Hitachi Capital Corporation
Annual Report 2007

Year ended March 31, 2007

HITACHI

Power of Solutions, Power to Customers

Hitachi Capital Corporation

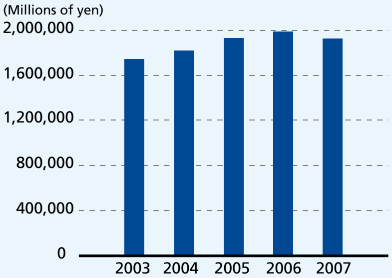
FINANCIAL HIGHLIGHTS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

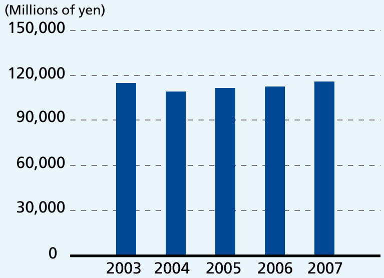
	In millions of yen, except per share data			Thousands of U.S. dollars, except per share data
	2007	2006	2005	**2007**
FOR THE YEAR:				
Volume of business	**¥1,927,259**	¥ 1,989,161	¥ 1,934,819	**$16,332,703**
Revenues	**115,992**	112,725	111,611	**982,983**
Operating income	**24,963**	26,189	24,697	**211,550**
Income before income taxes and minority interests	**26,347**	26,129	24,132	**223,279**
Net income	**14,954**	14,219	13,287	**126,728**
AT YEAR-END:				
Trade receivables	**¥ 632,048**	¥ 588,309	¥ 464,201	**$ 5,356,338**
Total assets	**2,516,721**	2,436,132	2,190,188	**21,328,144**
Net assets	**247,897**	236,987	224,762	**2,100,822**
Number of employees	**3,409**	3,607	3,571	**—**
PER SHARE DATA (in yen and U.S. dollars)**:**				
Net income (basic)	**¥ 127.9**	¥ 121.1	¥ 110.5	**$ 1.08**
Net income (diluted)	**127.9**	121.0	108.0	**1.08**
Cash dividends paid and declared for the year	**36.0**	35.0	34.0	**0.30**
Stockholders' equity	**2,061**	1,974	1,854	**17.46**

Notes: 1. U.S. dollar amounts in this report represent translations of yen, solely for the convenience of the reader, at the rate of ¥118=US$1, the approximate exchange rate at March 30, 2007.
2. Stockholders' equity per share is based on the weighted average number of shares of common stock outstanding during the respective years (see Note 3 (l) for per share data).

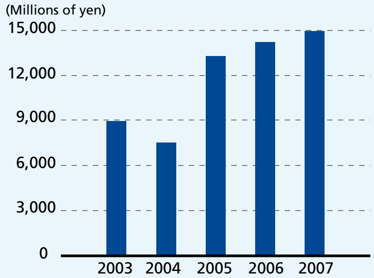
Volume of business



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 goods and services that enhance their standard of living, such as automobiles, household appliances, homes and home refurbishment services.

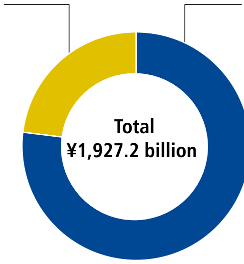
日立キャピタルグループ
次の50年、
こたえようとする力。

The Hitachi Capital Group is marking its 50th anniversary on September 10, 2007. Under the slogan, "Power of Solutions, Power to Customers for the Next 50 Years," we will continue our best efforts to be a trusted and respected company.

● 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.

Volume of business by products/services
(Year ended March 31, 2007)



Kazuo Takano
President & CEO

OVERVIEW OF FISCAL 2007 AND PROJECTIONS FOR FISCAL 2008

The Hitachi Capital Group is currently implementing business restructuring. Rather than focus primarily on automobile finance services, we have refined our business into the following core areas: finance services for small- and medium-size companies and government and municipal offices, as well as finance services to agricultural and medical and nursing businesses. Our aim is to provide distinctive services closely tailored to regions and customers. The volume of business in fiscal 2007 amounted to ¥1,927,259 million (US$16,332 million), down 3.1% year-on-year, revenues were up 2.9% to ¥115,992 million (US$982 million), operating income declined 4.7% to ¥24,963 million (US$211 million) and net income increased 5.2% to ¥14,954 million (US$126 million).

The environment surrounding the Company's operations is expected to remain harsh in fiscal 2008. Changes in financial policy have driven interest rates up, while there have been revisions to business law and accounting standards. Coupled with this, restructuring in the credit and leasing industries means that we are now faced with an era of pivotal change. Accordingly, in fiscal 2008 we forecast a 1.2% increase in the volume of business to ¥1,950,000 million (US$16,525 million), a 1.5% increase in revenues to ¥117,700 million (US$997 million), a 11.9% decrease in operating income to ¥22,000 million (US$186 million), and a 19.8% decline in net income to ¥12,000 million (US$101 million). Although in practical terms we have projected declines in certain areas, the Group will strive to boost performance over and above forecasts through careful order selection.

DEEPEN REFORMS TO BE "*THE* BUSINESS PARTNER" FOR CUSTOMERS

Amid a fast-changing business environment, it is necessary to shift to a more customer-oriented business model and pursue further differentiation to ensure sustainable growth into the future. We will not slow down our efforts in making reforms so we can keep pace with changes in the environment and build a solid path toward becoming "*the* business partner" that provides assistance to our customers' business.

The Hitachi Capital Group's business can be divided into two areas: indirect, which involves providing loan and leasing services to customers through sales outlets; and direct, where transactions are handled directly with customers. In both types, profit margins are the primary source of income. Over the years, we have worked to reinforce our operations from a functional perspective, which has included the establishment of securities, insurance and trust companies. We also boast a near-complete range of financial products and have created foundations for the provision of services that meet diverse customer needs, from asset liquidity to management.

Going forward, we seek to expand business by providing our traditional services, the key streams of profit margins, as well as high value-added services with assorted features. Our aim is to create a corporate structure that is not susceptible to interest rate movements. We have formulated two key strategies as concrete measures to achieve this goal: "low-cost operations" and a "customer-oriented sales approach." We will seek to achieve the goals we set in each of these domains one by one so as to be recognized as "*the* business partner" by customers.

Key Strategy 1: Low-cost Operations

We will expand mutually beneficial relationships aimed at cutting business costs by seamlessly linking systems. We will achieve this primarily through the introduction of a "customer front system" that simplifies business procedures between sales outlets, customers and the Company via the Internet.

Key Strategy 2: Customer-oriented Sales Approach

We will nurture highly specialized staff and develop a system in which we can offer a full service lineup to customers. Combined with this, we will promote structural reforms in order to instill a more customer-oriented mindset.

TARGETING GROWTH AREAS AND DOMAINS

The Company has targeted areas and domains manifesting high growth potential, including public services, physical and chemical equipment and semiconductor fabrication equipment, housing rentals, financial services, insurance, secondhand business, asset management services and overseas markets.

We have a proven record in the public services industry, having already concluded deals with almost all 1,800 local government offices throughout Japan. We have earned high acclaim as a manufacturer-affiliated financial services company, especially in terms of operating leases for physical and chemical equipment and semiconductor fabrication equipment. In addition, as a recycling-focused business, we aim to provide services related to all areas of a company's operations from purchasing through sales and waste processing to recycling. Efforts elsewhere will focus on secondhand business, housing rentals and asset management services that leverage the Company's know-how and focus on products. We intend to expand business to shore up the next generation of our operations.

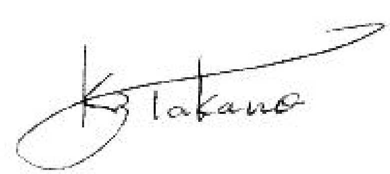
DIVIDEND POLICY AND MESSAGE TO SHAREHOLDERS

Companies are public institutions that form a part of society, and as such, have a duty to fulfill their obligations to the community. We believe that the basis of corporate social responsibility (CSR) lies in human resource development. In light of this, we conduct thorough employee education involving conscious reform together with raising skill levels and increasing ethics awareness. At the same time, we aim to drive sustainable growth by strengthening compliance and establishing internal control systems.

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 increased annual cash dividends per share by ¥1.00 (US$0.008) to ¥36.00 (US$0.30).

This year marks the 50th anniversary of Hitachi Capital's founding. We are extremely grateful for the loyal support shareholders and all of our stakeholders have given us over the years. To show our appreciation, we plan to add a commemorative dividend of ¥4.00 to the ordinary dividend at the end of the interim period.

In celebration of our 50th year, we will concentrate even more on "providing financial services with a focus on products" as well as "customer-oriented and community-based marketing." By doing so, we can create high value-added businesses with no limits to expansion, assuring sustainable growth. As we move forward, I ask for your continued support.



Kazuo Takano
President & CEO

Power of Solutions, Power to Customers

Embodied in this corporate slogan is the idea that the Hitachi Capital Group has both the power of solutions and the ability to bestow power to customers. It represents the will of each employee to meet diverse needs through the provision of services that truly focus on the customer and the community. Based on this philosophy, we always do our utmost to be a reliable and trusted company.

In this special feature, we showcase the Company's unique service menu, which has the power to meet the requirements of a new era. We also introduce services closely tailored to regions and customers, as well as initiatives and businesses that contribute directly to society, including environmental protection and life-support measures.

Power to Meet the Requirements of a New Era

Semiconductor manufacturing equipment

ANSWERING THE CALL OF DOMESTIC DEVICE MANUFACTURERS

— EXPANDED BUSINESS FOR SEMICONDUCTOR MANUFACTURING EQUIPMENT

As a manufacturer-affiliated leasing company, we have a competitive edge in operating leases for semiconductor manufacturing equipment. Apart from developing personnel with specialized skills, we have amassed a wealth of know-how in secondhand sales of equipment and other items. Through the effective utilization of management resources, we have created a system that enables us to meet the needs of domestic device makers in terms of investment in new equipment and installation of used equipment.

As part of our efforts directed toward business expansion, we strengthened ties with Hitachi High-Technologies Corporation, a semiconductor manufacturing equipment maker within the Hitachi Group. We also entered a business alliance with Apex Inc., which boasts sophisticated know-how and technological foundations in the appraisal, brokerage and purchase and sale of manufacturing devices.

RESPONDING TO THE FUNDING DEMANDS OF THE AGRICULTURE, FORESTRY AND MARINE INDUSTRIES

— INVESTED IN EHIME GAIYA FUND

Organic fruit farm of Takeda-farm Ltd.

Hitachi Capital invested in Japan's first agricultural fund, the Ehime Gaiya Fund, which was established in November 2006 by The Ehime Bank, Ltd. The amount of equity participation by the Company was ¥50 million of a total ¥500 million. The purpose of the fund is to support and nurture agriculture, forestry and marine industries, which constitute the economic foundation of the Shikoku region.

The initial recipients of funding were two local companies: Takeda-farm Ltd., which is engaged in the direct selling of organic (low-pesticide) citrus fruits, and Katsuhime Co., Ltd., which is involved in the farming, processing and sale of saltwater eels. The Ehime Gaiya Fund accepts the issued bonds of each company and uses the funds to pay for the purchase of agricultural land, farm equipment and young fish.

Through this participation, Hitachi Capital can strengthen its ability to meet needs in the agricultural sector through community-based services, while adding value to the agricultural industry and contributing to the revitalization of the region.

MEETING CORPORATE INFORMATION SECURITY NEEDS

— DEVELOPED "IP FAX SYSTEM" FOR THE PREVENTION OF ERRONEOUS FACSIMILE TRANSMISSIONS

IP Fax System

Businesses run the possibility of losing customer trust if they erroneously transmit facsimiles. As a means to prevent such errors, the unique IP Fax System was developed by Hitachi Capital via thorough measures the Company has been implementing on a daily basis.

The system prevents information leaks due to the following three causes of erroneous transmission, namely, mistaken registration of the destination fax number, selection of the wrong recipient and the wrong fax number due to a change of address. This system prevents these problems before it's too late through such measures as recognizing the change in ID of the recipient's fax machine due to a change of address.

Despite advancements in network-related information security, the development of fundamental measures against erroneous fax transmission has been slow. Appealing the necessity of such measures, Hitachi Capital helps to resolve these issues for customers, which include public offices, local government and companies, through the proliferation of this system.

Power to Support the Development of Communities and Customers

CONTRIBUTING TO THE CREATION OF NEW TOWNS
— PROMOTED GONTAZAKA REDEVELOPMENT PROJECT IN THE CITY OF YOKOHAMA

Illustration of completed Gontazaka Square

The Gontazaka Redevelopment Project aims to promote urban redevelopment of idle land owned by the City of Yokohama. A plan devised by a consortium that includes several local companies and in which Hitachi Capital serves as the main representative was employed for the project. Hitachi Capital leased a plot of city land in Gontazaka 3-chome, Hodogaya-ku, Yokohama, under a fixed-term agreement for business purposes. Private businesses then constructed city-subsidized public housing, rental housing and commercial facilities on the site for leasing.

The site opened in July 2007 as Gontazaka Square. A supermarket, appliance mass-merchandiser and pharmacy have already opened their doors for business, while the new residential area is scheduled to be ready soon. A medical clinic is also planned for the area.

Hitachi Capital will promote further collaborative projects with the local government and aims to contribute to the vitalization of local communities.

PURSUING A BUSINESS MODEL THAT BENEFITS CUSTOMERS
— PARTICIPATED IN A PROJECT REGARDING THE REFORM OF THE DISTRIBUTION BUSINESS OF SHISEIDO CO., LTD.

Warehouse of Hitachi Transport System, Ltd. used for customer distribution operations

Hitachi Capital is participating in a project regarding reform of the distribution business of Shiseido Co., Ltd. with Hitachi Transport System, Ltd., a Hitachi Group company. Hitachi Capital has played the following role in this project.

In April 2007, Hitachi Transport System acquired a 90% stake in a Shiseido subsidiary engaged in logistics operations and started to carry out the domestic distribution of Shiseido's cosmetics. Hitachi Capital took possession of the distribution-related facilities owned by Shiseido and then leased these facilities to a newly established subsidiary of Hitachi Transport System. By integrating Hitachi Transport System's extensive know-how in logistics with Hitachi Capital's lease scheme, we have built a strongly competitive business model.

Hitachi Capital seeks to develop such new types of business models and to devise ways that benefit companies' customers.

SUPPORTING THE OPENING OF NEW MEDICAL CLINICS VIA DIVERSE PROGRAMS

— HITACHI CAPITAL BECOMES A PARTNER TO DOCTORS

Website for support programs of medical clinics

Hitachi Capital offers support programs to aid in the opening of medical clinics by leveraging its extensive know-how and network cultivated by the Company over the years.

Thorough consultation sessions are conducted to make sure the program is customized to the individual characteristics of each doctor wanting to open a clinic. Major funding is required to run a clinic, from real estate preparations to the purchase of medical equipment. Hitachi Capital answers these funding needs with a comprehensive financial services lineup. In addition, an extensive business network enables us to provide fine-tuned support in real estate selection, medical equipment leasing, personnel recruitment and other areas that require special care. Functioning as a true partner to doctors, staff provide practical solutions to problems.

We contribute to the enhancement and development of community-based medical care through such services.

Power to Create a Better Society

Maintenance, reuse and recycling of PCs is carried out in-house

CS-e-Shop website for recycled PCs

PROMOTING THE REUSE OF USED PCs

— EXPANDED WEB-BASED CS-e-SHOP

CS-e-Shop is a web shop system for used PCs operated by our subsidiary, Hitachi Capital Services Co., Ltd. The data stored on PCs and peripheral devices is first completely erased after lease expiration, then the operating system is installed and the item is sold at a low cost to an individual or company.

Hitachi Capital Services established a business model dedicated to the maintenance, reuse and recycling of PCs, activities that are carried out in-house at an ISO14001-certified site.

This demonstrates how the entire Hitachi Capital Group is fully committed to eco-friendly business practices.

Recycling of car batteries for reuse

PROMOTING THE RECYCLING OF CAR BATTERIES

— MARKETED “ECO STRONG” REUSED BATTERIES

Hitachi Capital Auto Lease Corporation, a subsidiary, is engaged in the “ECO STRONG” business for reusing car batteries. Previously, car batteries had to be disposed of after a few years due to deterioration of performance. Utilizing the unique “ECO STRONG” technology, degraded batteries can be refreshed and reused at a quality level equivalent to new batteries. The battery box is not dismantled, but rather reused to ensure an all-round eco-conscious system that reduces costs by 75% as compared with previous methods employed by the company.

Amid a market environment influenced by the enactment of the Battery Recycling Law, Hitachi Capital Auto Lease takes a proactive stance toward proposing this business to customers.

INCREASING THE USE OF LIFE-SAVING AUTOMATED EXTERNAL DEFIBRILLATORS (AEDs)

— EXPANDED SALES, LEASING AND RENTAL BUSINESS FOR AEDs

Automated external defibrillator

Hitachi Capital is striving to expand the use of AEDs through its sales, leasing and rental business. Ordinary people other than medical workers were permitted to use AEDs in July 2004, which provided the impetus for us to enter this business. We started at a point where understanding and usage of AEDs in Japan was not common. We have been promoting widespread use of AEDs by proposing installation at places and events with many people, including public facilities such as schools, train stations and sports venues, as well as apartment complexes and company factories. This business provides a real sense of mission as it has the potential to save lives.

PROMOTING SELF-SUPPORT AND THE ARTISTIC TALENTS OF THE DISABLED

— SPONSORED THE “ARTBILITY AWARDS”

Award ceremony

Since 1995, we have sponsored the “Artbility Awards” (hosted by the Tokyo Colony Association) honoring disabled artists. In addition to the “Hitachi Capital Special Award” introduced in 1998, submitted artworks are used widely on several PR tools and advertisements. Through such efforts, we are proactively supporting the self-reliance of disabled persons.

PUSHING AHEAD WITH FORESTRY PROTECTION ACTIVITIES IN JAPAN

— MANAGEMENT OF “CORPORATE FOREST” (“HITACHI CAPITAL FOREST”)

Beautification of forests by volunteer club

Hitachi Capital contributes to forestry conservation by being the first company to participate in the “Corporate Forest” program, a joint project between the Forestry Agency and Japanese companies aimed at creating and nurturing forests in Japan. Taking part in this project spurred employees to inaugurate a volunteer club, which organizes events four or five times annually, such as planting and care of trees, forest beautification and coastline cleanups.

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 Executive Officer,
General Manager of
Business Control Division

Yasushi Matsushita
Senior Corporate Officer,
General Manager of
Information Systems Division

Sadahiro Katoh
Senior Corporate Officer,
General Manager of Tokyo
Dai-ni Regional Head Office

Yutaka Yokoyama
Senior Corporate Officer,
Deputy General Manager of
Business Control Division

Keiji Momoi
Senior Corporate Officer,
General Manager of Finance
Division

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

Hiroshi Senma
Senior Corporate Officer,
General Manager of Corporate
Planning & Development
Division

Senior Administrative Officers and Administrative Officers

Mitsugu Ikeda
Senior Administrative Officer

Misuo Yoshii
Senior Administrative Officer

Ryoji Sato
Senior Administrative Officer

Yasutaka Miyoshi
Senior Administrative Officer

Seiji Kawabe
Administrative Officer

Masaaki Ohta
Administrative Officer

Atsuyoshi Kantou
Administrative Officer

Masahiro Nakai
Administrative Officer

Shinichi Urata
Administrative Officer

Hideaki Kashiwa
Administrative Officer

Syouzou Tamai
Administrative Officer

Syuuichi Kame
Administrative Officer

Mitsuo Yokokawa
Administrative Officer

Toshiyuki Mori
Administrative Officer

Takashi Nakamura
Administrative Officer

Tadashi Tooyama
Administrative Officer

Sumio Tanno
Administrative Officer

Noriyuki Koutake
Administrative Officer

Top Management at Subsidiaries

Toru Honda
Okinawa Hitachi Capital Corporation

Yoshikatsu Saitoh
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.

Hidehiro Ishikawa
Hitachi Capital Insurance Corporation

Mitsuhiro Watanabe
Iseki Capital Corporation

Masami Aishima
Hitachi Capital Ayase SC Corporation

Kiyoshi Kojima
Hitachi Capital Trust Corporation

Hironori Tozawa
Hitachi Capital (Hong Kong) Ltd.

David Anthony
Hitachi Capital (UK) PLC

Simon Oliphant
Hitachi Capital Vehicle Solutions Ltd.

Steven Lawler
Hitachi Capital Insurance Europe Ltd.
Hitachi Capital Reinsurance Ltd.

David Swift
Hitachi Capital Credit Management Ltd.

Yuichiro Shimada
William Besgen
Hitachi Capital America Corp.

Chihiro Shirai
Hitachi Capital Singapore Pte. Ltd.

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

(As of July 1, 2007)

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 strengthening its corporate governance structure.

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 22, 2007, Hitachi Capital's Board of Directors consists of seven directors, including four external directors, who normally convene monthly. As prescribed by laws, 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 an optimal corporate officer structure and proper compensation of officers.

Corporate Officers (eight Corporate Officers as of June 22, 2007) elected by the Board execute business affairs within the scope of authority delegated by the Board of Directors. A Corporate Officers Committee established as a consensual decision-making organization convenes monthly.

2. COMPLIANCE STRUCTURE

Hitachi Capital has established the Compliance Group 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 Education Department to offer well-planned training tailored to the employee rank targeted as well as specialized educational training.

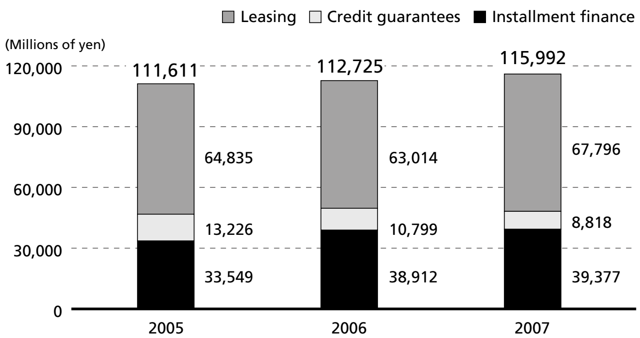
In addition, Hitachi Capital employs an internal reporting system that allows Group employees to report any illegal activities or improper conduct occurring within the Group to either an internal contact point or to external legal counsel.

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 pertaining to money lending businesses as well as various laws that affect its business.

3. RISK MANAGEMENT STRUCTURE

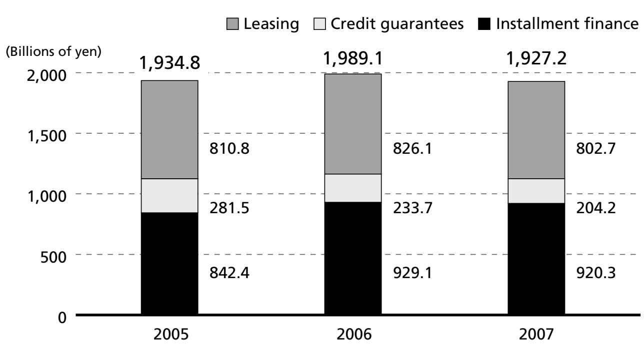
With the aim of preventing various types of risk and minimizing human, material and economic damage in the event a problem occurs, we have instituted a risk management structure that includes the formulation of the Basic Policies for Risk Management. Cognizant of the fact that accurately detecting business 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, it established the Risk Management Group within the Legal Department, and is working to further bolster the risk management structure.

Revenues (by type of contract)

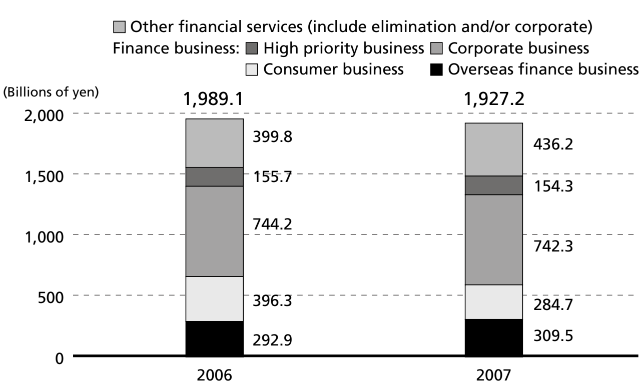


Leasing includes rental and auto leases and others.
Credit guarantees include loan sales through alliances and others.
Installment finance includes installment sales, business loans, card services and others.

Volume of business (by type of contract)



Volume of business (by product/services)



High priority business: Agricultural equipment and medical and nursing
Corporate business: Information equipment related, industrial machinery, construction machinery, automobile finance and others
Consumer business: Automobile business, home appliances and home refurbishment, home loans and others
Other financial services: Card business, non-life insurance, securitization business, outsourcing business and elimination and/or corporate

* The breakdown of volume of business by product/services has been changed from 2006.

BUSINESS RESULTS

During the fiscal year ended March 31, 2007, revenues increased 2.9% to ¥115,992 million (US$982 million). Looking at performance by type of contract, although we posted lower revenues in credit guarantees due to a downsizing of our auto loan business, we recorded increased revenues in our leasing business as well as favorable results in installment finance and other businesses due to growth in the outsourcing business.

Operating income declined 4.7% to ¥24,963 million (US$211 million) due to an increase in financial expenses accompanying a rise in market interest rates. Net income rose 5.2% to ¥14,954 million (US$126 million) owing to such factors as the recording of other income from a gain on the sale of marketable securities.

BY BUSINESS SEGMENT

Finance Business

The overall volume of business in the finance business declined 6.2% to ¥1,491,052 million (US$12,636 million), attributable to such factors as a re-evaluation of the composition of our long-term home loan products in response to a financial environment characterized by rising interest rates. Revenues increased 5.9% to ¥107,631 million (US$912 million) on the back of increased leasing revenues. However, operating income declined 2.6% to ¥24,289 million (US$205 million) due mainly to a rise in financial expenses.

Other Financial Services

In our card business, we focused on corporate-use cards and settlement services. In the outsourcing business, we worked to expand the scope of our business by increasing the number of business partners. As a result of these efforts, the total volume of business in other financial services increased 8.6% to ¥444,767 million (US$3,769 million). Due in part to the effects of the transfer of a portion of the Sales Division in the outsourcing business along with a corporate divesture, revenues declined 21.7% to ¥15,061 million (US$127 million) and operating income fell 30.6% to ¥2,321 million (US$19 million).

PER SHARE INDICES AND ROE/ROA

Consolidated net income per share rose 5.6% to ¥127.9 (US$1.08) due to an increase in net income. Accordingly, annual cash dividends per share increased by ¥1.00 (US$0.008) to ¥36.00 (US$0.30). The payout ratio was 28.1% (consolidated). ROE was 6.3% and ROA was 0.60%.

FINANCIAL POSITION

As of March 31, 2007, total assets amounted to ¥2,516,721 million (US$21,328 million), up ¥80,588 million (US$682 million) from the previous fiscal year-end. Total current assets rose ¥41,804 million (US$354 million) to ¥785,990 million (US$6,660 million) due to a rise in trade receivables accompanying favorable performance in the outsourcing business. Property and equipment rose because of an increase in equipment for lease along with a rise in the volume of leases.

Net assets rose ¥10,909 million (US$92 million) to ¥247,897 million (US$2,100 million). The stockholders' equity ratio rose 0.1 percentage point from the previous fiscal year-end to 9.6%.

Interest-bearing debt declined ¥43,697 million (US$370 million) to ¥892,745 million (US$7,565 million).

CASH FLOWS

Cash and cash equivalents at end of year amounted to ¥82,029 million (US$695 million), a decrease of ¥2,953 million (US$25 million) from the previous fiscal year-end. Cash flows for each category were as follows.

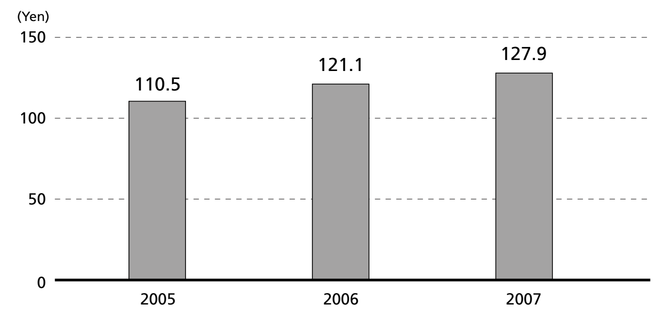
Net cash provided by operating activities was ¥95,412 million (US$808 million). This consisted mainly of such inflows as depreciation of ¥553,423 million (US$4,690 million), cash provided by asset backed securitization of ¥1,231,992 million (US$10,440 million) as well as such outflows as payment for asset backed securitization of ¥1,210,071 million (US$10,254 million) and acquisition of equipment for lease of ¥612,698 million (US$5,192 million).

Net cash used in investing activities amounted to ¥5,516 million (US$46 million) mainly due to the acquisition of information systems.

Net cash used in financing activities amounted to ¥93,092 million (US$788 million) due primarily to redemption of bonds and a decrease in commercial paper.

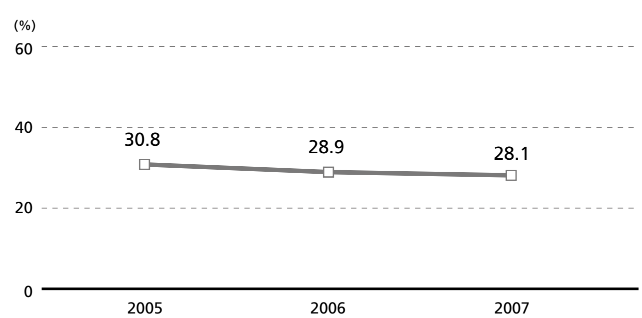
As a result of the previous activities, free cash flows, the sum of operating and investing cash flows, totaled ¥89,895 million (US$761 million).

Net income per share

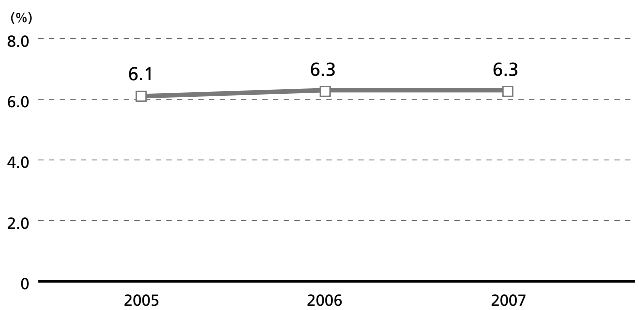


Annual cash dividends per share

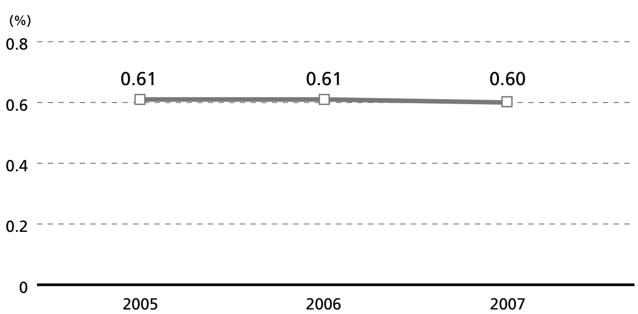
Payout ratio



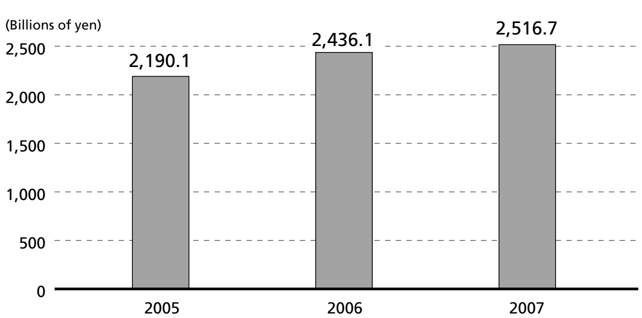
ROE



ROA



Total assets



BUSINESS RISK

Interest Rate Risk

Because the Group provides financial services, including leasing and installment financing, the Company 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.

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 impact the Group's business results. The amendment of the Money-Lending Business Control and Regulation Law in December 2006 does not have a direct impact on the Group's business results, as its business has been in compliance with the Interest Limitation Law. However, there could be additional costs incurred with the changes. The Accounting Standards Board of Japan has announced the new accounting standards for leases, and lease taxation has been reviewed. While we will add new value to our products and services with a focus on "goods," and address these changes, such changes could have an adverse impact on the Group's business results.

Business Structure Shift Risk

The Group is reforming its business structure in order to achieve sustainable growth. However, a delay or failure to achieve this shift, 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 'goods'."

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 for evaluation of "goods" and the resale of the leased assets as the Group's core skills. However, there is a possibility of a disposal loss 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 caused by employees, unauthorized access to the 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.

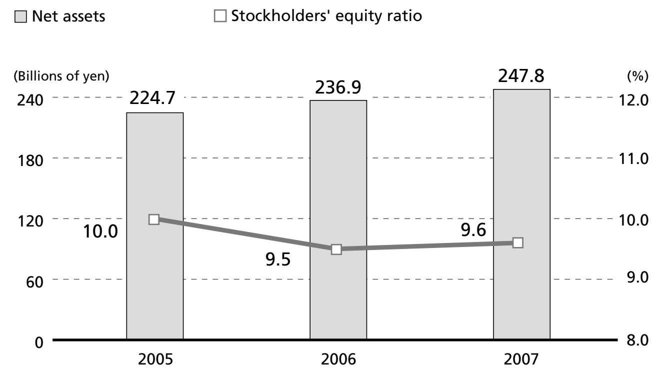
Compliance Risk

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 and the Money-Lending Business Control and Regulation Law, as well as various consumer protection, data protection and environmental laws. The Company must also comply with a wide range of corporate rules from internal regulations and rules in respective business fields to social ethics and norms. The Company has established a Compliance Department and is establishing a 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

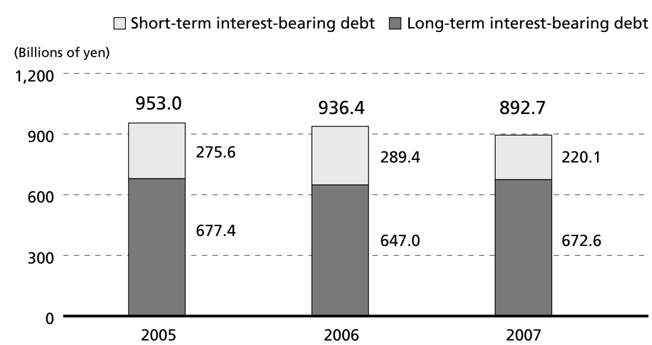
The Group considers employees' abilities as important assets of a company, and is implementing intensified recruitment, well-planned educational programs as well as improved training programs. However, there is a risk that the Group will not be able to secure the human resources required for business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



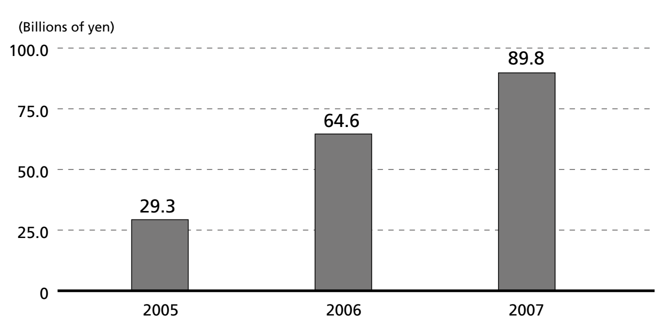
* Stockholders' equity ratio = (Net assets - Minority interests) / Total assets

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, 2007 and 2006

	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash on hand and at bank (Note 15)	**¥ 23,981**	¥ 37,753	**$ 203,228**
Trade receivables, including amounts maturing after one year	**632,048**	588,309	**5,356,338**
Less: Allowance for losses on receivables (Notes 3 (c) and 6)	**10,556**	10,061	**89,457**
Net trade receivables	**621,492**	578,247	**5,266,881**
Parent company deposit (Note 15)	**58,048**	47,229	**491,932**
Short-term investments (Notes 3 (d) and 5)	**2,392**	792	**20,271**
Prepaid expenses and other current assets (Note 9)	**80,075**	80,163	**678,601**
Total current assets	**785,990**	744,185	**6,660,932**
Equipment held for lease, at cost less accumulated depreciation (Notes 3 (f) and 17)			
2007 — ¥2,444,384 million ($ 20,715,118 thousand)			
2006 — ¥2,277,193 million	**1,664,357**	1,624,497	**14,104,720**
Investments in securities (Notes 3 (d), 4 and 5)	**19,352**	24,567	**164,000**
Total investments	**1,683,710**	1,649,065	**14,268,728**
Property and equipment, at cost less accumulated depreciation	**7,020**	6,283	**59,491**
Other assets (Notes 4, 9 and 10)	**40,000**	36,597	**338,983**
Total assets	**¥ 2,516,721**	¥ 2,436,132	**$21,328,144**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Japanese yen (millions) 2007	Japanese yen (millions) 2006	U.S. dollars (thousands) (Note 2) 2007
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	**¥ 53,440**	¥ 65,058	**$ 452,881**
Commercial paper	**166,724**	224,376	**1,412,915**
Current portion of long-term debt (Note 7)	**128,079**	121,738	**1,085,415**
Trade payables (Note 8)	**322,893**	278,563	**2,736,381**
Accrued expenses	**13,343**	14,142	**113,076**
Obligation for securitized lease receivables (Note 3 (o))	**331,489**	306,709	**2,809,228**
Income taxes payable (Note 9)	**5,001**	5,922	**42,381**
Allowance for losses on guarantees (Note 6)	**3,300**	3,685	**27,966**
Other current liabilities (Note 9)	**42,715**	38,876	**361,991**
Total current liabilities	**1,066,988**	1,059,071	**9,042,271**
Long-term debt (Note 7)	**544,500**	525,270	**4,614,406**
Retirement and severance benefits (Notes 3 (h) and 10)	**5,000**	5,103	**42,372**
Retirement benefits for directors (Note 3 (h))	**1,223**	1,042	**10,364**
Long-term obligation for securitized lease receivables (Note 3 (o))	**618,687**	575,373	**5,243,110**
Other liabilities (Note 9)	**32,424**	33,284	**274,779**
Total liabilities	**2,268,824**	2,199,144	**19,227,322**
NET ASSETS:			
Stockholders' equity			
Common stock:			
Authorized 270,000,000 shares; issued 116,891,173 shares in 2007 and issued 116,892,979 shares in 2006	**9,983**	9,983	**84,601**
Capital surplus	**45,972**	45,972	**389,593**
Retained earnings (Notes 3 (k) and 11)	**192,754**	181,954	**1,633,508**
Treasury stock (Notes 3 (j) and 12)	**(14,327)**	(14,323)	**(121,415)**
Total stockholders' equity (Notes 3 (q) and 11)	**234,382**	223,586	**1,986,288**
Valuation and translation adjustments			
Net unrealized holding gain on securities	**4,378**	6,856	**37,101**
Net unrealized gain on hedging derivartives	**423**	—	**3,584**
Foreign currency translation adjustments	**1,788**	370	**15,152**
Total valuation and translation adjustments	**6,590**	7,227	**55,847**
Minority interests	**6,924**	6,173	**58,677**
Total net assets (Note 3 (q))	**247,897**	236,987	**2,100,822**
Total liabilities and net assets	**¥ 2,516,721**	¥ 2,436,132	**$21,328,144**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2007	2006	2005	**2007**
REVENUES (Note 16):				
Operating revenues	**¥ 114,811**	¥ 112,272	¥ 111,108	**$ 972,974**
Interest and dividend income	**1,181**	453	502	**10,008**
	115,992	112,725	111,611	**982,983**
EXPENSES (Note 16):				
Selling, general and administrative expenses	**63,849**	63,774	64,629	**541,093**
Financing costs	**27,179**	22,762	22,284	**230,330**
	91,029	86,536	86,914	**771,432**
Operating income	**24,963**	26,189	24,697	**211,550**
Other income	**1,521**	227	138	**12,889**
Other expenses	**137**	287	703	**1,161**
Income before income taxes and minority interests	**26,347**	26,129	24,132	**223,279**
Income taxes (Notes 3 (g) and 9)	**10,659**	11,257	9,908	**90,330**
Minority interests	**733**	652	935	**6,211**
Net income	**¥ 14,954**	¥ 14,219	¥ 13,287	**$ 126,728**

	Japanese yen			U.S. dollars (Note 2)
PER SHARE DATA (Notes 3 (l) and 13):				
Net income (basic)	**¥ 127.9**	¥ 121.1	¥ 110.5	**$ 1.08**
Net income (diluted)	**127.9**	121.0	108.0	**1.08**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	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, 2004	¥ 9,459	¥ 45,448	¥ 180,234	¥ (20,050)	¥ 215,092
Changes during the year					
Conversion of convertible bonds	523	523			1,046
Gain on sales of treasury stock		283			283
Retirement of treasury stock		(283)	(16,146)	7,994	(8,435)
Cash dividends			(3,887)		(3,887)
Directors' bonuses			(103)		(103)
Net income			13,287		13,287
Net change in the items other than stockholders' equity during the period					
Total change during the year	523	523	(6,849)	7,994	2,191
Balance as of March 31, 2005	¥ 9,983	¥ 45,972	¥ 173,384	¥ (12,055)	¥ 217,284

	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
Balance as of March 31, 2004	¥ 1,732	¥ —	¥ (1,302)	¥ 430	¥ 4,623	¥ 220,146
Changes during the year						
Conversion of convertible bonds						1,046
Gain on sales of treasury stock						283
Retirement of treasury stock						(8,435)
Cash dividends						(3,887)
Directors' bonuses						(103)
Net income						13,287
Net change in the items other than stockholders' equity during the period	639	—	501	1,140	1,283	2,424
Total change during the year	639	—	501	1,140	1,283	4,616
Balance as of March 31, 2005	¥ 2,371	¥ —	¥ (800)	¥ 1,571	¥ 5,907	¥ 224,762

	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
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

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	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
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

	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, 2006	$ 84,601	$ 389,593	$ 1,541,983	$ (121,381)	$ 1,894,796
Changes during the year					
Cash dividends			(35,661)		(35,661)
Directors' bonuses			(355)		(355)
Net income			126,728		126,728
Liquidation of consolidated subsidiary			(338)		(338)
Reduction of equity-method affiliates			1,152		1,152
Purchase of treasury stock				(33)	(33)
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	91,516	(33)	91,483
Balance as of March 31, 2007	$ 84,601	$ 389,593	$ 1,633,508	$ (121,415)	$ 1,986,288

	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
Balance as of March 31, 2006	$ 58,101	$ —	$ 3,135	$ 61,245	$ 52,313	$ 2,008,364
Changes during the year						
Cash dividends						(35,661)
Directors' bonuses						(355)
Net income						126,728
Liquidation of consolidated subsidiary						(338)
Reduction of equity-method affiliates						1,152
Purchase of treasury stock						(33)
Disposal of treasury stock						0
Net change in the items other than stockholders' equity during the period	(21,000)	3,584	12,008	(5,389)	6,355	957
Total change during the year	(21,000)	3,584	12,008	(5,389)	6,355	92,449
Balance as of March 31, 2007	$ 37,101	$ 3,584	$ 15,152	$ 55,847	$ 58,677	$ 2,100,822

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi Capital Corporation and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2007	2006	2005	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 26,347**	¥ 26,129	¥ 24,132	**$ 223,279**
Depreciation	**553,423**	540,888	513,148	**4,690,025**
Interest and dividend income	**(977)**	(308)	(344)	**(8,279)**
Interest expense	**23,817**	20,159	19,814	**201,838**
Gain on sale of securities	**(1,197)**	(137)	(84)	**(10,144)**
Decrease (increase) in trade receivables	**5,507**	(111,368)	(42,425)	**46,669**
Loss on sale of equipment for lease	**2,342**	2,064	2,023	**19,847**
Acquisition of equipment for lease	**(612,698)**	(645,821)	(633,121)	**(5,192,355)**
Proceeds from sale of equipment for lease	**53,410**	57,614	53,279	**452,627**
Increase (decrease) in trade payables	**28,565**	48,815	(39,988)	**242,076**
Cash provided by asset backed securitization	**1,231,992**	1,232,315	1,081,081	**10,440,610**
Payment for asset backed securitization	**(1,210,071)**	(1,076,891)	(933,862)	**(10,254,838)**
Decrease in retirement and severance benefits	**(102)**	(32)	(235)	**(864)**
Other	**4,249**	(16,104)	(3,046)	**36,008**
Income taxes paid	**(9,194)**	(8,373)	(2,737)	**(77,915)**
Net cash provided by operating activities	**95,412**	68,948	37,635	**808,576**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of short-term investments	**49**	299	111	**415**
Purchase of investments in securities and subsidiaries' common stock	**(1,638)**	(2,887)	(5,092)	**(13,881)**
Acquisition of subsidiaries	**—**	541	(1,537)	**—**
Proceeds from sale of investments in securities	**1,119**	248	937	**9,483**
Capital expenditure	**(3,830)**	(2,775)	(2,954)	**(32,457)**
Proceeds from sale of capital assets	**221**	52	25	**1,872**
Interest and dividend received	**1,017**	238	258	**8,618**
Payment for aquisition of business assets	**(2,455)**	—	—	**(20,805)**
Net cash used in investing activities	**(5,516)**	(4,281)	(8,252)	**(46,745)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
(Decrease) increase in short-term bank loans	**(13,920)**	3,370	9,670	**(117,966)**
(Decrease) increase in commercial paper	**(63,740)**	6,797	31,997	**(540,169)**
Proceeds from long-term borrowings	**137,905**	151,137	148,406	**1,168,686**
Payments of long-term borrowings	**(126,351)**	(189,262)	(226,209)	**(1,070,771)**
Interest paid	**(22,369)**	(20,285)	(21,085)	**(189,567)**
Purchase of treasury stock	**(4)**	(2,267)	(16,246)	**(33)**
Proceeds from sales of treasury stock	**—**	0	0	**—**
Dividends paid to stockholders	**(4,208)**	(4,111)	(3,887)	**(35,661)**
Dividends paid to minority stockholders of subsidiaries	**(363)**	(314)	(280)	**(3,076)**
Other	**(38)**	(23)	(170)	**(322)**
Net cash used in financing activities	**(93,092)**	(54,957)	(77,805)	**(788,915)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**243**	198	234	**2,059**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,953)**	9,908	(48,187)	**(25,025)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**84,982**	75,074	123,262	**720,186**
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 15)	**¥ 82,029**	¥ 84,982	¥ 75,074	**$ 695,161**

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 Securities and Exchange Law of Japan.

As permitted under the Securities 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 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, 2007 have been translated into United States dollars at the rate of ¥118 to $1, the approximate exchange rate at March 30, 2007. 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 ¥118 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 Corp., Hitachi Capital Servicer Corp., Hitachi Capital Services Co., Ltd., Hitachi Capital Auto Lease Corp., Hitachi Capital Securities Co., Ltd., Hitachi Triple Win Corp., Sekisui Leasing Co., Ltd., Hitachi Capital Insurance Corporation, Iseki Capital Corp., Hitachi Capital Ayase SC Corp., Hitachi Capital Trust 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, 2007, Hitachi Leasing (Singapore) Pte. Ltd., a former subsidiary, was excluded from consolidation because of completion of liquidation, and Hitachi Card Service Corp., a former subsidiary, was merged into the Company.

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

(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 the product purchase. The commission revenue is recognized at the inception of loans, when the customers pay total commissions.

Equipment Lease:
Equipment lease is accounted for under operating lease. 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 have 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 the 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
Effective April 1, 2005, 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.

Prior to the adoption of the new standard, fixed assets were not reviewed, tested or recognized for impairments. The application of this standard had no effect on the Company's consolidated financial statements as of and for the year ended March 31, 2006.

(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 ¥180 million ($1,525 thousand) and appropriated for losses on disposal of leased assets in the amount of ¥1,271 million ($10,771 thousand) for the year ended March 31, 2007. The allowance included in accumulated depreciation was ¥3,373 million ($28,584 thousand) at March 31, 2007.

(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.

(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 is 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 ($576 thousand).

(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 prior year's consolidated financial statements to conform classifications used in the current year's financial statements.

(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 years ended March 31, 2006 and 2005 have been restated.

The amount corresponding to the former classification of total stockholders' equity in the balance sheet was ¥240,549 million ($2,038,550 thousand) at March 31, 2007.

(4) ASSETS DEPOSITED

As of March 31, 2007, investments in securities of ¥31 million ($262 thousand) and other assets of ¥3 million ($25 thousand) were deposited as operating guarantees.

Additionally, as of March 31, 2007, investments in securities of ¥6 million ($50 thousand) 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, 2007 and 2006, the Company had no trading securities.

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, 2007 and 2006.

	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
		2007			**2007**	
Held-to-maturity securities with gross unrealized holding gains:						
Government bonds	**¥ 3**	**¥ 0**	**¥ 3**	**$ 25**	**$ 0**	**$ 25**
	¥ 3	**¥ 0**	**¥ 3**	**$ 25**	**$ 0**	**$ 25**
Held-to-maturity securities with gross unrealized holding losses:						
Government bonds	**¥ 1,026**	**¥ (1)**	**¥ 1,024**	**$ 8,694**	**$ (8)**	**$ 8,677**
	¥ 1,026	**¥ (1)**	**¥ 1,024**	**$ 8,694**	**$ (8)**	**$ 8,677**
	¥ 1,030	**¥ (1)**	**¥ 1,028**	**$ 8,728**	**$ (8)**	**$ 8,711**
Other securities with gross unrealized holding gains:						
Equity securities	**¥ 5,487**	**¥ 7,587**	**¥ 13,074**	**$ 46,500**	**$ 64,296**	**$ 110,796**
Government bonds	**500**	**0**	**500**	**4,237**	**0**	**4,237**
	¥ 5,988	**¥ 7,587**	**¥ 13,575**	**$ 50,745**	**$ 64,296**	**$ 115,042**
Other securities with gross unrealized holding losses:						
Equity securities	**¥ 1,479**	**¥ (224)**	**¥ 1,254**	**$ 12,533**	**$ (1,898)**	**$ 10,627**
Government bonds	**1,200**	**(1)**	**1,198**	**10,169**	**(8)**	**10,152**
Other	**9**	**(1)**	**8**	**76**	**(8)**	**67**
	¥ 2,689	**¥ (227)**	**¥ 2,461**	**$ 22,788**	**$ (1,923)**	**$ 20,855**
	¥ 8,677	**¥ 7,360**	**¥ 16,037**	**$ 73,533**	**$ 62,372**	**$ 135,906**

	Japanese yen (millions)		
	Amortized cost basis	Gross gain (loss)	Aggregate fair value
		2006	
Held-to-maturity securities with gross unrealized holding losses:			
Government bonds	¥ 1,040	¥ (7)	¥ 1,033
	¥ 1,040	¥ (7)	¥ 1,033
Other securities with gross unrealized holding gains:			
Equity securities	¥ 6,978	¥ 11,531	¥ 18,510
Other	14	6	20
	¥ 6,993	¥ 11,537	¥ 18,531
Other securities with gross unrealized holding losses:			
Equity securities	¥ 71	¥ (5)	¥ 66
Government bonds	1,000	(5)	995
	¥ 1,072	¥ (11)	¥ 1,061
	¥ 8,065	¥ 11,526	¥ 19,592

Proceeds from sales of other securities for the year ended March 31, 2007 were ¥1,295 million ($10,974 thousand). The gross realized gains on these sales for the years ended March 31, 2007 were ¥790 million ($6,694 thousand). The gross realized gains and losses on sale of other securities for the years ended March 31, 2006 and 2005 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. Nonmarketable securities at March 31, 2007 amounted to ¥3,683 million ($31,211 thousand). The carrying amount of these securities at March 31, 2006 was not material.

Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at March 31, 2007 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	**¥ 1,648**	**¥ 731**	**¥ 399**	**$ 13,966**	**$ 6,194**	**$ 3,381**
	¥ 1,648	**¥ 731**	**¥ 399**	**$ 13,966**	**$ 6,194**	**$ 3,381**

(6) ALLOWANCE FOR LOSSES ON RECEIVABLES AND GUARANTEES

The Company and subsidiaries provide loan guarantee arrangements on behalf of customers. The outstanding balance of such loan guarantees as of March 31, 2007 and 2006 was ¥462,618 million ($3,920,491 thousand) and ¥496,563 million, respectively. The activities in the allowance for losses on receivables and guarantees provided for the years ended March 31, 2007 and 2006 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Balance at beginning of year	**¥ 13,746**	¥ 14,504	**$ 116,491**
Write-off during the year	**(5,918)**	(4,206)	**(50,152)**
Provision	**6,064**	3,727	**51,389**
The effect of translation adjustments (Note 3 (i))	**(36)**	(280)	**(305)**
Balance at end of year:			
Allowance for losses on receivables	**10,556**	10,061	**89,457**
Allowance for losses on guarantees	**3,300**	3,685	**27,966**
	¥ 13,856	¥ 13,746	**$ 117,423**

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

The weighted average interest rates on short-term bank loans outstanding at March 31, 2007 and 2006 were 3.1% and 2.1%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Unsecured bonds payable in Japanese yen,			
due from May 2007 to September 2011, interest ranging from 0.55% to 2.75%	**¥ 205,000**	¥ 205,000	**$ 1,737,288**
Unsecured bonds payable in Japanese yen (for specific institutional investors),			
due from September 2007 to December 2010, interest ranging from 0.52% to 1.93%	**30,000**	60,000	**254,237**
Medium-term notes payable issued by Hitachi Capital America Corp., in euro-dollars			
due from May 2007 to August 2011, interest ranging from 0.32% to 5.50%	**47,814**	44,817	**405,203**
Medium-term notes payable issued by Hitachi Capital (UK) PLC, in euro-yen,			
due from May 2007 to March 2014, interest ranging from 0.26% to 5.67%	**100,080**	91,331	**848,135**
Loans from banks and other financial institutions:			
Unsecured, maturing in 2007 – 2026	**289,684**	245,858	**2,454,949**
	672,579	647,008	**5,699,822**
Less current portion	**128,079**	121,738	**1,085,415**
	¥ 544,500	¥ 525,270	**$ 4,614,406**

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at March 31, 2007 and 2006, shown above, were 1.3% and 1.4%, respectively. The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Years ending March 31:		
2009	¥ 177,254	$ 1,502,152
2010	178,047	1,508,872
2011	65,090	551,610
2012	46,840	396,949
2013 and thereafter	77,267	654,805
	¥ 544,500	$ 4,614,406

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. Hitachi Capital America Corp. issued $404 million at March 31, 2007.

(b) Hitachi Capital (UK) PLC established a $1,400 million medium-term euro-note lending program at November 22, 2004. The outstanding amount was $764 million as of March 31, 2007.

(8) TRADE PAYABLES

Trade payables at March 31, 2007 and 2006 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Notes payable	**¥ 6,866**	¥ 6,390	**$ 58,186**
Accounts payable	**316,026**	272,172	**2,678,186**
	¥ 322,893	¥ 278,563	**$ 2,736,381**

Trade payables represent amounts arising from purchases of installment receivables and from 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, 2007, 2006, and 2005 consists of the following:

	Japanese yen (millions)			U.S. dollars (thousands)
	2007	2006	2005	**2007**
Current	**¥ 8,242**	¥ 7,807	¥ 6,405	**$ 69,847**
Deferred	**2,416**	3,449	3,503	**20,474**
	¥ 10,659	¥ 11,257	¥ 9,908	**$ 90,330**

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, 2007, 2006 and 2005.

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:

	2006
Statutory income tax rate	40.5%
Per capita tax	0.6
Expenses not deductible for tax purposes	1.7
Difference in statutory tax rates of foreign subsidiaries	(2.6)
Elimination for tax credit on dividend income by consolidation	3.3
Amortization of consolidated adjustment account	0.8
Tax credits	(0.6)
Other	(0.6)
Effective income tax rate	43.1%

As the difference between the statutory income tax rate and the effective income tax rate was not material for the years ended March 31, 2007 and 2005, 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, 2007 and 2006 are presented below:

	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Total gross deferred tax assets:			
Depreciation	**¥ 1,757**	¥ 1,767	**$ 14,889**
Allowance for losses on receivables	**1,122**	674	**9,508**
Allowance for losses on guarantees	**802**	1,513	**6,796**
Accrued expenses	**1,452**	2,733	**12,305**
Net operating loss carryforwards	**990**	1,219	**8,389**
Cumulative revenues from leasing contracts	**376**	605	**3,186**
Accrued business taxes	**333**	468	**2,822**
Prepaid expenses	**302**	437	**2,559**
Retirement and severance benefits	**63**	118	**533**
Valuation loss on other securities	**234**	490	**1,983**
Retirement benefits for directors	**496**	433	**4,203**
Bad debt write-off	**963**	—	**8,161**
Other	**2,849**	2,476	**24,144**
	11,745	12,938	**99,533**
Valuation allowance	**(1,453)**	(1,514)	**(12,313)**
	10,291	11,424	**87,211**
Total gross deferred tax liabilities:			
Net unrealized holding gain on investments in other securities	**(3,073)**	(4,675)	**(26,042)**
Temporary difference related to overseas subsidiaries and other	**(860)**	(1,006)	**(7,288)**
Prepaid pension benefit cost	**(1,876)**	(586)	**(15,898)**
Other	**(3)**	(—)	**(25)**
	(5,814)	(6,269)	**(49,271)**
Net deferred tax assets	**¥ 4,477**	¥ 5,155	**$ 37,940**

As of March 31, 2007 and 2006, 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, 2007 and 2006 are reflected in the accompanying consolidated balance sheets under the following captions:

	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Prepaid expenses and other current assets	**¥ 6,348**	¥ 7,317	**$ 53,796**
Other assets	**2,174**	1,763	**18,423**
Other current liabilities	**(930)**	(1,006)	**(7,881)**
Other liabilities	**(3,115)**	(2,919)	**(26,398)**
Net deferred tax assets	**¥ 4,477**	¥ 5,155	**$ 37,940**

(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, 2007 and 2006 is summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Projected benefit obligation	**¥ (35,823)**	¥ (35,408)	**$ (303,584)**
Plan assets at fair value	**37,614**	32,922	**318,762**
Funded status	**1,790**	(2,486)	**15,169**
Unrecognized actuarial loss	**5,137**	6,373	**43,533**
Unrecognized prior service cost	**(2,582)**	(2,873)	**(21,881)**
Net amount recognized in the consolidated balance sheets	**¥ 4,345**	¥ 1,014	**$ 36,822**
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid benefit cost	**¥ 9,346**	¥ 6,117	**$ 79,203**
Accrued benefit cost	**(5,000)**	(5,103)	**(42,372)**
	¥ 4,345	¥ 1,014	**$ 36,822**

Net periodic benefit cost for the years ended March 31, 2007, 2006, and 2005 consisted of the following components:

	Japanese yen (millions)			U.S. dollars (thousands)
	2007	2006	2005	**2007**
Service cost, net of participants' contributions	**¥ 1,283**	¥ 1,303	¥ 1,439	**$ 10,872**
Interest cost	**876**	871	840	**7,423**
Expected return on plan assets for the period	**(983)**	(738)	(622)	**(8,330)**
Amortization of net loss of transition difference	**—**	—	796	**—**
Amortization of actuarial loss	**713**	1,001	921	**6,042**
Amortization of prior service cost	**(285)**	(277)	(278)	**(2,415)**
Net periodic benefit cost	**1,604**	2,159	3,096	**13,593**
Contributions to the defined contribution pension plan	**¥ 226**	¥ 242	¥ 295	**$ 1,915**

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

a. Discount rates were both 2.5% for the years ended March 31, 2007 and 2006.
b. Expected rates of return were both 3.0% for the years ended March 31, 2007 and 2006.
c. Net loss of transition difference is amortized using the straight-line method over 5 years.
d. 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.
e. 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, 2007 and 2006, 57.5% of the outstanding capital stock of the Company was directly owned by Hitachi, Ltd.

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

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

The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥18.00 ($0.15) per share totaling ¥36.00 ($0.30) subsequently proposed by the Board of Directors with respect to the fiscal year ended March 31, 2007.

(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, 2007, 2006 and 2005 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	Number of shares	Amount	Amount
Balance as of March 31, 2004	13,380,608	¥ 20,050	
Acquisition for treasury stock	8,356,646	16,246	
Conversion of convertible bonds	4,908,413	7,810	
Retirement of treasury stock	10,000,000	16,430	
Sales of treasury stock	8	0	
Balance as of March 31, 2005	6,828,833	¥ 12,055	
Acquisition for treasury stock	1,104,749	2,267	
Sales of treasury stock	9	0	
Balance as of March 31, 2006	7,933,573	¥ 14,323	$ 121,381
Acquisition for treasury stock	1,822	4	33
Sales of treasury stock	16	0	0
Balance as of March 31, 2007	7,935,379	¥ 14,327	$ 121,415

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.

At the meeting held in July 2004, the Board of Directors resolved to acquire treasury stock up to 10,000,000 shares of its common stock for an aggregate acquisition amount not exceeding ¥21,000 million from July 23, 2004 to March 31, 2005. As a result, Company acquired a total of 89,900 shares for ¥187 million.

At the ordinary general shareholders' meeting in June 2003, the Company was authorized to acquire treasury stock up to 10,000,000 shares of its common stock for an aggregate acquisition amount not exceeding ¥15,000 million during the period from the close of the ordinary general shareholders' meeting to the close of the next ordinary general shareholders' meeting, pursuant to the provision of the Japanese Commercial Code. As a result, the Company acquired 9,300,000 shares for ¥14,992 million during the period above.

(13) NET INCOME PER SHARE INFORMATION

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

	Number of shares	
	2007	2006
Weighted average number of shares on which basic net income per share is calculated	**116,892,333**	117,057,392
Effect of dilutive securities:		
Convertible debentures	**—**	—
Number of shares on which diluted net income per share is calculated	**116,892,333**	117,057,392

	Japanese yen (millions)			U.S. dollars (thousands)
	2007	2006	2005	**2007**
Net income	**¥ 14,954**	¥ 14,219	¥ 13,287	**$ 126,728**
Appropriations for directors' bonuses	**—**	(42)	(58)	**—**
Net income on which basic net income per share is calculated	**14,954**	14,176	13,228	**126,728**
Effect of dilutive securities:				
Interest paid	**—**	—	0	**—**
Stock option granted by a subsidiary	**(3)**	(4)	(4)	**(25)**
Other	**—**	—	1	**—**
Net income on which diluted net income per share is calculated	**¥ 14,951**	¥ 14,171	¥ 13,226	**$ 126,703**
	Japanese yen			U.S. dollars
Net income per share data:				
Basic	**¥ 127.9**	¥ 121.1	¥ 110.5	**$ 1.08**
Diluted	**127.9**	121.0	108.0	**1.08**

(14) RELATED PARTIES

The Company's balances with its parent company as of March 31, 2007 and 2006, and related transactions for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Balances:			
Receivables — current	**¥ 27,013**	¥ 14,455	**$ 228,923**
Parent company deposit	**57,522**	47,154	**487,474**
Receivables — non-current	**1,317**	1,061	**11,161**
Payables — current	**19,927**	18,131	**168,872**

	Japanese yen (millions)			U.S. dollars (thousands)
	2007	2006	2005	**2007**
Transactions:				
Revenue	**¥ 51,314**	¥ 42,054	¥ 35,563	**$ 434,864**
Purchases	**59,238**	62,726	77,009	**502,016**
Interest income	**282**	51	62	**2,389**

(15) CONSOLIDATED STATEMENTS OF CASH FLOWS — SUPPLEMENTARY INFORMATION

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value that have maturities of generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2007, 2006 and 2005 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)
	2007	2006	2005	**2007**
Cash on hand and at bank	**¥ 23,981**	¥ 37,753	¥ 26,337	**$ 203,228**
Parent company deposit	**58,048**	47,229	48,736	**491,932**
Cash and cash equivalents	**¥ 82,029**	¥ 84,982	¥ 75,074	**$ 695,161**

(16) SEGMENT INFORMATION

(a) Industry Segment Information

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

	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
			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

	U.S. dollars (thousands)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
			2007		
REVENUES:					
Third party revenues	$ 911,305	$ 67,983	$ 979,296	$ 3,686	$ 982,983
Intersegment revenues	813	59,652	60,466	(60,466)	—
Total	912,127	127,635	1,039,771	(56,779)	982,983
EXPENSES	706,288	107,966	814,254	(42,822)	771,432
OPERATING INCOME	$ 205,838	$ 19,669	$ 225,508	$ (13,949)	$ 211,550
Assets	$18,504,932	$ 2,745,779	$21,250,720	$ 77,423	$21,328,144
Depreciation	4,669,949	3,033	4,672,983	17,033	4,690,025
Addition to fixed assets (tangible and intangible)	5,210,966	4,550	5,215,516	9,288	5,224,813

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 ($3,686 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, ¥1,747 million ($14,805 thousand) represents administrative expenses of the head office.

iv) Of the Assets shown in the column of Elimination and/or corporate, ¥79,254 million ($671,644 thousand) mainly represents extra fund (cash and securities), long-term investments (investments in securities) and assets of the head office.

	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
	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 fund (cash and securities), long-term investments (investments in securities) and assets of the head office.

	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
	2005				
REVENUES:					
Third party revenues	¥ 101,614	¥ 9,812	¥ 111,427	¥ 183	¥ 111,611
Intersegment revenues	123	8,093	8,216	(8,216)	—
Total	101,737	17,905	119,643	(8,032)	111,611
EXPENSES	78,357	14,867	93,224	(6,310)	86,914
OPERATING INCOME	¥ 23,380	¥ 3,038	¥ 26,418	¥ (1,721)	¥ 24,697
Assets	¥ 2,022,542	¥ 209,545	¥ 2,232,087	¥ (41,899)	¥ 2,190,188
Depreciation	510,836	363	511,199	1,948	513,148
Addition to fixed assets (tangible and intangible)	634,348	830	635,178	897	636,076

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 ¥183 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, ¥1,278 million represents administrative expenses of the head office.

The Company changed its basis of segment allocation of cooperate IT related expenses in order to reflect its operating income more appropriately during the fiscal year ended March 31, 2005. The effects on operating income are a decrease of ¥1,709 million in Finance, decrease of ¥42 million in Other financial services and increase of ¥1,751 million in Elimination and/or corporate.

iv) Of the Assets shown in the column of Elimination and/or corporate, ¥30,483 million mainly represents extra fund (cash and securities), long-term investments (investments in securities) and assets of the head office.

(b) Geographic Segment Information

	Japanese yen (millions) 2007	2006	2005	U.S. dollars (thousands) 2007
Revenues				
Japan	**¥ 80,929**	¥ 82,751	¥ 85,437	**$ 685,838**
Europe and North America	**31,291**	27,050	23,641	**265,177**
Asia	**3,860**	2,966	2,568	**32,711**
Intersegment elimination	**(89)**	(43)	(36)	**(754)**
Consolidated total	**¥ 115,992**	¥ 112,725	¥ 111,611	**$ 982,983**
Expenses				
Japan	**¥ 61,388**	¥ 61,334	¥ 65,530	**$ 520,237**
Europe and North America	**26,876**	23,032	19,669	**227,762**
Asia	**2,852**	2,212	1,750	**24,169**
Intersegment elimination	**(89)**	(43)	(36)	**(754)**
Consolidated total	**¥ 91,029**	¥ 86,536	¥ 86,914	**$ 771,432**
Operating income				
Japan	**¥ 19,540**	¥ 21,417	¥ 19,906	**$ 165,593**
Europe and North America	**4,414**	4,017	3,972	**37,406**
Asia	**1,007**	753	818	**8,533**
Consolidated total	**¥ 24,963**	¥ 26,189	¥ 24,697	**$ 211,550**
Assets				
Japan	**¥ 2,153,357**	¥ 2,094,152	¥ 1,922,314	**$ 18,248,788**
Europe and North America	**314,347**	300,543	239,495	**2,663,957**
Asia	**49,118**	41,494	28,417	**416,254**
Intersegment elimination	**(101)**	(57)	(38)	**(855)**
Consolidated total	**¥ 2,516,721**	¥ 2,436,132	¥ 2,190,188	**$ 21,328,144**

(17) 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, 2007 and 2006 is as follows:

(a) Lessee

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at March 31, 2007 and 2006, if they had been capitalized:

	March 31, 2007 Japanese yen (millions) Acquisition costs	Accumulated depreciation	Net balance	U.S. dollars (thousands) Net balance	March 31, 2006 Japanese yen (millions) Acquisition costs	Accumulated depreciation	Net balance
Furniture and equipment	**¥ 298**	**¥ 104**	**¥ 193**	**$ 1,635**	¥ 1,681	¥ 1,281	¥ 399

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

	March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Within one year	**¥ 867**	¥ 10,334	**$ 7,347**
Over one year	**1,065**	1,066	**9,025**
Total	**¥ 1,933**	¥ 11,401	**$ 16,381**

(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)
	2007	2006	**2007**
Lease payments	**¥ 371**	¥ 445	**$ 3,144**
Depreciation	**365**	436	**3,093**
Interest expense	**2**	6	**16**

(b) Lessor

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at March 31, 2007 and 2006 included in equipment held for lease:

	March 31, 2007				March 31, 2006		
	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	**¥ 2,315,005**	**¥ 1,047,556**	**¥ 1,267,448**	**$10,741,084**	¥ 2,231,350	¥ 995,589	¥ 1,235,760

(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)
	2007	2006	**2007**
Within one year	**¥ 405,154**	¥ 403,051	**$ 3,433,508**
Over one year	**881,896**	844,266	**7,473,694**
Total	**¥ 1,287,050**	¥ 1,247,318	**$10,907,203**

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

	For the year ended March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Lease income	**¥ 466,290**	¥ 458,253	**$ 3,951,610**
Depreciation	**423,673**	412,121	**3,590,449**
Interest income	**40,673**	40,246	**344,686**

Operating leases

(a) Lessee

The Company did not have lease contracts that need to be disclosed as non-cancelable operating leases as of March 31, 2007 and 2006.

(b) Lessor

Future lease payments to be received:

	March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	**2007**
Within one year	**¥ 79,381**	¥ 77,660	**$ 672,720**
Over one year	**140,449**	141,440	**1,190,245**
Total	**¥ 219,830**	¥ 219,101	**$ 1,862,966**

(18) 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, 2007 and 2006 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)
	2007			**2007**		
Interest rate swap agreements:						
Floating rate to fixed rate	**¥ 81,172**	**¥ 489**	**¥ 489**	**$ 687,898**	**$ 4,144**	**$ 4,144**

	Japanese yen (millions)		
	Notional amounts	Estimated fair values	Unrealized gains (losses)
	2006		
Interest rate swap agreements:			
Floating rate to fixed rate	¥ 54,598	¥ 1	¥ 1

(19) COMMITMENT AND CONTINGENCIES

The Company and a subsidiary provide 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 investee. The outstanding balance of the revolving lines of credit as of March 31, 2007 and 2006 are shown as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
	2007	**2007**
Total revolving lines of credit available	**¥ 717,668**	**$ 6,081,932**
Amount utilized	**25,246**	**213,949**
Balance available	**¥ 692,421**	**$ 5,867,974**

	Japanese yen (millions)
	2006
Total revolving lines of credit available	¥ 689,699
Amount utilized	26,595
Balance available	¥ 663,103

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 ¥2,545 million ($21,567 thousand) as of March 31, 2007.

Contingent liabilities for guarantees of employees' housing loans amounted to ¥27 million ($228 thousand) and ¥29 million as of March 31, 2007 and 2006, respectively.

(20) SUBSEQUENT EVENTS

Based on a comprehensive resolution to issue unsecured straight bonds passed at a meeting of the Board of Directors on May 22, 2007, the Company decided to issue its 32nd unsecured straight bonds (with limited interbond pari passu clause) on June 6, 2007. The issue was made as follows

(a) Total issue amount:	¥20,000 million (US$169,491 thousand)
(b) Issue price:	100 yen per 100 yen face value
(c) Payment date:	June 14, 2007
(d) Redemption date:	Entire amount is redeemable on June 20, 2012
(e) Interest rate:	1.60% annually
(f) Application of funds:	Facilities (including purchases of equipment for lease) and redemption of short-term straight bonds

At a special Meeting of the Board of Directors held on June 15, 2007, Hitachi Capital decided to make a tender offer bid in the United Kingdom to acquire shares of Hitachi Capital (UK) PLC, a consolidated subsidiary listed on the London Stock Exchange. The tender offer bid has received approval from the Board of Directors of Hitachi Capital (UK) PLC. An outline of the tender offer bid is as follows.

(a) Tender offer price:	£2.65 per share
(b) Number of shares to be purchased:	The sum total of the number of common shares outstanding (42,674,511 shares as of June 15, 2007) and the total number of common shares to be issued in the future, after subtracting the total number of common shares (27,637,400 shares as of June 15, 2007) already held by Hitachi Capital. Even if the number of tendered shares is less than the number of shares to be purchased, all shares including tendered shares shall be purchased.
(c) Funds required for purchase:	Approximately £39 million (plan)
(d) Future outlook:	The tender offer bid is not expected to have a material impact on the Company's result of operations for the fiscal year ending March 31, 2008.

INDEPENDENT AUDITORS' REPORT

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, 2007 and 2006, 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, 2007, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

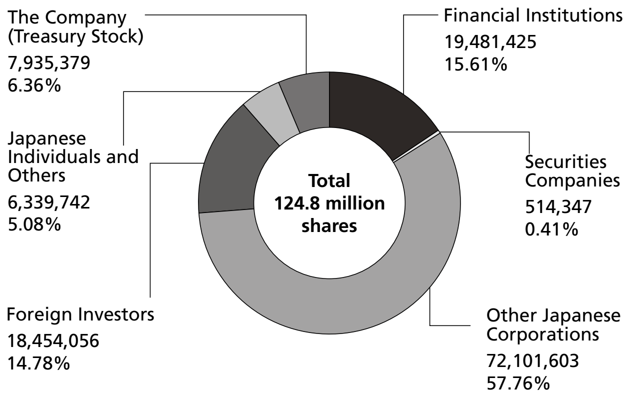
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note (2).

Ernst & Young ShinNihon

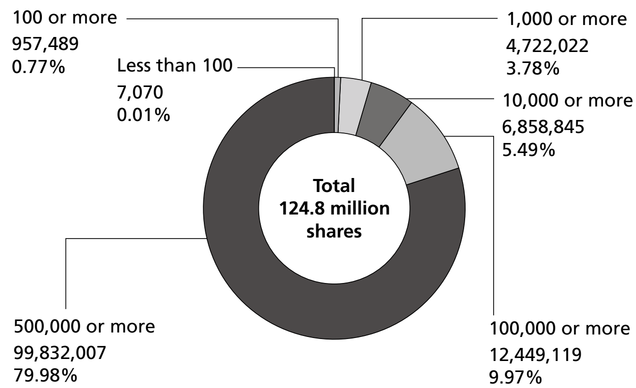
June 22, 2007

INVESTOR INFORMATION (As of March 31, 2007)

COMPOSITION OF STOCKHOLDERS (Shares)



NUMBER OF SHARES OWNED



MAJOR STOCKHOLDERS

	Number of shares owned (thousands)	Percentage of voting shares (%)
Hitachi, Ltd.	67,246	57.55
Japan Trustee Services Bank, Ltd.	5,629	4.82
The Master Trust Bank of Japan, Ltd.	4,488	3.84
Trust & Custody Services Bank, Ltd.	2,947	2.52
Hitachi High-Technologies Corporation	2,325	1.99
Caseyce Bank Ordinary Account	1,158	0.99
State Street Bank and Trust Company 505019	1,101	0.94
Mellon Bank N.A. as agent for its client Mellon omnibus US pension	1,082	0.93
State Street Bank and Trust Company	983	0.84
The Nomura Trust and Banking Co., Ltd.	869	0.74
Total	87,831	75.16

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

CORPORATE DATA (As of March 31, 2007)

CORPORATE NAME
Hitachi Capital Corporation

FOUNDED
1957
(incorporated in 1960)

NUMBER OF EMPLOYEES
Consolidated: 3,409

VOLUME OF BUSINESS

Finance Business:	¥1,491,052 million
Other Financial Services Business:	¥444,767 million
Intersegment Elimination:	¥(8,560) million
Total:	¥1,927,259 million

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

STOCKHOLDERS
6,437

STOCK LISTING
Tokyo Stock Exchange

CONSOLIDATED SUBSIDIARIES (As of June 1, 2007)

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, Nishitenman 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

EUROPE AND NORTH AMERICA

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

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

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

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

Hitachi Capital Credit Management Ltd.
2 Apex View Leeds, West Yorkshire,
LS11 9BH, UK

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

OTHER AREAS

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

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

Hitachi Capital Corporation

15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-8712, Japan
Phone: +81-3-3503-2118
http://www.hitachi-capital.co.jp

Printed in Japan