

Promoting Reforms for a Stronger Corporate Structure and Gaining Trust Through Reliable Quality



Kazuya Miura
President & CEO

As the newly appointed President of Hitachi Capital Corporation effective on April 1, 2009, I would like to extend a warm greeting to all shareholders and investors, as well as express my sincere appreciation for your support and patronage.

Overview of Fiscal 2009

Fiscal 2009, ended March 31, 2009, was positioned as the first year of the Hitachi Capital Group's new mid-term management plan focusing on business structural reforms. Performance during the year was impacted by drastic changes in the business environment, most notably, plummeting stock markets and appreciation of the yen, as a result of the global financial crisis. With regard to consolidated results, revenues totaled ¥107,943 million (US\$1,101 million), down 7.9% year-on-year due to a decrease in the volume of business owing to a sharp decline in corporate capital investment, coupled with a decline in unrealized gains resulting from a change in accounting methods. Despite reductions in labor costs and other operating costs, operating income decreased 21.8% to ¥17,580 million (US\$179 million) primarily attributable to an increase in bad debt write-off. Besides recording other expenses associated with the business structural reforms, other income and expenses resulting from changes in accounting methods were posted collectively in fiscal 2009, and as a result, net income increased 13.1% to ¥12,122 million (US\$123 million).

In fiscal 2009, although operating income decreased due to rapid deterioration in the worldwide economy, Hitachi Capital implemented measures and made preparations to counter a further decline in the economic environment, including comprehensive treatment of impairment losses and significantly increasing liquidity in hand (up ¥151,505 million year-on-year to ¥251,872 million). This also strengthened our corporate structure, enabling a flexible response to new business opportunities.

Three Major Policies Drive Rapid Reform to Stronger Corporate Structure

Hitachi Capital continues aiming to be “the No. 1 financial services company with a focus on products” in accordance with the vision of our mid-term management plan. The business environment is projected to remain severe in the foreseeable future, characterized by market contractions caused by the worldwide economic downturn and a cooling of the Japanese economy. Nonetheless, we view the present as the perfect time to rapidly reform corporate structure and establish a foothold over the next century. To this end, we have positioned fiscal 2010 as the year to create foundations for a stronger corporate structure, and have formulated the following three major policies aimed at realizing a structure that assures profitability even if the economic slump of the latter half of fiscal 2009 persists.

Three Major Policies to Strengthen Corporate Structure

1. Shift to a low-cost structure
2. Clarify a “winning business structure”
3. Invest in human resources (training and education) to nurture professionals

Major Policy 1: Shift to a low-cost structure

We will continue to execute comprehensive measures to lower the break-even point. For instance, in May 2009, we integrated our nationwide back-office functions into the Business Support Center newly established in Makuhari, Chiba Prefecture. Through this move, we seek to enhance the quality of customer services and reduce costs through the utilization of IT. We will continue with such measures in order to shift to a low-cost structure.

Major Policy 2: Clarify a “winning business structure”

We will further clarify our strategy regarding business concentration and more effectively allocate management resources by defining conventional affiliate-based financial services as “efficiency-driven business” and financial services that cultivate new customers as “effectiveness-driven business.” We will promote business first and foremost based on this distinction.

In “efficiency-driven business,” we will create new sales and profit-making capabilities by increasing efficiency and expanding our network of affiliates. As an example, we

improved efficiency by utilizing IT to automate procedures at affiliated sales companies for applications, contracts and post-processing for automobile loans and data processing equipment leases. This increases convenience not only for Hitachi Capital but also for our affiliates and facilitates expansion of win-win, or mutually beneficial, frameworks. We are also working on new developments that leverage our strength in focusing on products, such as a new tie-up with a financial institution to market a new type of automobile loan in which Hitachi Capital handles credit guarantees and purchase agreements for the portion set as residual value.

In “effectiveness-driven business,” we will cultivate new customers through efforts to hone the expertise and enhance the capabilities of each employee. Although this requires up-front investment and time before results emerge, sales capacity generated from “efficiency-driven business” will be realigned to increase personnel adept at executing sales promotion activities directly to customers. In the immediate future, we aim to raise the proportion of such personnel to around 50% of all salespersons, while also focusing on the following three goals: “strengthen regional sales,” “expand lineup of services” and “invest in training and education to nurture professionals.” We will further reinforce sales by enhancing our marketing approach to leading corporations in respective regions, local government and public institutions, medical and nursing organizations, and accredited agricultural businesses and professional farmers in the corporate agricultural sector as a means to cultivate new customers.

Major Policy 3: Invest in human resources (training and education) to nurture professionals

By implementing these initiatives across-the-board, the Hitachi Capital Group seeks to “clarify a ‘winning business structure’.” Currently, a key area of focus toward achieving this goal is to “invest in training and education to nurture professionals.” For Hitachi Capital, a financial services company, training and education is synonymous with investment since personnel are viewed as human assets. In fiscal 2010, we will concentrate investment in training and education to nurture professionals who are not only well-versed in finance and financial products but who can also resolve issues from a customer perspective by utilizing their expertise in products and a wealth of information,

thereby enabling the creation of solid relationships with customers.

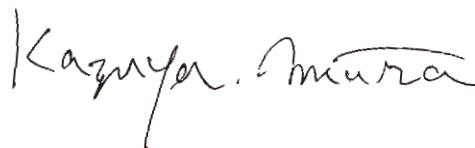
Building a Competitive Advantage and Gaining Trust Through Reliable Quality

We seek to maintain a stable distribution of dividends linked to business performance, while ensuring a sound financial position and securing internal reserves necessary for sustainable growth and to cope with the changing operating environment. Based on this policy, we paid a year-end dividend for the fiscal year ended March 31, 2009 of ¥18.00 (US\$0.18) per share. Including an interim dividend of ¥18.00 (US\$0.18) per share, our annual dividend amounted to ¥36.00 (US\$0.36) per share.

I believe the uniqueness of the Hitachi Capital Group is rooted in its products and services based on our

professional focus on “products,” as well as in its corporate stance that seeks to gain the trust of customers and the local community through reliable quality. We are currently going back to these basics and pursuing enhanced quality in all areas, specifically, sales, collection, finance, profitability, service, organization and human resources, based on the idea that high quality is a source of competitiveness. We aim to translate the high quality that is characteristic of Hitachi Capital into a key strength.

I ask all shareholders for your continued support.



Kazuya Miura, President & CEO

Create management foundations with a competitive edge through “quality”

