

SOUND BUSINESS ACTIVITIES,
A CUSTOMER FOCUS
AND VALUE CREATION

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

As a credibility-first financial services business, we will achieve sustainable growth backed by high-quality management.

2 RESPECT FOR HUMAN DIGNITY

We will strive to increase our corporate strengths by improving ourselves as persons and treating each other with respect.

3 IMPLEMENTATION OF CORPORATE ETHICS

We will voluntarily act in accordance with laws and ethics and contribute to the development of a sound society.

ACTION GUIDELINES

Under the following three action guidelines, the Hitachi Capital Group companies will strive to follow the idealized visions stated below.

Aiming for reliable and trusted management

With a responsibility to support sound economic activities, we will continue to be companies that can be trusted by communities and customers.

Trying to cultivate our own services and products

Making full use of the characteristics of maker-related financial companies, we will use our expertise in each specialized field, to produce unique financial services and products.

Achieving customer satisfaction taking pride and joy in our work

We will respect the dignity and individuality of every staff member and enhance job satisfaction by working together as a team to achieve customer satisfaction.

We are a company that
achieves customer satisfaction
is able to change itself
constantly takes action

Our Business Lines

■ Business by Products/Services

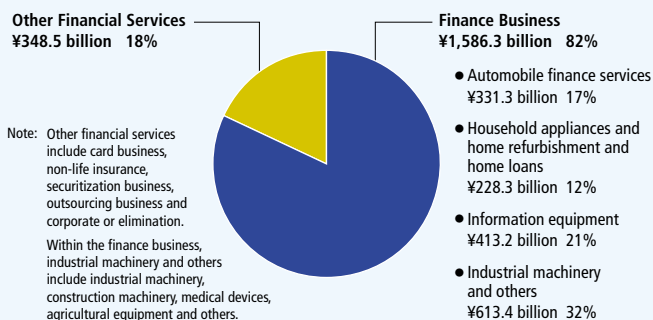
FINANCE BUSINESS

Hitachi Capital offers corporate clients a broad assortment of services such as leases, rental services, credit guarantees and installment finance to meet their capital investment needs for information equipment, industrial machinery, construction machinery, medical devices and agricultural equipment. Seeking to enhance people's lifestyles, we offer our individual clients an array of financial services, credit guarantees and leases such as automobile finance, household appliances and home refurbishment, and home loans.

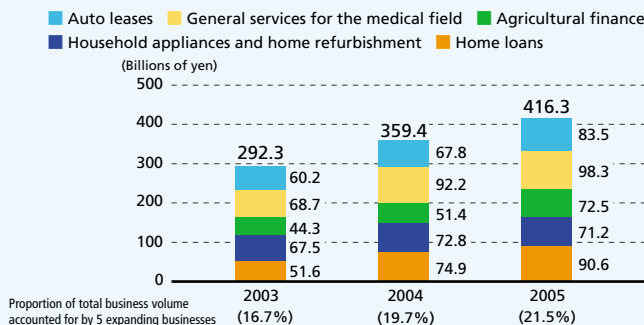
OTHER FINANCIAL SERVICES

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 outsourcing business, which includes such services as outsourced payment, collection and settlement services.

Volume of business by products/services
(Year ended March 31, 2005)



Trends in total business volume by 5 expanding businesses
(Years ended March 31)



■ Business by Business Segment

LEASING BUSINESS

Hitachi Capital offers various types of leases, primarily for large corporations and government and public offices. Besides its leasing business, which is one of the "core businesses," Hitachi Capital is working to create a broad range of new businesses in its "10 growing businesses."

RETAIL BUSINESS

We provide individual and corporate clients with high-value-added services in a broad range of fields, with our "5 expanding businesses" serving as a pillar of these operations.

Our Business Strategies

Under our three-year medium-term management plan formulated in October 2002, we are downsizing our auto loan business, which witnessed declining profitability, and are now working to reorient our business structure toward high-value-added businesses as we pursue sustainable growth. Specifically, this management plan consists of three

strategies: strengthening competitiveness in core businesses that drive our earnings, developing 5 expanding businesses that will serve as a pillar of the Group's business, and making upfront investments in 10 growing businesses that target markets with growth potential.

HITACHI CAPITAL HIGHLIGHTS

During fiscal 2005, ended March 31, 2005, on a consolidated basis, revenues rose 1.9% to ¥111,611 million (US\$1,043 million) over the previous fiscal year. Income before income taxes rose 59.7% to ¥24,132 million (US\$225 million) due to the increase in revenues and a reduction in expenses resulting from lower financing costs owing in part to the absence of an extraordinary loss on the reorganization of the auto loan business that was recorded in the previous year. Net income soared 76.4% to ¥13,287 million (US\$124 million).

In our core business, we focused on expanding traditional lease transactions and promoted operating leases* in our leasing business, which serves as the foundation of our earnings. In the other financial services business, we tapped our know-how from doing business with Hitachi Group companies to expand our customer base in the securitization and outsourcing businesses.

Turning to our 5 expanding businesses, with regard to general services for the medical field, we commenced a management support service business for medical organizations through a business tie-up with a medical consulting company. As a first step in our participation in agriculture-related projects, in agricultural finance we formed an alliance with and invested in a venture company involved in the distribution and sale of agricultural products, while establishing a tie-up with the Agriculture, Forestry and Fisheries Finance Corporation. In this way, we are currently pursuing solutions that are essential for the agriculture business. Activities in our home loan business focused on achieving increases in loans primarily through The Mortgage Corporation of Japan, Limited.

Meanwhile, in our 10 growing businesses, we took a tremendous step forward in our urban redevelopment business in March 2005 with the opening of Ayase Town Hills Shopping Center, Hitachi Capital's first commercial



Ayase Town Hills Shopping Center

land development project that was supported by our accumulated know-how in utilizing fixed-term land-leasing rights. Hitachi Capital also participated in a housing and multi-purpose facility development project for the city of Yokohama's idle land utilization project. In the non-life insurance business, we developed an assortment of new products that chiefly included fire insurance products and a long-term disability insurance product that guarantees income for doctors and agricultural workers who are unable to work for long periods. Fiscal 2005 was also a noteworthy year in our business involving entering the leasing market in China. To this end, in May 2005 we established Hitachi Capital Leasing (China) Co., Ltd. in Beijing, with the entire capital coming from the Hitachi Group. Hitachi Capital Leasing (China) will initially undertake the leasing of medical devices as its pillar business and subsequently seek to expand business targeted at China's top hospitals.

* With an operating lease, the leasing company bears the residual value risk for the expected future market price of the leased item in the used products market. It is necessary for leasing companies to recover the set residual value by selling the leased item or by other means after the conclusion of the lease. Thus, leasing companies must have strong capabilities in closely ascertaining future market prices of products.

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Forward-Looking Statements

This annual report contains forward-looking statements about the future plans, strategies, beliefs and performance of Hitachi Capital and 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.

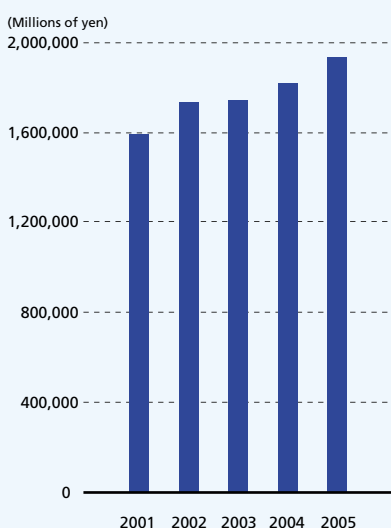
FINANCIAL HIGHLIGHTS

Hitachi Capital Corporation and Subsidiaries
Years ended 31st March 2005, 2004 and 2003

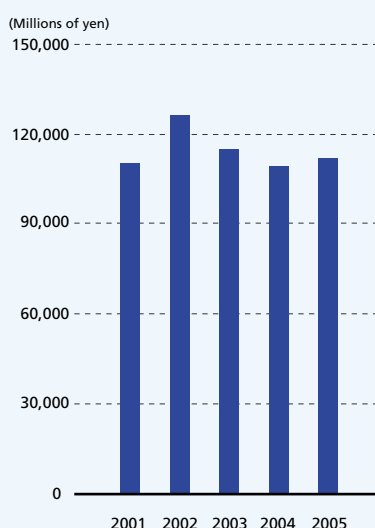
	In millions of yen, except per share data			Thousands of U.S. dollars, except per share data
	2005	2004	2003	2005
FOR THE YEAR:				
Volume of business	¥1,934,819	¥ 1,822,794	¥ 1,746,946	\$18,082,420
Revenues	111,611	109,494	115,111	1,043,093
Income before income taxes and minority interests	24,132	15,108	17,808	225,532
Net income	13,287	7,532	8,961	124,177
AT YEAR-END:				
Trade receivables	¥ 464,201	¥ 508,029	¥ 440,449	\$ 4,338,327
Total assets	2,184,933	2,147,475	2,014,590	20,419,934
Stockholders' equity	218,855	215,523	222,789	2,045,373
Number of employees	3,571	3,551	3,554	—
PER SHARE DATA (in yen):				
Net income (basic)	¥ 110.5	¥ 59.0	¥ 66.3	\$ 1.03
Net income (diluted)	108.0	57.3	64.3	1.00
Cash dividends paid and declared for the year	34.0	32.0	32.0	0.31
Stockholders' equity	1,854	1,783	1,730	17.33

Notes: 1. U.S. dollar amounts in this report represent translations of yen, solely for the convenience of the reader, at the rate of ¥107=US\$1, the approximate exchange rate at 31st March 2005.
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 (k) for per share data).

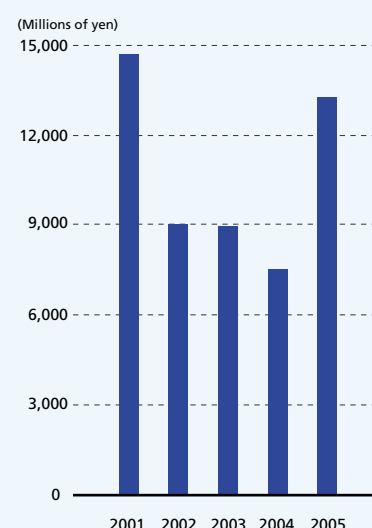
Volume of business



Revenues



Net income



The volume of business figures in fiscal years prior to the year ended 31st March 2002 have been revised to reflect the adoption of a new securitization scheme that is not included in the volume of business.



We would like to take this opportunity to report that following the General Meeting of Stockholders on June 22, 2005, Mr. Kaichi Murata stepped down as President & CEO and was replaced by Mr. Kazuo Takano. During his four-year term as the Company's top executive, Mr. Murata presided over the transformation of Hitachi Capital's business structure, and his leadership was instrumental in strengthening the Company's profit structure. Building on the growth foundation established under Mr. Murata, President Takano is resolved to firmly take up the reigns of management with an eye toward achieving sustainable growth.

The progression and achievements of the transition of the Hitachi Capital Group's business structure and a review of the Company's business results for fiscal 2005, ended March 31, 2005, are discussed herein by Mr. Murata, followed by an overview of the future direction and basic policies that will guide the Company toward sustainable growth by Mr. Takano.

TRANSITION OF BUSINESS STRUCTURE YIELDING POSITIVE RESULTS

Hitachi Capital has made steady strides with the shifting of its business structure in accordance with its medium-term management plan formulated in October 2002. For many years, Hitachi Capital's auto loan business served as a main pillar of earnings. Nonetheless, profitability in this business was continually squeezed amid excessive and harsh competition that included low-interest loans by finance companies affiliated with automobile manufacturers. In response, we decided to downsize and withdraw from the auto loan business, which had an annual business volume of ¥400 billion. Determined to establish a new business pillar to compensate for declines resulting from this downsizing, we have been cultivating 5 expanding businesses and developing 10 growing businesses that will fuel our future growth. By making efforts to cultivate these new businesses, we have been building a foundation for sustainable growth.

Targeting niche markets, our 5 expanding businesses emphasize providing customer satisfaction and raising value added without falling prey to excessive competition. These 5 expanding businesses have steadily secured new contracts, and based on results thus far, I am confident these businesses will grow their earnings over the next three to four years.

ACTIVELY MEETING CHALLENGES TO REALIZE SUSTAINABLE GROWTH

Hitachi Capital's business restructuring has passed safely through its fledgling stage and is now in the period in

which we have to devote maximum efforts to ensure we are firmly on track for sustainable growth. The establishment of a solid earnings foundation in our 5 expanding businesses is now clearly within sight, and we have also commenced upfront investments in our 10 growing businesses of the future. As we strive to build up our earnings, these 10 growing businesses will drive our growth strategy as new businesses bearing fruit in the years ahead. Tapping our extensive know-how, we are creating model cases for our growth businesses in niche markets, a prime example being our urban redevelopment business. Deploying know-how gained through involvement as the commercial developer for the Ayase Town Hills Shopping Center, which opened in March 2005 in Ayase City, Kanagawa Prefecture, we successfully secured the bid to participate in the Gontazaka 3-chome Redevelopment Project, a housing and multi-purpose facility development project in the city of Yokohama.

The sustainable growth we strive for transcends simply achieving ongoing increases in earnings. Rather, this growth also entails repeated efforts to meet the challenges of consistently creating growth businesses. Even if any failure occurs through taking on these challenges, we seek to become a company capable of quickly surmounting any setbacks to secure long-term growth potential. I firmly believe that proactive efforts to meet the challenges of creating new businesses will provide the impetus needed to realize sustainable growth.

REFORMING EMPLOYEE AWARENESS AND PURSUING COMPLETE CUSTOMER SATISFACTION

The auto loan business, which had been our mainstay business, primarily engaged in indirect transactions with customers via intermediary sales outlets. However, in new businesses currently under development, including agricultural finance, general services for the medical field and home loan businesses, we now intend to make proposals in direct contact with customers previously served indirectly. In other words, the basis of these businesses will be direct operations that stimulate direct demand. Accordingly, central themes of our business development will be to expand our spheres for direct operation and firmly interact face-to-face with customers.

I am confident that efforts to pinpoint customer needs through direct dialogue and respond accordingly with appropriate services will reward us with profits. I have always believed that retail business represents the grass roots of any business. Success in the retail business hinges directly on responding to the needs of individual customers – each with different interests and preferences – and ensuring satisfaction. Recognizing that approaches and methods used in retail businesses are the cornerstone of business, we have aggressively moved to reform employee awareness in these areas. The Ayase Town Hills Shopping Center project is a good example. Respective Hitachi Capital staff in charge of this project deeply considered ways to raise the customer-drawing capabilities of a shopping center in a region with a poor transportation environment. Our staff pooled their knowledge and contributed to the creation of a shopping center that has been extremely well received by the residents of the local community. Just as in our leasing and other core businesses, developing new businesses that provides customer satisfaction is essential.

FISCAL 2005 BUSINESS RESULTS PORTEND FUTURE GROWTH

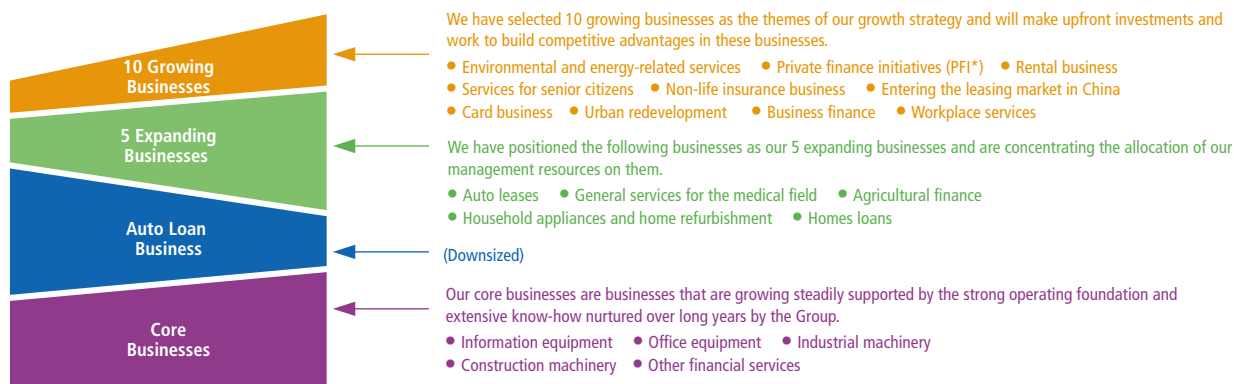
Besides achieving increases in revenues and earnings in fiscal 2005, revenues, ordinary income and net income all surpassed the targets announced in October 2004. The volume of business in our 5 expanding businesses grew steadily, reaching ¥416.3 billion (US\$3,890 million) in fiscal 2005, a 15.8% increase from the previous fiscal year. These 5 expanding businesses account for a rising proportion of Hitachi Capital's total volume of business and comprised 21.5% of business volume in fiscal 2005. Accordingly, we expect to achieve our target of ¥600 billion for fiscal 2008. I am confident we have built a foundation that will enable the 5 expanding businesses to emerge as a new business pillar, and that we are firmly on track with the transition of our business structure.

During fiscal 2005, our total volume of business amounted to ¥1,934,819 million (US\$18,082 million), a 6.1% increase from the previous fiscal year. Revenues totaled ¥111,611 million (US\$1,043 million), up 1.9%, while income before income taxes reached ¥24,132 million (US\$225 million), a gain of 59.7%. Net income amounted to ¥13,287 million (US\$124 million), a jump of 76.4% from the previous fiscal year. These figures underscore our improving profitability, which had been sluggish following the initiation of efforts to transform our business structure. Cash dividends per share for the year were increased ¥2.00 to ¥34.00 (US\$0.31).

Finally, as I step down from management, I would like to thank our stakeholders for their tremendous support.



Kaichi Murata
Former President & CEO



* The PFI concept is a method for introducing private-sector capital and management know-how and promoting a private sector-led enhancement of efficiency in the improvement and management of the social infrastructure by the public sector.



ENVISIONED SHAPE OF THE HITACHI CAPITAL GROUP

Under the strong leadership of former President & CEO Kaichi Murata, the Hitachi Capital Group has undertaken a sweeping transformation of its business structure and built a solid foundation for its next growth phase. In the wake of these extensive reforms, we must now ensure we maintain the creative momentum generated by these measures. I envision my own role as guiding the Company toward sustainable and stable growth based on the business foundation established under Mr. Murata.

In working toward these objectives, it will be absolutely essential to garner an unprecedented level of support from our customers. The finance industry plays an integral role in society by ensuring the smooth and stable supply of funds, the lifeblood of all economic activity. For this reason, consistently providing customers with reliable services as well as carrying out sound management are paramount.

In today's increasingly diverse society, financial needs also vary by type of customer. The horizons of the financial industry are extremely broad and an assortment of financial institutions cover an extensive range of service fields to address diverse customer needs. I believe that creating unique attributes as a company capable of providing highly specialized services in fields where we can utilize our strengths is key to becoming the top choice of customers and for carving out a firm position in solid-growth markets.

Accordingly, as we recognize our strengths and seek to establish unique attributes as a financial services company, we will focus on two themes: "maintaining a meticulous attitude toward products and services linked to customers'

businesses" and "meeting diverse customer needs by being regionally focused."

A METICULOUS ATTITUDE TOWARD PRODUCTS

Hitachi Capital is a manufacturer-affiliated financial company that possesses extensive knowledge about a diverse array of products, and we intend to utilize this forte as a competitive strength in markets. Having specialized knowledge and the ability to offer advice are crucial for being chosen by customers, for example, in the leasing business for such highly specialized equipment as semiconductor manufacturing equipment and inspection equipment. Besides mere product knowledge, however, we must also have a deep understanding of our customers' businesses. In agricultural finance, for instance, besides selling and leasing agriculture equipment, we also provide finance for purchasing such necessities for farming businesses as seedlings, fertilizers and breeding cattle. Consequently, it is essential that we provide accurate support based on a solid understanding of farming businesses.

In other words, "a meticulous attitude" means pursuing optimal financial solutions that link products and customers and provide total support that distinguishes us from our competitors.

REGIONALLY FOCUSED

With over 160 branches throughout Japan, Hitachi Capital has built a highly autonomous marketing system with an independent profit structure. Primarily through each of these sales bases, we work to uncover customer needs that differ by region and thereby create services that closely match the needs of our approximately 1.8 million customers.

To promote these efforts, Hitachi Capital headquarters is strengthening its support structure to provide branches with greater mobility in undertaking business activities. Japan's urban areas are characterized by a plethora of financial institutions and widespread availability of financial services. In contrast, people in regional areas appear to have little access to a variety of financial services. Recognizing that customers' financial needs vary by geographic region, we aim to acquire a deep understanding of our customers' businesses and expand our opportunities for direct transactions.

GEARING UP FOR SUSTAINABLE GROWTH

In working toward sustainable growth, the creation of "unique attributes as a company" is essential. I believe the development of such unique attributes results from the daily initiatives of each individual employee. The sustainable growth Hitachi Capital pursues requires the ability to quickly surmount adverse shifts in the business environment, repeatedly meet new challenges to consistently create new growth businesses and secure long-term growth potential.

Viewed from a long-term perspective, companies always enter a period in which they are faced with the need to undertake a major restructuring of their businesses. In response, I think it is indispensable for companies to continue innovating on a daily basis. In doing so, we need personnel capable of creating highly distinctive services and meeting the challenges of new businesses.

To the present, the Hitachi Capital Group has taken a proactive approach toward employing top-notch experts from a diversity of fields. We have also established an environment capable of drawing out the positive attitudes of employees through the creation of personnel evaluation standards that enable employees to learn from and improve upon past failures, along with a business-leader incentive system for rewarding sales staff who have made remarkable contributions to realizing Hitachi Capital's corporate vision. We will continue to promote the establishment of work environments and support systems such as these as a crucial management issue.

OUTLOOK FOR FISCAL 2006

In fiscal 2006, we forecast a 3.4% increase in the volume of business to ¥2,000,000 million (US\$18,691 million), a 3.2% rise in revenues to ¥115,200 million (US\$1,076 million), a 10.6% increase in income before income taxes to ¥26,700 million (US\$249 million) and a 10.6% gain in net income to ¥14,700 million (US\$137 million) compared with the previous fiscal year.

For leasing and finance companies such as Hitachi Capital, collected funds accumulated through contracts are recorded as profit upon deposit. We expect unrealized profits accumulated from growth in the volume of business to be realized over the next few years, resulting in increased profits.

Although I am confident our business will proceed smoothly in fiscal 2006, I will nevertheless proactively engage in dialogue with employees at the front lines of sales and reevaluate our entire business portfolio. I am also setting my sights on a reorganization of the 5 expanding businesses and 10 growing businesses while enhancing our support systems to allow us to aim for even higher targets.

In closing, I ask our stakeholders for their understanding and continued support as we continue to undertake such endeavors.



Kazuo Takano
President & CEO



Hideyuki Iikura
Executive Vice President &
Executive Officer
General Manager of
Leasing Division

LEASING BUSINESS

The leasing business engages in various types of leasing operations that mainly target large companies and government and public offices. Besides leasing operations within Hitachi Capital's core business, we also focus on creating a diverse range of new businesses within the 10 growing businesses.

Q Could you describe the current status and future direction of the leasing business?

The volume of Hitachi Capital's leasing business amounted to approximately ¥690 billion in fiscal 2005, ranking us among the top leasing companies in Japan. Our leasing business constitutes the nucleus of our core businesses, which underpins the Company's earnings. During fiscal 2005, T* in our leasing business reached 1.27%, attributable to the ongoing accumulation of high-quality assets and cost reductions achieved by trimming management and fundraising costs. Going forward, as we strive to further strengthen our earnings power, we will further accumulate contracted assets while raising the proportion of revenues accounted for by high-value-added businesses.

* T* refers to ordinary income/trade receivables, loan guarantees and leases. Because Hitachi Capital has off-balance-sheet trade receivables, loan guarantees and leases through loan guarantees and securitization, in our judgment T* is a more suitable indicator for measuring profitability than ROA.

Q Could you describe Hitachi Capital's value-added businesses?

An excellent example of a value-added business is operating leases, which are experiencing rising demand. This business generates high earnings and requires a strong ability to accurately forecast future prices of leased products. Operating leases also represent a field in which we are firmly positioned to utilize one of our chief strengths, namely, personnel who possess a wealth of product knowledge.

In our 10 growing businesses, which we foresee being a key source of future earnings, we are placing special emphasis on our urban redevelopment and environmental and energy-related services businesses. In our urban redevelopment business, we participated in the development of the Ayase Town Hills Shopping Center, drawing on expertise in our building leasing business that uses commercial-use fixed-term land-leasing rights. In the role of commercial developer for this project, the Group handled total project coordination, a task that encompassed planning, construction, management and operation of this commercial facility. Deploying the experience and accomplishments gained from this project, we were successful in securing participation in the Gontazaka 3-chome Redevelopment Project, a housing and multi-purpose facility development project in the city of Yokohama.

Undoubtedly, a major strength of Hitachi Capital is its information-related capabilities derived through an extensive business network. Specifically, we have access to information about

the Hitachi Group's idle land and can obtain extensive information about the idle landholdings of business partners and information about the needs of tenants.

In environmental and energy-related services, our solutions ranging from the introduction to the operation services of a diversity of equipment such as facilities for energy conservation and sales of electricity are highly praised by numerous customers. The provision of these solutions has helped to spur the growing use of such equipment. We will expand and deepen this business across a broad front in response to the needs of the times in order for companies to undertake initiatives to address environmental problems as an indispensable part of their corporate activities.

Q What types of activities is Hitachi Capital undertaking in the China business?

Viewed from a long-term perspective, there is no doubt China is a crucial market. The establishment of wholly-owned, foreign-invested subsidiaries in China was allowed from March 2005. In response, together with Hitachi China Co., Ltd., we established a joint venture, Hitachi Capital Leasing (China) Co., Ltd., in Beijing in May 2005. A highly talented Chinese national serves as president of the new company, which commenced its business with the leasing of medical devices produced by Hitachi Medical Corporation.

Q Could you describe the future strategies for the overall leasing business?

In the domestic leasing market, where the volume of the leasing business exceeds ¥7,500 billion, Hitachi Capital Group's business volume during fiscal 2005 was approximately ¥690 billion, giving us an approximately 9% market share. With a short-range target of capturing a 10% market share, we are aiming for business volume in our leasing business of ¥750 billion in fiscal 2007 in line with accumulating contracted assets.

While fully utilizing our prowess as a manufacturer-affiliated leasing company, we will maintain our proactive approach of engaging in high-profit leasing businesses while assuming an appropriate level of risk. During fiscal 2005, business volume in our high-value-added businesses such as operating leases and building leases that utilize commercial-use fixed-term land-leasing rights, accounted for over 10% of the total volume of business in the leasing business. We aim to increase this to around 20% in fiscal 2008.



Kazuya Miura
Executive Vice President &
Executive Officer
General Manager of
Retail Business Division

RETAIL BUSINESS

The retail business offers a wide range of high-value-added services to individual and corporate clients.

Q Could you explain the present status of Hitachi Capital's efforts to transform the structure of its retail business?

The retail business handled the auto loan business, so these operations are naturally a main focal point of efforts to transform the Company's business structure. Our transition away from the shrinking auto loan business and move toward the 5 expanding businesses, which we continue to strengthen, represents a quantum leap forward in these efforts. By transferring our entire auto loan business to Hitachi Capital Auto Lease Corp., a subsidiary specializing in auto leases, the volume of our auto loan business has been scaled down from around ¥400 billion annually to ¥170 billion. In contrast, the 5 expanding businesses are on track to reach their target consolidated business volume of ¥600 billion in fiscal 2008, reflecting a well-laid groundwork for sustainable growth.

Q What is the current state of progress of the 5 expanding businesses?

Our businesses targeting customers involved in agriculture, beginning with our agricultural finance business, have demonstrated the most progress among our 5 expanding businesses. As a result of an alliance with a blue-chip agricultural equipment manufacturer with a solid customer base among farmers, we have built a solid foothold for increasing the number of customers in this business. Through initiatives taken to date, discernable changes are unfolding in agriculture, indicating a growing need for expanding service domains.

At ¥10,000 billion annually, actual agricultural production in Japan has remained on a plateau for the past 25 years. Nonetheless, a number of high-value-added businesses have emerged in such sectors as processing, distribution and the sale of agricultural products. We would like to share these value-added benefits with those engaged in agriculture.

Besides providing financial solutions, we are focusing on creating new businesses in collaboration with customers engaged in agriculture. Accordingly, the Group has begun participating in agricultural businesses and is making preparations for commercialization of these businesses. As a first step, we formed a tie-up with and invested in Natural Art Co., Ltd., an agricultural venture with investments from leading farmers that engages in the distribution and sale of agricultural products. Working together, we are making progress in building an ideal business model that

encompasses all phases from production to sales.

Additionally, we are strengthening our ability to provide solutions for agriculture businesses via our alliance with the Agriculture, Forestry and Fisheries Finance Corporation.

On a different front, we have also achieved remarkable progress in businesses related to general services for the medical field. Recently, there has been a soaring need for improving the management of medical institutions in parallel with reforms to Japan's medical system, including revisions of medical examination payments and a lowering of official drug prices. In response, we formed an alliance with a medical consulting company and launched a new medical solutions business. We aim to win the confidence of medical institutions by proposing plans for enhancing revenues by increasing the number of patients while pruning costs. Concurrently, we seek to be entrusted by medical institutions with all of their problem-solving tasks and create unique business transactions unmatched by competitors.

Q What are the requisites for achieving continuous growth in the retail business?

An overriding theme going forward will be to strengthen direct demand businesses. Utilizing various channels, we are taking steps to increase our customer base and expand opportunities for direct business transactions.

I believe that rebuilding our marketing network, which is a Group strength, is crucial to the success of these efforts. I am confident that we are well positioned to utilize various synergies by focusing on diverse, organically linked channels that include our Group network, our business partners' networks and the networks of those with which we have alliances.



Utilizing the "Mother's Plan 1000," this dairy introduced the "Carry Robot," a milking device that automatically moves around the dairy barn.

CORPORATE SOCIAL RESPONSIBILITY

Hitachi Capital undertakes its corporate activities in tandem with individual employees continually recognizing their roles as members of society. We fulfill our responsibilities as a good corporate citizen not only from an economic perspective but also by giving proper consideration to the environment and society. By taking this approach, we aim to raise our corporate value and achieve sustainable growth. In keeping with this philosophy, Hitachi Capital undertakes an assortment of CSR activities befitting the nature of the Company within the scope of its main business while also carrying out unique social contribution activities.

CONDUCTING CSR ACTIVITIES THROUGH FINANCIAL SERVICES

Hitachi Capital undertakes CSR activities guided by its management policy to "contribute to creating a better society through the cultivation of financial services required by customers and society."

■ Introducing the "All Electric Home Mortgage"

Hitachi Capital, together with Chubu Electric Power Co., Inc. and The Tokyo Electric Power Co., Inc., has formed a business alliance and subsequently introduced several new financing products. One product, the "All Electric Home Mortgage," is extended to customers for the purchase of a new home (including houses and condominiums) that is totally powered by electricity. The "All Electric Home Preferred Remodeling Loan" is designed to provide remodeling funds accompanying the purchase of all electric home appliances.

All electric homes are noted for their superior safety and cleanliness as well as for being outstanding in terms of environment friendliness (reduces CO₂ emissions) and energy conservation. The market for such homes is expanding with the arrival of the age of liberalization of energy markets. By supporting the spread of all electric homes, Hitachi Capital is contributing to local communities and protection of the environment.



IH Cooking Heater (Hitachi product), one product eligible for financing with the "All Electric Home Preferred Remodeling Loan"

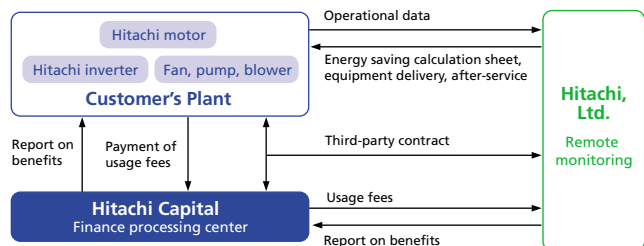
■ Energy-Saving Service Business "HDRIVE" Wins the Eco-Products Award* for Excellence

The HDRIVE is a new type of energy-saving service business under which Hitachi, Ltd. provides its clients' production plants with such equipment as high-pressure inverters and highly efficient motors free of charge. In return, a portion of savings from a reduction in energy costs, achieved by controlling the number of fan revolutions, is collected as usage fees. Hitachi Capital provides financial services that constitute two pillars: collecting the usage fees and the leasing of equipment (refer to diagram below).

In December 2004, HDRIVE won the Eco-Products Award Promotion Council Chairman's Award (Award for Excellence) in the Eco Service category of the Eco-Products Awards. HDRIVE was highly acclaimed as an outstanding new service business, especially for realizing energy conservation during operation, emitting no toxic chemical substances, enabling the reuse of equipment after utilization and promoting energy conservation in local communities.

* Instituted for the first time in 2004 as a means of recognizing outstanding products and services (Eco-Products) that reduce the environmental burden, this award aims to support the initiatives of companies that supply Eco-Products and promote the development and diffusion of these products in Japan, while widely conveying accurate information on Eco-Products to such users as businesses and consumers.

Outline of HDRIVE System



*Patent request for this business model has been submitted for evaluation.

SOCIAL CONTRIBUTION ACTIVITIES

Adhering to the conviction that it operates as a "company within society," Hitachi Capital undertakes a host of social contribution activities that encompass such domains as the environment, social welfare and education.

The Environment

■ Corporate Forest Program and Employee Volunteer Activities

In 1992, Hitachi Capital was among the first companies to join the Japanese Forestry Agency's Corporate Forest Program, and the Company is now working in cooperation to help conserve forest resources. In 1999, we launched an employee Environmental Volunteer Club, which serves as a symbol of the Corporate Forest Program. Comprising 31 members, the club engages in such activities as caring for trees and planting trees (four to five times per year) as well as the beautification and cleanup of forests and coastal areas.



Volunteer activities

■ Support for Employee Volunteer Activities

Underscoring our firm commitment to supporting volunteer activities of employees, Hitachi Capital has improved its leave-of-absence system and provides support for the Environmental Volunteer Club and other volunteer activities. These support activities have won high acclaim, as evidenced in February 2004 when Hitachi Capital garnered the Nice Assist Award (Tokyo region, corporate category) in the 2nd One More Life Worker Volunteer Award as part of the Workers' Multi-life Support Scheme* promoted by the Ministry of Health, Labour and Welfare.

* By allowing workers to take leave from work and participate in volunteer and other social activities in fields of their interest, this scheme enables workers to broaden the horizons of their lives while also creating post-retirement motivation through the formation of human networks within local communities.

Social Welfare

■ Supporting Disabled Artists

Since 1992, Hitachi Capital has supported the works of disabled artists, using their paintings in various types of publications, including calendars, adhesive notes and stockholder notifications. In 1995, Hitachi Capital began supporting the Artbility Award (formerly the Disabled People's Art Bank Award). As part of this award, since 1998 Hitachi Capital has presented the Hitachi Capital Special Award in line with its commitment to supporting the self-reliance of disabled artists and promoting the popularity of their works.



Award Ceremony

■ Sale of Works by People with Intellectual Disabilities

Through our cardholder magazine, since 1995, we have introduced and sold products made at SELP (self-help) shops (vocational aid centers) by individuals with intellectual disabilities who are working toward independence.

Education

■ Consumer Education on Credit and Cards

Hitachi Capital is making efforts to promote knowledge about credit and cards. This commitment includes dispatching employees certified as advisory specialists for consumers' affairs to community classes held by local governments since 2000.

■ Support for Education Foundations

Through our cooperation in the operation of a foundation established by Hitachi, Ltd., we are contributing to various types of educational advancements, including household education and school education.

DIRECTORS AND OFFICERS

Directors



Masayoshi Hanabusa
Chairman of the Board

Kazuo Takano
Director

Yoshitaka Aritoshi
Director

Yoshiki Yagi
Director

Kunimitsu Mukunoki
Director

Akira Tsuda
Director

Corporate Officers



Kazuo Takano
President and
Chief Executive Officer

Hideyuki Iikura
Executive Vice President
and Executive Officer,
General Manager of
Leasing Division

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

Yukio Mori
Senior Corporate Officer

Souichi Hayakawa
Senior Corporate Officer

Yasushi Matsushita
Senior Corporate Officer

Sadahiro Kato
Senior Corporate Officer

Senior Administrative Officers and Administrative Officers

Mitsugu Ikeda
Senior Administrative Officer

Keiji Miyafusa
Senior Administrative Officer

Yasuo Kitaura
Senior Administrative Officer

Hiroshi Tobita
Senior Administrative Officer

Kouji Ueda
Senior Administrative Officer

Misuo Yoshii
Senior Administrative Officer

Tatsuhisa Nagao
Senior Administrative Officer

Yutaka Yokoyama
Administrative Officer

Kyouko Ookubo
Administrative Officer

Kazumasa Igawa
Administrative Officer

Shoichi Maruyama
Administrative Officer

Seiji Kawabe
Administrative Officer

Masaaki Ohta
Administrative Officer

Atsuyoshi Kantou
Administrative Officer

Jun Kuze
Administrative Officer

Masahiro Nakai
Administrative Officer

Top Management at Subsidiaries and Major Affiliated Company

Shinichi Urata
Okinawa Hitachi Capital Corp.

Nobuo Sugimoto
Hitachi Capital Auto Lease Corp.

Masahiko Okuno
Sekisui Leasing Co., Ltd.

Mitsuhiro Watanabe
Iseki Capital Corporation

Masami Aishima
Hitachi Capital Ayase SC Co., Ltd.

Ryoji Satoh
Hitachi Capital Securities Co., Ltd.

Masatsugu Hori
Hitachi Card Service Corp.

Hidehiro Ishikawa
Hitachi Capital Insurance
Corporation

Yoshikatsu Saitoh
Hitachi Capital Servicer Corp.

Yoshiyuki Mori
Hitachi Triple Win Corp.

Takashi Furukawa
Hitachi Capital Services Co., Ltd.

Kiyoshi Kojima
Hitachi Capital Trust Corporation

Hisashi Ohgaki
The Mortgage Corporation of
Japan, Limited

David Anthony
Hitachi Capital (UK) PLC

Simon Oliphant
Hitachi Capital Vehicle Solutions Ltd.
Trowbridge Vehicle Rentals Ltd.

Robert Munn
Hitachi Capital Credit Management Ltd.

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

Yuichiro Shimada
Hitachi Capital America Corp.

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

Hironori Tozawa
Hitachi Credit (Hong Kong) Ltd.

Satoru Muranaka
Hitachi Credit Singapore Pte. Ltd.

(As of June 22, 2005)

BASIC STANCE ON CORPORATE GOVERNANCE AND STATE OF IMPLEMENTATION OF POLICIES

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 implementing the following policies.

SHIFT TO COMMITTEE SYSTEM

In June 2003, Hitachi Capital shifted to 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.

DESCRIPTION AND STRUCTURE OF INTERNAL ORGANIZATIONS

1. Establishment of Three Committees: The Nominating, Audit and Compensation Committees

As of March 31, 2005, Hitachi Capital's Board of Directors consists of six directors, including three external directors. The Board normally convenes monthly as prescribed by laws and the regulations of the Board of Directors. Along with implementing a structure of decision-making on management policies and important management strategies as well as business plans and other management-related matters, the Board also undertakes the appointment of executive officers and oversight functions for the execution of business.

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 of management. The Nominating and Compensation committees convene when deemed necessary to decide on matters related to personnel and compensation of officers.

Executive Officers (seven Executive Officers as of March 31, 2005) elected by the Board execute business affairs within the scope of authority delegated by the Board of Directors. An Executive Officers Committee established as a consensual decision-making organization convenes monthly.

2. Compliance Structure

As a means of reinforcing its compliance structure, in October 1997 Hitachi Capital established the Compliance Department. This department gathers information, plans, prepares and promotes frameworks for legal compliance and when necessary undertakes employee education on legal compliance.

We further strengthened our compliance structure in November 2004 by establishing an internal reporting system that allows Group employees to report any legal violations or improper conduct occurring within the Company either internally or to external legal counsel.

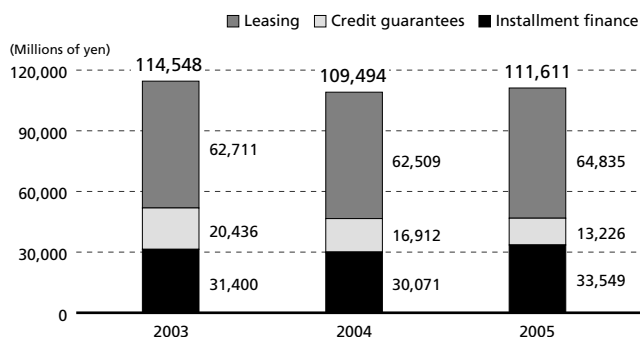
The Personal Information Protection Act went into effect on April 1, 2005. In relation, Hitachi Capital is further strengthening its compliance structure to ensure that it executes its business affairs based on stringent compliance with various laws that affect its business, including industry laws governing the financing business, as well as for the management of personal data.

3. Strengthening of 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 and the establishment of the Risk Management Center within the Corporate Planning & Development Division in November 2004.

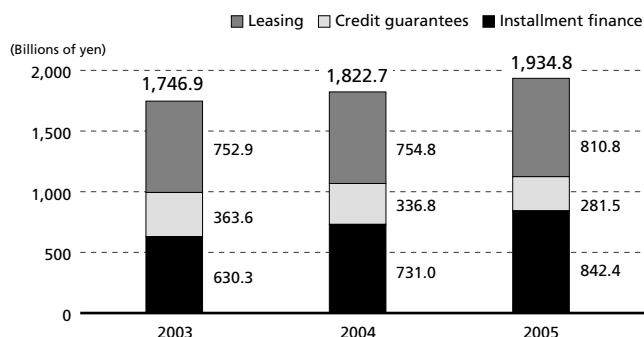
MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues (by type of contract)

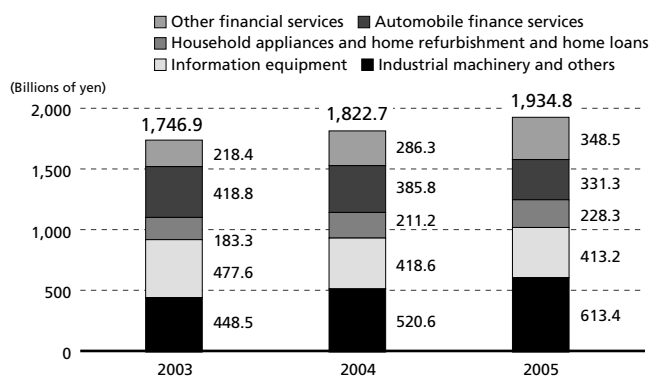


Leasing includes rental and auto leases and others.
 Credit guarantees include loan sales through alliances and others.
 Installment finance includes installment sales, business loans, card services and others.

Volume of business (by type of contract)



Volume of business (by product/services)



Other financial services include card business, non-life insurance, securitization business, outsourcing business and corporate or elimination.
 Industrial machinery and others include industrial machinery, construction machinery, medical devices, agricultural equipment and others.

BUSINESS RESULTS

During fiscal 2005, ended March 31, 2005, on a consolidated basis, revenues increased 1.9% to ¥111,611 million (US\$1,043 million) over the previous year. Looking at performance by type of contract, although we recorded a decline in credit guarantees owing to a downsizing of our auto loan business, we achieved an increase in leasing contracts thanks to brisk volume of re-leasing. The volume of installment finance contracts was favorable owing to the acquisition of companies and contributions to revenue by the 5 expanding businesses.

Income before income taxes rose 59.7% to ¥24,132 million (US\$225 million) due to the increase in revenues and a reduction in expenses resulting from lower financing costs owing in part to the absence of an extraordinary loss on the reorganization of the auto loan business that was recorded in the previous year. Net income soared 76.4% to ¥13,287 million (US\$124 million).

BY BUSINESS SEGMENT

Finance Business

In our core automobile finance business, the volume of auto loans declined due to our shift away from auto loans toward auto leasing. Nevertheless, the overall volume of business* in the finance business rose 3.2% to ¥1,586,298 million (US\$14,825 million), buoyed by higher volumes of industrial machinery and other equipment leases and a robust volume of home loans.

Other Financial Services

In our card business, we worked to increase the number of cards issued, focusing our efforts on corporate-use cards. In our non-life insurance business, we established a business foundation centered on Hitachi Capital Insurance Corporation and have been offering various types of new products. We also undertook efforts to expand our business and increase the number of customers in our securitization and outsourcing businesses. These efforts yielded a significant increase of 20.2% in business volume in other financial services to ¥359,639 million (US\$3,361 million).

* Volume of business represents the cash sales price of the goods plus the commission due from customers (less the down payment in the case of purchases of installment receivables and loan guarantees where the Company and subsidiaries do not act as the sellers). It also includes total lease receivables under lease agreements.

PER SHARE INDICES AND ROE / ROA

During fiscal 2005, consolidated net income per share jumped 87.2% to ¥110.5 (US\$1.03), reflecting the sharp rise in net income and continuous treasury stock repurchases. Accordingly, annual cash dividends per share increased ¥2.00 to ¥34.00 (US\$0.31). The payout ratio was 38.0%.

ROE and ROA improved 2.7 and 0.25 percentage points, respectively, from the previous fiscal year-end.

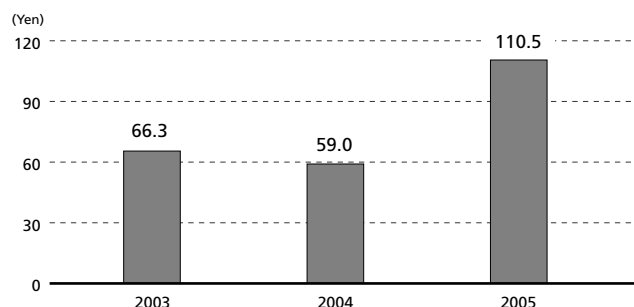
FINANCIAL POSITION

As of March 31, 2005, total assets stood at ¥2,184,933 million (US\$20,419 million), a ¥37,458 million increase from the previous fiscal year-end. Current assets fell due to the securitization of accounts receivable as part of efforts to reduce assets. In contrast, fixed assets rose because of an increase in equipment held for leases accompanying a rise in the volume of leases.

On the other side of the balance sheet, interest-bearing debt declined ¥3,842 million to ¥953,090 million (US\$8,907 million) due to a reduction in financing costs resulting from fund procurement that centered on commercial paper. Stockholders' equity rose ¥3,333 million to ¥218,855 million (US\$2,045 million). The stockholders' equity ratio was 10.0%, unchanged from the previous fiscal year-end.

In September 2004, Hitachi Capital used 4,908,413 treasury shares for the conversion of warrant bonds (first series of unsecured convertible bonds payable) that were issued on May 24, 1989. Additionally, to achieve an appropriate number of shares outstanding, Hitachi Capital retired 10,000,000 treasury shares. As a result, the number of shares outstanding at March 31, 2005 amounted to 124,826,552 shares.

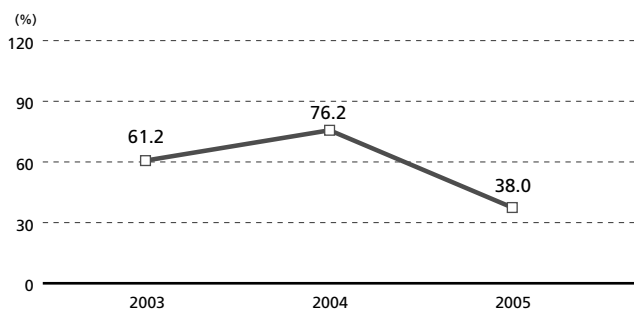
Net income per share



Annual cash dividends per share



Payout ratio



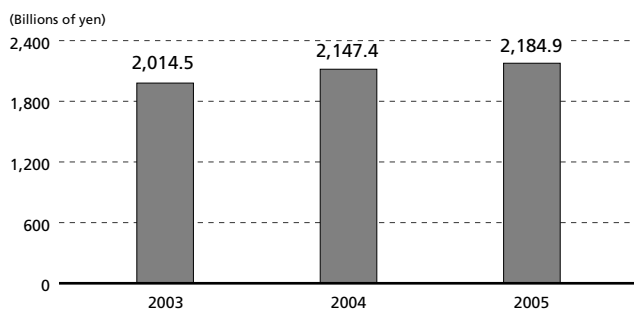
ROE



ROA



Total assets



CASH FLOWS

Cash and cash equivalents at end of the year amounted to ¥75,074 million (US\$701 million), a decrease of ¥48,187 million from the previous fiscal year-end. Cash flows for each category were as follows.

Operating Activities

Net cash provided by operating activities was ¥37,635 million (US\$351 million).

This consisted of such inflows as depreciation of ¥513,148 million (US\$4,795 million) and cash provided by asset backed securitization of ¥1,081,081 million (US\$10,103 million) and such outflows as payment for asset backed securitization of ¥933,862 million (US\$8,727 million) and acquisition of equipment for lease of ¥633,121 million (US\$5,917 million).

Investing Activities

Net cash used in investing activities was ¥8,252 million (US\$77 million), mainly reflecting purchase of investments in securities.

Financing Activities

Net cash used in financing activities was ¥77,805 million (US\$727 million) chiefly owing to the payment of long-term debt.

As a result of the previous activities, free cash flows, the sum of operating and investing cash flows, totaled ¥29,382 million (US\$274 million).

BUSINESS RISK

Business Structure Shift Risk

Over the past several years, the auto loan business, which operated under a business model of securing earnings through interest margins, has suffered from low earnings because of increased competition amid a low interest rate environment. In response, we have significantly downsized our auto loan business and proceeded with a shift in our business structure toward businesses that can create added value and secure earnings. On the other hand, any unexpected loss resulting from this shift to our 5 expanding businesses and 10 growing businesses could have an adverse impact on the Group's business results.

Interest and Currency Risk

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

must procure large amounts of funds. Although we carry out thorough ALM* for stable fund procurement, a sharp rise in market interest rates could cause a rise in fundraising costs and have an adverse impact on the Hitachi Capital 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

Hitachi Capital Group suitably provides credit at the time of a contract and ascertains the state of credit when a credit receivable is being collected and makes an appropriate level of reserves. Nevertheless, a 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.

Tax System Reforms and Accounting System Changes Risk

The Hitachi Capital Group provides various financial services under the current tax system and accounting standards. Significant changes to the current tax and accounting standards could have an adverse impact on the Group's business results.

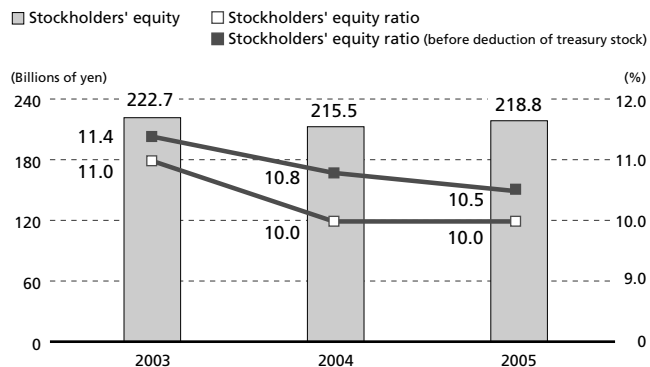
Administrative and System Risks

The Hitachi Capital 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.

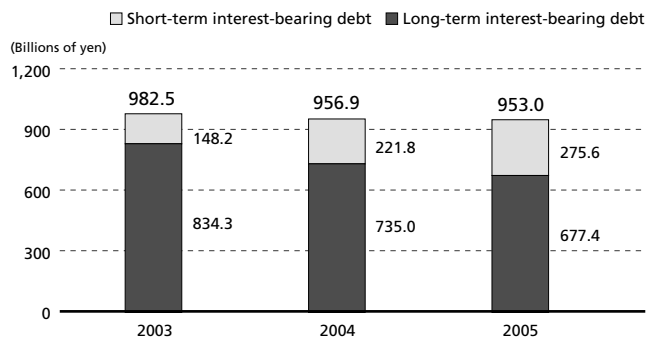
Personal Information Protection Act Violation Risk

The Hitachi Capital Group has established a thorough compliance structure to ensure that its business activities are carried out fairly and in good faith, taking into consideration ethics and legal systems. In particular, to appropriately comply with the Personal Information Protection Act, we have set up a Personal Information Monitoring Department in order to institute a safety control structure. However, the unforeseen leak of customer information could result in a loss of social trust and have an adverse impact on the Group's business results.

Stockholders' equity/stockholders' equity ratio

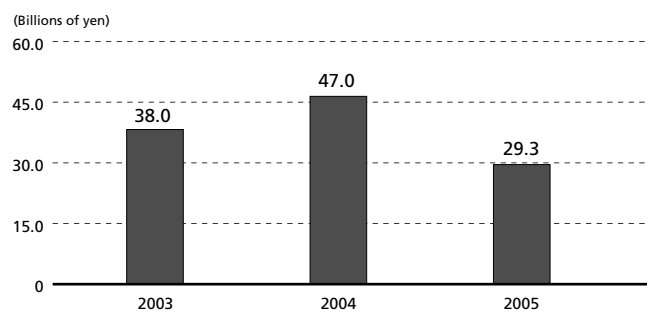


Outstanding interest-bearing debt



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

Free cash flows



CONSOLIDATED BALANCE SHEETS

Hitachi Capital Corporation and Subsidiaries
31st March 2005 and 2004

ASSETS	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)
	2005	2004	2005
CURRENT ASSETS:			
Cash (Note 16)	¥ 26,337	¥ 39,222	\$ 246,140
Trade receivables, including amounts maturing after one year	464,201	508,029	4,338,327
Less: Allowance for losses on receivables and guarantees (Note 6)	14,504	13,068	135,551
Net trade receivables	449,697	494,961	4,202,775
Parent company deposit (Note 16)	48,736	84,037	455,476
Short-term investments (Notes 5 and 16)	1,092	1,206	10,205
Prepaid expenses and other current assets (Note 9)	63,103	59,048	589,747
Total current assets	588,966	678,474	5,504,355
INVESTMENTS:			
Equipment held for lease, at cost less accumulated depreciation (Notes 3 (e) and 18)			
2005 — ¥2,108,556 million (\$19,706,130 thousand)			
2004 — ¥1,930,059 million	1,541,688	1,420,131	14,408,299
Investments in securities (Notes 4 and 5)	14,417	8,763	134,738
Total investments	1,556,106	1,428,894	14,543,046
Property and equipment, at cost less accumulated depreciation	6,070	6,287	56,728
Other assets (Note 9)	33,789	33,820	315,785
	¥ 2,184,933	¥ 2,147,475	\$ 20,419,934

See accompanying notes to consolidated financial statements.

LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)
	2005	2004	2005
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 59,805	¥ 39,201	\$ 558,925
Commercial paper	215,870	182,663	2,017,476
Current portion of long-term debt (Note 7)	181,554	209,042	1,696,766
Trade payables (Note 8)	229,513	269,046	2,144,981
Accrued expenses	16,565	18,625	154,813
Obligation for securitized lease receivables (Note 3 (n))	261,333	227,300	2,442,364
Income taxes payable (Note 9)	6,477	2,756	60,532
Other current liabilities (Note 9)	43,135	47,204	403,130
Total current liabilities	<u>1,014,256</u>	<u>995,837</u>	<u>9,479,028</u>
Long-term debt (Note 7)	495,858	526,026	4,634,186
Retirement and severance benefits (Notes 3 (g) and 10)	5,135	5,371	47,990
Retirement benefits for directors (Note 3 (g))	1,137	951	10,626
Long-term obligation for securitized lease receivables (Note 3 (n))	422,073	385,540	3,944,607
Other liabilities (Note 9)	21,707	13,603	202,869
Total liabilities	<u>1,960,170</u>	<u>1,927,328</u>	<u>18,319,345</u>
MINORITY INTERESTS	5,907	4,624	55,205
STOCKHOLDERS' EQUITY:			
Common stock (Note 11):			
Authorized 270,000,000 shares in 2005 and 280,000,000 shares in 2004;			
issued 117,997,719 shares in 2005 and 120,811,018 shares in 2004	9,983	9,460	93,299
Capital surplus	45,972	45,449	429,644
Retained earnings (Note 11)	173,384	180,234	1,620,411
Net unrealized holding gain on securities	2,371	1,733	22,158
Foreign currency translation adjustments	(800)	(1,302)	(7,476)
Treasury stock (Notes 3 (i) and 12)	(12,055)	(20,051)	(112,663)
Total stockholders' equity	<u>218,855</u>	<u>215,523</u>	<u>2,045,373</u>
	<u>¥ 2,184,933</u>	¥ 2,147,475	<u>\$20,419,934</u>

CONSOLIDATED STATEMENTS OF INCOME

Hitachi Capital Corporation and Subsidiaries
Years ended 31st March 2005, 2004 and 2003

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2005	2004	2003	2005
REVENUES (Note 17):				
Operating revenues	¥ 111,108	¥ 107,185	¥ 112,360	\$ 1,038,392
Interest and dividend income	502	240	262	4,691
Other operating income (Note 13)	—	2,069	2,489	—
	111,611	109,494	115,111	1,043,093
EXPENSES (Note 17):				
Selling, general and administrative expenses	64,629	61,236	60,976	604,009
Financing costs	22,284	23,298	28,268	208,261
Other operating expenses (Note 13)	—	9,852	8,059	—
	86,914	94,386	97,303	812,280
Operating income	24,697	15,108	17,808	230,813
Other income	138	—	—	1,289
Other expenses	703	—	—	6,570
Income before income taxes and minority interests	24,132	15,108	17,808	225,532
Income taxes (Note 9)	9,908	6,934	8,068	92,598
Minority interests	935	642	779	8,738
Net income	¥ 13,287	¥ 7,532	¥ 8,961	\$ 124,177
PER SHARE DATA (Notes 3 (k) and 14):				
Net income (basic)	¥ 110.5	¥ 59.0	¥ 66.3	\$ 1.03
Net income (diluted)	108.0	57.3	64.3	1.00

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Hitachi Capital Corporation and Subsidiaries
Years ended 31st March 2005, 2004 and 2003

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2005	2004	2003	2005
COMMON STOCK:				
Balance at beginning of year	¥ 9,460	¥ 9,460	¥ 9,460	\$ 88,411
Conversion of convertible bonds	523	—	—	4,887
Balance at end of year	¥ 9,983	¥ 9,460	¥ 9,460	\$ 93,299
CAPITAL SURPLUS:				
Balance at beginning of year	¥ 45,449	¥ 45,449	¥ 45,449	\$ 424,757
Conversion of convertible bonds	523	—	—	4,887
Gain on sales of treasury stock	283	—	—	2,644
Retirement of treasury stock	(283)	—	—	(2,644)
Balance at end of year	¥ 45,972	¥ 45,449	¥ 45,449	\$ 429,644
RETAINED EARNINGS:				
Balance at beginning of year	¥ 180,234	¥ 176,978	¥ 172,780	\$ 1,684,429
Net income	13,287	7,532	8,961	124,177
Cash dividends	(3,887)	(4,083)	(4,541)	(36,327)
Directors' bonuses	(103)	(193)	(200)	(962)
Loss on sales of treasury stock	—	0	—	—
Retirement of treasury stock	(16,146)	—	—	(150,897)
Decrease arising from exclusion of equity-method affiliates	—	—	(22)	—
Balance at end of year	¥ 173,384	¥ 180,234	¥ 176,978	\$ 1,620,411
NET UNREALIZED HOLDING GAIN ON SECURITIES:				
Balance at beginning of year	¥ 1,733	¥ 21	¥ 354	\$ 16,196
Net change during the year	639	1,712	(333)	5,971
Balance at end of year	¥ 2,371	¥ 1,733	¥ 21	\$ 22,158
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS:				
Balance at beginning of year	¥ (1,302)	¥ (986)	¥ (282)	\$ (12,168)
Net change during the year	501	(316)	(704)	4,682
Balance at end of year	¥ (800)	¥ (1,302)	¥ (986)	\$ (7,476)
TREASURY STOCK (Notes 3 (i) and 12):				
Balance at beginning of year	¥ (20,051)	¥ (8,133)	¥ (2)	\$ (187,392)
(Increase) decrease in treasury stock	7,994	(11,918)	(8,131)	74,710
Balance at end of year	¥ (12,055)	¥ (20,051)	¥ (8,133)	\$ (112,663)
Total stockholders' equity	¥ 218,855	¥ 215,523	¥ 222,789	\$ 2,045,373

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hitachi Capital Corporation and Subsidiaries
Years ended 31st March 2005, 2004 and 2003

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2005	2004	2003	2005
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥ 24,132	¥ 15,108	¥ 17,808	\$ 225,532
Depreciation	513,148	476,920	459,253	4,795,775
Loss on reorganization of auto loan business	—	6,591	—	—
Gain on return of substitutional portion of EPF (Note 10)	—	—	(562)	—
Loss on transfer of tax qualified pension plans (Note 10)	—	—	3,842	—
Interest and dividend income	(344)	(240)	(262)	(3,214)
Interest expense	19,814	21,240	26,022	185,177
Loss (gain) on sale of securities	(84)	(319)	64	(785)
Decrease (increase) in trade receivables	(42,425)	(125,553)	11,452	(396,495)
Loss on sale of equipment for lease	2,023	4,402	4,541	18,906
Acquisition of equipment for lease	(633,121)	(589,824)	(675,156)	(5,917,018)
Proceeds from sale of equipment for lease	53,279	60,344	55,458	497,934
Increase (decrease) in trade payables	(39,988)	24,157	13,311	(373,719)
Cash provided by asset backed securitization	1,081,081	880,560	856,115	10,103,560
Payment for asset backed securitization	(933,862)	(726,363)	(712,068)	(8,727,682)
Decrease in retirement and severance benefits	(235)	(902)	(76)	(2,196)
Other	(3,046)	7,869	(6,130)	(28,467)
Income taxes paid	(2,737)	(4,239)	(10,335)	(25,579)
Net cash provided by operating activities	37,635	49,751	43,277	351,728
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of short-term investments	—	(982)	(1,677)	—
Proceeds from sale of short-term investments	111	1,734	999	1,037
Purchase of investments in securities and subsidiaries' common stock	(5,092)	(1,336)	(674)	(47,588)
Acquisition of subsidiaries	(1,537)	1,213	—	(14,364)
Proceeds from sale of investments in securities	937	350	1,184	8,757
Capital expenditure	(2,954)	(4,236)	(5,777)	(27,607)
Proceeds from sale of capital assets	25	77	631	233
Interest and dividend received	258	404	117	2,411
Proceeds from cancellation of swap agreement	—	100	—	—
Net cash used in investing activities	(8,252)	(2,676)	(5,197)	(77,121)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term bank loans	9,670	18,392	(23,423)	90,373
Increase in commercial paper	31,997	58,209	61,690	299,037
Proceeds from long-term borrowings	148,406	114,508	104,316	1,386,971
Payments of long-term borrowings	(226,209)	(208,103)	(216,123)	(2,114,102)
Interest paid	(21,085)	(22,256)	(26,860)	(197,056)
Purchase of treasury stock	(16,246)	(11,918)	(8,131)	(151,831)
Proceeds from sales of treasury stock	0	0	—	0
Dividends paid to stockholders	(3,887)	(4,083)	(4,541)	(36,327)
Dividends paid to minority stockholders of subsidiaries	(280)	(250)	(225)	(2,616)
Other	(170)	(377)	(375)	(1,588)
Net cash used in financing activities	(77,805)	(55,878)	(113,672)	(727,149)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	234	(509)	546	2,186
NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,187)	(9,312)	(75,046)	(450,345)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	123,262	132,574	207,620	1,151,981
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 16)	¥ 75,074	¥ 123,262	¥ 132,574	\$ 701,626

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hitachi Capital Corporation and Subsidiaries

(1) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements 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 31st March 2005 have been translated into United States dollars at the rate of ¥107 to \$1, the approximate exchange rate at

31st March 2005. The inclusion of such dollar amount 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 ¥107 to \$1 or at any other rate.

(3) SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries which are directly controlled: Okinawa Hitachi Capital Corp., Hitachi Capital Servicer Corp., Hitachi Capital Data Services Co., Ltd., Hitachi Capital Services Co., Ltd., Hitachi Capital Auto Lease Corp., Hitachi Capital Securities Co., Ltd., Hitachi Triple Win Corp., Sekisui Leasing Co., Ltd., Hitachi Card Service Corp., Hitachi Capital Insurance Corporation, Iseki Capital Corporation, Hitachi Capital Ayase SC Co., Ltd., 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 Credit (Hong Kong) Ltd., Hitachi Credit (Singapore) Pte. Ltd., and Hitachi Leasing (Singapore) Pte., Ltd. are included in consolidated results for the year ended 31st March 2005. 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.

Three entities have been added to the above list: Iseki Capital Corporation and Industrial Equipment Finance, Ltd., which were acquired by the Company and Hitachi Capital

(UK) PLC, respectively, and Hitachi Capital Ayase SC Co., Ltd., which was established during the fiscal year ended 31st March 2005.

(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.

Lease of equipment:

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

Purchase of installment receivables:

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

Installment credit facilities:

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

(c) Allowance for Losses on Receivables and Guarantees

Receivables are classified into five categories based on the credit history of debtors and the allowance for losses on receivables has been provided for estimated uncollectable 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 has adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. 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 has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.
- Securities classified as neither trading securities nor held-to-maturity securities are classified as other securities and measured at fair value, with either unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized, or unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized.

Held-to-maturity securities are amortized or accumulated to face value. Other securities with a fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized. Other securities without 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) Residual Value Reserves

Accumulated depreciation includes an allowance for losses on disposal of leased assets upon termination of lease contracts. The Company provided for the allowance in the amount of ¥1,214 million (\$11,345 thousand) and appropriated for losses on disposal of leased assets in the amount of ¥1,006 million (\$9,490 thousand) for the year ended 31st March 2005. The foreign currency translation adjustment increased the allowance by ¥22 million (\$205 thousand). As a result, the allowance included in accumulated depreciation was ¥5,369 million (\$50,177 thousand) at 31st March 2005.

(f) 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.

(g) Retirement and Severance Benefits

The Company accounts 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.

(h) 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; stockholders' equity accounts are translated at historical rates; income and expenses are translated at an average of exchange rates in effect during the year; and a comprehensive adjustment resulting from translation of assets, liabilities and stockholders' equity is included in Minority interests and Foreign currency translation adjustments, a separate component of stockholders' equity.

(i) Treasury Stock

Effective 1st April 2002, the Company adopted Accounting Standard Board of Japan (ASB) Statement No. 1, "Accounting Standards for the Company's Own Shares and the Withdrawal of Legal Reserve." Under this standard, treasury stock is recorded at cost as a deduction of stockholders' equity. When the Company reissues the treasury shares, the difference between the issuance price and the costs of the treasury shares are accounted for as capital surplus.

The adoption of the accounting standard did not have a material effect on the consolidated financial statements.

(j) Appropriation of Retained Earnings

The Company records cash dividends, transfers to legal reserve, and directors' bonuses of subsidiaries in the fiscal year during which such appropriations of retained earnings are made.

(k) Per Share Data

Effective 1st April 2002, the Company adopted ASB Statement No. 2, "Calculations of Earnings Per Share of the Current Net Earnings." Under this standard, 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.

(l) 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 shall be recorded at fair value less related interest income.

(m) Derivative Financial Instruments

The Company accounts 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 asset or liability arising from derivative financial transaction is measured at fair value, with unrealized gain or loss included in earnings. Hedging transaction, which meets the criteria of hedge accounting as provided in "Accounting Standards for Financial Instruments," is accounted for using deferral hedge accounting, which requires the unrealized gain or loss to be deferred as a liability or asset until gain or loss relating to the hedge object is recognized.

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.

(n) Securitization

The Company and subsidiaries have a number of securitization programs. Under those programs, certain

financial assets such as lease receivables and trade receivables are sold to Special Purpose Entities which are funded through the issuance of asset-backed securities to investors. 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.

(o) Reclassification

The Company changed the classification of certain gains (losses), which resulted from sale and impairment of securities and sale of fixed assets, from Other operating income (expenses) to Other income (expenses) since it believes such classification reflects its operating income more appropriately. The Company did not make the reclassification in the prior years' consolidated statements of income.

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

(4) ASSETS DEPOSITED

As of 31st March 2005 and 2004, certain securities of ¥36 million (\$336 thousand) were deposited as operating guarantees.

(5) SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

As of 31st March 2005 and 2004, the Company had no trading securities.

other securities by major security type as of 31st March 2005 and 2004.

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

	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
	2005			2005		
Held-to-maturity securities with gross unrealized holding gains:						
Government bonds	¥ 36	¥ 0	¥ 36	\$ 336	\$ 0	\$ 336
Debentures	99	0	100	925	0	934
	¥ 136	¥ 0	¥ 136	\$ 1,271	\$ 0	\$ 1,271
Other securities with gross unrealized holding gains:						
Equity securities	5,787	4,044	9,832	54,084	37,794	91,887
Other	22	9	32	205	84	299
	¥ 5,810	¥ 4,053	¥ 9,864	\$ 54,299	\$ 37,878	\$ 92,186
Other securities with gross unrealized holding losses:						
Equity securities	332	(64)	267	3,102	(598)	2,495
Debentures	101	(1)	100	943	(9)	934
	433	(66)	367	4,046	(616)	3,429
	¥ 6,244	¥ 3,987	¥ 10,231	\$ 58,345	\$ 37,261	\$ 95,616

	Japanese yen (millions)		
	Amortized cost basis	Gross gain (loss)	Aggregate fair value
2004			
Held-to-maturity securities with gross unrealized holding gains:			
Governmental bonds	¥ 36	¥ 1	¥ 37
Debentures	100	0	100
	<u>¥ 136</u>	<u>¥ 1</u>	<u>¥ 137</u>
Other securities with gross unrealized holding gains:			
Equity securities	¥ 3,793	¥ 2,936	¥ 6,729
Other securities with gross unrealized holding losses:			
Equity securities	285	(30)	255
Debentures	102	(1)	101
	<u>387</u>	<u>(31)</u>	<u>356</u>
	<u>¥ 4,180</u>	<u>¥ 2,905</u>	<u>¥ 7,085</u>

The gross realized gains and losses on sale of other securities for the years ended 31st March 2005, 2004 and 2003 are 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. The carrying amount of these securities at 31st March 2005 and 2004 are not material.

Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at 31st March 2005 is as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	
	Within one year	After one year through five years	Within one year	After one year through five years
2005				
Debt securities:				
Government bonds	¥ 17	¥ 19	\$ 158	\$ 177
Debentures	—	200	—	1,869
	<u>¥ 17</u>	<u>¥ 219</u>	<u>\$ 158</u>	<u>\$ 2,046</u>

(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 31st March 2005 and 2004 were ¥548,503 million (\$5,126,196 thousand) and

¥465,574 million, respectively. Loan guarantee of ¥2,403 million was insured as of 31st March 2004. The activity in the allowance for losses on receivables and guarantees provided for the years ended 31st March 2005 and 2004 is summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Balance at beginning of year	¥ 13,068	¥ 16,063	\$ 122,130
Write-off during the year	(3,891)	(5,557)	(36,364)
Provision	5,395	2,209	50,420
The effect of translation adjustments (Note 3 (h))	(66)	353	(616)
Balance at end of year:			
Allowance for losses on receivables	9,249	9,272	86,439
Allowance for losses on guarantees	5,255	3,796	49,112
	<u>¥ 14,504</u>	<u>¥ 13,068</u>	<u>\$ 135,551</u>

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

The weighted average interest rates on short-term bank loans outstanding at 31st March 2005 and 2004 are 1.4 percent and 0.9 percent, respectively.

Long-term debt at 31st March 2005 and 2004 was summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Unsecured convertible bonds payable in Japanese yen, due September 2004, interest 1.8 percent	¥ —	¥ 9,148	\$ —
Unsecured bonds payable in Japanese yen, due from June 2005 to September 2011, interest from 0.55 to 2.75 percent	255,000	245,000	2,383,177
Unsecured bonds payable in Japanese yen (for specific institutional investors), due from September 2005 to December 2010, interest from 0.52 to 1.98 percent	70,000	80,000	654,205
Unsecured bonds payable in Japanese yen (for specific institutional investors), due from July 2005 to January 2006, interest from 1.5 to 2.24 percent	10,500	15,500	98,130
Medium-term notes payable issued by Hitachi Capital America Corp., in U.S. dollars due from April 2004 to August 2004, interest 3M BBA LIBOR plus 40-43 b.p.	—	15,845	—
Medium-term notes payable issued by Hitachi Capital America Corp., in euro-dollars due from November 2005 to December 2009, interest from 0.09 to 3.04 percent	31,611	10,147	295,429
Medium-term notes payable issued by Hitachi Capital (UK) PLC, in euro-yen, due from May 2005 to March 2014, interest from 0.11 to 5.92 percent	100,525	81,628	939,485
Loans from banks and other financial institutions: Unsecured, maturing 2004 – 2015	209,776	277,800	1,960,523
	677,413	735,068	6,330,962
Less current portion	181,554	209,042	1,696,766
	¥ 495,858	¥ 526,026	\$ 4,634,186

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at 31st March 2005 and 2004, shown above are 2.0 percent

and 2.2 percent, respectively. The aggregate annual maturities of long-term debt at 31st March 2005 were as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Years ending 31st March:		
2007	¥ 111,969	\$ 1,046,439
2008	108,459	1,013,635
2009	96,543	902,271
2010	94,410	882,336
2011 and thereafter	84,476	789,495
	¥ 495,858	\$ 4,634,186

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 \$300 million medium-term-note lending program with the Company's guarantee in March 1998. At 31st March 2001, the Company has extended a guarantee of \$300 million to \$400 million for the program. The outstanding amount was \$105 million as of 31st March 2005.

(b) Hitachi Capital (UK) PLC established a \$500 million medium-term euro-note lending program in October 1998. At 31st March 2002, the Company has extended a guarantee of \$500 million to \$1,000 million under the program. The outstanding amount was \$459 million as of 31st March 2005.

(8) TRADE PAYABLES

Trade payables at 31st March 2005 and 2004, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Notes payable	¥ 4,727	¥ 8,180	\$ 44,177
Accounts payable	224,786	260,866	2,100,803
	¥ 229,513	¥ 269,046	\$ 2,144,981

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 90 days.

(9) INCOME TAXES

Income tax expense attributable to income from continuing operations for the years ended 31st March 2005, 2004, and 2003 consists of the following:

	Japanese yen (millions)			U.S. dollars (thousands)
	2005	2004	2003	2005
Current	¥ 6,405	¥ 3,491	¥ 7,988	\$ 59,859
Deferred	3,503	3,443	80	32,738
	¥ 9,908	¥ 6,934	¥ 8,068	\$ 92,598

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in aggregate, resulted in a normal tax rate of approximately 41.8 percent for the years ended 31st March 2004 and 2003. On 31st March 2003, amendments to local business tax law in Japan were enacted, resulting in the lower business tax rates. During the year ended 31st March 2004, additional minor changes in tax rates for business taxes were enacted in

certain local administrative divisions of Japan. Those changes became effective on 1st April 2004. As a result, the aggregated statutory income tax rate for domestic companies was approximately 40.5 percent for the year ended 31st March 2005.

Reconciliations between the normal statutory rate and the effective income tax rate as a percentage of income before income tax and minority interest are as follows:

	2004	2003
Normal statutory rate	41.8%	41.8%
Per capita tax	0.8	0.7
Expenses not deductible for tax purposes	0.8	0.5
Difference in statutory tax rates of foreign subsidiaries	(5.0)	(3.3)
Tax effect on investment in subsidiaries	—	0.8
Change in valuation allowance	—	(1.0)
Elimination for tax credit on dividend income by consolidation	2.8	1.4
Adjustment to deferred tax assets and liabilities for enacted changes in business tax rate	1.5	1.7
Difference of tax effect of investments	2.2	—
Return of difference between tax payable and paid	(1.3)	—
The Company's divested operation	1.3	—
Other	1.0	2.7
Effective income tax rate	45.9%	45.3%

As the difference between the normal statutory rate and the effective income tax rate was not material for the year

ended 31st March 2005, the reconciliation is omitted.

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

as of 31st March 2005 and 2004 are presented below:

	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Total gross deferred tax assets:			
Depreciation	¥ 3,447	¥ 5,673	\$ 32,214
Allowance for losses on receivables and guarantees	3,010	2,850	28,130
Loss on reorganization of auto loan business	1,827	2,670	17,074
Retirement and severance benefits	698	1,334	6,523
Accrued business taxes	478	221	4,467
Cumulative revenues from leasing contracts	421	148	3,934
Prepaid expenses	326	311	3,046
Net operating loss carryforwards	710	667	6,635
Other	3,217	3,668	30,065
	14,138	17,542	132,130
Valuation allowance	(1,100)	(913)	(10,280)
	13,038	16,629	121,850
Total gross deferred tax liabilities:			
Net unrealized holding gain on investments in other securities	(1,642)	(1,192)	(15,345)
Temporary difference related to overseas subsidiaries and other	(1,229)	(1,399)	(11,485)
	(2,872)	(2,591)	(26,841)
Net deferred tax assets	¥ 10,165	¥ 14,038	\$ 95,000

As of 31st March 2005 and 2004, 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 31st March 2005 and 2004 are reflected in the accompanying consolidated balance sheets under the following captions:

	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Prepaid expenses and other current assets	¥ 7,395	¥ 8,537	\$ 69,112
Other assets	4,000	6,839	37,383
Other current liabilities	(1,137)	(1,291)	(10,626)
Other liabilities	(92)	(47)	(859)
Net deferred tax assets	¥ 10,165	¥ 14,038	\$ 95,000

(10) RETIREMENT AND SEVERANCE BENEFITS

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

Principal pension plans are unfunded defined benefit pension plans. Under the plans, employees are entitled to lump-sum payments based on the current rate of pay and the length of service upon retirement or termination of employment for reasons other than dismissal for cause. The liability 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 Employees Pension Fund (EPF) stipulated by the Japanese Pension Insurance Law was one of the defined benefit pension plan to which the Company and certain domestic subsidiaries had contributed. An EPF was composed of the substitutional portion of Japanese Welfare Pension Insurance and the corporate portion based on a contributory defined benefit pension arrangement established at the discretion of employers.

Following the enactment of a law concerning the

defined benefit pension plan, the Company and certain domestic subsidiaries obtained an approval from the Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the substitutional portion of EPF on 13th June 2002.

The Company and certain domestic subsidiaries applied the transitional provisions prescribed in paragraph 47-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No. 13 issued by the Japanese Institute of Certified Public Accountants) to the return of the substitutional portion of EPF to the Japanese government. On the date of approval by Japan's Ministry of Health, Labour and Welfare, the Company recognized the settlement gain or loss of the substitutional portion.

Following the enactment of the Defined Contribution Pension Law, the Company and certain domestic subsidiaries revised their retirement benefit plan on 31st October, 2002 and implemented a defined contribution pension plan and a monthly pension payment plan, at the option of the employees, on the same date.

The funded status of the Company's pension plans as of 31st March 2005 and 2004 is summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Projected benefit obligation	¥ (34,914)	¥ (33,644)	\$ (326,299)
Plan assets at fair value	24,679	20,743	230,644
Funded status	(10,235)	(12,901)	(95,654)
Unrecognized net loss of transition difference	—	797	—
Unrecognized actuarial loss	11,479	11,599	107,280
Unrecognized prior service cost	(3,151)	(3,429)	(29,448)
Net amount recognized in the consolidated balance sheets	¥ (1,907)	¥ (3,934)	\$ (17,822)
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid benefit cost	¥ 3,227	¥ 1,437	\$ 30,158
Accrued benefit cost	(5,135)	(5,371)	(47,990)
	¥ (1,907)	¥ (3,934)	\$ (17,822)

Net periodic benefit cost for the years ended 31st March 2005, 2004, and 2003 consisted of the following components:

	Japanese yen (millions)			U.S. dollars (thousands)
	2005	2004	2003	2005
Service cost, net of participants' contributions	¥ 1,439	¥ 1,411	¥ 1,510	\$ 13,448
Interest cost	840	814	1,100	7,850
Expected return on plan assets for the period	(622)	(383)	(748)	(5,813)
Amortization of net loss of transition difference	796	800	999	7,439
Amortization of actuarial loss	921	1,130	759	8,607
Amortization of prior service cost	(278)	(277)	(229)	(2,598)
Net periodic benefit cost	¥ 3,096	¥ 3,495	¥ 3,391	\$ 28,934
Contributions to the defined contribution pension plan	¥ 295	¥ 221	¥ 105	\$ 2,757
Gain on return of substitutional portion of EPF	—	—	(562)	—
Loss on transfer of the tax qualified pension plan	—	—	3,842	—

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

- a. Discount rates are both 2.5 percent at 31st March 2005 and 2004.
- b. Expected rates of return are both 3.0 percent for the years ended 31st March 2005 and 2004.
- 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 6 to 21 years, which is within the estimated average remaining service years of employees.
- e. Prior service cost is amortized using the straight-line method over 7 to 20 years, which is within the estimated average remaining service years of employees.

(11) STOCKHOLDERS' EQUITY

At 31st March 2005 and 2004, approximately 57 percent and 56 percent, respectively, of the outstanding capital stock of the Company were owned by Hitachi, Ltd.

The Company has authorized to issue 270,000,000 shares and 280,000,000 shares of common stock as of 31st March 2005 and 2004, respectively. The authorized shares have decreased due to the retirement of 10,000,000 shares of treasury stock during the year ended 31st March 2005.

The Japanese Commercial Code provides that earnings in an amount equal to at least 10 percent of appropriations of retained earnings to be paid in cash be appropriated as a legal reserve until the total of additional paid in capital and legal reserve equals 25 percent of stated common stock. In addition to reduction of a deficit and transfer to stated

common stock, either additional paid in capital or legal reserve may be available for dividends by resolution of the shareholders to the extent that the amount of total additional paid in capital and legal reserve exceeds 25 percent of stated common stock.

Cash dividends and bonuses to directors during the years ended 31st March 2005, 2004 and 2003 represent dividends and bonuses resolved during those years. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥18.0 (\$0.16) per share totaling ¥34 million (\$0.31 thousand) and directors' bonuses of subsidiaries of ¥58 million (\$542 thousand), subsequently proposed by the Board of Directors in respect of the year ended 31st March 2005.

(12) TREASURY STOCK

The Japanese Commercial Code (JCC) allows a company to acquire its treasury stock upon shareholders' approval to the extent that sufficient distributable funds are available. Effective 25th September 2003, the JCC was amended to no longer require shareholders' approval but Board of Directors' approval to the extent that the Board of Directors' authority was stated in the article of incorporation. In this connection, the related amendment of the articles of incorporation was approved at the ordinary general shareholders' meeting in June 2004.

Pursuant to the provisions of the JCC, shareholders may request the Company to acquire their shares below a minimum trading lot (100 shares) as shares below a

minimum trading lot cannot be publicly traded and do not carry a voting right. The JCC also provides for that a shareholder holding shares less than a minimum trading lot is entitled to requesting a company to sell its treasury stock, if any, to the shareholder up to a minimum trading lot, provided that sale of treasury stock is allowed under the article of incorporation. In this connection, the Company amended the related provisions of the articles of incorporation in the ordinary general shareholders' meeting in June 2003.

The changes in treasury stock for the years ended 31st March 2005, 2004 and 2003 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	Number of shares	Amount	Amount
Balance as of 31st March 2002.	742	¥ 2	
Acquisition for treasury stock	5,513,986	8,131	
Balance as of 31st March 2003.	5,514,728	8,133	
Acquisition for treasury stock	7,865,969	11,917	
Sales of treasury stock	89	0	
Balance as of 31st March 2004.	13,380,608	20,050	\$ 187,383
Acquisition for treasury stock	8,356,646	16,246	151,831
Conversion of convertible bonds	4,908,413	7,810	72,990
Retirement of treasury stock	10,000,000	16,430	153,551
Sales of treasury stock	8	0	0
Balance as of 31st March 2005.	6,828,833	¥ 12,055	\$ 112,663

At the meeting held in April 2005, the Board of Directors resolved to acquire for treasury up to 2,300,000 shares of its common stock for an aggregate acquisition amount not exceeding ¥4,830 million (\$45,140 thousand) from 27th April 2005 to 21st June 2005. As a result, the Company acquired 1,103,600 shares for ¥2,264 million (\$21,158 thousand) during the period above.

At the meeting held in July 2004, the Board of Directors resolved to acquire for treasury up to 10,000,000 shares of its common stock for an aggregate acquisition amount not exceeding ¥21,000 million (\$196,261 thousand) from 23rd July 2004 to 31st March 2005. As a result, the Company acquired 6,429,500 shares for ¥12,491 million (\$116,738 thousand).

At the ordinary general shareholders' meeting in June 2003 and June 2002, the Company was authorized to acquire for treasury up to 10,000,000 shares and 6,000,000 shares, respectively, of its common stock for an aggregate acquisition amount not exceeding ¥15,000 million and ¥10,000 million, respectively, 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 provisions of the JCC. As a result, the Company acquired 9,300,000 shares for ¥14,992 million and 6,000,000 shares for ¥8,799 million, respectively, during the periods above.

(13) SUPPLEMENTARY INCOME INFORMATION

The Company recognized a loss of ¥6,591 million related to the reorganization of auto loan business, which is included in Other operating expenses on 2004.

In the face of excessive competition in the auto loan business, the Company decided to reorganize its auto loan business and concentrate on the five businesses the Company has designated as expanding businesses (Auto leases, General services for the medical field, Agricultural finance, Household appliances and home refurbishment, and Home loans). As a part of the said reorganization, the Company's auto loan business in 16 branch offices was transferred to Hitachi Capital Auto Lease Corp., a subsidiary, on 1st April 2004. Upon the transfer, auto loan business of Hitachi Capital Group was integrated in Hitachi Capital Auto Lease Corp.

In accordance with the revenue recognition practice permitted under the generally accepted accounting

principles in Japan, the Company recognized revenue upon the agreement of contract, and the "after-costs," such as losses on the contract cancellation and cost of loan collection, were netted with the revenues earned from the subsequent new auto loan contracts. As a result of the Company's decision to transfer its auto loan business, estimated future costs that would result from the existing auto loan contracts were recognized as other operating expenses during the year ended 31st March 2004, and related reserve was included in Accrued expenses.

As described in Note 10, a gain of ¥562 million on the return of the substitutional portion of the EPF was included in Other operating income and a loss of ¥3,842 million on the transfer of the tax qualified pension plan was included in Other operating expenses for the year ended 31st March, 2003.

(14) NET INCOME PER SHARE INFORMATION

Effective 1st April, 2002, the Company adopted ASB Statement No. 2, "Calculations of Earnings Per Share of the Current Net Earnings" as discussed note 3 (k). 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		
	2005	2004	2003
Weighted average number of shares on which basic net income per share is calculated	119,663,080	125,829,209	132,239,409
Effect of dilutive securities:			
Convertible debentures	2,781,401	5,547,604	5,547,604
Number of shares on which diluted net income per share is calculated	122,444,481	131,376,813	137,807,013

	Japanese yen (millions)			U.S. dollars (thousands)
	2005	2004	2003	2005
Net income	¥ 13,287	¥ 7,532	¥ 8,961	\$ 124,177
Appropriations for directors' bonuses	(58)	(103)	(193)	(542)
Net income on which basic net income per share is calculated	13,228	7,429	8,768	123,626
Effect of dilutive securities:				0
Interest paid	0	95	95	0
Other	(2)	2	4	(18)
Net income on which diluted net income per share is calculated	¥ 13,226	¥ 7,526	¥ 8,867	\$ 123,607

	Japanese yen			U.S. dollars
	2005	2004	2003	2005
Net income per share data:				
Basic	¥ 110.5	¥ 59.0	¥ 66.3	\$ 1.03
Diluted	108.0	57.3	64.3	1.00

(15) RELATED PARTIES

The Company's balances with parent company as of 31st March 2005 and 2004, and related transactions for each of

the years in the three-year period ended 31st March 2005 are summarized as follows:

	Japanese yen (millions)			U.S. dollars (thousands)
	2005	2004	2003	2005
Balances:				
Receivables — current	¥ 55,825	¥ 100,923		\$ 521,728
Receivables — non-current	983	961		9,186
Payables — current	15,507	19,662		144,925
	Japanese yen (millions)			U.S. dollars (thousands)
	2005	2004	2003	2005
Transactions:				
Revenue	¥ 35,563	¥ 34,562	¥ 52,433	\$ 332,364
Purchases	77,009	57,686	57,309	719,710
Interest income	62	87	68	579

(16) CONSOLIDATED STATEMENTS OF CASH FLOWS

— SUPPLEMENTARY INFORMATION

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value that have maturities of

generally three months or less when purchased to be cash equivalents. Cash and cash equivalents at 31st March 2005, 2004, and 2003 classified by account on the balance sheets were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)
	2005	2004	2003	2005
Cash on hand and at bank	¥ 26,337	¥ 39,222	¥ 72,358	\$ 246,140
Deposit money in the parent company	48,736	84,037	59,760	455,476
Short-term securities with maturity within 3 months	—	3	456	—
Cash and cash equivalents	¥ 75,074	¥ 123,262	¥ 132,574	\$ 701,626

(17) SEGMENT INFORMATION

The segment information is shown below.

(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 in two industries; Finance and Other financial services.

	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

	U.S. dollars (thousands)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
2005					
REVENUES:					
Third party revenues	\$ 949,663	\$ 91,700	\$ 1,041,373	\$ 1,710	\$ 1,043,093
Intersegment revenues	1,149	75,635	76,785	(76,785)	—
Total	950,813	167,336	1,118,158	(75,065)	1,043,093
EXPENSES	732,308	138,943	871,252	(58,971)	812,280
OPERATING INCOME	\$ 218,504	\$ 28,392	\$ 246,897	\$ (16,084)	\$ 230,813
Assets	\$18,902,261	\$ 1,958,364	\$20,860,626	\$ (391,579)	\$20,469,046
Depreciation	4,774,168	3,392	4,777,560	18,205	4,795,775
Addition to fixed assets (tangible and intangible)	5,928,485	7,757	5,936,242	8,383	5,944,635

- i) Segment categories are defined according to lines of business. (See "Management's Discussion and Analysis.") Other financial services include Card business, Insurance business, Securitization business and Outsourcing business.
- ii) Third party revenue of ¥183 million (\$1,710 thousand), shown in the column of Elimination and/or corporate represents interest and dividend income in the head office.
- iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥1,278 million (\$11,943 thousand) represents administrative expenses of the head office.
The Company changed its basis of segment

- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥30,483 million (\$284,887 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
2004					
REVENUES:					
Third party revenues	¥ 101,556	¥ 7,196	¥ 108,752	¥ 742	¥ 109,494
Intersegment revenues	284	8,266	8,550	(8,550)	—
Total	101,840	15,462	117,302	(7,808)	109,494
EXPENSES	85,851	13,465	99,316	(4,930)	94,386
OPERATING INCOME	¥ 15,989	¥ 1,997	¥ 17,986	¥ (2,878)	¥ 15,108
Assets	¥ 2,003,056	¥ 180,646	¥ 2,183,702	¥ (36,227)	¥ 2,147,475
Depreciation	475,146	442	475,588	1,332	476,920
Addition to fixed assets (tangible and intangible)	591,770	180	591,950	2,110	594,060

- i) Segment categories are defined according to lines of business. (See "Management's Discussion and Analysis.") Other financial services include Card business, Insurance business, Securitization business and Outsourcing business.
- ii) Third party revenue of ¥742 million, shown in the column of Elimination and/or corporate represents interest and dividend income in the head office.

- iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥3,267 million represents administrative expenses of the head office.
- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥36,249 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
2003					
REVENUES:					
Third party revenues	¥ 107,473	¥ 6,430	¥ 113,903	¥ 1,208	¥ 115,111
Intersegment revenues	71	6,366	6,437	(6,437)	—
Total	107,544	12,796	120,340	(5,229)	115,111
EXPENSES	83,960	11,240	95,200	2,103	97,303
OPERATING INCOME	¥ 23,584	¥ 1,556	¥ 25,140	¥ (7,332)	¥ 17,808
Assets	¥ 1,899,401	¥ 124,535	¥ 2,023,936	¥ (9,346)	¥ 2,014,590
Depreciation	457,755	100	457,855	1,398	459,253
Addition to fixed assets (tangible and intangible)	676,981	219	677,200	3,733	680,933

- i) Segment categories are defined according to lines of business. (See "Management's Discussion and Analysis.") Other financial services include Card business, Securitization business and Outsourcing business.
- ii) Third party revenue of ¥644 million, shown in the column of Elimination and/or corporate represents interest and dividend income in the head office.

- iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥4,680 million represents administrative expenses of the head office.
- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥49,595 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)			U.S. dollars (thousands)
	2005	2004	2003	2005
Revenues				
Japan	¥ 85,437	¥ 86,122	¥ 89,451	\$ 798,476
Europe and North America	23,641	20,048	20,986	220,943
Other areas	2,568	3,421	4,176	24,000
Intersegment elimination	(36)	(97)	498	(336)
Consolidated total	¥ 111,611	¥ 109,494	¥ 115,111	\$ 1,043,093
Expenses				
Japan	¥ 65,530	¥ 76,245	¥ 71,958	\$ 612,429
Europe and North America	19,669	16,648	17,909	183,822
Other areas	1,750	1,590	3,658	16,355
Intersegment elimination	(36)	(97)	3,778	(336)
Consolidated total	¥ 86,914	¥ 94,386	¥ 97,303	\$ 812,280
Operating income				
Japan	¥ 19,906	¥ 9,877	¥ 17,493	\$ 186,037
Europe and North America	3,972	3,400	3,077	37,121
Other areas	818	1,831	518	7,644
Intersegment elimination	—	—	(3,280)	—
Consolidated total	¥ 24,697	¥ 15,108	¥ 17,808	\$ 230,813
Assets				
Japan	¥ 1,922,314	¥ 1,930,491	¥ 1,793,769	\$ 17,965,551
Europe and North America	239,495	190,305	198,078	2,238,271
Other areas	28,417	26,679	30,166	265,579
Intersegment elimination	(38)	—	(7,423)	(355)
Consolidated total	¥ 2,190,188	¥ 2,147,475	¥ 2,014,590	\$ 20,469,046

(18) LEASE INFORMATION

Finance leases

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

ordinary operating leases.

Additional lease information as of and for the years ended 31st March 2005 and 2004 is as follows:

(a) Lessee

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at 31st March 2005 and 2004, if they had been capitalized:

	31st March 2005			U.S. dollars (thousands)
	Acquisition costs	Accumulated depreciation	Net balance	Net balance
Furniture and equipment	¥ 1,776	¥ 995	¥ 781	\$ 7,299
31st March 2004				
	Acquisition costs	Accumulated depreciation	Net balance	
Furniture and equipment	¥ 1,939	¥ 739	¥ 1,200	

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

	31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Within one year	¥ 35,681	¥ 61,646	\$ 333,467
Over one year	11,774	49,789	110,037
Total	¥ 47,455	¥ 111,435	\$ 443,504

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

	For the year ended 31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Lease payments	¥ 472	¥ 586	\$ 4,411
Depreciation	461	573	4,308
Interest expense	9	16	84

(b) Lessor

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at 31st March 2005 and 2004 included in equipment held for lease.

	31st March 2005			U.S. dollars (thousands)
	Japanese yen (millions)		Net balance	Net balance
	Acquisition costs	Accumulated depreciation		
Equipment held for lease	¥ 2,119,950	¥ 941,929	¥ 1,178,020	\$ 11,009,532

	31st March 2004		
	Japanese yen (millions)		Net balance
	Acquisition costs	Accumulated depreciation	
Equipment held for lease	¥ 1,975,202	¥ 890,584	¥ 1,084,618

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

	31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Within one year	¥ 402,269	¥ 424,576	\$ 3,759,523
Over one year	830,982	812,220	7,766,186
Total	¥ 1,233,252	¥ 1,236,796	\$ 11,525,719

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

	For the year ended 31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Lease income	¥ 437,837	¥ 409,783	\$ 4,091,934
Depreciation	390,425	359,099	3,648,831
Interest income	39,751	34,660	371,504

Operating leases

(a) Lessee

The Company did not have lease contracts that need to be disclosed as non-cancelable operating leases as of 31st March 2005 and 2004.

(b) Lessor

Future lease payments to be received

	31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2005	2004	2005
Within one year	¥ 77,482	¥ 76,917	\$ 724,130
Over one year	133,380	137,348	1,246,542
Total	¥ 210,862	¥ 214,265	\$ 1,970,672

(19) FINANCIAL INSTRUMENTS

The Company and certain subsidiaries operate globally, are exposed to market risks arising from fluctuations in foreign currency exchange rates and interest rates. In order to 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, but it is not expected that

any counterparties will fail to meet their obligations, because 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.

All derivative financial instruments were designated as hedging instruments as of 31st March 2005 and 2004.

(20) 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. The outstanding balance of the revolving lines of credit as of 31st March 2005 is shown as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
	2005	2005
Total revolving lines of credit available	¥ 676,576	\$ 6,323,140
Amount utilized	16,169	151,112
Balance available	¥ 660,407	\$ 6,172,028

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

Contingent liabilities for guarantees of employee's

housing loans amounted to ¥44 million (\$411 thousand) and ¥58 million as of 31st March 2005 and 2004, respectively.

(21) SUBSEQUENT EVENT

At the meeting held on 7th April 2005, the Board of Directors resolved to establish a leasing company as a joint venture with Hitachi (China) Co., Ltd. The new company, Hitachi Capital Leasing (China) Co., Ltd., was established in April 2005 in Beijing and is scheduled to start its operation in July 2005. Of the total paid-in capital of \$20 million, 75

percent was contributed by the Company, and 25 percent by Hitachi (China) Co., Ltd.. The new company is expected to make an entry into the Chinese market, where financial deregulation is in progress, and to create and develop a growth strategy for leasing business in the new market.

INDEPENDENT AUDITORS' REPORT

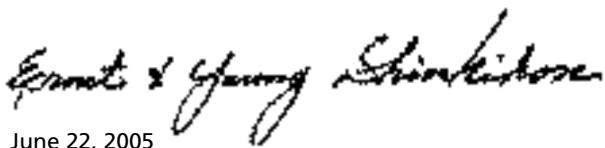
The Board of Directors
Hitachi Capital Corporation

We have audited the accompanying consolidated balance sheets of Hitachi Capital Corporation and subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2005, 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.

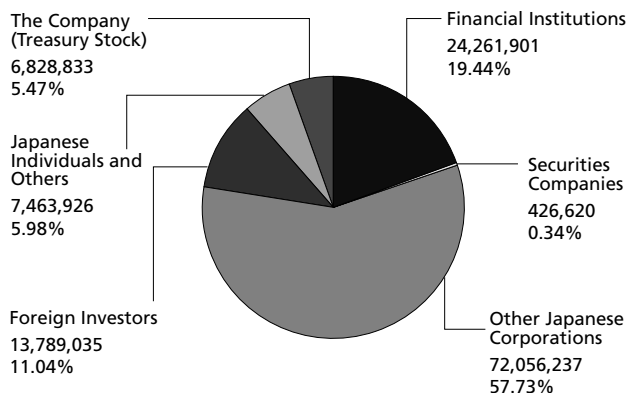
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Capital Corporation and subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2005, 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, 2005 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).

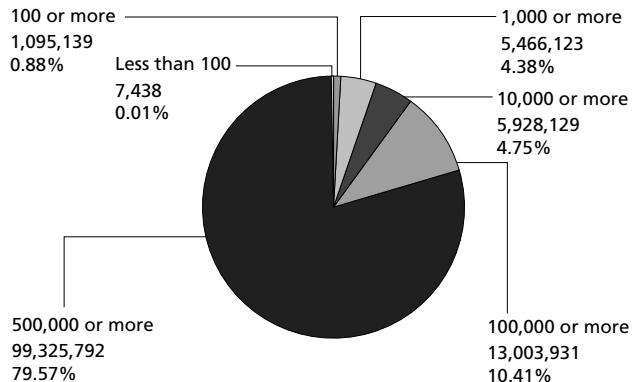

Ernst & Young Shinmotoe

June 22, 2005

COMPOSITION OF STOCKHOLDERS (Shares)



NUMBER OF SHARES OWNED



MAJOR STOCKHOLDERS

	Number of shares owned (thousands)	Percentage of voting shares (%)
Hitachi, Ltd.	67,246	57.01
Japan Trustee Services Bank, Ltd.	7,067	5.99
The Master Trust Bank of Japan, Ltd.	6,620	5.61
Trust & Custody Services Bank, Ltd.	2,715	2.30
Hitachi High-Technologies Corporation	2,325	1.97
Calyon, Paris Ordinary Account	1,269	1.08
The Nomura Trust and Banking Co., Ltd.	904	0.77
Citibank Hong Kong S/A Fund 115	867	0.73
Match	775	0.66
Investor's Bank and Trust Company	769	0.65
Total	90,561	76.77

Note: The above excludes 6,828 thousand of treasury shares held by Hitachi Capital Corporation.

FOR MORE INFORMATION ON HITACHI CAPITAL, PLEASE VISIT OUR WEBSITE:



http://www.hitachi-capital.co.jp/hcc/ir_english/

CORPORATE NAME

Hitachi Capital Corporation

FOUNDED

1957

(incorporated in 1960)

NUMBER OF EMPLOYEES

Consolidated: 3,571

VOLUME OF BUSINESS

Finance Business: ¥ 1,586,298 million

Other Financial Services Business: ¥ 359,639 million

Intersegment Elimination: ¥ (11,118) million

Total: ¥ 1,934,819 million

COMMON STOCK

Authorized: 270,000,000 shares

Issued: 124,826,552 shares

STOCKHOLDERS

7,196

STOCK LISTING

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