



Kazuo Takano  
President & CEO

Hitachi Capital Corporation celebrated 50 years in business on September 10, 2007. Since our earliest days, the Hitachi Capital Group has made steady progress in the financial services field, driving strong corporate growth along the way. I would like to express my warmest appreciation to all shareholders, customers and other stakeholders for your support and patronage over the years.

## OVERVIEW OF FISCAL 2008

In fiscal 2008, ended March 31, 2008, the global economy was impacted by various changes, notably rising market interest rates in numerous countries, the subprime loan crisis in the United States and steep increases in prices for crude oil and other raw materials. The Japanese economy was also affected by these factors.

Amid such a volatile environment, the volume of business for the Hitachi Capital Group in fiscal 2008 amounted to ¥1,899,166 million (US\$18,991 million), down 1.5% year-on-year. Broken down, the overseas finance business increased by 14.7% due to business expansion in Asia, while other financial services increased by 4.5% due to steady growth in the outsourcing business. Although the volume of business decreased by 9.1% in the high priority business areas of agricultural equipment and medical and nursing business, we still fared relatively well considering market stagnation. Corporate business was down 10.6% as a result of a marketing strategy aimed at boosting profitability. Despite a slump in housing loans, automobile finance was solid, keeping the decline in consumer business to 1.0%.

Revenues totaled ¥117,185 million (US\$1,171 million), up 1.0%, owing to efforts to raise profitability including accumulating operating receivables of high credibility in leasing and strengthening automobile finance services in credit guarantees. Despite steady measures to reduce selling, general and administrative expenses, operating income was down 9.9% to ¥22,486 million (US\$224 million) due to the impact of an increase in financing costs associated with rising market interest rates in Japan and overseas. We recorded other expenses during the period, such as loss on valuation of investments in securities due to

a downturn in the stock market and impairment loss on fixed assets in line with business restructuring reforms at our subsidiary, Hitachi Capital Insurance Corporation. As a result, net income decreased by 28.3% to ¥10,722 million (US\$107 million).

Hitachi Capital (UK) PLC, a subsidiary in Britain, was made into a wholly owned subsidiary, and Hitachi Capital subscribed to shares from Hitachi Capital Insurance Corporation through a capital increase as a means to bolster Group management.

## FORMULATED NEW MID-TERM MANAGEMENT PLAN AIMED AT FURTHER REFORM

Going forward, competition is expected to intensify and market reorganization is expected to accelerate in the non-banking industry on the back of amendments to laws and regulations, beginning with changes to accounting standards for leases. Market interest rates are also forecast to rise. Consequently, the business environment is projected to become more severe.

Over the years, Hitachi Capital has pushed forward with reforms of its business structure in anticipation of changes in the business environment. Through the provision of diverse financial services as a business partner to our customers, we have achieved growth in finance income as well as commission revenues.

In light of the results of our initiatives and sudden changes in the business environment, we reviewed our “strengths as a finance company for manufacturers,” “community-based nationwide network” and “diverse customer base, from corporations to individuals,” along with formulating a new three-year mid-term management plan to clarify ways to drive future growth, together with speeding up and ensuring the thorough implementation of reforms.

Under this plan, we clarified our aim to be “the No. 1 financial services company with a focus on products” by further promoting our stance as a corporation with a genuine concern for “products.” We will implement three strategies to help us achieve this vision: “reform the profit structure,” “enhance and expand overseas business” and “strengthen the management foundation.”

First, in reforming our profit structure, we will increase operating leases and asset-based loans, while expanding services such as recovery of accounts receivable and settlement of accounts payable, rental transactions, auto lease transactions and recycling and reuse transactions. We will also aggressively develop new products that tackle

current issues related to the environment, resources and energy, and that meet the needs of a society characterized by an aging population and a declining birthrate, regional development (shift from public to private sectors) and advancements in information technology.

By fiscal 2011, we aim to have around 30% of total operating income accounted for by overseas business as our new growth pillar. We will achieve this by expanding business in areas in which we have an established presence as well as through entry into new areas. To strengthen our management foundation, we will enhance productivity through the restructuring of information systems and improve service quality.

Through this new mid-term management plan, I believe we can achieve diversification in the profit structure of the entire Group and establish a solid basis for ongoing growth.

## DIVIDEND POLICY AND MESSAGE TO SHAREHOLDERS

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 paid a year-end dividend for the fiscal year ended March 31, 2008 of ¥18.00 (US\$0.18) per share. Including a commemorative dividend of ¥4.00 (US\$0.04) per share paid at the end of the interim period, our annual dividend amounted to ¥40.00 (US\$0.4) per share, up ¥4.00 (US\$0.04) over the previous year.

After celebrating 50 years in business, we have embarked upon fresh initiatives with our new mid-term management plan. Nonetheless, we remain dedicated to providing financial services with a focus on “products.” We also seek to realize a recycling-oriented society by making full use of “products,” while implementing highly transparent management and making a positive contribution to society. I ask all shareholders for your continued support.



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