

CORPORATE GOVERNANCE

Hitachi Capital believes the establishment of an optimal management structure to enhance corporate value serves as the cornerstone of corporate governance. In keeping with this rationale, Hitachi Capital is implementing the following policies.

COMMITTEE SYSTEM

Hitachi Capital uses a committee system as part of a management structure suitable for achieving fast and fair solutions to management issues currently facing the Company as well as in addressing future issues.

DESCRIPTION AND STRUCTURE OF INTERNAL ORGANIZATIONS

As of June 21, 2006, Hitachi Capital's Board of Directors consists of seven directors, including four external directors, who normally convene monthly. As prescribed by laws, Articles of Incorporation and the regulations of the Board of Directors, it conducts decision-making on such pressing management issues as basic policies and key management strategies. The Board also undertakes the appointment of Corporate Officers, requests explanations and reports regarding executive activities when needed and ensures the proper functioning of operations.

The Nominating Committee, Audit Committee and Compensation Committee have been set up within the Board of Directors. The Audit Committee ordinarily meets monthly and is responsible for auditing management in terms of proprietary and legality. The Nominating and Compensation committees convene when deemed necessary to decide on matters related to an optimal corporate officer structure and proper compensation of officers.

Corporate Officers (seven Corporate Officers as of June 21, 2006) elected by the Board execute business affairs within the scope of authority delegated by the Board of Directors. A Corporate Officers Committee established as a consensual decision-making organization convenes monthly.

COMPLIANCE STRUCTURE

Hitachi Capital has established the Compliance Department within its compliance structure to gather information and plan, prepare and promote frameworks for legal compliance. In terms of compliance education for employees, the department undertakes educational programs created by the Education Department to offer well-planned training tailored to the employee rank targeted as well as specialized educational training.

In addition, Hitachi Capital employs an internal reporting system that allows Group employees to report any illegal activities or improper conduct occurring within the Company to either an internal contact point or to external legal counsel.

Hitachi Capital is thoroughly managing personal information and other data within the Group, while further strengthening the structure to enable operations to be conducted based on a spirit of compliance toward such industry-specific laws pertaining to money lending businesses as well as various laws that affect its business.

STRENGTHENING OF RISK MANAGEMENT STRUCTURE

With the aim of preventing various types of risk and minimizing human, material and economic damage in the event a problem occurs, we have instituted a risk management structure that includes the formulation of the Basic Policies for Risk Management. Cognizant of the fact that accurately detecting business risks and adjusting accordingly is a core competency of the financial services industry, Hitachi Capital aims to comprehensively address a variety of risks within the Group, including business risks, credit risks and compliance risks. To that end, it established the Risk Management Department in September 2005, and is working to further bolster the risk management structure.