

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

Financial Instruments and Exchange Law of Japan.

As permitted under the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(2) U.S. DOLLAR AMOUNTS

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

2008. The inclusion of such dollar amounts does not imply that the assets and liabilities, which originated in yen, have been or could readily be converted, realized or settled in dollars at ¥100 to \$1 or at any other rate.

(3) SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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

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

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

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

underlying equity value. The cost in excess of net assets acquired by the Company is amortized using the straight-line method over five years in principle. As Hitachi Capital (UK) PLC became a wholly owned subsidiary of the Company, such cost in excess of the net assets acquired is amortized using the straight-line method over 20 years.

(b) Revenue Recognition

Loan guarantee arrangements:

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

Equipment Leases:

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

Purchase of installment receivables:

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

when the monthly installments become due.

Installment credit facilities:

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

(c) Allowance for Losses on Receivables and Guarantees

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

(d) Short-term Investments and Investments in Securities

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

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

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

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

(e) Impairment of Fixed Assets

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

(f) Residual Value Reserves

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

(g) Income Taxes

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

(h) Retirement and Severance Benefits

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

obligation and the pension assets.

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

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

(i) Foreign Currency Translation

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

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

(j) Treasury Stock

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

(k) Appropriation of Retained Earnings

On May 1, 2006, the Japanese Corporate Law went into effect and replaced the Japanese Commercial Code. Under the Japanese Corporate Law, the Company is able to appropriate retained earnings by resolution of the Board of

Directors, provided that certain criteria are met.

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

(l) Per Share Data

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

(m) Financial Instruments

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

(n) Derivative Financial Instruments

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

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

those transactions were originally applied to underlying borrowings and debentures.

(o) Securitization

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

(p) Reclassification

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

In the past, beneficial interests in trust were included within prepaid expenses and other current assets. Effective from the fiscal year ended March 31, 2008, these amounts

are included within short-term investments and investments in securities. During the fiscal year ended March 31, 2008, beneficial interest in trust amounts included within short-term investments and investments in securities were ¥3,860 million (\$38,600 thousand) and ¥34,755 million (\$347,550 thousand), respectively.

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

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

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

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

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

(4) ASSETS DEPOSITED

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

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

(5) SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

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

basis, gross unrealized holding gains or losses and aggregate fair value of held-to-maturity securities and other securities by major security type as of March 31, 2008 and 2007.

The following table is a summary of the amortized cost

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

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

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

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

of a market price and difficulty in estimating fair value without incurring excessive cost. Unlisted shares at March 31, 2008 and 2007 amounted to ¥2,443 million (\$24,430 thousand) and ¥3,683 million, respectively. At March 31, 2008, the beneficial interest in trust amounted to ¥38,615 million (\$386,150 thousand).

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

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

(6) ALLOWANCE FOR LOSSES ON RECEIVABLES AND GUARANTEES

The Company and subsidiaries provide loan guarantee arrangements on behalf of customers. The outstanding balances of such loan guarantees as of March 31, 2008 and 2007 were ¥451,894 million (\$4,518,940 thousand) and ¥462,618 million, respectively. The activities in the

allowance for losses on receivables and guarantees provided for the years ended March 31, 2008 and 2007 are summarized as follows:

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

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

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

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

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

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at March 31, 2008 and 2007, shown above, were 1.8% and

1.3%, respectively. The aggregate annual maturities of long-term debt at March 31, 2008 were as follows:

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

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

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

guarantee at March 31, 2001. Amounts of issues exceeding \$400 million are guaranteed through separate applications. The outstanding amount was \$400 million as of March 31, 2008.

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

(8) TRADE PAYABLES

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

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

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

(9) INCOME TAXES

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

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

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, 2008, 2007 and 2006.

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

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

year ended March 31, 2007, the reconciliation was omitted.

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

as of March 31, 2008 and 2007 are presented below:

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

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

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

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

(10) RETIREMENT AND SEVERANCE BENEFITS

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

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

employment for reasons other than dismissal for cause. The liability is partially funded by contributions to trusted pension funds. Such contributions constitute funded status of the plans.

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

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

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

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

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

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

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

(11) STOCKHOLDERS' EQUITY

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

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

The Japanese Corporate Law went into effect on May 1, 2006, replacing the Japanese Commercial Code. It is applicable to events or transactions of companies in Japan occurring on or after May 1, 2006 and for fiscal years ending on or after May 1, 2006. The Japanese Corporate Law stipulates that the amounts actually paid in or provided in consideration for newly issued stocks shall be recorded as common stock. However, it also allows 50% or less of such amounts to be recorded as additional paid-in capital. The Japanese Corporate Law requires that an amount equal to 10% of dividends be appropriated to the legal reserve. However, such appropriation cannot be made

if the aggregate amount of the legal reserve exceeds 25% of common stock (i.e., the aggregate amount of the Company's legal reserve has already reached 25% of its common stock). Directors' bonuses are charged to income in the fiscal year in which they are accrued, although some subsidiaries previously conventionally accounted for them as appropriation of retained earnings in accordance with Japanese customary practices.

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

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

(12) TREASURY STOCK

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

Pursuant to the provisions of the Japanese Corporate Law, shareholders may request the company to acquire their shares less than a minimum trading lot as shares less than a

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

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

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

At the meeting held in April 2005, the Board of Directors resolved to acquire treasury stock up to 2,300,000 shares of its common stock for an aggregate acquisition amount not

exceeding ¥4,830 million from April 27, 2005 to June 21, 2005. As a result, the Company acquired a total of 1,103,600 shares for ¥2,264 million.

(13) SUPPLEMENTARY INCOME INFORMATION

Owing to a stock market downturn during the second half of 2008, the Company recognized an impairment loss on investments in securities of ¥1,516 million (\$15,160 thousand), and the Company's subsidiary, Hitachi Capital Insurance Corporation, posted a loss on impairment of fixed

assets of ¥578 million (\$5,780 thousand) related to business restructuring. These expenses are included within other expenses for the fiscal year ended March 31, 2008.

(14) NET INCOME PER SHARE INFORMATION

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

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

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

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

(15) RELATED PARTIES

The Company's balances with its parent company, Hitachi Ltd., as of March 31, 2008 and 2007, and related

transactions for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	
	2008	2007	2008	
Balances:				
Receivables — current	¥ 14,728	¥ 27,013	\$ 147,280	
Parent company deposit	74,008	57,522	740,080	
Receivables — non-current	1,242	1,317	12,420	
Payables — current	20,788	19,927	207,880	
	Japanese yen (millions)		U.S. dollars (thousands)	
	2008	2007	2006	2008
Transactions:				
Revenue	¥ 42,298	¥ 51,314	¥ 42,054	\$ 422,980
Purchases	49,560	59,238	62,726	495,600
Interest income	757	282	51	7,570

(16) CONSOLIDATED STATEMENTS OF CASH FLOWS — SUPPLEMENTARY INFORMATION

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

generally three months or less when purchased to be cash equivalents. The components of cash and cash equivalents at March 31, 2008, 2007 and 2006 were as follows:

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

(17) SEGMENT INFORMATION

(a) Industry Segment Information

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

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

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

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

- i) Segment categories are defined according to lines of business. (See "Management's Discussion and Analysis.") Other financial services include Credit Card business, Insurance business, Securitization business and Outsourcing business.
- ii) Third party revenue of ¥970 million (\$9,700 thousand), shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.

- iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥2,817 million (\$28,170 thousand) represents administrative expenses of the head office.
- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥110,899 million (\$1,108,990 thousand) mainly represents extra funds (cash and securities), long-term investments (investments in securities) and assets of the head office.

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

- i) Segment categories are defined according to lines of business. (See "Management's Discussion and Analysis.") Other financial services include Credit Card business, Insurance business, Securitization business and Outsourcing business.
- ii) Third party revenue of ¥435 million shown in the column of Elimination and/or corporate represents interest and dividend income earned by the head office.

- iii) Of the Expenses shown in the column of Elimination and/or corporate, ¥1,747 million represents administrative expenses of the head office.
- iv) Of the Assets shown in the column of Elimination and/or corporate, ¥79,254 million mainly represents extra funds (cash and securities), long-term investments (investments in securities) and assets of the head office.

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

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

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

(b) Geographic Segment Information

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

(18) LEASE INFORMATION

Finance leases

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

ordinary operating leases. Additional lease information as of and for the years ended March 31, 2008 and 2007 is as follows:

(a) Lessee

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

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

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

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

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

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

(b) Lessor

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

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

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

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

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

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

Operating leases

(a) Lessee

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

(b) Lessor

Future lease payments to be received:

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

(19) FINANCIAL INSTRUMENTS

The Company and certain subsidiaries operate globally and are exposed to market risks arising from fluctuations in foreign currency exchange rates and interest rates. In order to mitigate those risks, the Company and certain subsidiaries enter into various derivative financial agreements, including forward exchange contracts, foreign currency swap agreements and interest rate swap agreements. Forward exchange contracts and foreign currency swap agreements are intended to mitigate risks arising from foreign currency receivables; foreign currency payables; and forecasted foreign currency transactions.

Interest rate swap agreements and interest rate option contracts are intended to mitigate interest rate risk for debts. The Company and subsidiaries have no derivative financial instruments for trading purposes. In addition, the Company and subsidiaries are exposed to credit-related losses in the event of non-performance by counterparties to financial instruments and derivative financial instruments. However, it is not expected that any counterparties will fail to meet their obligations as most of the counterparties are financial institutions with high ratings.

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

The fair values of derivative financial instruments are estimated on the basis of information obtained from third party financial institutions. The estimated fair values of the derivative financial instruments, excluding certain instruments, which are accounted for using deferral hedge accounting, the allocation method and the special method, by major instrument type as of March 31, 2008 and 2007 are as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Notional amounts	Estimated fair values	Unrealized gains (losses)	Notional amounts	Estimated fair values	Unrealized gains (losses)
	2008			2008		
Interest rate swap agreements:						
Floating rate to fixed rate	¥ 40,856	¥ (114)	¥ (114)	\$ 408,560	\$ (1,140)	\$ (1,140)

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

(20) COMMITMENT AND CONTINGENCIES

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

contracts from which temporary payments on behalf of such parties are made. In addition, the Company provides loan commitments to certain investees. The outstanding balance of the revolving lines of credit as of March 31, 2008 and 2007 are shown as follows:

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

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

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

Other guaranteed liabilities are as follows:

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

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

(21) SPECIAL-PURPOSE ENTITIES SUBJECT TO DISCLOSURE

Effective from the fiscal year ended March 31, 2008, the Company adopted the "Implementation Guidance on Disclosures about Certain Special Purpose Entities" (Accounting Standards Board of Japan Statement No. 15, March 29, 2007). An overview of special-purpose entities

subject to disclosure, an overview of transactions employed by special-purpose entities subject to disclosure and amounts of transactions with special-purpose entities subject to disclosure are provided below.

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

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

These special-purpose entities also acquire pledged receivables from customers. The Company has service

agency business contracts in place with such special-purpose entities, and three special-purpose entities raise funds on the Company's behalf by issuing commercial paper and through loans, which are reimbursed by the Company.

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

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

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

Amounts of transactions with special-purpose entities by

the Company and a subsidiary during the fiscal year ended March 31, 2008, were as follows:

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

(*1) Transaction amounts pertaining to transferred assets are recorded at the book value of those assets at the time of transfer.

Consolidated subsidiaries hold obligations on loan receivables, as the funds that special-purpose entities subject to disclosure raise to acquire pledged receivables are borrowed from these subsidiaries. As the Company's consolidated subsidiaries are the lenders, such loan receivables are transferred to other special-purpose entities subject to disclosure, and the transactions for such transfers are recorded.

Gains or losses on transfer of transferred assets are recorded as financing costs or operating revenues.

The securitization of lease receivables is recorded as financial transactions.

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

(*3) Commission revenue on service agency business includes commissions on agency collection services and revolving lines of credit, and is posted to operating revenues.

As of March 31, 2008, the advance limit on advances for the redemption of commercial paper in line with the consigned management agreements of special-purpose entities, as well as the balance of unissued advances, was ¥340,000 million (\$3,400,000 thousand).

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

(22) SUBSEQUENT EVENTS

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

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