



Kazuo Takano
President & CEO

OVERVIEW OF FISCAL 2007 AND PROJECTIONS FOR FISCAL 2008

The Hitachi Capital Group is currently implementing business restructuring. Rather than focus primarily on automobile finance services, we have refined our business into the following core areas: finance services for small- and medium-size companies and government and municipal offices, as well as finance services to agricultural and medical and nursing businesses. Our aim is to provide distinctive services closely tailored to regions and customers. The volume of business in fiscal 2007 amounted to ¥1,927,259 million (US\$16,332 million), down 3.1% year-on-year, revenues were up 2.9% to ¥115,992 million (US\$982 million), operating income declined 4.7% to ¥24,963 million (US\$211 million) and net income increased 5.2% to ¥14,954 million (US\$126 million).

The environment surrounding the Company's operations is expected to remain harsh in fiscal 2008. Changes in financial policy have driven interest rates up, while there have been revisions to business law and accounting standards. Coupled with this, restructuring in the credit and leasing industries means that we are now faced with an era of pivotal change. Accordingly, in fiscal 2008 we forecast a 1.2% increase in the volume of business to ¥1,950,000 million (US\$16,525 million), a 1.5% increase in revenues to ¥117,700 million (US\$997 million), a 11.9% decrease in operating income to ¥22,000 million (US\$186 million), and a 19.8% decline in net income to ¥12,000 million (US\$101 million). Although in practical terms we have projected declines in certain areas, the Group will strive to boost performance over and above forecasts through careful order selection.

DEEPEN REFORMS TO BE "THE BUSINESS PARTNER" FOR CUSTOMERS

Amid a fast-changing business environment, it is necessary to shift to a more customer-oriented business model and pursue further differentiation to ensure sustainable growth into the future. We will not slow down our efforts in making reforms so we can keep pace with changes in the environment and build a solid path toward becoming "the business partner" that provides assistance to our customers' business.

The Hitachi Capital Group's business can be divided into two areas: indirect, which involves providing loan and leasing services to customers through sales outlets; and direct, where transactions are handled directly with

customers. In both types, profit margins are the primary source of income. Over the years, we have worked to reinforce our operations from a functional perspective, which has included the establishment of securities, insurance and trust companies. We also boast a near-complete range of financial products and have created foundations for the provision of services that meet diverse customer needs, from asset liquidity to management.

Going forward, we seek to expand business by providing our traditional services, the key streams of profit margins, as well as high value-added services with assorted features. Our aim is to create a corporate structure that is not susceptible to interest rate movements. We have formulated two key strategies as concrete measures to achieve this goal: "low-cost operations" and a "customer-oriented sales approach." We will seek to achieve the goals we set in each of these domains one by one so as to be recognized as "the business partner" by customers.

Key Strategy 1: Low-cost Operations

We will expand mutually beneficial relationships aimed at cutting business costs by seamlessly linking systems. We will achieve this primarily through the introduction of a "customer front system" that simplifies business procedures between sales outlets, customers and the Company via the Internet.

Key Strategy 2: Customer-oriented Sales Approach

We will nurture highly specialized staff and develop a system in which we can offer a full service lineup to customers. Combined with this, we will promote structural reforms in order to instill a more customer-oriented mindset.

TARGETING GROWTH AREAS AND DOMAINS

The Company has targeted areas and domains manifesting high growth potential, including public services, physical and chemical equipment and semiconductor fabrication equipment, housing rentals, financial services, insurance, secondhand business, asset management services and overseas markets.

We have a proven record in the public services industry, having already concluded deals with almost all 1,800 local government offices throughout Japan. We have earned high acclaim as a manufacturer-affiliated financial services company, especially in terms of operating leases for physical and chemical equipment and semiconductor fabrication equipment. In addition, as a recycling-focused business, we aim to provide services related to all areas of a

company's operations from purchasing through sales and waste processing to recycling. Efforts elsewhere will focus on secondhand business, housing rentals and asset management services that leverage the Company's know-how and focus on products. We intend to expand business to shore up the next generation of our operations.

DIVIDEND POLICY AND MESSAGE TO SHAREHOLDERS

Companies are public institutions that form a part of society, and as such, have a duty to fulfill their obligations to the community. We believe that the basis of corporate social responsibility (CSR) lies in human resource development. In light of this, we conduct thorough employee education involving conscious reform together with raising skill levels and increasing ethics awareness. At the same time, we aim to drive sustainable growth by strengthening compliance and establishing internal control systems.

While maintaining a stable distribution of dividends linked to business performance, we seek to ensure a sound financial position and secure internal reserves necessary for sustainable growth and to cope with the changing management environment. Based on this policy, we increased annual cash dividends per share by ¥1.00 (US\$0.008) to ¥36.00 (US\$0.30).

This year marks the 50th anniversary of Hitachi Capital's founding. We are extremely grateful for the loyal support shareholders and all of our stakeholders have given us over the years. To show our appreciation, we plan to add a commemorative dividend of ¥4.00 to the ordinary dividend at the end of the interim period.

In celebration of our 50th year, we will concentrate even more on "providing financial services with a focus on products" as well as "customer-oriented and community-based marketing." By doing so, we can create high value-added businesses with no limits to expansion, assuring sustainable growth. As we move forward, I ask for your continued support.



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