' equity ratio



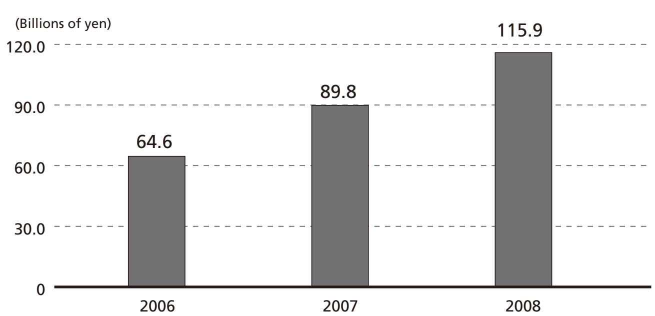
* Stockholders' equity ratio = (Net assets - Minority interests) / Total assets

Outstanding interest-bearing debt



Long-term interest-bearing debt includes current portion of loans and debt.

Free cash flows



CONSOLIDATED BALANCE SHEETS

Hitachi Capital Corporation and Subsidiaries
March 31, 2008 and 2007

	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)
ASSETS	**2008**	2007	**2008**
CURRENT ASSETS:			
Cash on hand and at bank (Note 16)	**¥ 26,358**	¥ 23,981	**$ 263,580**
Trade receivables, including amounts maturing after one year	**611,063**	632,048	**6,110,630**
Less: Allowance for losses on receivables (Notes 3 (c) and 6)	**10,422**	10,556	**104,220**
Net trade receivables	**600,640**	621,492	**6,006,400**
Parent company deposit (Note 16)	**74,008**	58,048	**740,080**
Short-term investments (Notes 3 (d), (p) and 5)	**4,691**	2,392	**46,910**
Prepaid expenses and other current assets (Notes 3 (p) and 9)	**26,246**	80,075	**262,460**
Total current assets	**731,945**	785,990	**7,319,450**
Equipment held for lease, at cost less accumulated depreciation (Notes 3 (f) and 18) Accumulated depreciation was ¥2,570,212 million ($25,702,120 thousand) in 2008 and ¥2,444,384 million in 2007	**1,615,445**	1,664,357	**16,154,450**
Investments in securities (Notes 3 (d), (p), 4 and 5)	**47,887**	19,352	**478,870**
Total investments	**1,663,332**	1,683,710	**16,633,320**
Property and equipment, at cost less accumulated depreciation	**6,892**	7,020	**68,920**
Other assets (Notes 4, 9 and 10)	**45,621**	40,000	**456,210**
Total assets	**¥ 2,447,791**	¥ 2,516,721	**$24,477,910**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Japanese yen (millions) 2008	2007	U.S. dollars (thousands) (Note 2) 2008
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	**¥ 52,071**	¥ 53,440	**$ 520,710**
Commercial paper	**69,236**	166,724	**692,360**
Current portion of long-term debt (Note 7)	**206,530**	128,079	**2,065,300**
Trade payables (Note 8)	**325,470**	322,893	**3,254,700**
Accrued expenses	**14,807**	13,343	**148,070**
Obligation for securitized lease receivables (Note 3 (o))	**354,674**	331,489	**3,546,740**
Income taxes payable (Note 9)	**5,928**	5,001	**59,280**
Allowance for losses on guarantees (Note 6)	**3,400**	3,300	**34,000**
Other current liabilities (Note 9)	**45,938**	42,715	**459,380**
Total current liabilities	**1,078,058**	1,066,988	**10,780,580**
Long-term debt (Note 7)	**461,660**	544,500	**4,616,600**
Retirement and severance benefits (Notes 3 (h) and 10)	**4,902**	5,000	**49,020**
Retirement benefits for directors (Note 3 (h))	**881**	1,223	**8,810**
Long-term obligation for securitized lease receivables (Note 3 (o))	**625,940**	618,687	**6,259,400**
Other liabilities (Note 9)	**37,271**	32,424	**372,710**
Total liabilities	**2,208,714**	2,268,824	**22,087,140**
NET ASSETS:			
Stockholders' equity			
Common stock:			
Authorized 270,000,000 shares; issued 116,890,558 shares in 2008 and issued 116,891,173 shares in 2007	**9,983**	9,983	**99,830**
Capital surplus	**45,972**	45,972	**459,720**
Retained earnings (Notes 3 (k) and 11)	**198,800**	192,754	**1,988,000**
Treasury stock (Notes 3 (j) and 12)	**(14,328)**	(14,327)	**(143,280)**
Total stockholders' equity (Notes 3 (q) and 11)	**240,428**	234,382	**2,404,280**
Valuation and translation adjustments			
Net unrealized holding gain on securities	**994**	4,378	**9,940**
Net unrealized gain on hedging derivatives	**(1,750)**	423	**(17,500)**
Foreign currency translation adjustments	**(2,030)**	1,788	**(20,300)**
Total valuation and translation adjustments	**(2,786)**	6,590	**(27,860)**
Minority interests	**1,435**	6,924	**14,350**
Total net assets (Note 3 (q))	**239,077**	247,897	**2,390,770**
Total liabilities and net assets	**¥ 2,447,791**	¥ 2,516,721	**$ 24,477,910**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2008	2007	2006	**2008**
REVENUES (Note 17)**:**				
Operating revenues	**¥ 115,362**	¥ 114,811	¥ 112,272	**$ 1,153,620**
Interest and dividend income	**1,823**	1,181	453	**18,230**
	117,185	115,992	112,725	**1,171,850**
EXPENSES (Note 17)**:**				
Selling, general and administrative expenses	**62,439**	63,849	63,774	**624,390**
Financing costs	**32,259**	27,179	22,762	**322,590**
	94,699	91,029	86,536	**946,990**
Operating income	**22,486**	24,963	26,189	**224,860**
Other income	**179**	1,521	227	**1,790**
Other expenses (Note 13)	**2,161**	137	287	**21,610**
Income before income taxes and minority interests	**20,504**	26,347	26,129	**205,040**
Income taxes (Notes 3 (g) and 9)	**9,879**	10,659	11,257	**98,790**
Minority interests	**(96)**	733	652	**(960)**
Net income	**¥ 10,722**	¥ 14,954	¥ 14,219	**$ 107,220**

	Japanese yen			U.S. dollars (Note 2)
PER SHARE DATA (Notes 3 (l) and 14)**:**				
Net income (basic)	**¥ 91.7**	¥ 127.9	¥ 121.1	**$ 0.92**
Net income (diluted)	**91.7**	127.9	121.0	**0.92**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

Japanese yen (millions)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings (Notes 3 (k) and 11)	Treasury stock (Notes 3 (j) and 12)	Total stockholders' equity (Notes 3 (q) and 11)
Balance as of March 31, 2005	¥ 9,983	¥ 45,972	¥ 173,384	¥ (12,055)	¥ 217,284
Changes during the year					
Gain on sales of treasury stock		0			0
Cumulative effect of initial application of IFRS by subsidiaries			(1,478)		(1,478)
Purchase of treasury stock				(2,267)	(2,267)
Cash dividends			(4,111)		(4,111)
Directors' bonuses			(59)		(59)
Net income			14,219		14,219
Net change in the items other than stockholders' equity during the period					
Total change during the year	—	0	8,569	(2,267)	6,302
Balance as of March 31, 2006	¥ 9,983	¥ 45,972	¥ 181,954	¥ (14,323)	¥ 223,586

Japanese yen (millions)

	Valuation and translation adjustments					
	Net unrealized holding gain on securities	Net unrealized gain on hedging derivatives	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets (Note 3 (q))
Balance as of March 31, 2005	¥ 2,371	¥ —	¥ (800)	¥ 1,571	¥ 5,907	¥ 224,762
Changes during the year						
Gain on sales of treasury stock						0
Cumulative effect of initial application of IFRS by subsidiaries						(1,478)
Purchase of treasury stock						(2,267)
Cash dividends						(4,111)
Directors' bonuses						(59)
Net income						14,219
Net change in the items other than stockholders' equity during the period	4,484	—	1,171	5,656	266	5,922
Total change during the year	4,484	—	1,171	5,656	266	12,224
Balance as of March 31, 2006	¥ 6,856	¥ —	¥ 370	¥ 7,227	¥ 6,173	¥ 236,987

Japanese yen (millions)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings (Notes 3 (k) and 11)	Treasury stock (Notes 3 (j) and 12)	Total stockholders' equity (Notes 3 (q) and 11)
Balance as of March 31, 2006	¥ 9,983	¥ 45,972	¥ 181,954	¥ (14,323)	¥ 223,586
Changes during the year					
Cash dividends			(4,208)		(4,208)
Directors' bonuses			(42)		(42)
Net income			14,954		14,954
Liquidation of consolidated subsidiary			(40)		(40)
Reduction of equity-method affiliates			136		136
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Net change in the items other than stockholders' equity during the period					
Total change during the year	—	0	10,799	(4)	10,795
Balance as of March 31, 2007	¥ 9,983	¥ 45,972	¥ 192,754	¥ (14,327)	¥ 234,382

Japanese yen (millions)

	Valuation and translation adjustments					
	Net unrealized holding gain on securities	Net unrealized gain on hedging derivatives	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets (Note 3 (q))
Balance as of March 31, 2006	¥ 6,856	¥ —	¥ 370	¥ 7,227	¥ 6,173	¥ 236,987
Changes during the year						
Cash dividends						(4,208)
Directors' bonuses						(42)
Net income						14,954
Liquidation of consolidated subsidiary						(40)
Reduction of equity-method affiliates						136
Purchase of treasury stock						(4)
Disposal of treasury stock						0
Net change in the items other than stockholders' equity during the period	(2,478)	423	1,417	(636)	750	113
Total change during the year	(2,478)	423	1,417	(636)	750	10,909
Balance as of March 31, 2007	¥ 4,378	¥ 423	¥ 1,788	¥ 6,590	¥ 6,924	¥ 247,897

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Japanese yen (millions)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings (Notes 3 (k) and 11)	Treasury stock (Notes 3 (j) and 12)	Total stockholders' equity (Notes 3 (q) and 11)
Balance as of March 31, 2007	¥ 9,983	¥ 45,972	¥ 192,754	¥ (14,327)	¥ 234,382
Changes during the year					
Cash dividends			(4,675)		(4,675)
Net income			10,722		10,722
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Net change in the items other than stockholders' equity during the period					
Total change during the year	—	0	6,046	(1)	6,045
Balance as of March 31, 2008	¥ 9,983	¥ 45,972	¥ 198,800	¥ (14,328)	¥ 240,428

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

	U.S. dollars (thousands) (Note 2)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings (Notes 3 (k) and 11)	Treasury stock (Notes 3 (j) and 12)	Total stockholders' equity (Notes 3 (q) and 11)
Balance as of March 31, 2007	$ 99,830	$ 459,720	$ 1,927,540	$ (143,270)	$ 2,343,820
Changes during the year					
Cash dividends			(46,750)		(46,750)
Net income			107,220		107,220
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock		0		0	0
Net change in the items other than stockholders' equity during the period					
Total change during the year	—	0	60,460	(10)	60,450
Balance as of March 31, 2008	$ 99,830	$ 459,720	$ 1,988,000	$ (143,280)	$ 2,404,280

	U.S. dollars (thousands) (Note 2)					
	Valuation and translation adjustments					
	Net unrealized holding gain on securities	Net unrealized gain on hedging derivatives	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets (Note 3 (q))
Balance as of March 31, 2007	$ 43,780	$ 4,230	$ 17,880	$ 65,900	$ 69,240	$ 2,478,970
Changes during the year						
Cash dividends						(46,750)
Net income						107,220
Purchase of treasury stock						(10)
Disposal of treasury stock						0
Net change in the items other than stockholders' equity during the period	(33,830)	(21,740)	(38,180)	(93,760)	(54,880)	(148,650)
Total change during the year	(33,830)	(21,740)	(38,180)	(93,760)	(54,880)	(88,190)
Balance as of March 31, 2008	$ 9,940	$ (17,500)	$ (20,300)	$ (27,860)	$ 14,350	$ 2,390,770

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2008	2007	2006	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 20,504**	¥ 26,347	¥ 26,129	**$ 205,040**
Depreciation	**550,792**	553,423	540,888	**5,507,920**
Loss on impairment of fixed assets	**578**	—	—	**5,780**
Loss on impairment of investments in securities	**1,516**	48	4	**15,160**
Interest and dividend income	**(1,546)**	(977)	(308)	**(15,460)**
Interest expense	**26,988**	23,817	20,159	**269,880**
Gain on sale of securities	**(141)**	(1,197)	(137)	**(1,410)**
(Increase) decrease in trade receivables	**(55,139)**	5,507	(111,368)	**(551,390)**
(Gain) loss on sale of equipment for lease	**(1,008)**	2,342	2,064	**(10,080)**
Acquisition of equipment for lease	**(589,882)**	(612,698)	(645,821)	**(5,898,820)**
Proceeds from sale of equipment for lease	**58,367**	53,410	57,614	**583,670**
Increase in trade payables	**27,629**	28,565	48,815	**276,290**
Cash provided by asset backed securitization	**1,306,386**	1,231,992	1,232,315	**13,063,860**
Payment for asset backed securitization	**(1,236,648)**	(1,210,071)	(1,076,891)	**(12,366,480)**
Decrease in retirement and severance benefits	**(98)**	(102)	(32)	**(980)**
Other	**28,021**	4,200	(16,109)	**280,210**
Income taxes paid	**(8,973)**	(9,194)	(8,373)	**(89,730)**
Net cash provided by operating activities	**127,347**	95,412	68,948	**1,273,470**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of short-term investments	**2,280**	49	299	**22,800**
Purchase of investments in securities and subsidiaries' common stock	**(12,567)**	(1,638)	(2,887)	**(125,670)**
Acquisition of subsidiaries	**—**	—	541	**—**
Proceeds from sale of investments in securities	**1,292**	1,119	248	**12,920**
Capital expenditure	**(4,585)**	(3,830)	(2,775)	**(45,850)**
Proceeds from sale of capital assets	**443**	221	52	**4,430**
Interest and dividend received	**1,730**	1,017	238	**17,300**
Payment for acquisition of business assets	**—**	(2,455)	—	**—**
Net cash used in investing activities	**(11,406)**	(5,516)	(4,281)	**(114,060)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term bank loans	**5,267**	(13,920)	3,370	**52,670**
(Decrease) increase in commercial paper	**(93,714)**	(63,740)	6,797	**(937,140)**
Proceeds from long-term borrowings	**152,195**	137,905	151,137	**1,521,950**
Payments of long-term borrowings	**(128,631)**	(126,351)	(189,262)	**(1,286,310)**
Interest paid	**(26,976)**	(22,369)	(20,285)	**(269,760)**
Purchase of treasury stock	**(1)**	(4)	(2,267)	**(10)**
Proceeds from sale of treasury stock	**—**	—	0	**—**
Dividends paid to stockholders	**(4,675)**	(4,208)	(4,111)	**(46,750)**
Dividends paid to minority stockholders of subsidiaries	**(300)**	(363)	(314)	**(3,000)**
Other	**(180)**	(38)	(23)	**(1,800)**
Net cash used in financing activities	**(97,017)**	(93,092)	(54,957)	**(970,170)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(585)**	243	198	**(5,850)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,337**	(2,953)	9,908	**183,370**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**82,029**	84,982	75,074	**820,290**
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 16)	**¥ 100,366**	¥ 82,029	¥ 84,982	**$ 1,003,660**

See accompanying notes to consolidated financial statements.

(1) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

(2) U.S. DOLLAR AMOUNTS

The consolidated financial statements are expressed in yen. Solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2008 have been translated into U.S. dollars at the rate of ¥100 to $1, the approximate exchange rate at March 31, 2008. 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 ¥100 to $1 or at any other rate.

(3) SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and following majority-owned subsidiaries, which are directly or indirectly controlled:
Okinawa Hitachi Capital Corporation, Hitachi Capital Servicer Corporation, Hitachi Capital Services Co., Ltd., Hitachi Capital Auto Lease Corporation, Hitachi Capital Securities Co., Ltd., Hitachi Triple Win Corp., Sekisui Leasing Co., Ltd., Hitachi Capital Insurance Corporation, Iseki Capital Corporation, Hitachi Capital Ayase SC Corporation, Hitachi Capital Trust Corporation, Gontazaka Square Corp., Hitachi Capital (UK) PLC, Hitachi Capital Vehicle Solutions Ltd., Trowbridge Vehicle Rentals Ltd., Industrial Equipment Finance Ltd., Hitachi Capital Credit Management Ltd., Hitachi Capital Insurance Europe Ltd., Hitachi Capital Reinsurance Ltd., Hitachi Capital America Corp., Hitachi Capital (Hong Kong) Ltd., Hitachi Capital Singapore Pte. Ltd., and Hitachi Capital Leasing (China) Co., Ltd.

Trowbridge Vehicle Rentals Ltd. and Industrial Equipment Finance Ltd. are now in liquidation. During the year ended March 31, 2008, Gontazaka Square Corp. was established.

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

(b) Revenue Recognition

Loan guarantee arrangements:
The Company and subsidiaries provide loan guarantees to banks and other financial institutions on behalf of customers who borrow funds for purchases of products. The commission revenue is recognized at the inception of loans, when the customers pay total commissions.

Equipment Leases:
Equipment leases are accounted for under operating leases. Lease revenue is recognized over the lease terms when lease payments become due. Lease costs, which primarily consist of depreciation expense, are generally recognized in proportion to the related lease revenue over the lease terms.

Purchase of installment receivables:
The Company and subsidiaries purchase installment receivables from retailers at the inception of the installment contracts between retailers and their customers. The payables to retailers are determined as the cash sales price of commodities, and revenue is calculated as the net of installments receivables and payables to retailers. The revenue is deferred and recognized proportionately over the installment period,

when the monthly installments become due.

Installment credit facilities:
The customers pay commissions on installment credit facilities, which are computed at predetermined fixed rates based on the number of monthly installments. The commission revenue is deferred and proportionately recognized over the installment period, when monthly installments become due.

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

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

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

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

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

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

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

(f) Residual Value Reserves
Accumulated depreciation includes an allowance for losses on disposal of leased assets upon termination of lease contracts. The Company and subsidiaries provided for the allowance in the amount of ¥723 million ($7,230 thousand) and appropriated for losses on disposal of leased assets in the amount of ¥1,144 million ($11,440 thousand) for the year ended March 31, 2008. The allowance included in accumulated depreciation was ¥2,864 million ($28,640 thousand) at March 31, 2008.

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

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

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

On March 31, 2008, a resolution was passed to eliminate retirement benefits for directors and executive officers. The reserve balance as of March 31, 2008 is to be drawn down as directors retire, when retirement bonus payment amounts are determined.

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

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

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

(k) Appropriation of Retained Earnings
On May 1, 2006, the Japanese Corporate Law went into effect and replaced the Japanese Commercial Code. Under the Japanese Corporate Law, the Company is able to appropriate retained earnings by resolution of the Board of Directors, provided that certain criteria are met.
Effective from the fiscal year ended March 31, 2007, the Company adopted "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No. 4, November 29, 2005) and thus recorded directors' bonuses as selling, general and administrative expenses in the fiscal year when incurred. The effect of the adoption of this standard was to reduce operating income and income before income taxes and minority interests by ¥68 million for the year ended March 31, 2007.

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

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

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

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

(o) Securitization

The Company and subsidiaries have a number of securitization programs. Under those programs, certain financial assets such as lease receivables and trade receivables are primarily sold to Special Purpose Entities which are funded through the issuance of asset-backed securities to investors. The Company accounts for a transfer of lease receivables as a secured borrowing with pledge of collateral and classifies the borrowing as Obligation for securitized lease receivables because all lease agreements are accounted for as operating leases and no lease receivable is originally recognized in the consolidated balance sheets. When the Company transfers a trade receivable other than lease receivables, and the transfer is eligible to be accounted for as a sale under "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council, the transfer is accounted for as a sale.

(p) Reclassification

Certain reclassifications have been made in the prior year's consolidated financial statements to conform classifications used in the current year's financial statements.

In the past, beneficial interests in trust were included within prepaid expenses and other current assets. Effective from the fiscal year ended March 31, 2008, these amounts are included within short-term investments and investments in securities. During the fiscal year ended March 31, 2008, beneficial interest in trust amounts included within short-term investments and investments in securities were ¥3,860 million ($38,600 thousand) and ¥34,755 million ($347,550 thousand), respectively.

(q) Accounting Standard for the Presentation of Net Assets in the Balance Sheet

Effective from the fiscal year ended March 31, 2007, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5, December 9, 2005) as well as "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8, December 9, 2005).

As a result, former stockholders' equity and minority interests are presented as components of net assets, while net assets have been divided into stockholders' equity, valuation and translation adjustments and minority interests.

In order to conform to the 2007 presentation, the consolidated balance sheet as of March 31, 2006 and the consolidated statement of stockholders' equity for the year ended March 31, 2006 has been restated.

The amount corresponding to the former classification of total stockholders' equity in the balance sheet was ¥240,549 million at March 31, 2007.

(4) ASSETS DEPOSITED

As of March 31, 2008, short-term investments of ¥19 million ($190 thousand) and investments in securities of ¥12 million ($120 thousand) were deposited as operating guarantees, and investments in securities of ¥6 million ($60 thousand) were pledged as a collateral for the loan of an affiliated company of Hitachi, Ltd.

As of March 31, 2007, investments in securities of ¥31 million and other assets of ¥3 million were deposited as operating guarantees. Additionally, as of March 31, 2007, investments in securities of ¥6 million were pledged as a collateral for the loan of an affiliated company of Hitachi, Ltd.

(5) SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

As of March 31, 2008 and 2007, the Company had no securities for trading purposes.

The following table is a summary of the amortized cost basis, gross unrealized holding gains or losses and aggregate fair value of held-to-maturity securities and other securities by major security type as of March 31, 2008 and 2007.

	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
	2008			**2008**		
Held-to-maturity securities with gross unrealized holding gains:						
Government bonds	**¥ 422**	**¥ 9**	**¥ 431**	**$ 4,220**	**$ 90**	**$ 4,310**
	¥ 422	**¥ 9**	**¥ 431**	**$ 4,220**	**$ 90**	**$ 4,310**
Held-to-maturity securities with gross unrealized holding losses:						
Government bonds	**¥ 8**	**¥ (0)**	**¥ 8**	**$ 80**	**$ (0)**	**$ 80**
	¥ 8	**¥ (0)**	**¥ 8**	**$ 80**	**$ (0)**	**$ 80**
	¥ 430	**¥ 9**	**¥ 440**	**$ 4,300**	**$ 90**	**$ 4,400**
Other securities with gross unrealized holding gains:						
Equity securities	**¥ 3,187**	**¥ 1,851**	**¥ 5,039**	**$ 31,870**	**$ 18,510**	**$ 50,390**
Government bonds	**1,900**	**13**	**1,914**	**19,000**	**130**	**19,140**
	¥ 5,087	**¥ 1,865**	**¥ 6,953**	**$ 50,870**	**$ 18,650**	**$ 69,530**
Other securities with gross unrealized holding losses:						
Equity securities	**¥ 2,509**	**¥ (188)**	**¥ 2,321**	**$ 25,090**	**$ (1,880)**	**$ 23,210**
Government bonds	**1,498**	**(0)**	**1,498**	**14,980**	**(0)**	**14,980**
Other	**6**	**(0)**	**5**	**60**	**(0)**	**50**
	¥ 4,014	**¥ (189)**	**¥ 3,824**	**$ 40,140**	**$ (1,890)**	**$ 38,240**
	¥ 9,102	**¥ 1,675**	**¥ 10,778**	**$ 91,020**	**$ 16,750**	**$ 107,780**

	Japanese yen (millions)		
	Amortized cost basis	Gross gain (loss)	Aggregate fair value
	2007		
Held-to-maturity securities with gross unrealized holding gains:			
Government bonds	¥ 3	¥ 0	¥ 3
	¥ 3	¥ 0	¥ 3
Held-to-maturity securities with gross unrealized holding losses:			
Government bonds	¥ 1,026	¥ (1)	¥ 1,024
	¥ 1,026	¥ (1)	¥ 1,024
	¥ 1,030	¥ (1)	¥ 1,028
Other securities with gross unrealized holding gains:			
Equity securities	¥ 5,487	¥ 7,587	¥ 13,074
Government bonds	500	0	500
	¥ 5,988	¥ 7,587	¥ 13,575
Other securities with gross unrealized holding losses:			
Equity securities	¥ 1,479	¥ (224)	¥ 1,254
Government bonds	1,200	(1)	1,198
Other	9	(1)	8
	¥ 2,689	¥ (227)	¥ 2,461
	¥ 8,677	¥ 7,360	¥ 16,037

Proceeds from sale of other securities for the years ended March 31, 2008 and 2007 were ¥1,282 million ($12,820 thousand) and ¥1,295 million, respectively. The gross realized gains on the sale for the years ended March 31, 2008 and 2007 were ¥141 million ($1,410 thousand) and ¥790 million, respectively. The gross realized gains and losses on sale of other securities for the year ended March 31, 2006 were not material.

It is not practicable to estimate the fair value of investments in nonmarketable securities because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. Unlisted shares at March 31, 2008 and 2007 amounted to ¥2,443 million ($24,430 thousand) and ¥3,683 million, respectively. At March 31, 2008, the beneficial interest in trust amounted to ¥38,615 million ($386,150 thousand).

Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at March 31, 2008 are as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years
Debt securities:						
Government bonds	**¥ 720**	**¥ 2,714**	**¥ 408**	**$ 7,200**	**$ 27,140**	**$ 4,080**
	¥ 720	**¥ 2,714**	**¥ 408**	**$ 7,200**	**$ 27,140**	**$ 4,080**

(6) ALLOWANCE FOR LOSSES ON RECEIVABLES AND GUARANTEES

The Company and subsidiaries provide loan guarantee arrangements on behalf of customers. The outstanding balances of such loan guarantees as of March 31, 2008 and 2007 were ¥451,894 million ($4,518,940 thousand) and ¥462,618 million, respectively. The activities in the allowance for losses on receivables and guarantees provided for the years ended March 31, 2008 and 2007 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Balance at beginning of year	**¥ 13,856**	¥ 13,746	**$ 138,560**
Write-off during the year	**(4,091)**	(5,918)	**(40,910)**
Provision	**4,516**	6,064	**45,160**
The effect of translation adjustments (Note 3 (i))	**(458)**	(36)	**(4,580)**
Balance at end of year:			
Allowance for losses on receivables	**10,422**	10,556	**104,220**
Allowance for losses on guarantees	**3,400**	3,300	**34,000**
	¥ 13,822	¥ 13,856	**$ 138,220**

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

The weighted average interest rates on short-term bank loans outstanding at March 31, 2008 and 2007 were 3.3% and 3.1%, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Unsecured bonds payable in Japanese yen, due from August 2008 to December 2012, interest ranging from 0.55% to 2.17%	**¥ 205,000**	¥ 205,000	**$ 2,050,000**
Unsecured bonds payable in Japanese yen (for specific institutional investors), due from August 2010 to December 2010, interest 1.93%	**20,000**	30,000	**200,000**
Medium-term notes payable issued by Hitachi Capital America Corp., in euro-dollars, due from May 2008 to Aug 2011, interest ranging from 0.32% to 3.35%	**38,651**	47,814	**386,510**
Medium-term notes payable issued by Hitachi Capital (UK) PLC, in euro-yen, due from April 2008 to March 2014, interest ranging from 0.34% to 6.06%	**106,650**	100,080	**1,066,500**
Loans from banks and other financial institutions:			
Unsecured, maturing 2008 – 2026	**297,888**	289,684	**2,978,880**
	668,190	672,579	**6,681,900**
Less current portion	**206,530**	128,079	**2,065,300**
	¥ 461,660	¥ 544,500	**$ 4,616,600**

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at March 31, 2008 and 2007, shown above, were 1.8% and 1.3%, respectively. The aggregate annual maturities of long-term debt at March 31, 2008 were as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Years ending March 31:		
2010	¥ 191,480	$ 1,914,800
2011	92,338	923,380
2012	46,046	460,460
2013	79,829	798,290
2014 and thereafter	51,965	519,650
	¥ 461,660	$ 4,616,600

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

(a) Hitachi Capital America Corp. established a $400 million medium-term-note lending program with the Company's guarantee at March 31, 2001. Amounts of issues exceeding $400 million are guaranteed through separate applications. The outstanding amount was $400 million as of March 31, 2008.

(b) Hitachi Capital (UK) PLC established a $1,400 million medium-term euro-note lending program at November 22, 2004. The outstanding amount was $498 million as of March 31, 2008.

(8) TRADE PAYABLES

Trade payables at March 31, 2008 and 2007 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Notes payable	**¥ 6,450**	¥ 6,866	**$ 64,500**
Accounts payable	**319,020**	316,026	**3,190,200**
	¥ 325,470	¥ 322,893	**$ 3,254,700**

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

(9) INCOME TAXES

Income tax expense attributable to income from continuing operations for the years ended March 31, 2008, 2007 and 2006 consists of the following:

	Japanese yen (millions)			U.S. dollars (thousands)
	2008	2007	2006	**2008**
Current	**¥ 9,935**	¥ 8,242	¥ 7,807	**$ 99,350**
Deferred	**(56)**	2,416	3,449	**(560)**
	¥ 9,879	¥ 10,659	¥ 11,257	**$ 98,790**

The Company and its domestic subsidiaries are subject to a number of taxes based on income. The aggregated statutory income tax rate for domestic companies was approximately 40.5% for the years ended March 31, 2008, 2007 and 2006.

Reconciliation between the statutory income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests is as follows:

	2008	2006
Statutory income tax rate	**40.5%**	40.5%
Per capita tax	**0.7**	0.6
Expenses not deductible for tax purposes	**1.4**	1.7
Difference in statutory tax rates of foreign subsidiaries	**(3.8)**	(2.6)
Elimination for tax credit on dividend income by consolidation	**5.0**	3.3
Amortization of consolidated adjustment account	**1.1**	0.8
Tax credits	**(2.5)**	(0.1)
Increase in valuation reserve	**8.0**	-
Dividends received and other non-taxable items excluded from calculations	**(1.6)**	-
Other	**(0.6)**	(1.1)
Effective income tax rate	**48.2%**	43.1%

As the difference between the statutory income tax rate and the effective income tax rate was not material for the year ended March 31, 2007, the reconciliation was omitted.

The effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2008 and 2007 are presented below:

	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Total gross deferred tax assets:			
Depreciation	**¥ 1,693**	¥ 1,757	**$ 16,930**
Allowance for losses on receivables	**2,231**	1,122	**22,310**
Allowance for losses on guarantees	**1,091**	802	**10,910**
Accrued expenses	**1,756**	1,452	**17,560**
Net operating loss carryforwards	**863**	990	**8,630**
Cumulative revenues from leasing contracts	**633**	376	**6,330**
Accrued business taxes	**387**	333	**3,870**
Prepaid expenses	**232**	302	**2,320**
Retirement and severance benefits	**22**	63	**220**
Valuation loss on other securities	**853**	234	**8,530**
Retirement benefits for directors	**356**	496	**3,560**
Bad debt write-off	**1,171**	963	**11,710**
Other	**4,553**	2,849	**45,530**
	15,847	11,745	**158,470**
Valuation allowance	**(3,104)**	(1,453)	**(31,040)**
	12,742	10,291	**127,420**
Total gross deferred tax liabilities:			
Net unrealized holding gain on investments in other securities	**(754)**	(3,073)	**(7,540)**
Temporary difference related to overseas subsidiaries and other	**(1,402)**	(860)	**(14,020)**
Prepaid pension benefit cost	**(3,219)**	(1,876)	**(32,190)**
Other	**(1)**	(3)	**(10)**
	(5,378)	(5,814)	**(53,780)**
Net deferred tax assets	**¥ 7,364**	¥ 4,477	**$ 73,640**

As of March 31, 2008 and 2007, no deferred tax assets were recognized for the temporary differences related to the Company's divested operation, since it is not practicable to estimate the timing of the reversals of the temporary differences.

Net deferred tax assets and liabilities as of March 31, 2008 and 2007 are reflected in the accompanying consolidated balance sheets under the following captions:

	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Prepaid expenses and other current assets	**¥ 10,203**	¥ 6,348	**$ 102,030**
Other assets	**1,004**	2,174	**10,040**
Other current liabilities	**(1,401)**	(930)	**(14,010)**
Other liabilities	**(2,442)**	(3,115)	**(24,420)**
Net deferred tax assets	**¥ 7,364**	¥ 4,477	**$ 73,640**

(10) RETIREMENT AND SEVERANCE BENEFITS

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

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

In addition to the above plans, the Company and certain subsidiaries have defined contribution plans.

The funded status of the Company's pension plans as of March 31, 2008 and 2007 is summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Projected benefit obligation	**¥ (37,764)**	¥ (35,823)	**$ (377,640)**
Plan assets at fair value	**35,811**	37,614	**358,110**
Funded status	**(1,953)**	1,790	**(19,530)**
Unrecognized actuarial loss	**12,024**	5,137	**120,240**
Unrecognized prior service cost	**(2,304)**	(2,582)	**(23,040)**
Net amount recognized in the consolidated balance sheets	**¥ 7,766**	¥ 4,345	**$ 77,660**
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid benefit cost	**¥ 12,668**	¥ 9,346	**$ 126,680**
Accrued benefit cost	**(4,902)**	(5,000)	**(49,020)**
	¥ 7,766	¥ 4,345	**$ 77,660**

Net periodic benefit cost for the years ended March 31, 2008, 2007 and 2006 consisted of the following components:

	Japanese yen (millions)			U.S. dollars (thousands)
	2008	2007	2006	**2008**
Service cost, net of participants' contributions	**¥ 1,257**	¥ 1,283	¥ 1,303	**$ 12,570**
Interest cost	**895**	876	871	**8,950**
Expected return on plan assets for the period	**(1,128)**	(983)	(738)	**(11,280)**
Amortization of actuarial loss	**617**	713	1,001	**6,170**
Amortization of prior service cost	**(277)**	(285)	(277)	**(2,770)**
Net periodic benefit cost	**1,364**	1,604	2,159	**13,640**
Contributions to the defined contribution pension plan	**¥ 221**	¥ 226	¥ 242	**$ 2,210**

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

a. Discount rates were 2.5% for the years ended March 31, 2008, 2007 and 2006.
b. Expected rates of return were 3.0% for the years ended March 31, 2008, 2007 and 2006.
c. Actuarial loss is amortized using the straight-line method over 5 to 19 years, which is within the estimated average remaining service years of employees.
d. Prior service cost is amortized using the straight-line method over 5 to 19 years, which is within the estimated average remaining service years of employees.

(11) STOCKHOLDERS' EQUITY

At March 31, 2008 and 2007, 57.6% of the outstanding capital stock of the Company was directly owned by Hitachi, Ltd.

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

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

The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥22.00 ($0.22) per share totaling ¥40.00 ($0.40) subsequently proposed by the Board of Directors with respect to the fiscal year ended March 31, 2008.

The semiannual dividend for the first half of the fiscal year ended March 31, 2008, includes a dividend of ¥4.00 ($0.04) per share to commemorate the Company's 50th anniversary of establishment.

(12) TREASURY STOCK

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

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

The changes in treasury stock for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	Number of shares	Amount	Amount
Balance as of March 31, 2005	6,828,833	¥ 12,055	
Acquisition for treasury stock	1,104,749	2,267	
Sale of treasury stock	9	0	
Balance as of March 31, 2006	7,933,573	¥ 14,323	
Acquisition for treasury stock	1,822	4	
Sale of treasury stock	16	0	
Balance as of March 31, 2007	7,935,379	¥ 14,327	$ 143,270
Acquisition for treasury stock	722	1	10
Sale of treasury stock	107	0	0
Balance as of March 31, 2008	7,935,994	¥ 14,328	$ 143,280

At the meeting held in April 2005, the Board of Directors resolved to acquire treasury stock up to 2,300,000 shares of its common stock for an aggregate acquisition amount not exceeding ¥4,830 million from April 27, 2005 to June 21, 2005. As a result, the Company acquired a total of 1,103,600 shares for ¥2,264 million.

(13) SUPPLEMENTARY INCOME INFORMATION

Owing to a stock market downturn during the second half of 2008, the Company recognized an impairment loss on investments in securities of ¥1,516 million ($15,160 thousand), and the Company's subsidiary, Hitachi Capital Insurance Corporation, posted a loss on impairment of fixed assets of ¥578 million ($5,780 thousand) related to business restructuring. These expenses are included within other expenses for the fiscal year ended March 31, 2008.

(14) NET INCOME PER SHARE INFORMATION

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

	Number of shares	
	2008	2007
Weighted average number of shares on which basic net income per share is calculated	**116,890,834**	116,892,333
Effect of dilutive securities:		
Convertible debentures	**—**	—
Number of shares on which diluted net income per share is calculated	**116,890,834**	116,892,333

	Japanese yen (millions)			U.S. dollars (thousands)
	2008	2007	2006	**2008**
Net income	**¥ 10,722**	¥ 14,954	¥ 14,219	**$ 107,220**
Appropriations for directors' bonuses	**—**	—	(42)	**—**
Net income on which basic net income per share is calculated	**10,722**	14,954	14,176	**107,220**
Effect of dilutive securities:				
Stock option granted by a subsidiary	**(4)**	(3)	(4)	**(40)**
Net income on which diluted net income per share is calculated	**¥ 10,718**	¥ 14,951	¥ 14,171	**$ 107,180**

	Japanese yen			U.S. dollars
Net income per share data:				
Basic	**¥ 91.7**	¥ 127.9	¥ 121.1	**$ 0.92**
Diluted	**91.7**	127.9	121.0	**0.92**

(15) RELATED PARTIES

The Company's balances with its parent company, Hitachi Ltd., as of March 31, 2008 and 2007, and related transactions for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Balances:			
Receivables — current	**¥ 14,728**	¥ 27,013	**$ 147,280**
Parent company deposit	**74,008**	57,522	**740,080**
Receivables — non-current	**1,242**	1,317	**12,420**
Payables — current	**20,788**	19,927	**207,880**

	Japanese yen (millions)			U.S. dollars (thousands)
	2008	2007	2006	**2008**
Transactions:				
Revenue	**¥ 42,298**	¥ 51,314	¥ 42,054	**$ 422,980**
Purchases	**49,560**	59,238	62,726	**495,600**
Interest income	**757**	282	51	**7,570**

(16) CONSOLIDATED STATEMENTS OF CASH FLOWS — SUPPLEMENTARY INFORMATION

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2008, 2007 and 2006 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)
	2008	2007	2006	**2008**
Cash on hand and at bank	**¥ 26,358**	¥ 23,981	¥ 37,753	**$ 263,580**
Parent company deposit	**74,008**	58,048	47,229	**740,080**
Cash and cash equivalents	**¥ 100,366**	¥ 82,029	¥ 84,982	**$ 1,003,660**

(17) SEGMENT INFORMATION

(a) Industry Segment Information

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

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

	U.S. dollars (thousands)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
			2008		
REVENUES:					
Third party revenues	$ 1,090,500	$ 71,640	$ 1,162,150	$ 9,700	$ 1,171,850
Intersegment revenues	(2,040)	70,200	68,150	(68,150)	—
Total	1,088,460	141,840	1,230,300	(58,440)	1,171,850
EXPENSES	862,480	119,090	981,570	(34,580)	946,990
OPERATING INCOME	$ 225,970	$ 22,750	$ 248,730	$ (23,860)	$ 224,860
Assets	$ 21,068,760	$ 3,021,950	$24,090,710	$ 387,200	$24,477,910
Depreciation	5,485,100	2,520	5,487,620	20,300	5,507,920
Addition to fixed assets (tangible and intangible)	5,920,020	5,200	5,925,220	19,450	5,944,670

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

ii) Third party revenue of ¥970 million ($9,700 thousand), shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.

iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥2,817 million ($28,170 thousand) represents administrative expenses of the head office.

iv) Of the Assets shown in the column of Elimination and/or corporate, ¥110,899 million ($1,108,990 thousand) mainly represents extra funds (cash and securities), long-term investments (investments in securities) and assets of the head office.

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

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

ii) Third party revenue of ¥435 million shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.

iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥1,747 million represents administrative expenses of the head office.

iv) Of the Assets shown in the column of Elimination and/or corporate, ¥79,254 million mainly represents extra funds (cash and securities), long-term investments (investments in securities) and assets of the head office.

	Finance		Other financial services		Total		Elimination and/or corporate		Consolidated
	Japanese yen (millions)								
	2006								
REVENUES:									
Third party revenues	¥	101,466	¥	11,063	¥	112,529	¥	196	¥ 112,725
Intersegment revenues		152		8,171		8,323		(8,323)	—
Total		101,618		19,234		120,853		(8,127)	112,725
EXPENSES		76,687		15,888		92,576		(6,039)	86,536
OPERATING INCOME	¥	24,931	¥	3,345	¥	28,276	¥	(2,087)	¥ 26,189
Assets	¥	2,204,991	¥	260,892	¥	2,465,883	¥	(29,750)	¥ 2,436,132
Depreciation		538,548		348		538,896		1,991	540,888
Addition to fixed assets (tangible and intangible)		647,323		395		647,719		877	648,596

i) Segment categories are defined according to lines of business. Other financial services include Credit Card business, Insurance business, Securitization business and Outsourcing business.

ii) Third party revenue of ¥196 million, shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.

iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥1,371 million represents administrative expenses of the head office.

iv) Of the Assets shown in the column of Elimination and/or corporate, ¥69,609 million mainly represents extra funds (cash and securities), long-term investments (investments in securities) and assets of the head office.

(b) Geographic Segment Information

	Japanese yen (millions)			U.S. dollars (thousands)
	2008	2007	2006	**2008**
Revenues				
Japan	**¥ 80,122**	¥ 80,929	¥ 82,751	**$ 801,220**
Europe and North America	**32,635**	31,291	27,050	**326,350**
Asia	**4,500**	3,860	2,966	**45,000**
Intersegment elimination	**(72)**	(89)	(43)	**(720)**
Consolidated total	**¥ 117,185**	¥ 115,992	¥ 112,725	**$ 1,171,850**
Expenses				
Japan	**¥ 63,512**	¥ 61,388	¥61,334	**$ 635,120**
Europe and North America	**28,111**	26,876	23,032	**281,110**
Asia	**3,147**	2,852	2,212	**31,470**
Intersegment elimination	**(72)**	(89)	(43)	**(720)**
Consolidated total	**¥ 94,699**	¥ 91,029	¥ 86,536	**$ 946,990**
Operating income				
Japan	**¥ 16,610**	¥ 19,540	¥ 21,417	**$ 166,100**
Europe and North America	**4,523**	4,414	4,017	**45,230**
Asia	**1,352**	1,007	753	**13,520**
Intersegment elimination	**-**	-	-	**-**
Consolidated total	**¥ 22,486**	¥ 24,963	¥ 26,189	**$ 224,860**
Assets				
Japan	**¥ 2,094,253**	¥ 2,153,357	¥ 2,094,152	**$20,942,530**
Europe and North America	**299,894**	314,347	300,543	**2,998,940**
Asia	**53,722**	49,118	41,494	**537,220**
Intersegment elimination	**(78)**	(101)	(57)	**(780)**
Consolidated total	**¥ 2,447,791**	¥ 2,516,721	¥ 2,436,132	**$24,477,910**

(18) LEASE INFORMATION

Finance leases

Finance leases other than those leases which are deemed to transfer the ownership of the leased assets to lessees, are generally accounted for by the method applicable to ordinary operating leases. Additional lease information as of and for the years ended March 31, 2008 and 2007 is as follows:

(a) Lessee

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at March 31, 2008 and 2007, if they had been capitalized:

	March 31, 2008				March 31, 2007		
	Japanese yen (millions)			U.S. dollars (thousands)	Japanese yen (millions)		
	Acquisition costs	Accumulated depreciation	Net balance	Net balance	Acquisition costs	Accumulated depreciation	Net balance
Furniture and equipment	**¥ 721**	**¥ 181**	**¥ 540**	**$ 5,400**	¥ 298	¥ 104	¥ 193

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

	March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Within one year	**¥ 632**	¥ 867	**$ 6,320**
Over one year	**1,090**	1,065	**10,900**
Total	**¥ 1,723**	¥ 1,933	**$ 17,230**

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

	For the year ended March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Lease payments	**¥ 106**	¥ 371	**$ 1,060**
Depreciation	**104**	365	**1,040**
Interest expense	**2**	2	**20**

(b) Lessor

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at March 31, 2008 and 2007 included in equipment held for lease:

	March 31, 2008				March 31, 2007		
	Japanese yen (millions)			U.S. dollars (thousands)	Japanese yen (millions)		
	Acquisition costs	Accumulated depreciation	Net balance	Net balance	Acquisition costs	Accumulated depreciation	Net balance
Equipment held for lease	**¥ 2,310,760**	**¥ 1,093,954**	**¥ 1,216,806**	**$ 12,168,060**	¥ 2,315,005	¥ 1,047,556	¥ 1,267,448

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

	March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Within one year	**¥ 396,634**	¥ 405,154	**$ 3,966,340**
Over one year	**837,475**	881,896	**8,374,750**
Total	**¥ 1,234,109**	¥ 1,287,050	**$12,341,090**

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

	For the year ended March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Lease income	**¥ 463,981**	¥ 466,290	**$ 4,639,810**
Depreciation	**423,961**	423,673	**4,239,610**
Interest income	**37,640**	40,673	**376,400**

Operating leases

(a) Lessee

The Company did not have any lease contracts that need to be disclosed as non-cancelable operating leases as of March 31, 2008 and 2007.

(b) Lessor

Future lease payments to be received:

	March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2008	2007	**2008**
Within one year	**¥ 74,416**	¥ 79,381	**$ 744,160**
Over one year	**132,433**	140,449	**1,324,330**
Total	**¥ 206,850**	¥ 219,830	**$ 2,068,500**

(19) FINANCIAL INSTRUMENTS

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

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

The fair values of derivative financial instruments are estimated on the basis of information obtained from third party financial institutions. The estimated fair values of the derivative financial instruments, excluding certain instruments, which are accounted for using deferral hedge accounting, the allocation method and the special method, by major instrument type as of March 31, 2008 and 2007 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)
	2008			**2008**		
Interest rate swap agreements:						
Floating rate to fixed rate	**¥ 40,856**	**¥ (114)**	**¥ (114)**	**$ 408,560**	**$ (1,140)**	**$ (1,140)**

	Japanese yen (millions)		
	Notional amounts	Estimated fair values	Unrealized gains (losses)
	2007		
Interest rate swap agreements:			
Floating rate to fixed rate	¥ 81,172	¥ 489	¥ 489

(20) COMMITMENT AND CONTINGENCIES

The Company provides certain revolving lines of credit to their credit card holders in accordance with the terms of the credit card business customer service contracts. Furthermore, the Company provides credit facilities to parties in accordance with the service agency business contracts from which temporary payments on behalf of such parties are made. In addition, the Company provides loan commitments to certain investees. The outstanding balance of the revolving lines of credit as of March 31, 2008 and 2007 are shown as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
	2008	**2008**
Total revolving lines of credit available	**¥ 650,434**	**$ 6,504,340**
Amount utilized	**6,391**	**63,910**
Balance available	**¥ 644,043**	**$6,440,430**

	Japanese yen (millions)
	2007
Total revolving lines of credit available	¥ 717,668
Amount utilized	25,246
Balance available	¥ 692,421

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

Other guaranteed liabilities are as follows:
Guaranteed liabilities concerning the sale of receivables of a foreign subsidiary amounted to ¥2,213 million ($22,130 thousand) and ¥2,545 million as of March 31, 2008 and 2007, respectively.

Contingent liabilities for guarantees of employees' housing loans amounted to ¥19 million ($190 thousand) and ¥27 million as of March 31, 2008 and 2007, respectively.

(21) SPECIAL-PURPOSE ENTITIES SUBJECT TO DISCLOSURE

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

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

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

These special-purpose entities also acquire pledged receivables from customers. The Company has service agency business contracts in place with such special-purpose entities, and three special-purpose entities raise funds on the Company's behalf by issuing commercial paper and through loans, which are reimbursed by the Company.

The balance of transactions with four special-purpose entities as of March 31, 2008, according to these entities' most recent fiscal closing dates, amounted to total assets (simple total) of ¥320,453 million ($3,204,530 thousand) and total liabilities (simple total) of ¥320,430 million ($3,204,300 thousand).

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

(b) Amounts of Transactions with Special-Purpose Entities During the Fiscal Year Ended March 31, 2008

Amounts of transactions with special-purpose entities by the Company and a subsidiary during the fiscal year ended March 31, 2008, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)		Principle gains and losses		
	Amount of principal transactions	Balance at March 31, 2008	Amount of principal transactions	Balance at March 31, 2008	Line item	Japanese yen (millions)	U.S. dollars (thousands)
Transferred assets (*1):							
Notes receivable	¥ 47,754	¥ 10,996	$ 477,540	$ 109,960	Loss on transfer	¥ (134)	$ (1,340)
Pledged receivables	286,708	80,736	2,867,080	807,360	Loss on transfer	(715)	(7,150)
Loan receivables	304,154	42,409	3,041,540	424,090	Gain on transfer	3	30
Remaining balance of transferred assets (*2)	—	42	—	420	Gain on distribution	95	950
Service agency business (*3):							
Collected funds payable	—	12,304	—	123,040	Commission revenue on service agency business	343	3,430
Commissioned sales of commercial paper (*4)	—	—	—	—	Sales commission revenue	125	1,250

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

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

(*3) Commission revenue on service agency business includes commissions on agency collection services and revolving lines of credit, and is posted to operating revenues.
As of March 31, 2008, the advance limit on advances for the redemption of commercial paper in line with the consigned management agreements of special-purpose entities, as well as the balance of unissued advances, was ¥340,000 million ($3,400,000 thousand).

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

(22) SUBSEQUENT EVENTS

Based on a comprehensive resolution to issue unsecured straight bonds passed at a meeting of the Board of Directors on March 28, 2008, the Company decided to issue its 35th and 36th unsecured straight bonds (with limited interbond pari passu clause) on April 11, 2008, and June 11, 2008, respectively. The issues were made as follows.

	35th unsecured straight bonds (with limited interbond pari passu clause)	36th unsecured straight bonds (with limited interbond pari passu clause)
(a) Total issue amount:	¥25,000 million (US$250,000 thousand)	¥20,000 million (US$200,000 thousand)
(b) Issue price:	¥100 per ¥100 face value	¥100 per ¥100 face value
(c) Payment date:	April 21, 2008	June 20, 2008
(d) Redemption date:	Entire amount is redeemable on June 20, 2013	Entire amount is redeemable on June 20, 2011
(e) Interest rate:	1.24% annually	1.45% annually
(f) Application of funds:	Redemption of short-term straight bonds	Redemption of short-term straight bonds

The Board of Directors
Hitachi Capital Corporation

We have audited the accompanying consolidated balance sheets of Hitachi Capital Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2008, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

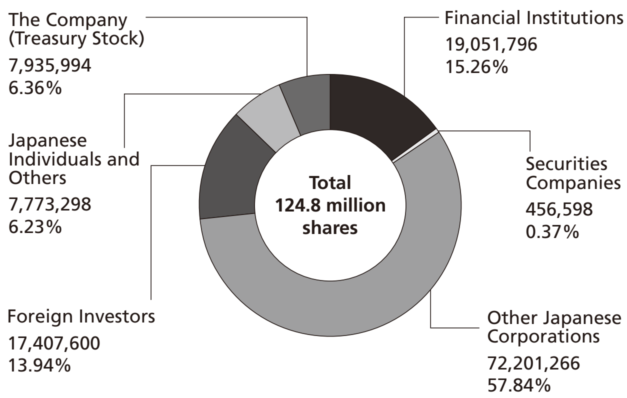
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Capital Corporation and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note (2).

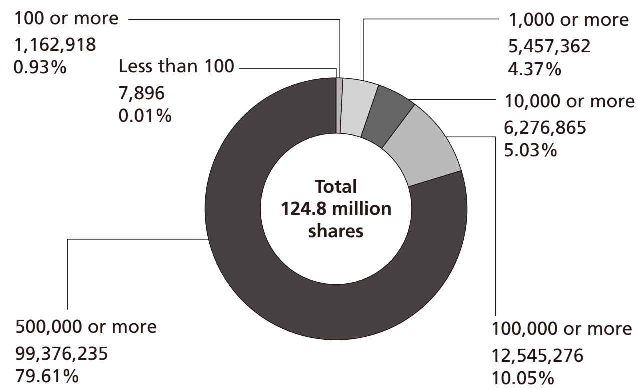
Ernst & Young Shinnihon

June 23, 2008

COMPOSITION OF SHAREHOLDERS (Shares)



NUMBER OF SHARES OWNED



MAJOR SHAREHOLDERS

	Number of shares owned (thousands)	Percentage of voting shares (%)
Hitachi, Ltd.	67,246	57.59
The Master Trust Bank of Japan, Ltd.	4,652	3.98
Japan Trustee Services Bank, Ltd.	4,598	3.94
Trust & Custody Services Bank, Ltd.	3,472	2.97
Hitachi High-Technologies Corporation	2,325	1.99
Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension	1,679	1.44
Morgan Stanley and Company Inc.	1,161	0.99
Luxembourg Offshore Jasdec Lending Account	804	0.69
Hitachi Capital Employees' Shareholding Association	800	0.69
Hitachi Building Systems Co., Ltd.	738	0.63
Total	87,479	74.92

Note: The above excludes 7,935 thousand of treasury shares held by Hitachi Capital Corporation.

CORPORATE DATA (As of March 31, 2008)

CORPORATE NAME
Hitachi Capital Corporation

FOUNDED
1957
(Incorporated in 1960)

NUMBER OF EMPLOYEES
Consolidated: 3,418

VOLUME OF BUSINESS

Finance Business:	¥1,441,153	million
Other Financial Services Business:	¥ 464,902	million
Elimination and/or Corporate:	¥ (6,889)	million
Total:	¥1,899,166	million

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

SHAREHOLDERS
7,513

STOCK LISTING
Tokyo Stock Exchange

CONSOLIDATED SUBSIDIARIES (As of August 1, 2008)

JAPAN

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

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

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

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

Hitachi Capital Securities Co., Ltd.
15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-8712

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

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

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

Iseki Capital Corporation
3-14, Nishi Nippori 5-chome,
Arakawa-ku, Tokyo 116-0013

Hitachi Capital Ayase SC Corporation
18-2, Iidabashi 2-chome,
Chiyoda-ku, Tokyo 102-0072

Hitachi Capital Trust Corporation
15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-8712

Gontazaka Square Corp.
1-1, Gontazaka 3-chome,
Hodogaya-ku, Yokohama,
Kanagawa 240-0026

EUROPE AND NORTH AMERICA

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

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

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

Hitachi Capital Vehicle Solutions Ltd.
Kiln House 54A Kiln Road,
Newbury, Berkshire RG14 2NU, UK

ASIA

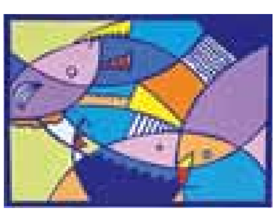
Hitachi Capital (Hong Kong) Ltd.
16th Floor, Wai Fung Plaza, 664
Nathan Road, Kowloon, Hong Kong

Hitachi Capital (Thailand) Co., Ltd.
All Seasons Place 87/2
Wireless Road 45/F CRC Tower,
Lumpini, Phatumwan, Bangkok 10330
Thailand

Hitachi Capital Singapore Pte. Ltd.
16 Collyer Quay #16-00,
Hitachi Tower, Singapore 049318

Hitachi Capital Leasing (China) Co., Ltd.
Room 817, Beijing Fortune Building.
No.5, Dong san Huan Bei-lu,
Chao Yang District, Beijing 100004,
China

Cover:



Sui Sui Puzzle by OSACO. T, recipient of the Hitachi Capital Special Award

19th Artbility Awards

Artbility is an art bank that specializes in artworks by people with disabilities and is run by Tokyo Colony Association, a social welfare corporation. Photo stock (positive film) of artworks are loaned out for use on published and printed materials issued by companies, municipal offices and other groups. This provides the artist with an avenue for publicizing their work while also bringing financial support.

Since 1995, Hitachi Capital has sponsored the Artbility Awards, which honor the most successful artists during that year, and introduced its own Hitachi Capital Special Award in 1998. The winning artwork is used widely in advertisements and other PR materials, supporting the self-reliance of artists with disabilities.

Hitachi Capital Corporation

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