



Kazuo Takano  
President & CEO

## OVERVIEW OF FISCAL 2006 AND PROJECTIONS FOR FISCAL 2007

Fiscal 2006, ended March 31, 2006, was the third fiscal year in which the Hitachi Capital Group undertook business restructuring. Within this process, the Group has shifted from a business model that stresses automobile finance services to one that stresses a balance of revenue sources in such areas as general services for the medical field and agricultural finance. Fiscal 2006 was a term in which reforms finally took hold enough to produce the desired results. For the term, the volume of business edged up 2.8% to ¥1,989,161 million (US\$17,001 million), revenues rose 1.0% to ¥112,725 million (US\$963 million), operating income increased 6.0% to ¥26,189 million (US\$223 million) and net income rose 7.0% to ¥14,219 million (US\$121 million). The proportion of total business volume accounted for by the mainstay businesses —auto leases, general services for the medical field, agricultural finance, household appliances and home refurbishment and home loans—increased to 22.6%.

In fiscal 2007, we will redouble efforts in risk management in the areas of fund procurement and compliance in order to consolidate the gains made in restructuring. Moreover, we will employ a qualitative management style that pursues such measures as reassessment of product and service composition. Accordingly, forecasts for fiscal 2007 call for a 5.6% increase in the volume of business to ¥2,100,000 million (US\$17,948 million), a 3.6% rise in revenues to ¥116,800 million (US\$998 million), a 5.1% increase in operating income to ¥27,500 million (US\$235 million) and a 5.5% expansion in net income to ¥15,000 million (US\$128 million).

## THE THREE MANAGEMENT CHALLENGES TOWARD ACHIEVING SUSTAINABLE GROWTH

The purpose of business reforms is to achieve the larger goal of sustainable growth. The specific management policies aggressively pursued toward this aim comprise “financial services with a focus on products,” “customer-oriented and community based marketing” and “30% Reforms.”

### **Realizing Financial Services with a Focus on Products**

As a manufacturer-affiliated financial services company, the Hitachi Capital Group has consistently pursued a policy of a distinct emphasis on the products it has financed over the roughly 50 years of its history. The products we have

financed have gradually expanded from the original field of household appliances to automobiles, information equipment, industrial machinery, medical devices, agricultural equipment and housing. Our conception of products has expanded to include those things that contribute to healthy economic activity. In that sense, in addition to the products outlined above, we also target products used in corporate finance, such as accounts receivables. The one strength that has differentiated us from our competitors has been our ability to capitalize on our rich experience and knowledge of such products to provide seamless services that range from leases, loans and other financial services to support services such as asset management, securitization and sale of lease-matured assets, which reduce the time and effort required by customers.

#### **Strengthening Customer-oriented and Community-based Marketing**

Financing has been called the lifeblood of all economic activity, so if mega-banks and other large financial institutions are likened to the main artery, then the Hitachi Capital Group would be the capillaries. The source of our reputation for "having strong localized services" is derived from our efforts to tailor services closely to regions and customers by covering every corner of a region and responding to the diverse financing needs of such customers as local governments, corporations and agricultural customers using services in which substantial time has been invested. The 215 locations spread throughout Japan are dedicated to developing custom-made services that are finely tailored to the various needs of customers. We have been bolstering our efforts in developing a new structure amid business restructuring through such measures as employee relocation during the term under review.

#### **Pursuit of "30% Reforms"**

As the pace of change in the business environment accelerates, the prospect of maintaining sustainable growth will be a difficult one if the Group and its employees do not adapt. We are working ensure that all employees pursue what is known as the "30% Reforms." Accordingly, we will promote the creation of new services that are well received by customers by fundamentally transforming the way we think about and approach business. By pursuing these measures, we aim to establish a new set of businesses that will be the engine of growth for the next generation.

Results are already being seen in new services for the public service field as well as in new businesses, including various Internet businesses for individual and corporate customers.

### **PHILOSOPHY AND APPROACH TO CSR**

It is natural for companies to feel responsible to society. It is the job of corporate management to ensure that this sense of responsibility pervades both the mindset of individual employees as well as the organization as a whole through proactive corporate social responsibility (CSR) efforts. We have clarified our principles through the drafting of a management philosophy that comprises "Sustainable Growth," "Respect for Human Dignity" and "Implementation of Corporate Ethics." Because I believe that the foundation of CSR activities lies in developing personnel, we have created the Education Department to implement thorough employee education that stresses raising skill levels and increasing ethics awareness. We are also promoting the introduction of a system that prevents the leakage of information as well as measures to create a system through which we can ensure compliance. I believe that CSR activities raise corporate value, foster trust among our customer stakeholders, and, as a result, naturally lead to sustainable growth.

### **DIVIDEND POLICY AND MESSAGE TO SHAREHOLDERS**

Based on a dividend policy that distributes stable dividends in an amount linked to corporate performance, annual cash dividends per share rose by ¥1.00 to ¥35.00 (US\$0.30).

The coming year of 2007 will mark the 50th anniversary of Hitachi Capital's founding. We will work to ensure sustainable growth in order to extend our 50-year history of focusing on products to our 100-year milestone and beyond. Your continued support in the term ahead is greatly appreciated.



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