

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hitachi Capital Corporation and Subsidiaries

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## (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.

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## (2) U.S. DOLLAR AMOUNTS

The consolidated financial statements are expressed in yen. Solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars at the rate of ¥118 to \$1, the approximate exchange rate at March

30, 2007. The inclusion of such dollar amounts does not imply that the assets and liabilities, which originated in yen, have been or could readily be converted, realized or settled in dollars at ¥118 to \$1 or at any other rate.

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## (3) SIGNIFICANT ACCOUNTING POLICIES

### (a) Consolidation

The consolidated financial statements include the accounts of the Company and following majority-owned subsidiaries, which are directly or indirectly controlled:

Okinawa Hitachi Capital Corp., Hitachi Capital Servicer Corp., Hitachi Capital Services Co., Ltd., Hitachi Capital Auto Lease Corp., Hitachi Capital Securities Co., Ltd., Hitachi Triple Win Corp., Sekisui Leasing Co., Ltd., Hitachi Capital Insurance Corporation, Iseki Capital Corp., Hitachi Capital Ayase SC Corp., Hitachi Capital Trust Corp., Hitachi Capital (UK) PLC, Hitachi Capital Vehicle Solutions Ltd., Trowbridge Vehicle Rentals Ltd., Industrial Equipment Finance Ltd., Hitachi Capital Credit Management Ltd., Hitachi Capital Insurance Europe Ltd., Hitachi Capital Reinsurance Ltd., Hitachi Capital America Corp., Hitachi Capital (Hong Kong) Ltd., Hitachi Capital (Singapore) Pte. Ltd., and Hitachi Capital Leasing (China) Co., Ltd.

Trowbridge Vehicle Rentals Ltd. and Industrial Equipment Finance Ltd. are now in liquidation.

During the year ended March 31, 2007, Hitachi Leasing (Singapore) Pte. Ltd., a former subsidiary, was excluded from consolidation because of completion of liquidation, and Hitachi Card Service Corp., a former subsidiary, was merged into the Company.

Hitachi Capital Leasing (China) Co., Ltd. has a December 31 fiscal year-end. Its significant transactions during the period from its fiscal year-end to March 31, which could materially affect the Company's financial position and results of operations, have been adjusted. All significant

intercompany accounts have been eliminated in consolidation. The investments in affiliates are stated at its underlying equity value. The cost in excess of net assets acquired by the Company is amortized using the straight-line method over five years in principle.

### (b) Revenue Recognition

#### *Loan guarantee arrangements:*

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

#### *Equipment Lease:*

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

#### *Purchase of installment receivables:*

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

become due.

**Installment credit facilities:**

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

**(c) Allowance for Losses on Receivables and Guarantees**

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

**(d) Short-term Investments and Investments in Securities**

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

- Securities that are generally used with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- Securities that the Company and subsidiaries have the positive intent and ability to hold to their maturities are classified as held-to-maturity securities and measured at amortized cost.
- Securities classified as neither trading securities nor held-to-maturity securities are classified as other securities and measured at fair value, with either unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of net assets until realized, or unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as a net amount in a separate component of net assets until realized.

Held-to-maturity securities are amortized or accumulated to face value. Other securities with a fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of net assets until realized. Other securities

without fair value are carried at cost. In computing realized gain or loss, cost of other securities was principally determined by the moving-average method.

**(e) Impairment of Fixed Assets**

Effective April 1, 2005, the Company and subsidiaries adopted "Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council and the related implementation guidance issued by the ASB. Under this standard and implementation guidance, fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When amounts of undiscounted future cash flows of fixed assets are less than the carrying amounts, the fixed assets are determined to be impaired. Then, an amount by which the carrying amount exceeds the recoverable amount is recognized as an impairment loss in earnings. The recoverable amount of fixed assets is the greater of the net selling price or the present value of the future cash flows expected to be derived from the fixed assets. The Company and consolidated subsidiaries identify groups of assets by their business units as the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

**(f) Residual Value Reserves**

Accumulated depreciation includes an allowance for losses on disposal of leased assets upon termination of lease contracts. The Company and subsidiaries provided for the allowance in the amount of ¥180 million (\$1,525 thousand) and appropriated for losses on disposal of leased assets in the amount of ¥1,271 million (\$10,771 thousand) for the year ended March 31, 2007. The allowance included in accumulated depreciation was ¥3,373 million (\$28,584 thousand) at March 31, 2007.

**(g) Income Taxes**

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

**(h) Retirement and Severance Benefits**

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

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

**(i) Foreign Currency Translation**

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

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

**(j) Treasury Stock**

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

**(k) Appropriation of Retained Earnings**

On May 1, 2006, the Japanese Corporate Law went into effect and replaced the Japanese Commercial Code. Under

the Japanese Corporate Law, the Company is able to appropriate retained earnings by resolution of the Board of Directors, provided that certain criteria are met.

Effective from the fiscal year ended March 31, 2007, the Company adopted "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No. 4, November 29, 2005) and thus recorded directors' bonuses as selling, general and administrative expenses in the fiscal year when incurred. The effect of the adoption of this standard was to reduce operating income and income before income taxes and minority interests by ¥68 million (\$576 thousand).

**(l) Per Share Data**

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

**(m) Financial Instruments**

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

**(n) Derivative Financial Instruments**

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

Net assets or liabilities arising from derivative financial transactions are measured at fair value, except for interest rate option contracts, which are accounted for using deferral hedge accounting. In addition, certain foreign currency swap transactions and certain interest rate swap transactions are accounted for using the allocation method and the special method, respectively, which are regulated in the standard. The allocation method requires recognized foreign currency receivables or payables covered by firm

foreign currency swap transactions to be translated at such swap rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to underlying borrowings and debentures.

**(o) Securitization**

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

**(p) Reclassification**

Certain reclassifications have been made in prior year's

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

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

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

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

In order to conform to the 2007 presentation, the consolidated balance sheet as of March 31, 2006 and the consolidated statement of stockholders' equity for the years ended March 31, 2006 and 2005 have been restated.

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

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**(4) ASSETS DEPOSITED**

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

Additionally, as of March 31, 2007, investments in securities of ¥6 million (\$50 thousand) were pledged as a collateral for the loan of an affiliated company of Hitachi, Ltd.

## (5) SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

As of March 31, 2007 and 2006, the Company had no trading securities.

The following table is a summary of the amortized cost

basis, gross unrealized holding gains or losses and aggregate fair value of held-to-maturity securities and other securities by major security type as of March 31, 2007 and 2006.

	Japanese yen (millions)			U.S. dollars (thousands)		
	Amortized cost basis	Gross gain (loss)	Aggregate fair value	Amortized cost basis	Gross gain (loss)	Aggregate fair value
	<b>2007</b>			<b>2007</b>		
Held-to-maturity securities with gross unrealized holding gains:						
Government bonds . . . . .	¥ 3	¥ 0	¥ 3	\$ 25	\$ 0	\$ 25
	¥ 3	¥ 0	¥ 3	\$ 25	\$ 0	\$ 25
Held-to-maturity securities with gross unrealized holding losses:						
Government bonds . . . . .	¥ 1,026	¥ (1)	¥ 1,024	\$ 8,694	\$ (8)	\$ 8,677
	¥ 1,026	¥ (1)	¥ 1,024	\$ 8,694	\$ (8)	\$ 8,677
	¥ 1,030	¥ (1)	¥ 1,028	\$ 8,728	\$ (8)	\$ 8,711
Other securities with gross unrealized holding gains:						
Equity securities . . . . .	¥ 5,487	¥ 7,587	¥ 13,074	\$ 46,500	\$ 64,296	\$ 110,796
Government bonds . . . . .	500	0	500	4,237	0	4,237
	¥ 5,988	¥ 7,587	¥ 13,575	\$ 50,745	\$ 64,296	\$ 115,042
Other securities with gross unrealized holding losses:						
Equity securities . . . . .	¥ 1,479	¥ (224)	¥ 1,254	\$ 12,533	\$ (1,898)	\$ 10,627
Government bonds . . . . .	1,200	(1)	1,198	10,169	(8)	10,152
Other . . . . .	9	(1)	8	76	(8)	67
	¥ 2,689	¥ (227)	¥ 2,461	\$ 22,788	\$ (1,923)	\$ 20,855
	¥ 8,677	¥ 7,360	¥ 16,037	\$ 73,533	\$ 62,372	\$ 135,906

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

Proceeds from sales of other securities for the year ended March 31, 2007 were ¥1,295 million (\$10,974 thousand). The gross realized gains on these sales for the years ended March 31, 2007 were ¥790 million (\$6,694 thousand). The gross realized gains and losses on sale of other securities for the years ended March 31, 2006 and 2005 were not material.

It is not practicable to estimate the fair value of investments in nonmarketable securities because of the lack

of a market price and difficulty in estimating fair value without incurring excessive cost. Nonmarketable securities at March 31, 2007 amounted to ¥3,683 million (\$31,211 thousand). The carrying amount of these securities at March 31, 2006 was not material.

Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at March 31, 2007 are as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Due within one year	Due after one year through five years	Due after five years through ten years	Due within one year	Due after one year through five years	Due after five years through ten years
Debt securities:						
Government bonds	¥ 1,648	¥ 731	¥ 399	\$ 13,966	\$ 6,194	\$ 3,381
	¥ 1,648	¥ 731	¥ 399	\$ 13,966	\$ 6,194	\$ 3,381

## (6) ALLOWANCE FOR LOSSES ON RECEIVABLES AND GUARANTEES

The Company and subsidiaries provide loan guarantee arrangements on behalf of customers. The outstanding balance of such loan guarantees as of March 31, 2007 and 2006 was ¥462,618 million (\$3,920,491 thousand) and

¥496,563 million, respectively. The activities in the allowance for losses on receivables and guarantees provided for the years ended March 31, 2007 and 2006 are summarized as follows:

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

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

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

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

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

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at March 31, 2007 and 2006, shown above, were 1.3% and

1.4%, respectively. The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

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

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

(a) Hitachi Capital America Corp. established a \$400 million medium-term-note lending program with the Company's

guarantee at March 31, 2001. Amounts of issues exceeding \$400 million are guaranteed through separate applications. Hitachi Capital America Corp. issued \$404 million at March 31, 2007.

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

## (8) TRADE PAYABLES

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

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

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

## (9) INCOME TAXES

Income tax expense attributable to income from continuing operations for the years ended March 31, 2007, 2006, and 2005 consists of the following:

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

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

The Company and its domestic subsidiaries are subject to a number of taxes based on income. The aggregated statutory income tax rate for domestic companies was approximately 40.5% for the years ended March 31, 2007, 2006 and 2005.

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

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

years ended March 31, 2007 and 2005, the reconciliation was omitted.

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

as of March 31, 2007 and 2006 are presented below:

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

As of March 31, 2007 and 2006, no deferred tax assets were recognized for the temporary differences related to the Company's divested operation, since it is not practicable to estimate the timing of the reversals of the

temporary differences.

Net deferred tax assets and liabilities as of March 31, 2007 and 2006 are reflected in the accompanying consolidated balance sheets under the following captions:

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

## (10) RETIREMENT AND SEVERANCE BENEFITS

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

Principal pension plans are unfunded defined benefit pension plans. Under the plans, employees are entitled to lump-sum payments based on the current rate of pay and

the length of service upon retirement or termination of employment for reasons other than dismissal for cause. The liability is partially funded by contributions to trusted pension funds. Such contributions constitute funded status of the plans. In addition to the above plans, the Company and certain subsidiaries have defined contribution plans.

The funded status of the Company's pension plans as of March 31, 2007 and 2006 is summarized as follows:

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

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

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

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

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

## (11) STOCKHOLDERS' EQUITY

At March 31, 2007 and 2006, 57.5% of the outstanding capital stock of the Company was directly owned by Hitachi, Ltd.

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

The Japanese Corporate Law went into effect on May 1, 2006, replacing the Japanese Commercial Code. It is applicable to events or transactions of companies in Japan occurring on or after May 1, 2006 and for fiscal years ending on or after May 1, 2006. The Japanese Corporate Law stipulates that the amounts actually paid in or provided in consideration for newly issued stocks shall be recorded as common stock. However, it also allows 50% or less of such amounts to be recorded as additional paid-in capital. The Japanese Corporate Law requires that an

amount equal to 10% of dividends be appropriated to the legal reserve. However, such appropriation cannot be made if the aggregate amount of the legal reserve exceeds 25% of common stock (i.e. the aggregate amount of the Company's legal reserve has already reached 25% of its common stock). Directors' bonuses are charged to income in the fiscal year in which they are accrued, although some subsidiaries previously conventionally accounted for them as appropriation of retained earnings in accordance with Japanese customary practices.

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

## (12) TREASURY STOCK

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

Pursuant to the provisions of the Japanese Corporate Law, shareholders may request the company to acquire their shares less than a minimum trading lot as shares less than a minimum trading lot cannot be publicly traded and such a

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

The changes in treasury stock for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

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

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

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

89,900 shares for ¥187 million.

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

### (13) NET INCOME PER SHARE INFORMATION

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

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

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

Net income per share data:	Japanese yen			U.S. dollars
Basic . . . . .	¥ <b>127.9</b>	¥ 121.1	¥ 110.5	\$ <b>1.08</b>
Diluted . . . . .	<b>127.9</b>	121.0	108.0	<b>1.08</b>

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**(14) RELATED PARTIES**

The Company's balances with its parent company as of March 31, 2007 and 2006, and related transactions for the

years ended March 31, 2007, 2006 and 2005 are summarized as follows:

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

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

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**(15) CONSOLIDATED STATEMENTS OF CASH FLOWS  
— SUPPLEMENTARY INFORMATION**

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value that have maturities of generally three months or less when purchased to be cash

equivalents. The components of cash and cash equivalents at March 31, 2007, 2006 and 2005 were as follows:

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

## (16) SEGMENT INFORMATION

### (a) Industry Segment Information

As members of the Hitachi Group, the Company and subsidiaries provide a wide range of financial services to respond to our customers' various needs in manufacturing, commercial and consumer finance. Although there is a wide

range of financial services, the Company and subsidiaries have been categorized into two segments; Finance and Other financial services.

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

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

- i) Segment categories are defined according to lines of business. (See "Management's Discussion and Analysis.") Other financial services include Credit Card business, Insurance business, Securitization business and Outsourcing business.
- ii) Third party revenue of ¥435 million (\$3,686 thousand), shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.
- iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥1,747 million (\$14,805 thousand) represents administrative expenses of the head office.
- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥79,254 million (\$671,644 thousand) mainly represents extra fund (cash and securities), long-term investments (investments in securities) and assets of the head office.

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

- i) Segment categories are defined according to lines of business. Other financial services include Credit Card business, Insurance business, Securitization business and Outsourcing business.
- ii) Third party revenue of ¥196 million, shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.

- iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥1,371 million represents administrative expenses of the head office.
- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥69,609 million mainly represents extra fund (cash and securities), long-term investments (investments in securities) and assets of the head office.

	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
	2005				
<b>REVENUES:</b>					
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
<b>EXPENSES</b> .....	78,357	14,867	93,224	(6,310)	86,914
<b>OPERATING INCOME</b> .....	¥ 23,380	¥ 3,038	¥ 26,418	¥ (1,721)	¥ 24,697
Assets .....	¥ 2,022,542	¥ 209,545	¥ 2,232,087	¥ (41,899)	¥ 2,190,188
Depreciation .....	510,836	363	511,199	1,948	513,148
Addition to fixed assets (tangible and intangible) .....	634,348	830	635,178	897	636,076

- i) Segment categories are defined according to lines of business. Other financial services include Credit Card business, Insurance business, Securitization business and Outsourcing business.
- ii) Third party revenue of ¥183 million, shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.
- iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥1,278 million represents administrative expenses of the head office.

- The Company changed its basis of segment allocation of cooperate IT related expenses in order to reflect its operating income more appropriately during the fiscal year ended March 31, 2005. The effects on operating income are a decrease of ¥1,709 million in Finance, decrease of ¥42 million in Other financial services and increase of ¥1,751 million in Elimination and/or corporate.
- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥30,483 million mainly represents extra fund (cash and securities), long-term investments (investments in securities) and assets of the head office.

## (b) Geographic Segment Information

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

## (17) LEASE INFORMATION

### Finance leases

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

ordinary operating leases.

Additional lease information as of and for the years ended March 31, 2007 and 2006 is as follows:

### (a) Lessee

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

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

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

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

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

	For the year ended March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	2007
Lease payments .....	¥ 371	¥ 445	\$ 3,144
Depreciation .....	365	436	3,093
Interest expense .....	2	6	16

## (b) Lessor

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

	March 31, 2007			U.S. dollars (thousands)	March 31, 2006		
	Japanese yen (millions)		Net balance		Japanese yen (millions)		Net balance
	Acquisition costs	Accumulated depreciation			Acquisition costs	Accumulated depreciation	
Equipment held for lease .....	¥ 2,315,005	¥ 1,047,556	¥ 1,267,448	\$ 10,741,084	¥ 2,231,350	¥ 995,589	¥ 1,235,760

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

	March 31		
	Japanese yen (millions)		U.S. dollars (thousands)
	2007	2006	2007
Within one year .....	¥ 405,154	¥ 403,051	\$ 3,433,508
Over one year .....	881,896	844,266	7,473,694
Total .....	¥ 1,287,050	¥ 1,247,318	\$ 10,907,203

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

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

## Operating leases

### (a) Lessee

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

### (b) Lessor

Future lease payments to be received:

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

## (18) FINANCIAL INSTRUMENTS

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

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

The fair values of derivative financial instruments are estimated on the basis of information obtained from third party financial institutions. The estimated fair values of the derivative financial instruments, excluding certain instruments, which are accounted for using deferral hedge accounting, the allocation method and the special method, by major instrument type as of March 31, 2007 and 2006 are as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Notional amounts	Estimated fair values	Unrealized gains (losses)	Notional amounts	Estimated fair values	Unrealized gains (losses)
	2007			2007		
Interest rate swap agreements:						
Floating rate to fixed rate	¥ 81,172	¥ 489	¥ 489	\$ 687,898	\$ 4,144	\$ 4,144

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

### (19) COMMITMENT AND CONTINGENCIES

The Company and a subsidiary provide certain revolving lines of credit to their credit card holders in accordance with the terms of the credit card business customer service contracts. Furthermore, the Company provides credit facilities to parties in accordance with the service agency

business contracts from which temporary payments on behalf of such parties are made. In addition, the Company provides loan commitments to certain investee. The outstanding balance of the revolving lines of credit as of March 31, 2007 and 2006 are shown as follows:

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

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

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

Other guaranteed liabilities are as follows.  
Guaranteed liabilities concerning the sale of receivables of a foreign subsidiary amounted to ¥2,545 million (\$21,567

thousand) as of March 31, 2007.

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

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**(20) SUBSEQUENT EVENTS**

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

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

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

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