

Hitachi Capital Announces a Merger

The board of directors of Hitachi Capital Corporation held in a meeting today resolved to acquire through merger and acquisition Hitachi Card Service Corporation, a wholly owned subsidiary of Hitachi Capital.

1. Purpose of the Merger

Hitachi Card Service has provided various financial services through card systems primarily to Hitachi Group companies and their employees. The decision was made to merge with Hitachi Capital to:

- Further reinforce customer management through the synergy of our group
- Expand market domain and improve sales competency
- Reduce costs by integrating systems

2. Outline of the merger

(1) Schedule of the merger

Board meeting to approve merger agreement: July 27, 2006

Signing of the merger agreement: July 27, 2006

Date of merger: October 1, 2006 (planned)

Registration of merger: October 2, 2006 (planned)

Note: Hitachi Capital and Hitachi Card Service will proceed with the merger without the approval of the general shareholders meeting on the merger agreement pursuant to the provisions on summary procedure as stipulated in Article 796, Paragraph 3 of the Corporate Law and on abbreviated procedure as stipulated in Article 784, Paragraph 1 of the same law.

(2) Method of merger

Hitachi Capital, as the surviving company, will acquire Hitachi Card Service, which will subsequently be dissolved.

(3) Merger ratio

As Hitachi Card Service is a wholly owned subsidiary of Hitachi Capital, there shall be no issuance of new shares or cash payment upon this merger.

(4) Handling of Hitachi Card Service's stock warrant or convertible bond

Not applicable

(5) Summary of accounting treatment

While the merger constitutes a transaction under common control under consolidated corporate accounting, there would be no effect on profit or loss.

3. Profile of the Companies Involved in Merger

(As of March 31, 2006)

(1) Company name	Hitachi Capital Corporation (acquiring company)	Hitachi Card Service Corporation (acquired company)
(2) Business activities	Other financial services	Personal and corporate credit card operations
(3) Date established	September 10, 1957	October 1, 2002
(4) Location of head office	15-12 Nishi Shimbashi 2-chome, Minato-ku, Tokyo	15-12 Nishi Shimbashi 2-chome, Minato-ku, Tokyo
(5) Representative	Kazuo Takano, President	Masashi Hori, President
(6) Capital	¥9,983 million	¥1,000 million
(7) Shares of common stock issued and outstanding	124,826,552 shares	20,000 shares

(8) Shareholders' equity	¥206,859 million	¥319 million
(9) Total assets	¥1,966,452 million	¥7,069 million
(10) Fiscal year end	March 31	March 31
(11) Number of employees	1,849	21
(12) Major customers	Corporations and individual consumers	Corporations and individual consumers
(13) Major shareholders and percentage of ownership	Hitachi, Ltd. (50.11%)	Hitachi Capital Corporation (100.00%)
(14) Major banks	Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(15) Relationship between companies	Capital	Wholly owned subsidiary
	Personnel	One Hitachi Capital directors and one employee concurrently serve as directors of the acquired company
	Transactions	Hitachi Capital extends loans to the acquired company

(16) Three-year summary

Fiscal year ended March 31	Hitachi Capital Corporation (acquiring company)			Hitachi Card Service, Ltd. (acquired company)		
	2004	2005	2006	2004	2005	2006
	(Millions of yen)			(Millions of yen)		
Operating revenue	77,726	66,166	62,119	1,226	1,470	1,756
Operating income	16,250	17,773	18,703	76	290	30
Ordinary income	-	17,471	18,873	76	290	30
Net income	5,283	10,704	10,778	216	508	49
Shareholders' equity	197,630	197,924	206,859	779	270	319
Total assets	1,857,060	1,815,730	1,966,452	6,560	6,645	7,069
	(Yen)			(Yen)		
Net income per share	41.99	89.46	92.07	10,804.70	25,448.77	2,462.84
Shareholders' equity per share	1,635.87	1,677.35	1,769.65	38,952.64	13,503.88	15,966.73
Dividend per share (interim dividend per share)	32.00 (16.00)	34.00 (16.00)	35.00 (17.00)	-	-	-
Dividend propensity	76.2	38.0	38.0	-	-	-

Note: Ordinary income is posted from the fiscal year ended March 31, 2005 as Hitachi Capital changed its accounting principle from the same term.

4. Hitachi Capital after Merger

- (1) Company name: Unchanged
- (2) Business activities: Unchanged
- (3) Head office location: Unchanged
- (4) Representative: Unchanged
- (5) Capital: Unchanged
- (6) Total assets: ¥1,970,946 million
(Expected increase from merger: ¥4,493 million)
- (7) Fiscal year end: Unchanged
- (8) Effect on performance: The merger will have a negligible effect on Hitachi Capital's consolidated operating results.