

Embarking on a New Voyage

Hitachi Capital Corporation Annual Report 2004

Year ended 31st March, 2004



Quality First



 Hitachi Capital Corp.

Profile

Hitachi Capital Corporation is committed to providing financial services that deliver greater satisfaction to an expanding range of corporate clients and individuals. This commitment is underscored by three core competencies —product development skills, which enable the company to develop products and services that satisfy customers; financial strength, which is based on sound risk management; and the marketing skills of employees who think and act from the customers' perspective.

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Forward-looking Statements

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

Five-year Summary

Embarking on a New Voyage

Hitachi Capital Corporation and Subsidiaries
Years ended 31st March

In millions of Japanese yen, except per share data

	2004	2003	2002	2001	2000
For the year:					
Volume of business	¥1,822,795	¥1,746,946	¥1,738,105	¥1,595,151	¥1,314,201
Revenues	109,494	115,111	126,018	109,794	87,434
Expenses	94,386	97,303	108,222	83,778	65,012
Interest expense	21,240	26,022	32,463	28,704	19,411
Interest coverage (times)	1.71	1.68	1.55	1.91	2.16
Income before income taxes and minority interests	15,108	17,808	17,796	26,016	22,422
Net income	7,532	8,961	9,017	14,728	12,503
Cash dividends paid	4,083	4,541	4,563	3,603	2,866
Bad debts written off	5,557	5,275	7,493	2,472	1,685
Percent of trade receivables, loan guarantees and lease receivables	0.17%	0.16%	0.24%	0.08%	0.08%
Per share data (in yen):					
Net income (basic)	¥ 59.0	¥ 66.3	¥ 67.2	¥ 116.6	¥ 104.7
Net income (diluted)	57.3	64.3	65.2	112.0	99.9
Cash dividends paid and declared for the year	32.0	32.0	34.0	33.0	27.0
Stockholders' equity	1,783	1,730	1,697	1,663	1,501
At year-end:					
Trade receivables	¥ 508,029	¥ 440,449	¥ 526,076	¥ 559,742	¥ 392,932
Deferred income	-	-	-	-	31,561
Equipment held for lease	1,420,131	1,339,905	1,248,931	1,138,610	412,353
Total assets	2,147,475	2,014,590	2,078,630	2,045,438	984,576
Short-term and long-term bank loans	317,000	377,907	527,659	704,191	122,524
Straight bonds, convertible bonds and commercial paper	639,932	604,669	538,701	571,767	487,848
Stockholders' equity	215,523	222,789	227,759	223,140	179,247
Loan guarantees outstanding	465,574	450,150	508,611	673,196	637,622
Allowance for losses on receivables and guarantees	13,132	16,063	16,841	14,514	10,327
Residual value reserves	5,139	6,633	6,926	7,604	448
Number of employees	3,551	3,554	3,573	3,496	2,842

Notes: 1. U.S. dollar amounts in this report represent translations of yen, solely for the convenience of the reader, at the rate of ¥106=US\$1, the approximate exchange rate at 31st March, 2004.

2. Stockholders' equity per share is based on the weighted average number of shares of common stock outstanding during the respective years (see Note 3 (l) for net income and dividends).

3. Interest coverage = (Income before income taxes and minority interests + Interest expense)/Interest expense

On 1st October, 2000, the operations of Hitachi Credit and Hitachi Leasing were merged. Figures for the second half of the year ended 31st March, 2001 are for Hitachi Capital Corporation.

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

Message From the President



Basic Policy

The Hitachi Capital Group's goal is to grow by adhering even more closely to sound business practices while earning the trust of customers and society. Guiding us is the constant pursuit of the "creation and retention of customers." Our overriding priority is "Quality First." While promptly responding to change, we will draw on our collective strengths and those of the Hitachi Group to achieve higher standards in customer satisfaction.

Medium-term Management Plan

In October 2002, the Hitachi Capital Group formulated a medium-term management plan that sets forth concrete measures for making this vision a reality. Since then, we have been working relentlessly to achieve the goals of this plan. The plan advocates three business strategies: strengthen core businesses that support earnings; develop 5 expanding businesses that stimulate new sources of demand and will form the pillar of our operations; and make upfront investments in 10 growing businesses that target markets with growth potential. These strategies are aimed at achieving sustainable growth by transitioning to an operating structure focused on value-added businesses.

Background to the Medium-term Management Plan

This medium-term management plan was formulated in response to an extended period of low interest rates in Japan and declining profitability in our auto loan business, a key source of earnings. This decline reflects fierce competition from finance companies affiliated with automakers, who are taking an aggressive approach to the auto loan business. Our earnings in the auto loan business were previously underpinned by interest income from customers and the ability to procure funds at low rates using our strong credit ratings. However, it has become extremely difficult to generate earnings under current business conditions. Success now depends on shifting to high-value-added businesses that entail a greater degree of specialization, such as the auto leasing business.

From a business model that generates earnings through strong credit ratings and interest margins, we will shift to a business model that generates earnings by creating added value. This change in our operating structure is the main concept behind our new medium-term management plan.

Concrete Actions

In fiscal 2004, the auto loan business was separated from Hitachi Capital and integrated into the automobile finance business of Hitachi Capital Auto Lease Corp., which specializes in auto leases, along with related management resources. This move will strengthen the entire automobile finance business.

On a different note, since loan contracts are guaranteed, the Company recognizes revenue upon the agreement of contract, and the "after-cost," such as losses on contract cancellation and the cost of loan collection, were netted with the revenues earned from subsequent new auto loan contracts.

As a result of the Company's decision to transfer its auto loan business, estimated future costs that would result from the existing auto loan contracts were recognized as an other expense during the fiscal year ended 31st March, 2004. This will help Hitachi Capital effect a smooth transition to its new operating structure.

On the personnel side, we shifted to a system more closely linked to individual performance and made progress with changing the mindset of employees.

Fiscal 2004 was a year in which preparations were made toward embarking on the journey of our "third founding."

Fiscal 2004 in Review

During the past fiscal year, Japan's economy was sluggish despite strong exports, a rebound in capital expenditures, and signs of a recovery in consumer spending. In this climate, guided by its policy of thinking and acting from the customers' perspective at all times, the group worked to enter new markets and capture new customers, while developing new products and services.

The group's volume of business increased 4.3 percent year on year to ¥1,822,795 million (US\$17,196 million). In particular, the 5 expanding businesses identified by our medium-term management plan (auto leases, medical equipment, agricultural finance, home appliances/refurbishment, and home loans) increased volume 23 percent year on year to a record ¥359,410 million (US\$3,391 million), the result of concentrating resources in these fields.

Revenues decreased 4.9 percent to ¥109,494 million (US\$1,033 million), due to the downsizing of the auto loan business. However, operating income climbed 2.9 percent to ¥21,699 million (US\$205 million), due to efforts to lower financing costs, including reducing

interest-bearing debt. Hitachi Capital booked a charge of ¥6,591 million (US\$62 million) related to the change in the operating structure of the auto loan business. Consequently, net income was down 15.9 percent at ¥7,532 million (US\$71 million).

Outlook for Fiscal 2005

Hitachi Capital's medium-term management plan runs for three years, from October 2002 to September 2005. The latter half of the plan starting in April 2004 is an important period that will see us make significant progress toward achieving its goals. We will continue to downsize the auto loan business and shift our operating structure to our 5 expanding business and 10 growing businesses. This will entail an increase in costs as we make upfront investments in new businesses.

In the fiscal year ending 31st March, 2005, Hitachi Capital forecasts the volume of business to increase 1.3 percent year on year to ¥1,846,000 million (US\$17,415 million), revenues to climb 0.9 percent to ¥110,500 million (US\$1,042 million), and net income to rise 54.0 percent to ¥11,600 million (US\$109 million). These forecasts take into account the effects of the shift in our operating structure.

In Closing

Guided by a strong awareness of its responsibilities as a member of society, the group is committed to conducting sound business activities that contribute to the sustainable advancement of society. Accomplishing this will require a balanced approach to social, economic and environmental issues.

In these and other ways, we are determined to be a company worthy of the trust of customers and society.

June 2004

Kaichi Murata
President



The Medium-term Management Plan

The years leading up to our 50th anniversary in 2007 are positioned as the period of our “third founding.” Our current medium-term management plan, which stresses the development of competitive businesses and the concentration of resources in high-value businesses, will guide our actions to effect a profound shift in our operating structure.

The three priorities of the plan are to

- (1) strengthen earnings in core businesses;**
- (2) develop expanding businesses that stimulate demand and**
- (3) invest in growing businesses targeting promising markets.**

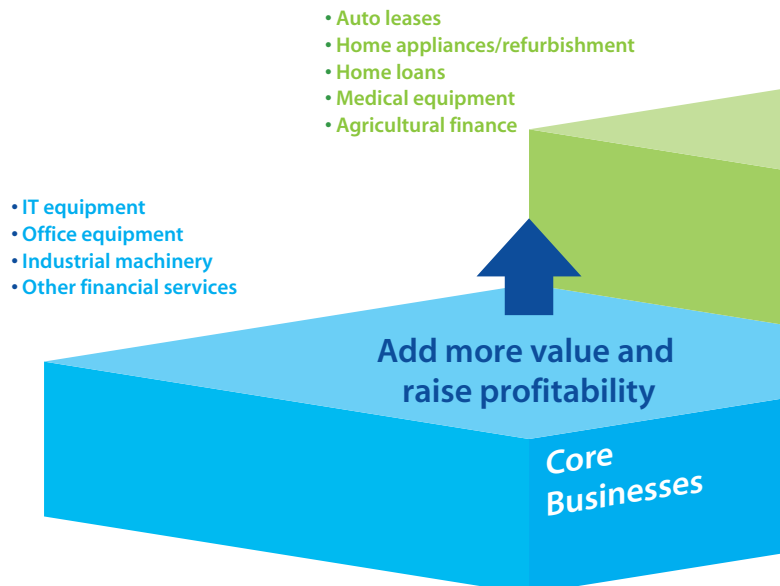
The aim is to assemble an operating structure that generates high business volume and earnings from high-value-added businesses, and deliver consistent growth.

Strengthening Core Businesses

The Hitachi Capital Group’s core businesses—the IT equipment, office equipment, industrial machinery, automobile and other financial services businesses—have achieved steady growth, based on the company’s operating base and expertise amassed through extensive experience. Hitachi Capital will continue to improve profitability in these businesses by raising their competitiveness and enhancing the creation of added value.

5 Expanding Businesses

The 5 expanding businesses are auto leases, medical equipment, agricultural finance, home appliances/refurbishment and home loans. These businesses play a central role in our growth strategy, and can stimulate demand by leveraging two key strengths—our product development skills and vast sales network. In parallel with measures to shift our operating structure, the 5 expanding businesses will also cover the reduction in earnings accompanying the downsizing of the auto loan business, while growing into key pillars of earnings.



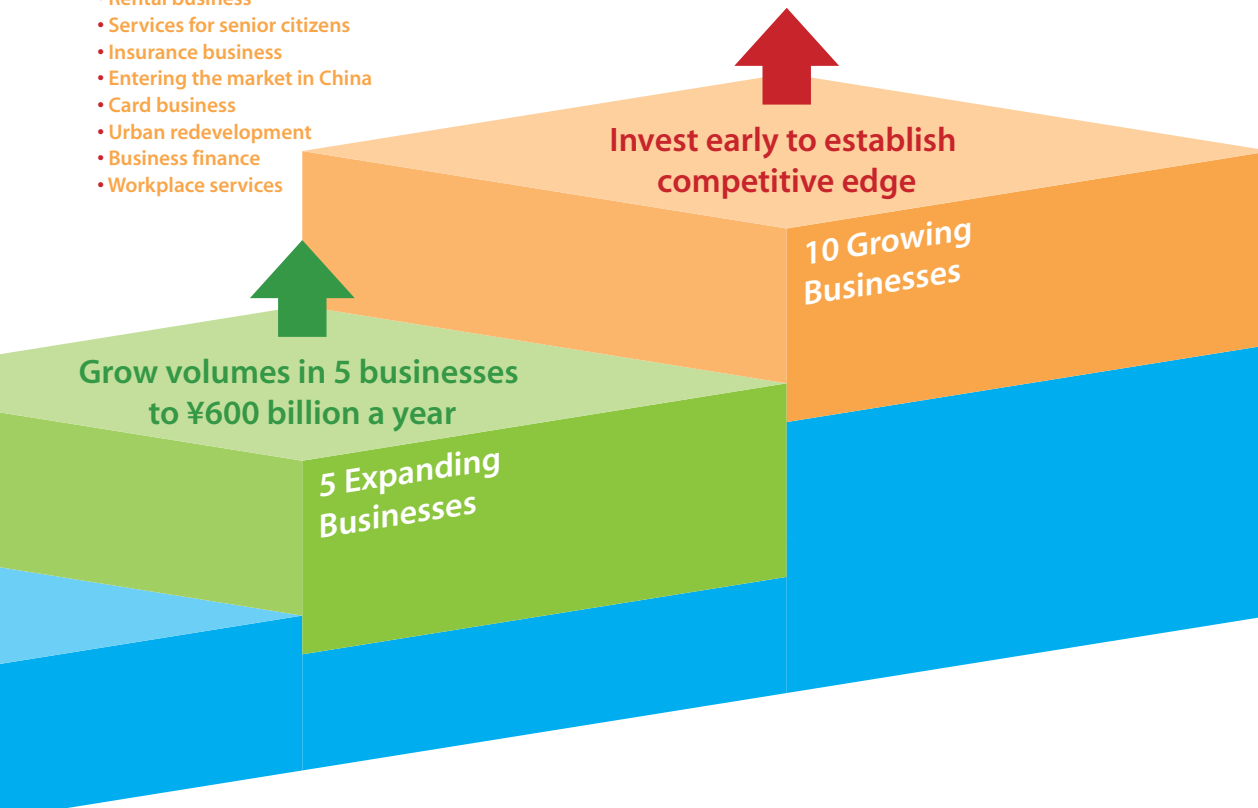
Entering 10 Growing Businesses

The 10 growing businesses, listed in the chart below, are positioned as key themes of our growth strategy. Several early investments have already been initiated. Notably, we have established a solid operating base in the field of non-life insurance through the acquisition of all shares in UNUM Japan Accident Insurance Company (renamed Hitachi Capital Insurance Corporation on 1st April, 2004).

On the whole, the medium-term management plan is progressing well. The 5 expanding businesses are expected to continue growing at a pace of at least 20 percent per year, and are projected to generate a total transaction volume in excess of ¥600 billion by the fiscal year ending 31st March, 2006.

Our drive to shift to an operating structure that generates profits through the creation of added value is proceeding largely according to plan.

- Environmental and energy-related equipment
- Private finance initiatives
- Rental business
- Services for senior citizens
- Insurance business
- Entering the market in China
- Card business
- Urban redevelopment
- Business finance
- Workplace services



New Businesses

Hitachi Capital Initiates Plans to Develop a Shopping Center in Ayase (March 2004)

Our inaugural urban redevelopment project will see us open the city's first large-scale shopping center in spring 2005.

Hitachi Group Wins Order for PFI Project From Tsukuba University (March 2004)

We have been chosen to offer financial advisory services for one of Japan's leading universities in sciences and technology.

Acquisitions and New Ventures

Establishment of The Mortgage Corporation of Japan, Limited (May 2003)

This joint venture with Sekisui House, Ltd. and DAIWA HOUSE INDUSTRY CO., LTD. will offer specialized housing-related financial services that take advantage of plans by The Government Housing Loan Corporation to introduce securitization support services.

Acquisition of UNUM Japan Accident Insurance Company (Currently Hitachi Capital Insurance Corporation) (January 2004)

The aim of this acquisition is to move into to specialize in two highly profitable, niche-fields in the non-life insurance sector—fire insurance and income protection insurance.

Acquisition of the Credit Business of ISEKI & CO., LTD. (June 2004)

Positioned as the credit-services subsidiary of the ISEKI Group, the new company will draw on the finance expertise of Hitachi Capital to generate earnings in the promising field of agricultural finance.

Alliances

Alliance With SOGO MEDICAL CO., LTD. (June 2003)

Hitachi Capital has joined forces with SOGO MEDICAL CO., LTD. to expand general services for medical institutions, such as support for finding successors for medical partnerships, forming medical partnerships, job hunting for medical professionals and much more.

Alliance With AEON Credit Service Co., Ltd. (August 2003)

This alliance will see the two companies enter a range of new retail finance markets, by leveraging Hitachi Capital's expertise in financial services and AEON Credit Service's membership database.

Alliance With UC CARD Co., Ltd. (September 2003)

This alliance has already seen the start of the jointly developed UC Card My Car Lease Service, which lets customers pay My Car Lease fees using their credit cards. This will pave the way for Hitachi Capital to expand sales of this service to the UC Card Group's vast membership base.

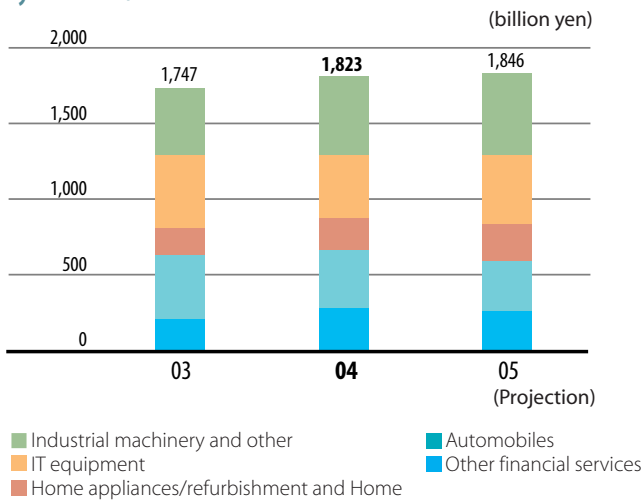
TOPICS

Results and Outlook at a Glance

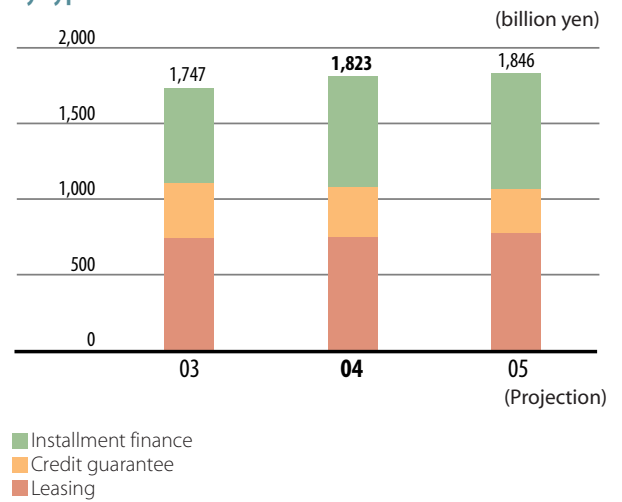
Embarking on a New Voyage

Volume of Business

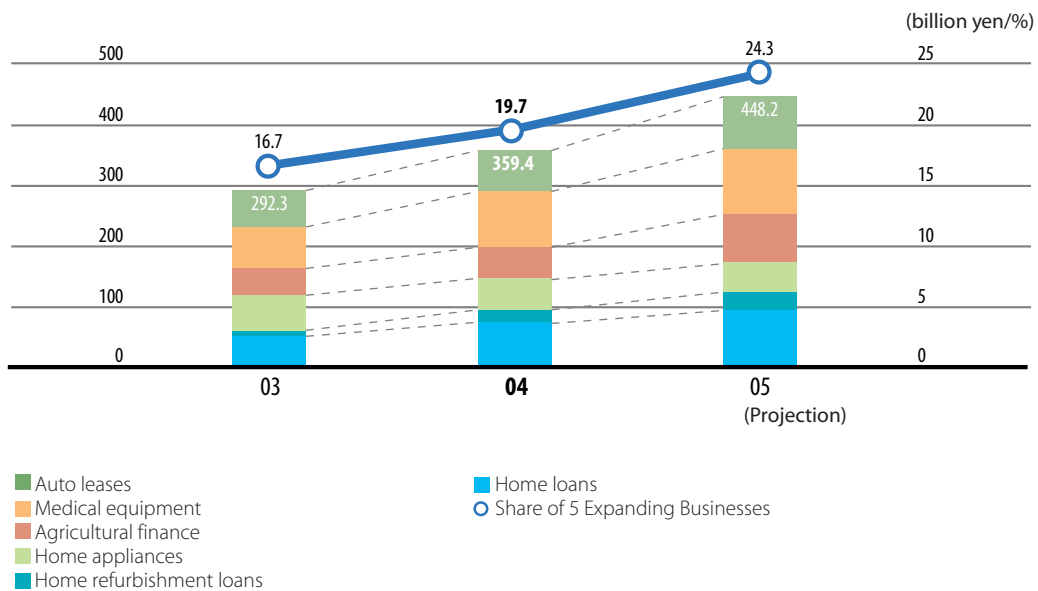
By Products/Services



By Type of Contract



Volume of Business in the 5 Expanding Businesses



Note : The share of the 5 expanding businesses refers to their total business volume as a percentage of the Group's total volume of business.

Directors and Officers

Embarking on a New Voyage

Directors



Masayoshi Hanabusa
Chairman of the Board



Kaichi Murata
Director



Yoshitaka Aritoshi
Director



Yoshiki Yagi
Director



Yuushi Samuro
Director



Kunimitsu Mukunoki
Director

Corporate Officers



Kaichi Murata
President and Chief Executive Officer



Yukio Ohki
Vice President and Executive Officer



Hideyuki Iikura
Vice President and Executive Officer



Kazuo Takano
Senior Corporate Officer



Yukio Mori
Senior Corporate Officer



Kazuya Miura
Senior Corporate Officer



Souichi Hayakawa
Senior Corporate Officer

Senior Administrative Officers and Administrative Officers

Yukio Shinya
Senior Administrative Officer

Osamu Teshima
Senior Administrative Officer

Yasushi Matsushita
Senior Administrative Officer

Mitsugu Ikeda
Senior Administrative Officer

Keiji Miyafusa
Senior Administrative Officer

Yasuo Kitaura
Senior Administrative Officer

Yutaka Yokoyama
Administrative Officer

Hiroshi Tobita
Administrative Officer

Kouji Ueda
Administrative Officer

Kyoko Ookubo
Administrative Officer

Kazumasa Igawa
Administrative Officer

Shoichi Maruyama
Administrative Officer

Misuo Yoshii
Administrative Officer

Seiji Kawabe
Administrative Officer

Tatsuhisa Nagao
Administrative Officer

Masaaki Ohta
Administrative Officer

Atsuyoshi Kantou
Administrative Officer

Top Management at Subsidiaries and Major Affiliated Company

Shinichi Urata
Okinawa Hitachi Capital Corp.

Yoshikatsu Saitoh
Amic Services Corp.

Masaki Kozaki
Hitachi Capital Data Services Co., Ltd.

Takashi Furukawa
Hitachi Capital Service Co., Ltd.

Nobuo Sugimoto
Hitachi Capital Auto Lease Corp.

Ryoji Satoh
Hitachi Capital Securities Co., Ltd.

Yoshiyuki Mori
Hitachi Triple Win Corp.

Masahiko Okuno
Sekisui Leasing Co., Ltd.

Masatsugu Hori
Hitachi Card Service Corp.

Hisashi Ohgaki
The Mortgage Corporation of Japan, Limited

Hidehiro Ishikawa
Hitachi Capital Insurance Corporation

Mitsuhiro Watanabe
ISEKI CAPITAL CO., LTD.

David Anthony
Hitachi Capital (UK) PLC

Simon Oliphant
Hitachi Capital Vehicle Solutions, Ltd.

Richard Egan
Trowbridge Vehicle Rentals Ltd.

Alex Connolly
Hitachi Capital Credit Management, Ltd.

Yoshiaki Sakurai
Hitachi Capital Insurance Europe, Ltd.
Hitachi Capital Reinsurance Ltd.

Yuichiro Shimada
Hitachi Capital America Corp.

Hironori Tozawa
Hitachi Credit (Hong Kong) Ltd.

Satoru Muranaka
Hitachi Credit Singapore Pte. Ltd.

(As of 18th June, 2004)

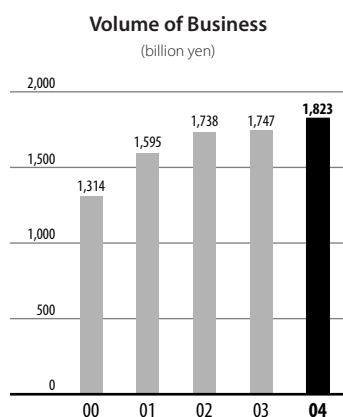
Financial Section

Embarking on a New Voyage

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Management's Discussion and Analysis



BUSINESS OVERVIEW

Volume of Business

Finance Business

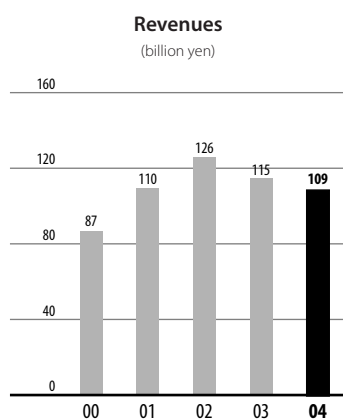
During fiscal 2004, the volume of business in our 5 expanding businesses increased by 23 percent. Industrial machinery leases also posted a steady performance.

However, owing to the downsizing of automobile loan volumes, the volume of business edged up only 0.5 percent to ¥1,536,482 million (US\$14,495 million).

Other Financial Services

During fiscal 2004, the number of alliance partners increased, especially in the securitization services and outsourcing services businesses. As a result, the other financial services business saw volume rise 32.0 percent to ¥299,110 million (US\$2,822 million).

Consequently, the overall volume of business at Hitachi Capital increased 4.3 percent to ¥1,822,795 million (US\$17,196 million).



INCOME ANALYSIS

Revenues

Revenues decreased 4.9 percent to ¥109,494 million (US\$1,033 million). Operating revenues decreased by 4.6 percent to ¥107,185 million (US\$1,011 million), due to a lower volume of automobile loans.

By business segment, revenues from the finance business fell 5.3 percent to ¥101,840 million (US\$961 million), and revenues from the other financial services business increased 20.8 percent to ¥15,462 million (US\$146 million).

Expenses

Expenses decreased 3.0 percent to ¥94,386 million (US\$890 million). Selling, general and administrative expenses edged up 0.4 percent to ¥61,236 million (US\$578 million), while financing costs decreased 17.6 percent to ¥23,298 million (US\$220 million). Furthermore, other expenses increased 22.2 percent to ¥9,852 million (US\$93 million). Other expenses includes a charge of ¥6,591 million (US\$62 million) to cover projected “after-costs,” such as losses on contract cancellation and the cost of loan collection, accompanying the downsizing of the auto loan business.

Net Income

Income before income taxes and minority interests declined 15.2 percent to ¥15,108 million (US\$143 million) and net income decreased 15.9 percent to ¥7,532 million (US\$71 million).

RISK MANAGEMENT

Credit Risk

A computerized scoring system is used to evaluate credit applications. As a result, in fiscal 2004, bad debts written off totaled ¥5,557 million (US\$52 million). The default ratio remained at a healthy level, at 0.17 percent.

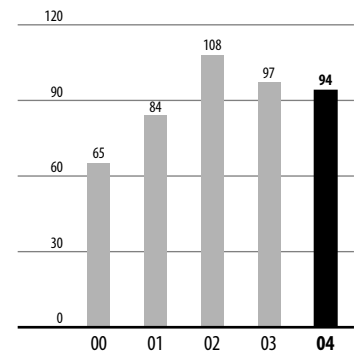
Interest and Currency Risk

In this fiscal year, short-term debt, including the current portion of long-term debt, as a percentage of total debt increased 23.0 percentage points to 25.9 percent. This is a result of actions taken to close the gap between assets and liabilities for Asset Liability Management (ALM) purposes, and thus did not entail additional exposure to interest rate risk. The Company enters into derivative transactions solely to hedge interest and currency risks.

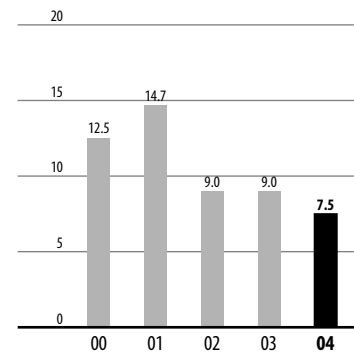
Liquidity Risk

Regarding liquidity risk, the Company has cash and cash equivalents of ¥123,262 million (US\$1,163 million) to meet immediate funding requirements.

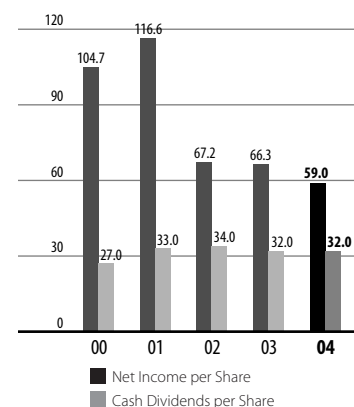
Expenses
(billion yen)



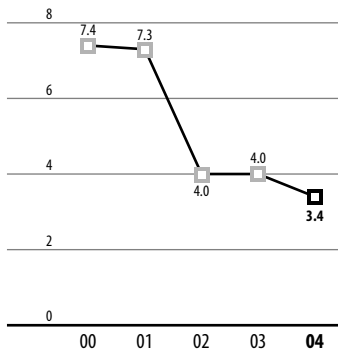
Net Income
(billion yen)



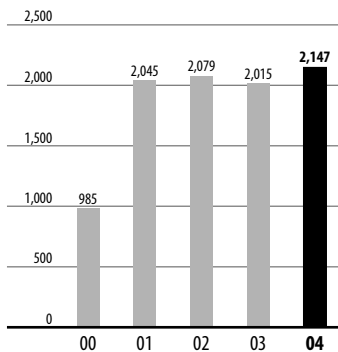
Net Income and Cash Dividends per Share
(yen)



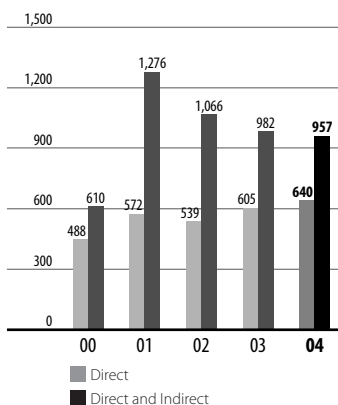
Return on Equity
(%)



Total Assets
(billion yen)



Financing Method
(billion yen)



FINANCIAL POSITION

As of 31st March, 2004, total assets were ¥2,147,475 million (US\$20,259 million), 6.6 percent higher than a year ago. Current assets increased 8.5 percent to ¥678,474 million (US\$6,401 million). Trade receivables, including amounts maturing after one year increased 15.3 percent to ¥508,029 million (US\$4,793 million) due to higher volumes in the securitization services business and payment and collection services. Total investments increased 6.1 percent to ¥1,428,894 million (US\$13,480 million), the result mainly of a 6.0 percent increase to ¥1,420,131 million (US\$13,397 million) in equipment held for lease in line with higher leasing volumes.

On the other side of the balance sheets, current liabilities rose 16.9 percent to ¥995,837 million (US\$9,395 million). This reflected a 45.1 percent increase in commercial paper to ¥182,663 million (US\$1,723 million) as the Company took advantage of Japan's current low interest rate policy and its strong credit rating. Trade payables also increased due to an increase in volumes of payment and collection services. Long-term liabilities decreased 0.4 percent to ¥931,491 million (US\$8,788 million) as the Company made efforts to repay interest-bearing debt. Total liabilities thus increased 7.8 percent to ¥1,927,328 million (US\$18,182 million). Stockholders' equity decreased 3.3 percent to ¥215,523 million (US\$2,033 million) due to treasury stock repurchases of ¥11,918 million (US\$112 million).

As a result, net income per share was ¥59.0 (US\$0.56) and stockholders' equity per share was ¥1,783 (US\$16.82). ROA was 0.36 percent and ROE was 3.4 percent. Cash dividends paid and declared for the year were ¥32.0 per share, including an interim dividend of ¥16.0 and a year-end dividend of ¥16.0.

Allowances for Losses on Receivables and Guarantees

There was a decrease of ¥4,489 million (US\$42 million) in the allowance for losses on receivables and guarantees, including additional depreciation provided for possible losses on disposal of equipment held for lease to ¥18,207 million (US\$172 million).

Liabilities for Employees' and Directors' Retirement Benefits

Total liabilities for employees' and directors' retirement benefits were ¥6,322 million (US\$60 million) as of 31st March, 2004, including ¥5,371 million (US\$51 million) for

employees. As of 31st March, 2004, there were ¥33,644 million (US\$317 million) in projected benefit obligation and ¥20,743 million (US\$196 million) in plan assets at fair value. The remaining unrecognized loss of transition arising from the adoption of the current method for accounting for retirement benefits — that is Unrecognized net loss of transition difference — is ¥797 million (US\$8 million). This loss is being amortized in equal installments over a period of five years that began to accumulate from April 2000. Unrecognized actuarial loss was ¥11,599 million (US\$109 million). The Company plans to amortize this difference over the average remaining period of service of employees covered. Net periodic benefit cost of ¥3,495 million (US\$33 million) was recorded on the Statement of Income in fiscal 2004.

CASH FLOWS

Cash and cash equivalents of the year ended 31st March, 2004 was ¥123,262 million (US\$1,163 million), 7.0 percent lower than a year ago.

Operating Activities

Net cash provided by operating activities was ¥49,751 million (US\$469 million), 15.0 percent more than in the previous fiscal year. The main components were depreciation of ¥476,920 million (US\$4,499 million) and the acquisition of ¥589,824 million (US\$5,564 million) in equipment for leasing. The latter component was outweighed by proceeds from active securitization.

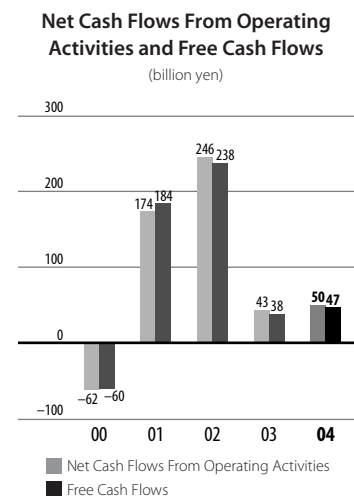
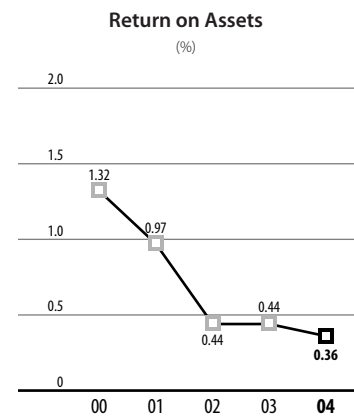
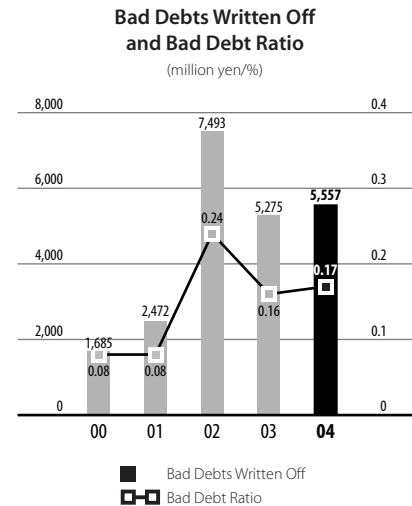
Investing Activities

Net cash used in investing activities decreased 48.5 percent to ¥2,676 million (US\$25 million), mainly reflecting investments in information systems.

Financing Activities

Net cash used in financing activities decreased 50.8 percent to ¥55,878 million (US\$527 million), mainly reflecting the maturity of bonds and bank loans.

Free cash flows, the sum of operating and investing cash flows, totaled ¥47,075 million (US\$444 million).



Consolidated Balance Sheets

Hitachi Capital Corporation and Subsidiaries
31st March, 2004 and 2003

Assets	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)
	2004	2003	2004
Current assets:			
Cash (Note 16)	¥ 39,222	¥ 72,358	\$ 370,019
Trade receivables, including amounts maturing after one year	508,029	440,449	4,792,726
Less: Allowance for losses on receivables and guarantees (Note 6)	13,068	14,008	123,283
Net trade receivables	494,961	426,441	4,669,443
Parent company deposit (Note 16)	84,037	59,760	792,802
Short-term investments (Notes 5 and 16)	1,206	1,300	11,377
Prepaid expenses and other current assets (Note 9)	59,048	65,465	557,057
Total current assets	678,474	625,324	6,400,698
Investments:			
Equipment held for lease, at cost less accumulated depreciation (Notes 3 (f) and 18)			
2004 — ¥1,930,059 million (\$18,208,104 thousand)			
2003 — ¥1,766,322 million	1,420,131	1,339,905	13,397,462
Investments in securities (Notes 4 and 5)	8,763	4,717	82,670
Long-term loans, net of allowance for doubtful accounts			
2003 — ¥2,055 million (Note 6)	—	2,095	—
Total investments	1,428,894	1,346,717	13,480,132
Property and equipment, at cost less accumulated depreciation	6,287	5,915	59,311
Other assets (Note 9)	33,820	36,634	319,057
	¥2,147,475	¥2,014,590	\$20,259,198

See accompanying notes to consolidated financial statements.

Liabilities, Minority Interests and Stockholders' Equity	Japanese yen (millions)		U.S. dollars (thousands) (Note 2)
	2004	2003	2004
Current liabilities:			
Short-term bank loans (Note 7)	¥ 39,201	¥ 22,303	\$ 369,821
Commercial paper	182,663	125,920	1,723,236
Current portion of long-term debt (Note 7)	209,042	204,447	1,972,094
Trade payables (Note 8)	269,046	238,176	2,538,170
Accrued expenses	18,625	13,205	175,708
Obligation for securitized lease receivables	227,300	202,944	2,144,340
Income taxes payable (Note 9)	2,756	3,618	26,000
Other current liabilities (Note 9)	47,204	41,613	445,320
Total current liabilities	<u>995,837</u>	<u>852,226</u>	<u>9,394,689</u>
Long-term debt (Note 7)	526,026	629,906	4,962,509
Retirement and severance benefits (Notes 3 (h) and 10)	5,371	6,194	50,670
Retirement benefits for directors (Note 3 (h))	951	1,027	8,972
Long-term obligation for securitized lease receivables	385,540	288,534	3,637,170
Other liabilities (Note 9)	13,603	9,297	128,330
Total liabilities	<u>1,927,328</u>	<u>1,787,184</u>	<u>18,182,340</u>
Minority interests	4,624	4,617	43,622
Stockholders' equity (Note 11):			
Common stock:			
Authorized 280,000,000 shares;			
issued 120,811,018 shares in 2004 and 128,676,898 shares in 2003	9,460	9,460	89,245
Capital surplus	45,449	45,449	428,764
Retained earnings (Note 11):	180,234	176,978	1,700,321
Net unrealized holding gain on securities	1,733	21	16,349
Foreign currency translation adjustments	(1,302)	(986)	(12,283)
Less cost of 13,380,608 shares in 2004 and 5,514,728 shares in 2003 of treasury stock (Notes 3 (j) and 12)	(20,051)	(8,133)	(189,160)
Total stockholders' equity	<u>215,523</u>	<u>222,789</u>	<u>2,033,236</u>
	<u>¥2,147,475</u>	<u>¥2,014,590</u>	<u>\$20,259,198</u>

Consolidated Statements of Income

Embarking on a New Voyage

Hitachi Capital Corporation and Subsidiaries
Years ended 31st March, 2004, 2003 and 2002

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2004	2003	2002	2004
Revenues:				
Operating revenues (Note 17).....	¥107,185	¥112,360	¥123,458	\$1,011,179
Interest and dividend income.....	240	262	624	2,264
Other income (Note 13).....	2,069	2,489	1,936	19,519
	109,494	115,111	126,018	1,032,962
Expenses (Note 17):				
Selling, general and administrative expenses.....	61,236	60,976	56,929	577,698
Financing costs.....	23,298	28,268	34,872	219,793
Other expenses (Note 13).....	9,852	8,059	16,421	92,943
	94,386	97,303	108,222	890,434
Income before income taxes and minority interests.....	15,108	17,808	17,796	142,528
Income taxes (Note 9).....	6,934	8,068	8,816	65,415
Minority interests.....	642	779	(37)	6,056
Net income.....	¥ 7,532	¥ 8,961	¥ 9,017	\$ 71,057
Per share data (Notes 3 (I) and 14):				
Net income (basic).....	¥ 59.0	¥ 66.3	¥ 67.2	\$ 0.56
Net income (diluted).....	57.3	64.3	65.2	0.54

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Embarking on a New Voyage

Hitachi Capital Corporation and Subsidiaries
Years ended 31st March, 2004, 2003 and 2002

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2004	2003	2002	2004
Common stock:				
Balance at beginning of year	¥ 9,460	¥ 9,460	¥ 9,460	\$ 89,245
Balance at end of year	<u>¥ 9,460</u>	<u>¥ 9,460</u>	<u>¥ 9,460</u>	<u>\$ 89,245</u>
Capital surplus:				
Balance at beginning of year	¥ 45,449	¥ 45,449	¥ 45,449	\$ 428,764
Balance at end of year	<u>¥ 45,449</u>	<u>¥ 45,449</u>	<u>¥ 45,449</u>	<u>\$ 428,764</u>
Retained earnings:				
Balance at beginning of year	¥176,978	¥172,780	¥168,559	\$1,669,604
Net income	7,532	8,961	9,017	71,057
Cash dividends	(4,083)	(4,541)	(4,563)	(38,519)
Directors' bonuses	(193)	(200)	(233)	(1,821)
Loss on disposal of treasury stock	0	-	-	0
Decrease arising from exclusion of equity-method affiliates	-	(22)	-	-
Balance at end of year	<u>¥180,234</u>	<u>¥176,978</u>	<u>¥172,780</u>	<u>\$1,700,321</u>
Net unrealized holding gain on securities:				
Balance at beginning of year	¥ 21	¥ 354	¥ 431	\$ 198
Net change during the year	1,712	(333)	(77)	16,151
Balance at end of year	<u>¥ 1,733</u>	<u>¥ 21</u>	<u>¥ 354</u>	<u>\$ 16,349</u>
Foreign currency translation adjustments:				
Balance at beginning of year	¥ (986)	¥ (282)	¥ (758)	\$ (9,302)
Net change during the year	(316)	(704)	476	(2,981)
Balance at end of year	<u>¥ (1,302)</u>	<u>¥ (986)</u>	<u>¥ (282)</u>	<u>\$ (12,283)</u>
Treasury stock (Notes 3 (j) and 12):				
Balance at beginning of year	¥ (8,133)	¥ (2)	¥ (1)	\$ (76,726)
Increase in treasury stock	(11,918)	(8,131)	(1)	(112,434)
Balance at end of year	<u>¥ (20,051)</u>	<u>¥ (8,133)</u>	<u>¥ (2)</u>	<u>\$ (189,160)</u>
Total stockholders' equity	<u>¥215,523</u>	<u>¥222,789</u>	<u>¥227,759</u>	<u>\$2,033,236</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Embarking on a New Voyage

Hitachi Capital Corporation and Subsidiaries
Years ended 31st March, 2004, 2003 and 2002

	Japanese yen (millions)			U.S. dollars (thousands) (Note 2)
	2004	2003	2002	2004
Cash flows from operating activities:				
Income before income taxes and minority interests.....	¥ 15,108	¥ 17,808	¥ 17,796	\$ 142,528
Depreciation	476,920	459,253	414,122	4,499,245
Loss on reorganization of auto loan business	6,591	-	-	62,179
Gain on return of substitutional portion of EPF (Note 10).....	-	(562)	-	-
Loss on transfer of tax qualified pension plans (Note 10)	-	3,842	-	-
Loss on restructuring of overseas business	-	-	8,470	-
Impairment of securities	-	-	2,879	-
Interest and dividend income	(240)	(262)	(624)	(2,264)
Interest expense	21,240	26,022	32,463	200,377
Loss (gain) on sale of securities	(319)	64	2,341	(3,009)
Decrease (increase) in trade receivables.....	(125,553)	11,452	52,770	(1,184,462)
Loss on sale of equipment for lease	4,402	4,541	236	41,528
Acquisition of equipment for lease	(589,824)	(675,156)	(549,306)	(5,564,377)
Proceeds from sale of equipment for lease	60,344	55,458	46,977	569,283
Increase (decrease) in trade payables	24,157	13,311	(52,786)	227,896
Cash provided by asset backed securitization	880,560	856,115	971,596	8,307,170
Payment for asset backed securitization	(726,363)	(712,068)	(684,629)	(6,852,481)
Increase (decrease) in retirement and severance benefits	(902)	(76)	427	(8,509)
Other	7,869	(6,130)	(3,426)	74,236
Income taxes paid	(4,239)	(10,335)	(13,133)	(39,991)
Net cash provided by operating activities	49,751	43,277	246,173	469,349
Cash flows from investing activities:				
Purchase of short-term investments	(982)	(1,677)	(4,310)	(9,264)
Proceeds from sale of short-term investments	1,734	999	5,204	16,359
Purchase of investments in securities and subsidiaries' common stock.....	(1,336)	(674)	(7,044)	(12,603)
Acquisition of a new subsidiary	1,213	-	-	11,443
Proceeds from sale of investments in securities	350	1,184	966	3,302
Capital expenditure	(4,236)	(5,777)	(3,203)	(39,962)
Proceeds from sale of capital assets	77	631	27	726
Interest and dividend received	404	117	629	3,811
Proceeds from cancellation of swap agreement	100	-	-	943
Net cash used in investing activities	(2,676)	(5,197)	(7,731)	(25,245)
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans.....	18,392	(23,423)	(80,878)	173,509
Increase (decrease) in commercial paper	58,209	61,690	(52,245)	549,142
Proceeds from long-term debt	114,508	104,316	111,693	1,080,264
Payment of long-term debt	(208,103)	(216,123)	(240,826)	(1,963,236)
Interest paid	(22,256)	(26,860)	(37,668)	(209,962)
Purchase of treasury stock	(11,918)	(8,131)	-	(112,434)
Dividends paid to stockholders	(4,083)	(4,541)	(4,563)	(38,519)
Dividends paid to minority stockholders of subsidiaries	(250)	(225)	(206)	(2,359)
Other	(377)	(375)	(325)	(3,556)
Net cash used in financing activities	(55,878)	(113,672)	(305,018)	(527,151)
Effect of exchange rate changes on cash and cash equivalents	(509)	546	830	(4,802)
Net decrease in cash and cash equivalents	(9,312)	(75,046)	(65,746)	(87,849)
Cash and cash equivalents at beginning of year	132,574	207,620	273,366	1,250,698
Cash and cash equivalents at end of year	¥ 123,262	¥ 132,574	¥ 207,620	\$ 1,162,849

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Embarking on a New Voyage

Hitachi Capital Corporation and Subsidiaries

(1) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Hitachi Capital Corporation (the Company) and its domestic subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and those maintained by its foreign subsidiaries in conformity with those of the countries of their domicile.

In addition, the consolidated financial statements, including the notes to the consolidated financial statements, presented herein have been compiled from the consolidated financial statements filed with the Ministry of Finance (the MOF report) as required by the Securities and Exchange Law of Japan and, for the convenience of readers outside Japan, include certain reclassifications and additional information which is not required under accounting principles generally accepted in Japan.

(2) U.S. Dollar Amounts

The consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥106 to \$1, the approximate exchange rate at 31st March, 2004.

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 ¥106 to \$1 or at any other rate.

(3) Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries which are directly controlled: Okinawa Hitachi Capital Corp., Amic Services Corp., Hitachi Capital Data Services Co., Ltd., Hitachi Capital Service Co., Ltd., Hitachi Capital Auto Lease Corp., Hitachi Capital Securities Co., Ltd., Hitachi Triple Win Corp., Sekisui Leasing Co., Ltd., Hitachi Card Service Corp., Hitachi Capital (UK) PLC, Hitachi Capital Vehicle Solutions, Ltd., Trowbridge Vehicle Rentals Ltd., Hitachi Capital Credit Management, Ltd., Hitachi Capital Insurance Europe. Ltd., Hitachi Capital Reinsurance Ltd., Hitachi Capital America Corp., Hitachi Credit (Hong Kong) Ltd., Hitachi Credit Singapore Pte. Ltd., Hitachi Leasing (Singapore) Pte. Ltd., and Hitachi Capital Insurance Corporation, which was newly acquired in January 2004, are included in consolidated results for the year ended 31st March, 2004. 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 being amortized using the straight-line method over five years in principle.

(b) Volume of Business

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

(c) Revenue Recognition

Loan guarantee arrangements:

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

Lease of equipment:

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

Purchase of installment receivables:

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

Installment credit facilities:

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

(d) Allowance for Losses on Receivables and Guarantees

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

(e) Short-term Investments and Investments in Securities

The Company has adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, securities are to be classified into one of the following three categories and accounted for as follows:

- Securities that are generally used with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- Securities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost.
- Securities classified as neither trading securities nor held-to-maturity securities are classified as other securities and measured at fair value, with either unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized or unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized. Held-to-maturity securities are amortized or accumulated to face value. Other securities with a fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of stockholders' equity until realized. Other securities without fair value are carried at cost. In computing realized gain or loss, cost of other securities was principally determined by the moving-average method.

(f) Residual Value Reserves

An allowance for losses on disposal of leased assets upon termination of lease contracts is included in accumulated depreciation. The Company provided for the allowance in the amount of ¥397 million (\$3,745 thousand) and appropriated for losses on disposal of leased assets in the amount of ¥1,898 million (\$17,906 thousand) for the period ended 31st March, 2004. As a result, the allowance included in accumulated depreciation was ¥5,139 million (\$48,481 thousand) at 31st March, 2004.

(g) Income Taxes

The Company has adopted "Accounting Standards for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. The standards require that deferred income taxes be accounted for under the asset and liability method. Under the asset and liability method, 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 has adopted "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 corporate auditors 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 has adopted the revised "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 only the relation between a foreign currency transaction and related firm forward exchange contracts meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments," those 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 credited or charged to income as incurred.

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

(j) Treasury Stock

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

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

(k) Appropriation of Retained Earnings

Cash dividends, transfers to legal reserve, and directors' bonuses of subsidiaries are recorded in the financial year during which such appropriations of retained earnings are made.

(l) Per Share Data

Effective 1st April, 2002, the Company adopted ASB Statement No. 2, "Calculations of Earnings Per Share of the Current Net Earnings." Under this standard, basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common shares outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Previously, net income per share was computed by dividing net income which includes the portion not available to common stockholders by the weighted average number of shares of common stock outstanding during each year.

(m) Financial Instruments

The Company has adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, installment accounts receivable shall be recorded at fair value less related interest income.

(n) Derivative Financial Instruments

The Company has adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, in principle, net asset or liability arising from derivative financial transaction is measured at fair value, with unrealized gain or loss included in earnings. Hedging transaction, which meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments," is accounted for using deferral hedge accounting, which requires the unrealized gain or loss to be deferred as a liability or asset until gain or loss relating to the hedge object is recognized.

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

(4) Assets Deposited

As of 31st March, 2004 and 2003, certain securities of ¥36 million (\$340 thousand) and ¥39 million were deposited as operating guarantees.

(5) Short-term Investments and Investments in Securities

The Company has adopted "Accounting Standards for Financial Instruments," as discussed in note 3 (e).

As of 31st March, 2004 and 2003, there are no trading securities in the consolidated balance sheet.

The following 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 31st March, 2004 and 2003.

	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
	2004			2004		
Held-to-maturity securities with gross unrealized holding gains:						
Government bonds	¥ 36	¥ 1	¥ 37	\$ 340	\$ 9	\$ 349
Debentures	100	0	100	943	0	943
	¥ 136	¥ 1	¥ 137	\$ 1,283	\$ 9	\$ 1,292
Other securities with gross unrealized holding gains:						
Equity securities	¥3,793	¥2,936	¥6,729	\$35,783	\$27,698	\$63,481
Other securities with gross unrealized holding losses:						
Equity securities	285	(30)	255	2,689	(283)	2,406
Debentures	102	(1)	101	962	(9)	953
	387	(31)	356	3,651	(292)	3,359
	¥4,180	¥2,905	¥7,085	\$39,434	\$27,406	\$66,840
	Japanese yen (millions)					
	Amortized cost basis	Gross gain (loss)	Aggregate fair value			
	2003					
Held-to-maturity securities with gross unrealized holding gains:						
Bonds and debentures	¥ 39	¥ 2	¥ 41			
	¥ 39	¥ 2	¥ 41			
Other securities with gross unrealized holding gains:						
Equity securities	¥ 508	¥ 528	¥1,036			
Other securities with gross unrealized holding losses:						
Equity securities	3,344	(495)	2,849			
	¥3,852	¥ 33	¥3,885			

The impairment loss of certain other securities in the amount of ¥40 million and ¥2,878 million was included in earnings for the years ended 31st March, 2003 and 2002, respectively. The gross realized gains and losses on sale of other securities for the years ended 31st March, 2004, 2003, and 2002 are not material.

It is not practicable to estimate the fair value of investments in non-marketable securities because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amount of these securities at 31st March, 2004 and 2003 are not material.

Information about the contractual maturities of held-to-maturity securities and other securities with contractual maturities at 31st March, 2004 is as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	
	Within one year	After one year through five years	Within one year	After one year through five years
	2004		2004	
Debt securities:				
Government bonds	¥ -	¥ 36	\$ -	\$ 340
Debentures	-	201	-	1,896
Other	94	-	887	-
	¥94	¥237	\$887	\$2,236

(6) Allowance for Losses on Receivables and Guarantees

The Company and subsidiaries provide loan guarantee arrangements on behalf of customers. The outstanding balance of such loan guarantees as of 31st March, 2004 and 2003 were ¥465,574 million (\$4,392,208 thousand) and ¥450,150 million, respectively.

Loan guarantees collateralized by insurance policies at 31st March,

2004 and 2003, which eliminate risk to the Company and subsidiaries, were included in the above balances in the amount of ¥2,403 million (\$22,670 thousand) and ¥4,496 million, respectively. The activity in the allowance for losses on receivables and guarantees provided for the years ended 31st March, 2004 and 2003, is summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Balance at beginning of year	¥16,063	¥16,841	\$151,538
Write-off during the year	(5,557)	(5,275)	(52,425)
Provision	2,209	4,899	20,840
The effect of translation adjustments (Note 3 (i))	353	(402)	3,330
Balance at end of year:			
Allowance for losses on receivables	9,272	12,763	87,472
Allowance for losses on guarantees	3,796	3,300	35,811
	¥13,068	¥16,063	\$123,283

(7) Short-term Bank Loans and Long-term Debt

The weighted average interest rates on short-term bank loans outstanding at 31st March, 2004 and 2003 are 0.9 percent and 1.6 percent, respectively.

Long-term debt at 31st March, 2004 and 2003 was summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Unsecured convertible bonds payable in Japanese yen, due September 2004, interest 1.8 percent	¥ 9,148	¥ 9,148	\$ 86,302
Unsecured bonds payable in Japanese yen, due from March 2005 to September 2011, interest from 0.57 to 2.75 percent	245,000	260,000	2,311,321
Unsecured bonds payable in Japanese yen (for specific institutional investors), due from March 2005 to December 2010, interest from 0.52 to 1.98 percent	80,000	80,000	754,717
Unsecured bonds payable in Japanese yen (for specific institutional investors), due from October 2004 to January 2006, interest from 1.5 to 2.24 percent	15,500	18,500	146,226
Medium-term notes payable issued by Hitachi Capital America Corp., in U.S. dollars due from April 2004 to August 2004, interest 3M BBA LIBOR plus 40 – 43 b.p.	15,845	25,242	149,481
Medium-term notes payable issued by Hitachi Capital America Corp., in Euro dollars due from November 2004 to March 2007, interest 6M BBA LIBOR plus 7.5	10,147	–	95,727
Medium-term notes payable issued by Hitachi Capital (UK) PLC, in euro-yen, due from May 2004 to March 2014, interest 3M GBP LIBOR plus 5 – 25 b.p.	81,628	85,859	770,075
Loans from banks and other financial institutions:			
Unsecured, maturing 2004 – 2015	277,800	355,604	2,620,754
	735,068	834,353	6,934,603
Less current portion	209,042	204,447	1,972,094
	¥526,026	¥629,906	\$4,962,509

The weighted average interest rates on long-term loans from banks and other financial institutions outstanding at 31st March, 2004 and 2003, shown above are 2.2 percent and 2.4 percent, respectively. The aggregate annual maturities of long-term debt at 31st March, 2004 were as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Years ending 31st March:		
2006	¥160,659	\$1,515,651
2007	91,641	864,538
2008	91,504	863,245
2009	74,395	701,839
2010 and thereafter	107,827	1,017,236
	¥526,026	\$4,962,509

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) The unsecured convertible bonds in Japanese yen due September, 2004, with a 1.8 percent coupon rate were at 31st March, 2004, convertible into 5,547,604 shares of common stock at ¥1,649 per share.

(b) Hitachi Capital America Corp. established a \$300 million medium-term-note lending program with the Company's guarantee in March, 1998. At 31st March, 2001, the Company has extended a guarantee of \$300 million to \$400 million for this program.

The outstanding amount under the program was \$154 million as of 31st March, 2004.

(c) Hitachi Capital (UK) PLC established a \$500 million medium-term euro-note lending program in October, 1998. At 31st March, 2002, the Company has extended a guarantee of \$500 million to \$1,000 million under this program.

The outstanding amount under the program was \$259 million as of 31st March, 2004.

(d) Each balance issued by the Company is fixed in Japanese yen as the transactions have been hedged using forward exchange contracts or currency swap agreements.

(8) Trade Payables

Trade payables at 31st March, 2004 and 2003, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Notes payable	¥ 8,180	¥ 10,261	\$ 77,170
Accounts payable	260,866	227,915	2,461,000
	¥269,046	¥238,176	\$2,538,170

Trade payables represent amounts arising from purchases of installment receivables and from purchases of goods and property sold or leased by the Company and subsidiaries.

Generally, notes payable become due from 30 to 180 days after the date of issue. The most common terms of maturity are from 30 to 90 days.

(9) Income Taxes

Income tax expense attributable to income from continuing operations for the years ended 31st March, 2004, 2003, and 2002 consists of the following:

	Japanese yen (millions)			U.S. dollars (thousands)
	2004	2003	2002	2004
Current	¥3,491	¥7,988	¥11,547	\$32,934
Deferred	3,443	80	(2,731)	32,481
	¥6,934	¥8,068	¥ 8,816	\$65,415

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in aggregate, resulted in a normal tax rate of approximately 42 percent for the years ended 31st March, 2004, 2003, and 2002.

On 31st March, 2003, a reduction of income tax rate for the business tax was enacted in Japan, and is effective from 1st April, 2004. With this

adoption, the aggregated normal income tax rate for domestic companies will be approximately 40.4 percent for the year ending 31st March, 2005. As a result, the total effect of ¥300 million on deferred tax assets, liabilities and related valuation allowance is charged to income for the year ended 31st March, 2003.

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

	2004	2003	2002
Normal statutory rate	41.8%	41.8%	41.8%
Per capita tax	0.8	0.7	0.7
Expenses not deductible for tax purposes	0.8	0.5	1.1
Difference in statutory tax rates of foreign subsidiaries	(5.0)	(3.3)	5.0
Tax effect on investment in subsidiaries	–	0.8	(11.3)
Change in valuation allowance	–	(1.0)	8.5
Elimination for tax credit on dividend income by consolidation	2.8	1.4	–
Adjustment to deferred tax assets and liabilities for enacted changes in business tax rate	1.5	1.7	–
Difference of tax effect of investments	2.2	–	–
Return of difference between tax payable and paid	(1.3)	–	–
The Company's divested operation	1.3	–	–
Other	1.0	2.7	3.7
Effective income tax rate	45.9%	45.3%	49.5%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of 31st March, 2004 and 2003 are presented below:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Total gross deferred tax assets:			
Depreciation	¥ 5,673	¥ 6,465	\$ 53,519
Loss on reorganization of auto loan business	2,670	–	25,189
Allowance for losses on receivables and guarantees	2,850	3,229	26,887
Retirement and severance benefits	1,334	1,791	12,585
Prepaid expenses	311	309	2,934
Accrued business taxes	221	329	2,085
Cumulative revenues from leasing contracts	148	2,078	1,396
Net operating loss carryforwards	667	1,332	6,292
Temporary difference of investment in subsidiaries	–	2,218	–
Other	3,668	3,505	34,603
	17,542	21,256	165,490
Valuation allowance	(913)	(1,332)	(8,613)
	16,629	19,924	156,877
Total gross deferred tax liabilities:			
Net unrealized holding gain on investments in other securities	(1,192)	(222)	(11,245)
Temporary difference related to overseas subsidiaries and other	(1,399)	(1,051)	(13,198)
	(2,591)	(1,273)	(24,443)
Net deferred tax assets	¥14,038	¥18,651	\$132,434

As of 31st March, 2004, no deferred tax assets were recognized for the temporary differences of ¥203 million (\$1,915 thousand) related to

the Company's divested operation, since it is not practicable to estimate the timing of the reversals of the temporary differences.

Net deferred tax assets and liabilities as of 31st March, 2004 and 2003 are reflected in the accompanying consolidated balance sheets under the following captions:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Prepaid expenses and other current assets	¥ 8,537	¥ 8,106	\$ 80,538
Other assets	6,839	11,596	64,519
Other current liabilities	(1,291)	(1,051)	(12,179)
Other liabilities	(47)	–	(444)
Net deferred tax assets	<u>¥14,038</u>	<u>¥18,651</u>	<u>\$132,434</u>

(10) Retirement and Severance Benefits

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

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

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

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

The fair value of plan assets to be returned to the government as of 31st March, 2003 is ¥11,757 million.

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

The Company and certain domestic subsidiaries transferred their tax qualified pension plan to a defined contribution pension plan, a monthly pension payment plan and a closed defined benefit pension plan on 31st October, 2002. The transfer was accounted in accordance with Financial Accounting Standards Implementation Guidance No. 1 "Accounting Treatment for Transfer Among the Retirement and Severance Benefit Plans." The effect of returning the substitutional portion of EPF is summarized as follows:

	Japanese yen (millions)
	2003
Decrease in projected benefit obligation	¥ 19,769
Plan assets to be returned	(11,769)
Unrecognized net loss of transition difference	(2,501)
Unrecognized actuarial loss	(4,937)
Decrease in retirement and severance benefits	<u>¥ 562</u>

The effect of the transition to a defined contribution pension plan and a closed defined benefit pension plan is summarized as follows:

	Japanese yen (millions)
	2003
Decrease in projected benefit obligation	¥ 7,622
Transferred plan assets	(7,690)
Unrecognized net loss of transition difference	(280)
Unrecognized actuarial loss	(2,161)
Unrecognized prior service costs	(1,164)
Decrease in retirement and severance benefits	<u>¥(3,673)</u>

Pension assets transferred from the tax qualified pension plan to the defined contribution benefit plan, the monthly pension payment plan and the closed pension plan were ¥2,897 million, ¥685 million and ¥4,108 million, respectively. Additional contributions to the defined contribution

benefit plan totaling ¥125 million will be transferred over 4 years starting from 31st October, 2002. The funded status of the Company's pension plans as of 31st March, 2004 and 2003 is summarized as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Projected benefit obligation	¥(33,644)	¥(32,601)	\$ (317,396)
Plan assets at fair value	20,743	12,795	195,688
Funded status	(12,901)	(19,806)	(121,708)
Unrecognized net loss of transition difference	797	1,593	7,519
Unrecognized actuarial loss	11,599	15,897	109,425
Unrecognized prior service cost	(3,429)	(3,707)	(32,349)
Net amount recognized in the consolidated balance sheets	¥ (3,934)	¥ (6,023)	\$ (37,113)
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid benefit cost	¥ 1,437	¥ 171	\$ 13,557
Accrued benefit cost	(5,371)	(6,194)	(50,670)
	¥ (3,934)	¥ (6,023)	\$ (37,113)

Net periodic benefit cost for the years ended 31st March, 2004, 2003, and 2002 consisted of the following components:

	Japanese yen (millions)			U.S. dollars (thousands)
	2004	2003	2002	2004
Service cost, net of participants' contributions	¥1,411	¥1,510	¥1,592	\$13,311
Interest cost	814	1,100	1,877	7,679
Expected return on plan assets for the period	(383)	(748)	(1,946)	(3,613)
Amortization of net loss of transition difference	800	999	1,792	7,547
Amortization of actuarial loss	1,130	759	580	10,661
Amortization of prior service cost	(277)	(229)	28	(2,613)
Net periodic benefit cost	¥3,495	¥3,391	¥3,923	\$32,972
Other (Contributions to the defined contribution pension plan)	¥ 221	¥ 105	¥ -	\$ 2,085
Gain on return of substitutional portion of EPF	-	(562)	-	-
Loss on transfer of the tax qualified pension plan	-	3,842	-	-

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

- a. Discount rates at 31st March, 2004 and 2003 are both 2.5 percent.
- b. Expected rates of return at 31st March, 2004 and 2003 are 3.0 percent and 4.0 percent, respectively.
- c. Net loss of transition difference in the amount of ¥8,829 million as of 1st April, 2000 is amortized using the straight-line method over 5 years.
- d. Actuarial loss is amortized using the straight-line method over 6 to 17 years, which is within the estimated average remaining service years of employees.
- e. Prior service cost is amortized using the straight-line method over 7 to 16 years, which is within the estimated average remaining service years of employees.

(11) Stockholders' Equity

At 31st March, 2004 and 2003, approximately 56 percent and 53 percent, respectively, of the outstanding capital stock of the Company were owned by Hitachi, Ltd.

The Company has authorized to issue 280 million shares of common stock. The Japanese Commercial Code (JCC) had required designation of par value to all common stock at least 50 percent of new share issuance price, or the common stock par value prescribed by the JCC. Effective 1st October, 2001, the JCC was amended to eliminate the provision of common stock par value resulting in all common stock being recorded with no par value.

JCC had provided that earnings in an amount equal to at least 10 percent of appropriations of retained earnings to be paid in cash be appropriated as a legal reserve until such reserve equals 25 percent of stated common stock. This legal reserve was not available for dividends but might be used to reduce a deficit by resolution of stockholders or might be transferred to stated common stock by resolution of the Board of Directors.

Effective 1st October, 2001, the JCC was amended to require earnings

in an amount equal to at least 10 percent of appropriations of retained earnings to be paid in cash be appropriated as a legal reserve until total additional paid in capital and legal reserve equals 25 percent of stated common stock. Either additional paid in capital or legal reserve may be available for dividends by resolution of the stockholders to the extent that the amount of total additional paid in capital and legal reserve exceeds 25 percent of stated common stock.

The Board of Directors, with subsequent approval of the stockholders, has made annual appropriations of retained earnings for various purposes, the accumulated balance of which is designated as "voluntary reserve" and is included in retained earnings in the accompanying consolidated statements of stockholders' equity. Any disposition of such appropriations shall be at the discretion of the Board of Directors and stockholders.

The accompanying financial statements do not include any provision for the dividend of ¥16 (\$0.15) per share aggregating ¥1,933 million (\$18,236 thousand) and directors' bonuses of ¥103 million (\$972 thousand) by subsidiaries. These appropriations received approval at the subsequent stockholders' meetings held in respect of the year ended 31st March, 2004.

(12) Treasury Stock

Effective 1st October, 2001, the Japanese Commercial Code (JCC) was amended to allow a company to acquire its treasury stock upon shareholders' approval to the extent that sufficient distributable funds are available, while acquisition of treasury stock had been prohibited prior to 1st October, 2001. Effective 25th September, 2003, the JCC was further amended to no longer require shareholders' approval but Board of Directors' approval to the extent that the Board of Directors' authority is stated in the article of incorporation. In this connection, the Company's Board of Directors intends to amend the related provisions of the articles of incorporation, which is subject to a resolution in the ordinary general shareholders' meeting on 18th June, 2004.

Pursuant to the provisions of the JCC, shareholders may request the Company to acquire their shares below a minimum trading lot (1,000 shares) as shares below a minimum trading lot cannot be publicly traded and do not carry a voting right. The JCC also provides for that a shareholder holding shares less than a minimum trading lot is entitled to requesting a company to sell its treasury stock, if any, to the shareholder up to a minimum trading lot, provided that sale of treasury stock is allowed under the article of incorporation. In this connection, the Company amended the related provisions of the articles of incorporation in the ordinary general shareholders' meeting on June 2003.

The changes in treasury stock for the years ended 31 March, 2004, 2003, and 2002 are summarized as follows:

	Number of shares	Japanese yen	U.S. dollars
		(millions)	(thousands)
		Amount	Amount
Balance as of 31st March 2002	742	¥ 2	
Acquisition for treasury stock	5,513,986	8,131	
Balance as of 31st March 2003	5,514,728	8,133	\$ 67,775
Acquisition for treasury stock	7,865,969	11,917	121,385
Dispose of treasury stock	89	0	0
Balance as of 31st March 2004	13,380,608	¥20,050	\$189,160

At the ordinary general shareholders' meeting on June 2003 and June 2002, the Company was authorized to acquire for treasury up to 10,000,000 shares and 6,000,000 shares, respectively, of its common stock for an aggregate acquisition amount not exceeding ¥15,000 million (\$125,000 thousand) and ¥10,000 million, respectively, during the period

from the close of the ordinary general shareholders' meeting to the close of the next ordinary general shareholders' meeting, pursuant to the provisions of the JCC. In April and May 2004, the Company acquired a total 488,800 shares for ¥672 million (\$6,340 thousand).

(13) Other Income and Other Expenses

The Company recognized a loss of ¥6,591 million (\$62,179 thousand) related to the reorganization of auto loan business, which is included in Other expenses.

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

In accordance with the revenue recognition practice permitted under the generally accepted accounting principles in Japan, the Company recognized revenue upon the agreement of contract, and

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

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

A loss of ¥8,470 million on restructuring of overseas business and a loss of ¥2,879 million on impairment of securities were included in Other expenses for the year ended 31st March, 2002.

(14) Net Income Per Share Information

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

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	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Net income	¥7,532	¥8,961	\$71,057
Appropriations for directors' bonuses	(103)	(193)	(972)
Net income on which basic net income per share is calculated	7,429	8,768	70,085
Effect of dilutive securities:			
Interest paid	95	95	896
Other	2	4	19
Net income on which diluted net income per share is calculated	<u>¥7,526</u>	<u>¥8,867</u>	<u>\$71,000</u>
	Japanese yen		U.S. dollars
Net income per share data:			
Basic	¥59.0	¥66.3	\$0.56
Diluted	57.3	64.3	0.54

(15) Related Parties

The Company's balances with parent company as of 31st March, 2004 and 2003, and related transactions for each of the years in the three-year period ended 31st March, 2004 are summarized as follows.

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Balances:			
Receivables-current	¥100,923	¥75,787	\$952,104
Receivables-non-current	961	719	9,066
Payables-current	19,662	15,085	185,491
	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2002
Transactions:			
Revenue	¥34,562	¥52,433	¥ 48,489
Purchases	57,686	57,309	108,423
Interest income	87	68	-

(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 which have maturities of generally three months or less when purchased

to be cash equivalents. Cash and cash equivalents at 31st March, 2004, 2003, and 2002 classified by account on the balance sheets were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)
	2004	2003	2002	2004
Cash on hand and at bank	¥ 39,222	¥ 72,358	¥146,810	\$ 370,019
Deposit money in the parent company	84,037	59,760	60,001	792,802
Short-term securities with maturity within 3 months	3	456	809	28
Cash and cash equivalents	<u>¥123,262</u>	<u>¥132,574</u>	<u>¥207,620</u>	<u>\$1,162,849</u>

(17) Segment Information

The segment information is shown below.

(a) Industry Segment Information

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

services. The Company has changed the industry segment classification commencing from 1st April, 2002. Figures for the year ended 31st March, 2002 have been restated to conform to the classification used in the current year's presentation.

	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
	2004				
Revenues:					
Third party revenues	¥ 101,556	¥ 7,196	¥ 108,752	¥ 742	¥ 109,494
Intersegment revenues	284	8,266	8,550	(8,550)	–
Total	101,840	15,462	117,302	(7,808)	109,494
Expenses	85,851	13,465	99,316	(4,930)	94,386
Income before income taxes and minority interests	¥ 15,989	¥ 1,997	¥ 17,986	¥ (2,878)	¥ 15,108
Assets	¥2,003,056	¥180,646	¥2,183,702	¥(36,227)	¥2,147,475
Depreciation	475,146	442	475,588	1,332	476,920
Addition to fixed assets (tangible and intangible)	591,770	180	591,950	2,110	594,060
	U.S. dollars (thousands)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
	2004				
Revenues:					
Third party revenues	\$ 958,075	\$ 67,887	\$ 1,025,962	\$ 7,000	\$ 1,032,962
Intersegment revenues	2,679	77,981	80,660	(80,660)	–
Total	960,754	145,868	1,106,622	(73,660)	1,032,962
Expenses	809,915	127,028	936,943	(46,509)	890,434
Income before income taxes and minority interests	\$ 150,839	\$ 18,840	\$ 169,679	\$ (27,151)	\$ 142,528
Assets	\$18,896,755	\$1,704,207	\$20,600,962	\$(341,764)	\$20,259,198
Depreciation	4,482,509	4,170	4,486,679	12,566	4,499,245
Addition to fixed assets (tangible and intangible)	5,582,736	1,698	5,584,434	19,905	5,604,339

- i) Segment categories are defined according to lines of business. (see "Management's Discussion and Analysis.")
Card business, Insurance business, Securitization business and Outsourcing business are combined into Other financial services.
- ii) ¥742 million (\$7,000 thousand) stated in the column of Elimination and/or corporate, which belongs to Third party revenues is Interest and dividend income in the head office.

- iii) The amounts of ¥3,267 million (\$30,821 thousand) in the column of Elimination and/or corporate of Expenses are administrative expenses of the head office.
- iv) The amount of ¥36,249 million (\$341,972 thousand) for Elimination and/or corporate of Assets is mainly extra cash for funding—cash, securities—, the long-term investment—, investment in securities— and assets belonging to the head office.

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	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
	2003				
Revenues:					
Third party revenues	¥ 107,473	¥ 6,430	¥ 113,903	¥ 1,208	¥ 115,111
Intersegment revenues	71	6,366	6,437	(6,437)	-
Total	107,544	12,796	120,340	(5,229)	115,111
Expenses	83,960	11,240	95,200	2,103	97,303
Income before income taxes and minority interests	¥ 23,584	¥ 1,556	¥ 25,140	¥(7,332)	¥ 17,808
Assets	¥1,899,401	¥124,535	¥2,023,936	¥(9,346)	¥2,014,590
Depreciation	457,755	100	457,855	1,398	459,253
Addition to fixed assets (tangible and intangible)	676,981	219	677,200	3,733	680,933

i) Segment categories are defined according to lines of business. (see "Management's Discussion and Analysis.")

Card business, Securitization business and Outsourcing business are combined into Other financial services.

ii) ¥644 million stated in the column of Elimination and/or corporate, which belongs to Third party revenues is Interest and dividend income in the head office.

iii) The amounts of ¥4,680 million in the column of Elimination and/or corporate of Expenses are administrative expenses of the head office.

iv) The amount of ¥49,595 million for Elimination and/or corporate of Assets is mainly extra cash for funding—cash, securities—, the long-term investment—, investment in securities— and assets belonging to the head office.

	Japanese yen (millions)				
	Finance	Other financial services	Total	Elimination and/or corporate	Consolidated
	2002				
Revenues:					
Third party revenues	¥ 119,494	¥ 4,964	¥ 124,458	¥ 1,560	¥ 126,018
Intersegment revenues	90	5,859	5,949	(5,949)	-
Total	119,584	10,823	130,407	(4,389)	126,018
Expenses	96,393	8,974	105,367	2,855	108,222
Income before income taxes and minority interests	¥ 23,191	¥ 1,849	¥ 25,040	¥(7,244)	¥ 17,796
Assets	¥1,967,001	¥119,191	¥2,086,192	¥(7,562)	¥2,078,630
Depreciation	412,924	60	412,984	1,138	414,122
Addition to fixed assets (tangible and intangible)	550,735	94	550,829	1,680	552,509

i) Segment categories are defined according to lines of business. (see "Management's Discussion and Analysis.")

Card business, Securitization business and Outsourcing business are combined into Other financial services.

ii) ¥1,560 million stated in the column of Elimination and/or corporate which belongs to Third party revenues is Interest and dividends income in the head office.

iii) The amounts of ¥5,933 million in the column of Elimination and/or corporate of Expenses are administrative expenses of the head office.

iv) The amount of ¥39,973 million for Elimination and/or corporate of Assets is mainly extra cash for funding—cash, securities—, the long-term investment—, investment in securities— and assets belonging to the head office.

(b) Geographic Segment Information

	Japanese yen (millions)			U.S. dollars (thousands)
	2004	2003	2002	2004
Revenues				
Japan	¥ 86,122	¥ 89,451	¥ 99,204	\$ 812,472
Europe and North America	20,048	20,986	23,005	189,132
Other areas	3,421	4,176	3,824	32,273
Intersegment elimination	(97)	498	(15)	(915)
Consolidated total	¥ 109,494	¥ 115,111	¥ 126,018	\$ 1,032,962
Expenses				
Japan	¥ 76,245	¥ 71,958	¥ 76,264	\$ 719,292
Europe and North America	16,648	17,909	22,222	157,057
Other areas	1,590	3,658	9,751	15,000
Intersegment elimination	(97)	3,778	(15)	(915)
Consolidated total	¥ 94,386	¥ 97,303	¥ 108,222	\$ 890,434
Income before income taxes and minority interests				
Japan	¥ 9,877	¥ 17,493	¥ 22,940	\$ 93,180
Europe and North America	3,400	3,077	783	32,075
Other areas	1,831	518	(5,927)	17,273
Intersegment elimination	—	(3,280)	—	—
Consolidated total	¥ 15,108	¥ 17,808	¥ 17,796	\$ 142,528
Assets				
Japan	¥1,930,491	¥1,793,769	¥1,793,925	\$18,212,179
Europe and North America	190,305	198,078	245,102	1,795,330
Other areas	26,679	30,166	39,603	251,689
Intersegment elimination	—	(7,423)	—	—
Consolidated total	¥2,147,475	¥2,014,590	¥2,078,630	\$20,259,198

(18) Lease Information

Finance leases

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

Additional lease information as of and for the years ended 31st March, 2004 and 2003 is found as follows:

(a) Lessee

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at 31st March, 2004 and 2003, if they had been capitalized:

	31st March, 2004			U.S. dollars (thousands)
	Japanese yen (millions)			
	Acquisition costs	Accumulated depreciation	Net balance	Net balance
Furniture and equipment	¥1,939	¥739	¥1,200	\$11,321
	31st March, 2003			
	Japanese yen (millions)			
	Acquisition costs	Accumulated depreciation	Net balance	
Furniture and equipment	¥1,576	¥786	¥790	

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

	31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Within one year	¥ 61,646	¥ 79,152	\$ 581,566
Over one year	49,789	105,955	469,708
Total	¥111,435	¥185,107	\$1,051,274

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

	For the year ended 31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Lease payments	¥586	¥407	\$5,528
Depreciation	573	405	5,406
Interest expense	16	12	151

(b) Lessor

(i) Acquisition costs, accumulated depreciation and net balance of leased assets at 31st March, 2004 and 2003 included in equipment held for lease.

	31st March, 2004			U.S. dollars (thousands)
	Japanese yen (millions)			
	Acquisition costs	Accumulated depreciation	Net balance	Net balance
Equipment held for lease	¥1,975,202	¥890,584	¥1,084,618	\$10,232,245
	31st March, 2003			
	Japanese yen (millions)			
	Acquisition costs	Accumulated depreciation	Net balance	
Equipment held for lease	¥1,849,527	¥852,769	¥996,758	

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

	31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Within one year	¥ 424,576	¥ 428,530	\$ 4,005,434
Over one year	812,220	813,017	7,662,453
Total	¥1,236,796	¥1,241,547	\$11,667,887

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

	For the year ended 31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Lease income	¥409,783	¥390,412	\$3,865,877
Depreciation	359,099	340,514	3,387,726
Interest income	34,660	33,023	326,981

Operating leases

(a) Lessee

Future lease payments

	31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Within one year	¥ -	¥63	\$ -
Over one year	-	17	-
Total	¥ -	¥80	\$ -

(b) Lessor

Future lease payments to be received

	31st March		
	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Within one year	¥ 76,917	¥ 71,358	\$ 725,632
Over one year	137,348	134,316	1,295,736
Total	¥214,265	¥205,674	\$2,021,368

(19) Financial Instruments

The Company and certain subsidiaries operate globally, are exposed to market risks arising from fluctuations in foreign currency exchange rates and interest rates. In order to mitigate those risks, the Company and certain subsidiaries enter into various derivative financial agreements, including forward exchange contracts, foreign currency swap agreements, and interest rate swap agreements. Forward exchange contracts and foreign currency swap agreements are intended to mitigate risks arising from foreign currency receivables; foreign currency payables; and forecasted foreign currency transactions. Interest rate swap agreements and interest rate option contracts are intended to mitigate interest rate risk for debts. The Company and subsidiaries have no derivative financial instruments for trading purposes. In addition, the Company and subsidiaries are exposed to credit-related losses in the event of non-performance by counterparties to financial instruments and derivative financial

instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are authentic financial institutions.

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 review periodically the effectiveness of all hedge policies to take account of the cumulative cash flows and any changes in the market.

The estimated fair values of the derivative financial instruments, excluding certain instruments, which are accounted for using deferral hedge accounting, allocation method and special method by major instrument type as of 31st March, 2003 is as follows:

	Japanese yen (millions)		
	Notional amounts	Estimated fair values	Unrealized gains (losses)
	2003		
Interest rate swap agreements:			
Floating rate to fixed rate	¥ 315	¥ (0)	¥ (0)
Interest rate and foreign currency swap agreements:			
Floating rate to fixed rate	5,261	64	64
			<u>¥64</u>

The fair values of derivative financial instruments are estimated on the basis of information obtained from third party financial institutions. The Company doesn't have anything to additional report about these instruments as of 31st March, 2004.

(20) Commitment and Contingencies

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

agency business contracts from which temporary payments on behalf of such parties are made. The outstanding balance of the revolving lines of credit as of 31st March, 2004 and 2003 is as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2003	2004
Total revolving lines of credit available	¥645,019	¥678,415	\$6,085,085
Amount utilizes	7,347	852	69,311
Balance available	¥637,672	¥677,563	\$6,015,774

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

Contingent liabilities for guarantees of employee's housing loans amounted to ¥58 million (\$547 thousand) and ¥50 million as of 31st March, 2004 and 2003, respectively.

Independent Auditors' Report

The Board of Directors
Hitachi Capital Corporation

We have audited the accompanying consolidated balance sheets of Hitachi Capital Corporation and subsidiaries as of March 31st, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended March 31st, 2004, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Capital Corporation and subsidiaries as of March 31st, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31st, 2004, in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31st, 2004 are presented solely for the convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note (2) to the consolidated financial statements.

Ernst & Young ShinNihon
Tokyo, Japan
June 18, 2004

See Note (1) to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Hitachi Capital Corporation under Japanese accounting principles and practices.

Corporate Data

Embarking on a New Voyage

Corporate Name

Hitachi Capital Corporation

Founded

1957

(incorporated in 1960)

Number of Employees

Consolidated: 3,551

Volume of Business

Finance Business:	¥1,536,482 million
Other Financial Services Business:	¥ 299,110 million
Intersegment Elimination:	¥ (12,797) million
Total:	¥1,822,795 million

Common Stock

Authorized: 280,000,000 shares

Issued: 134,191,626 shares

Stockholders

8,534

(as of 31st March, 2004)

Stock Listing

Tokyo Stock Exchange

Head Office

15-12, Nishi Shimbashi 2-chome, Minato-ku, Tokyo 105-8712, Japan

Phone: +81-3-3503-2111

Facsimile: +81-3-3580-7267

<http://www.hitachi-capital.co.jp/>

Regional Head Offices

Shutoken Company

18-2, lidabashi 2-chome,
Chiyoda-ku, Tokyo 102-8105

Shutoken Dai-ichi

18-2, lidabashi 2-chome,
Chiyoda-ku, Tokyo 102-8105

Shutoken Dai-ni

18-2, lidabashi 2-chome,
Chiyoda-ku, Tokyo 102-8105

Honsha Operating Center

18-2, lidabashi 2-chome,
Chiyoda-ku, Tokyo 102-8105

Honsha Dai-ichi

18-2, lidabashi 2-chome,
Chiyoda-ku, Tokyo 102-8105

Honsha Dai-ni

18-2, lidabashi 2-chome,
Chiyoda-ku, Tokyo 102-8105

Honsha Dai-san

18-2, lidabashi 2-chome,
Chiyoda-ku, Tokyo 102-8105

Honsha Dai-yon

15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-8712

Honsha Dai-go

15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-8712

Rental

1-17, Koishikawa 1-chome,
Bunkyo-ku, Tokyo 112-0002

Hokkaido

3-11, Odori-Nishi, Chuo-ku,
Sapporo, Hokkaido 060-8624

Tohoku

10-17, Ichiban-cho 2-chome,
Aoba-ku, Sendai, Miyagi 980-8545

Kanto

18-2, lidabashi 2-chome,
Chiyoda-ku, Tokyo 102-8105

Hokushinetsu

2-37, Takaoka-machi, Kanazawa,
Ishikawa 920-8642

Chubu

15-33, Sakae 3-chome, Naka-ku,
Nagoya, Aichi 460-0008

Kansai

11-7, Utsubo-honmachi 1-chome,
Nishi-ku, Osaka, Osaka 530-0004

Chugoku & Shikoku

5-25 Fukuromachi Naka-ku,
Hiroshima, Hiroshima 730-0036

Kyushu

1-35, Tenya-machi, Hakata-ku,
Fukuoka, Fukuoka 812-8605

Consolidated Subsidiaries and Major Affiliated Company

Embarking on a New Voyage

Japan

Okinawa Hitachi Capital Corp.
19-1, Kumoji 2-chome, Naha,
Okinawa 900-0015

Hitachi Capital Service Co., Ltd.
5-10 Iidabashi 1-chome,
Chiyoda-ku, Tokyo 101-0047

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

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

Amic Services Corp.
22-10, Shimbashi 5-chome,
Minato-ku, Tokyo 105-0004

Hitachi Capital Auto Lease Corp.
22-10, Shimbashi 5-chome,
Minato-ku, Tokyo 105-0004

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

ISEKI CAPITAL CO., LTD.
3-14, Nishi Nippori 5-chome
Arakawa-ku, Tokyo 116-0013

Hitachi Capital Data Services Co., Ltd.
8-11, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-0003

Hitachi Capital Securities Co., Ltd.
15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-0003

Hitachi Card Service Corp.
15-12, Nishi Shimbashi 2-chome,
Minato-ku, Tokyo 105-8712

Europe and North America

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

Hitachi Capital Credit Management, Ltd.
Techno Center Station Rd., Horsforth,
Leeds, Yorkshire LS18 5BJ, England

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

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

Hitachi Capital Insurance Europe, Ltd.
3rd Floor, St. James House,
Adelaide Road, Dublin 2,
Republic of Ireland

Trowbridge Vehicle Rentals Ltd.
Quarry House, Canal Road
Trowbridge Wiltshire BA14 8QU, England

Hitachi Capital Reinsurance Ltd.
3rd Floor, St. James House, Adelaide Road,
Dublin 2, Republic of Ireland

Other Areas

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

Hitachi Credit Singapore Pte. Ltd.
268 Orchard Road #11-01,
Singapore 238856

Major Affiliated Company

The Mortgage Corporation of Japan, Limited
4-14, Koraku 1-chome
Bunkyo-ku, Tokyo 112-0004

(As of 18th June, 2004)

Investor Information

Embarking on a New Voyage

(as of 31st March, 2004)

Composition of Stockholders

	(shares)	(%)
Financial Institutions	31,440,201	23.43
Securities Companies	256,999	0.19
Other Japanese Corporations	72,331,489	53.90
Foreign Investors	8,275,094	6.17
Japanese Individuals and Others	21,887,843	16.31

Number of Shares Owned

	(shares)	(%)
Less than 100	6,163	0.00
100 or more	1,371,665	1.02
1,000 or more	6,059,759	4.52
10,000 or more	5,698,759	4.25
100,000 or more	14,324,231	10.67
1,000,000 or more	106,731,049	79.54

Major Stockholders

	Number of shares owned	Share holding (%)
Hitachi, Ltd.	67,246,137	50.11
Japan Trustee Services Bank, Ltd.	9,228,600	6.88
The Master Trust Bank of Japan, Ltd.	6,280,700	4.68
Trust & Custody Services Bank, Ltd.	5,375,100	4.01
Hitachi High-Technologies Corporation	2,525,604	1.88
The Norinchukin Trust & Banking Co., Ltd.	1,452,500	1.08
Sompo Japan Insurance Inc.	1,241,800	0.93
Hitachi Capital Employee Stockholders'	860,298	0.64
Hitachi Building Systems Co., Ltd.	738,724	0.55
Mizuho Corporate Bank, Ltd.	669,296	0.50
Total	95,618,759	71.26

Note: The above excludes 13,380,608 treasury shares held by Hitachi Capital.

For more information on Hitachi Capital, please visit our Website:

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



 **Hitachi Capital Corporation**

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