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# **Hitachi Capital's Management Plan for Further Sustainable Growth**

**— Status of “Growth Stage” and Action Plan —**

October 27, 2015

 **Hitachi Capital Corporation**

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# 1-1. Business Strategies (Outline)

Transforming the Company into a “high-profit enterprise” for sustainable growth

## Regional Strategy (Segment)

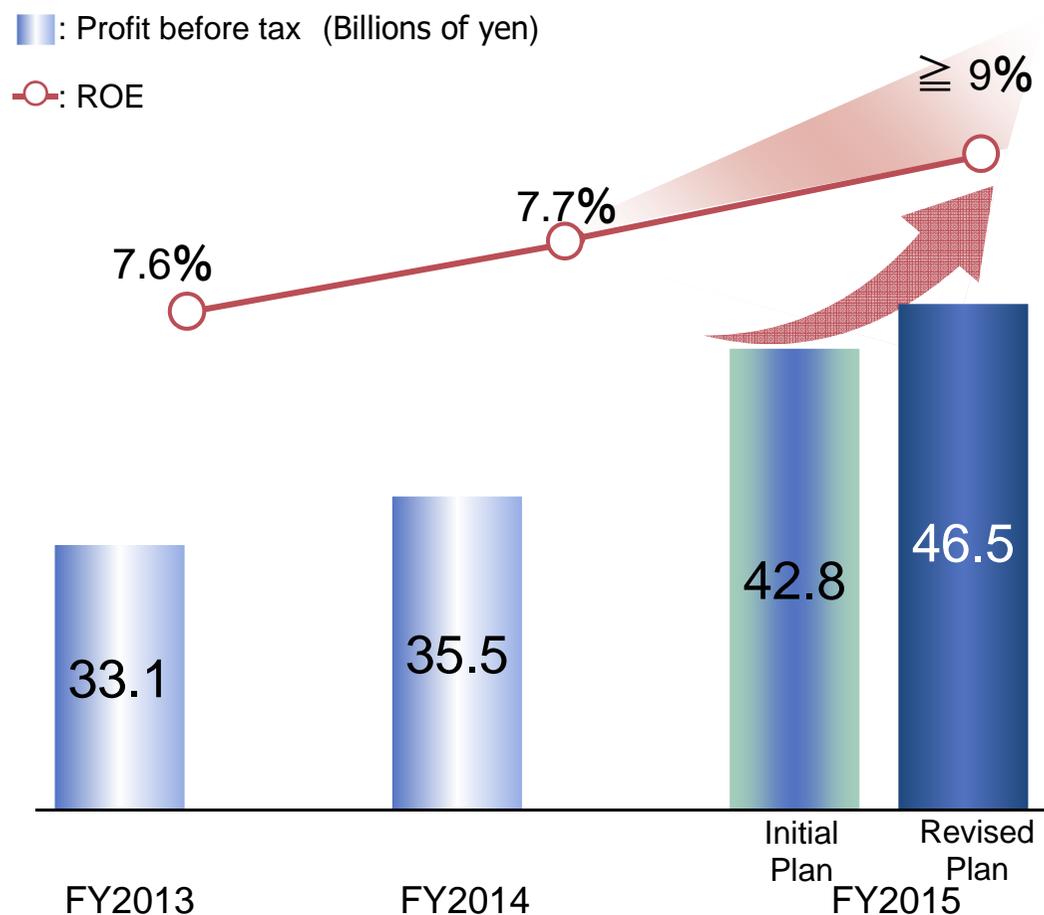


Group common strategies

# 1-2. Progress toward 2015 Mid-Term Management Plan

First half made a solid progress and FY2015 target was upwardly revised to aim a record high

## Profit before tax / ROE



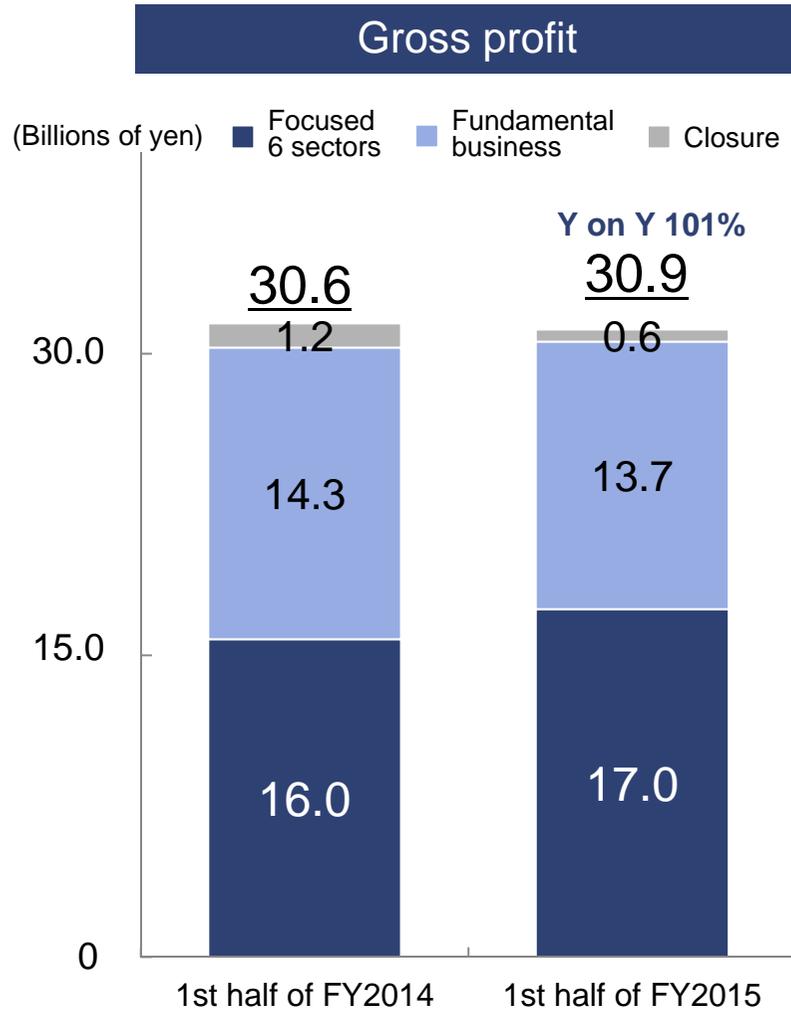
## 【FY2015 Target and Status】

	FY2013 (Results)	FY2014 (Results)	FY2015 (Forecasts)
ROE	7.6%	7.7%	ROE ≥ 8.5% ↓ ROE ≥ 9%
Profit Before Tax (Billions of yen)	33.1	35.5	42.8 ↓ 46.5
OHR*	65.1%	63.1%	OHR < 63%

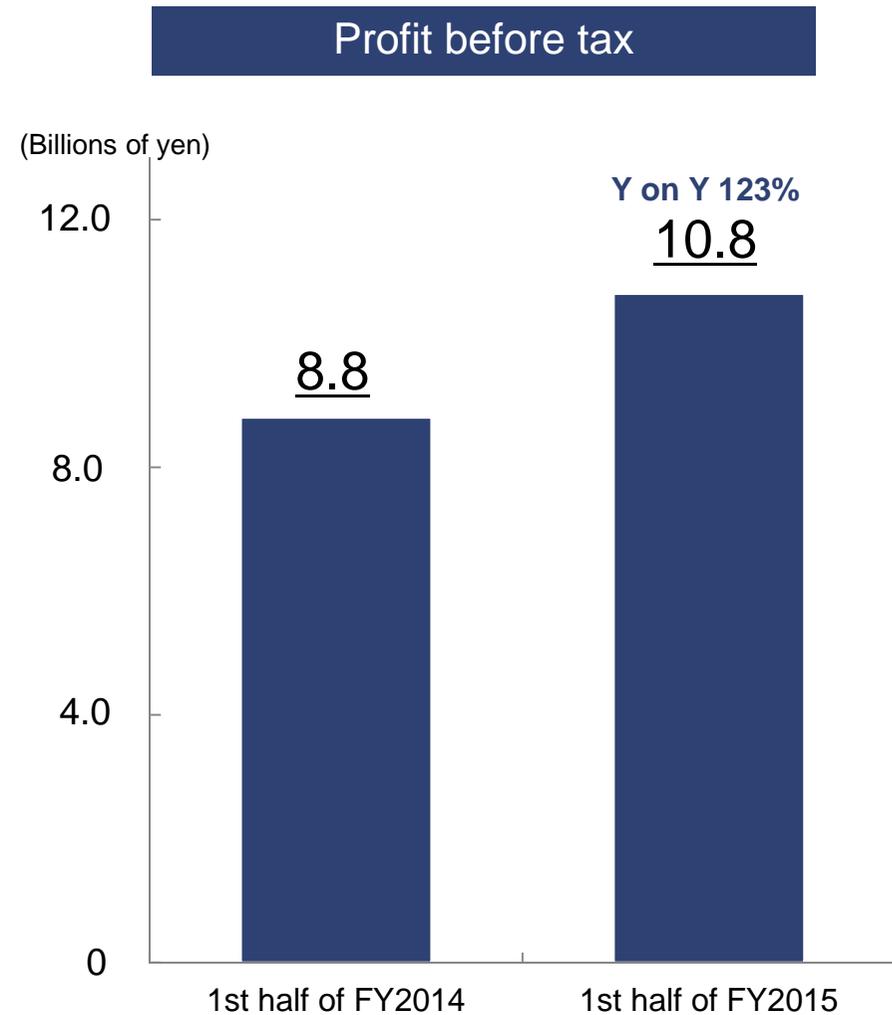
\*OHR (overhead ratio) = SG&A (excluding bad debt expenses) / Gross profit

## 2-1. Regional Strategy (Japan Business-Business Results)

Recovering due to business selection and concentration and cost structure reform



(Note) Including Others/Adjustments



(Note) Including Others/Adjustments

## 2-2. Regional Strategy (Japan Business - Focused 6 sectors) **HITACHI** Inspire the Next

### Status of focused 6 sectors: “Response to social issues and changes”

No.	Sectors	Results of 1st half	Pre-paration	Environment and Actions
1	Social infrastructure	◎	◎	<ul style="list-style-type: none"> <li>•Meet the needs to cope with the aging infrastructure with PPP/PFI and service business</li> <li>•Continuous expansion of real estate leasing (logistics facilities, etc.)</li> <li>•The number of PPP/PFI projects increased due to establishment of account partners by field</li> </ul>
2	Environment and Renewable energy	○	◎	<ul style="list-style-type: none"> <li>•Following the restriction of purchasing solar-generated electricity, focus mainly on wind power generation</li> <li>•Started to consider participation in offshore wind power generation businesses. Wind power and small-scale hydraulic power generation business is also expanding in collaboration with gas companies, etc.</li> </ul>
3	Vendor finance	△	○	<ul style="list-style-type: none"> <li>•Leasing companies are competing by offering low rates as vendors struggle with sluggish sales</li> <li>•Develop differentiated service model by proposing cooperative service model with major vendors (reduce credit through order receiving process and improve vendor's collection, etc.)</li> <li>•Reviewing operation process and IT infrastructure to improve profitability</li> </ul>
4	Auto leasing	○	○	<ul style="list-style-type: none"> <li>•Decrease in unit price of cars used by users, and shift to low price vehicles</li> <li>•Provide vehicle total management solutions (maintenance, safety management, compliance with laws and regulations)</li> <li>•Pursue synergy effect utilizing the know-how and infrastructure of Sumitomo Mitsui Auto Service</li> </ul>
5	Health care	△	○	<ul style="list-style-type: none"> <li>•Strengthen business in new fields including nursing field and BPO business for hospitals (support sales of nursing robot, hospital management and efficiency improvement)</li> <li>•Strengthen handling of used medical equipment</li> </ul>
6	Agriculture	○	○	<ul style="list-style-type: none"> <li>•Respond to industry environment change due to TPP (shift from finance for farm producers)</li> <li>•Respond to 6th industrialization and export of farm products, take advantage of business collaboration</li> <li>•Promote service businesses in farm products export, agricultural complex, marine products, and rice sector, etc.</li> </ul>

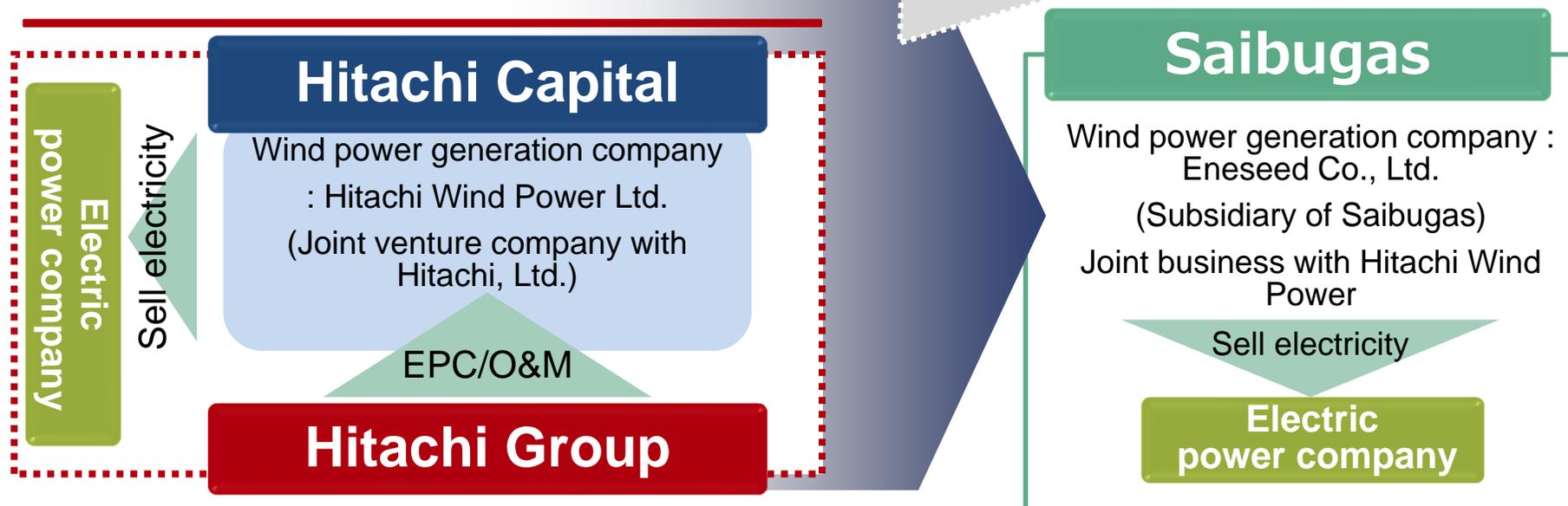
## 2-3. Regional Strategy (Japan Business-Example (1): Environment and Renewable energy )

### Provide the Hitachi Group solutions to key accounts

— Develop joint venture business with Saibugas Group in the wind power generation sector —

**Collaboration with the Hitachi Group:  
Accumulate power generation business  
know-how**

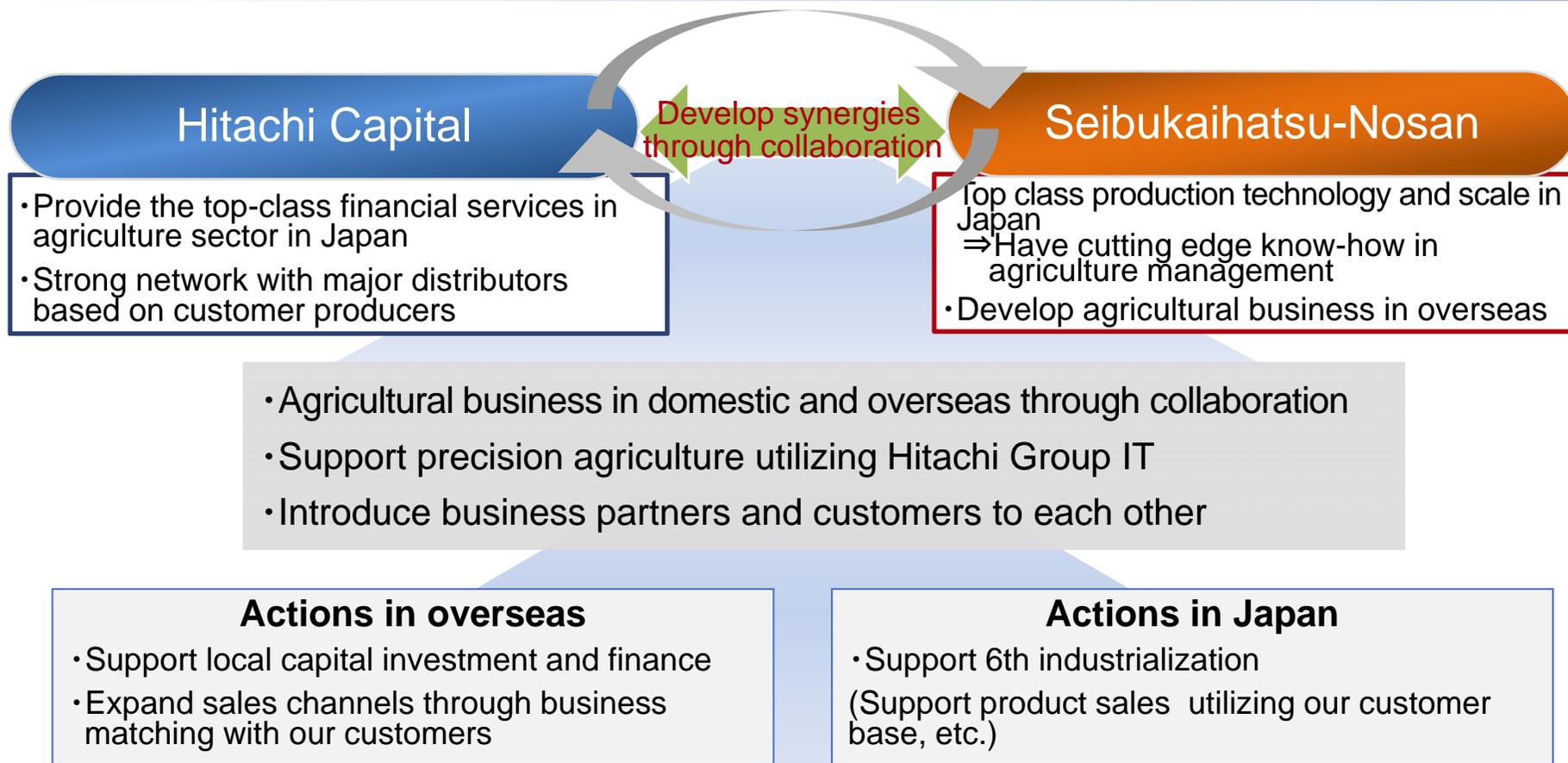
- Advanced technology and maintenance system of the Hitachi Group
- Provide the Hitachi Capital Group's business know how of electricity sales, financial service and operational support



**Expand Environment and Renewable Energy business utilizing  
the Hitachi Group Business**

## 2-4. Regional Strategy (Japan Business-Example(2): Agriculture)

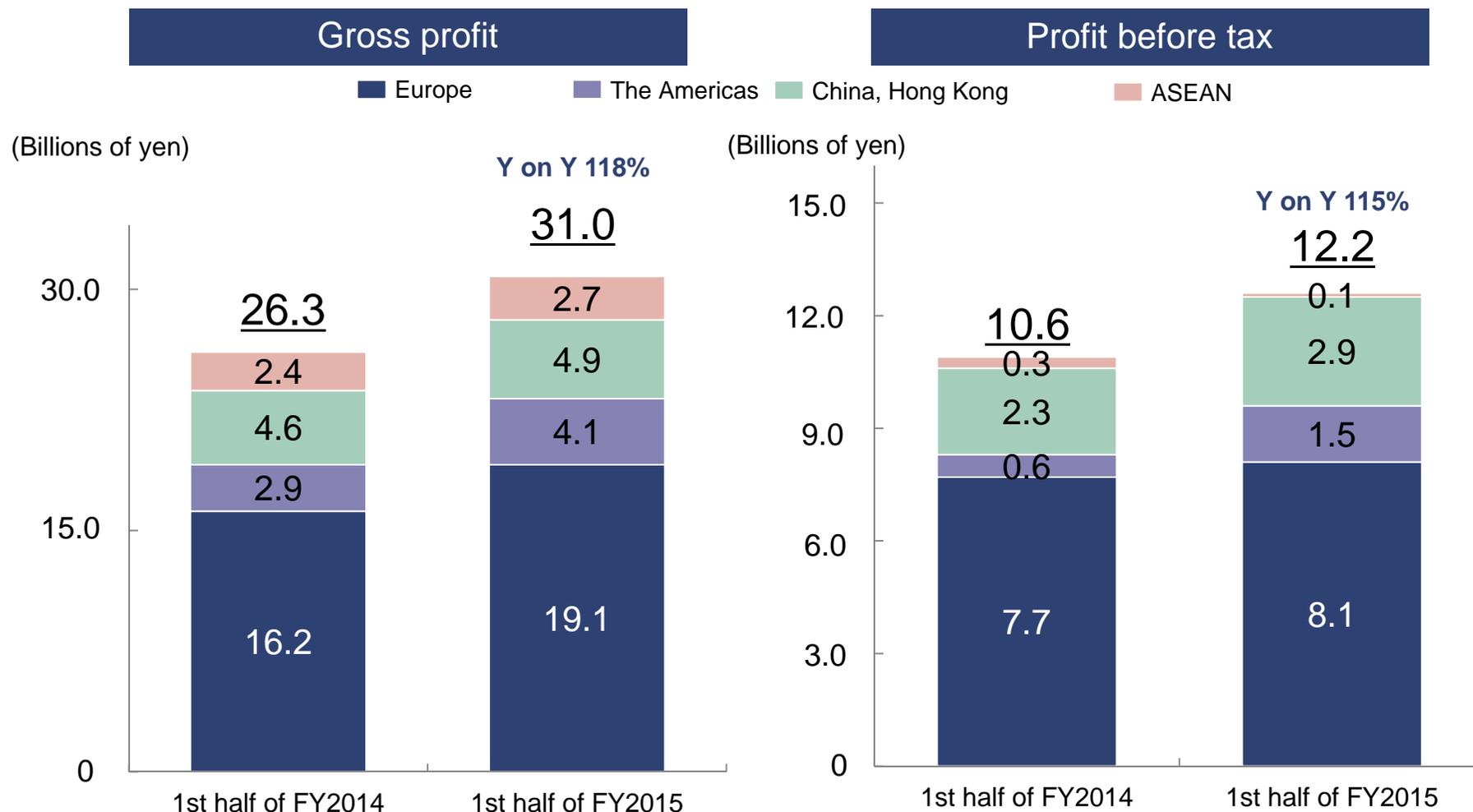
Start new agricultural business through collaboration with a leading Japanese agricultural firm  
 – Business expansion by taking advantage of the both companies' strengths –



**Aim to expand agricultural business by expanding direct selling business of domestic agricultural products and establishing export value chains**

# 3-1. Regional Strategy (Global Business-Results)

Continuous growth with stable growth in Europe and business expansion in the Americas



(Note) Figures in 1st half of FY2015 are excluding foreign exchange effect

(Note) Figures in 1st half of FY2015 are excluding foreign exchange effect. Includes Others/Adjustments

## Maintain steady growth as a base of Global Business

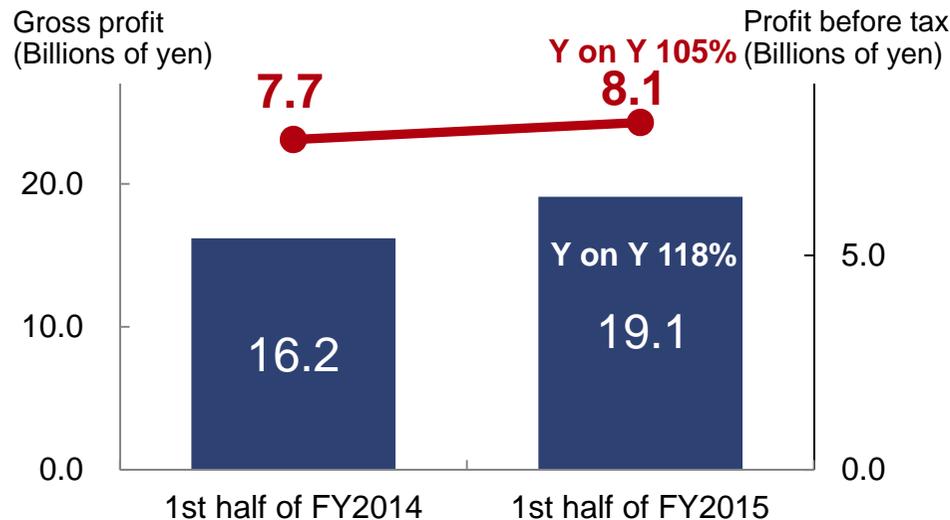
### Business environment

- UK economy is basically stable due to rising wages. Companies' capital investment is also improving
- While low interest rates continue, close observation is made on the future interest rate rise
- Competitors started reentering the market, but not on a full scale

### Major business

- 【UK, Poland】
- Consumer division (Furniture, Home renovation, Vehicle, Loan, etc.)
  - Corporate division (Finance to agriculture and corporations, etc.)
  - Vehicle solution (Provide vehicle-related solutions)

### Gross profit (bar) / Profit before tax (line)



(Note) Figures in 1st half of FY2015 are excluding foreign exchange effect

### Topics in 1st half of FY2015

- Steady growth in UK business
- New fields such as auto loan and personal loan expanded
- The Hitachi Group business expanded (construction machinery, railway, etc.)
- Entered into commercial vehicles market (in an airport, etc.)
- Provided UK business know-how to vehicle solution business in Poland
- Continued IT technology improvement to maintain our competitiveness and improve operational efficiency

# 3-3. Regional Strategy (Global Business-The Americas) **HITACHI** Inspire the Next

## Accelerate growth with business expansion in the US and Canada

### Business environment

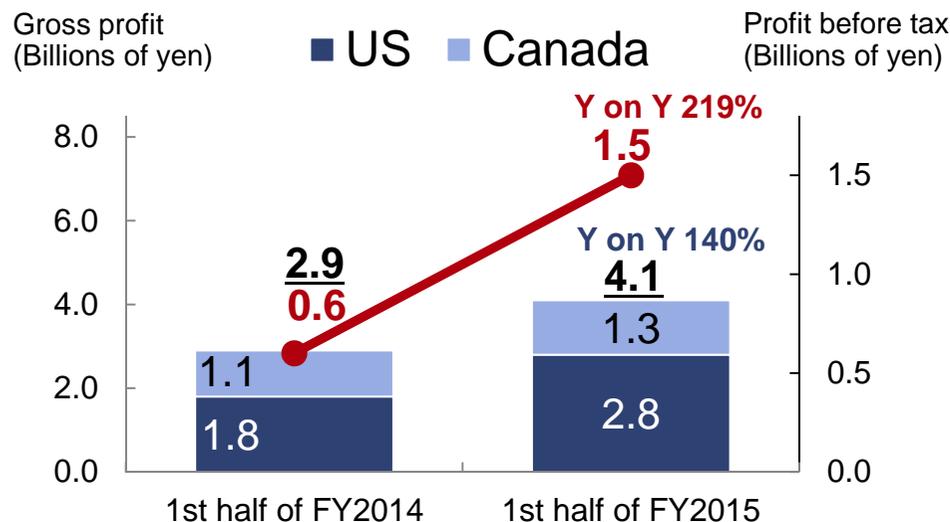
- Economic recovery continues, driven by consumer spending
- Leasing market surpassed the pre-Lehman shock level
- Interest rate remains low, but continue to deserve close attention

### Major business

【US, Canada】

- Business finance (Commercial truck finance, Inventory finance for trucks, Leasing for medical/ information technology/ industrial equipment, etc.)
- Factoring

### Gross profit (bar) / Profit before tax (line)



(Note) Figures in 1st half of FY2015 are excluding foreign exchange effect

### Topics in 1st half of FY2015

- Steady expansion as a growth driver
- Accelerated growth and diverse risks by expanding truck finance and business diversification in the Americas and Canada
- Enhanced factoring scheme
- Promoted energy saving solution business with the Hitachi Group

## Strengthen risk management and identify growth opportunities

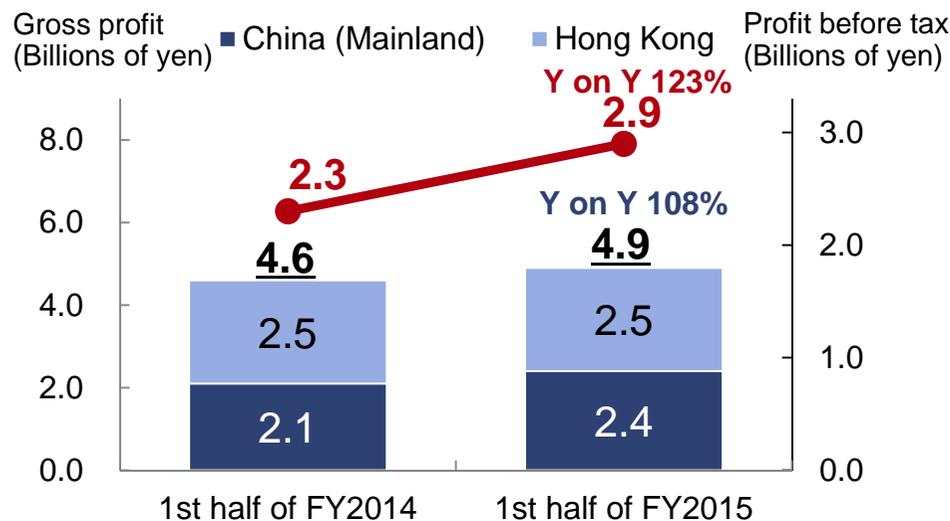
### Business environment

- Economic slowdown became apparent
- Concerns over credit risks and shadow banking issue calmed down, but still unpredictable
- Political risks (regulation changes, etc.) continue to deserve close attention
- Concerns over Hong Kong for possible impact of Mainland's economic condition

### Major business

- 【China (Mainland)】
  - Leasing business (Medical equipment, Information equipment, Industrial equipment, etc.)
  - Factoring
- 【Hong Kong】
  - Business finance (Information/industrial equipment, Commercial facility, etc.)
  - Consumer finance (Vehicle, etc.)

### Gross profit (bar) / Profit before tax (line)



(Note) Figures in 1st half of FY2015 are excluding foreign exchange effect

### Topics in 1st half of FY2015

- Promoted business structural reform in Mainland China (Reduced the ratio of government-affiliated medical institute and private companies. Increased public sector projects and collaboration with Hitachi Group)
- Alliance with a Chinese major bank affiliated leasing company
- Strengthened collaboration with the Hitachi Group (health care, logistics, factoring, etc.)
- Expand consumer business in Hong Kong (steady expansion of auto finance)

## Strengthen management base as mid- to long-term growth driver

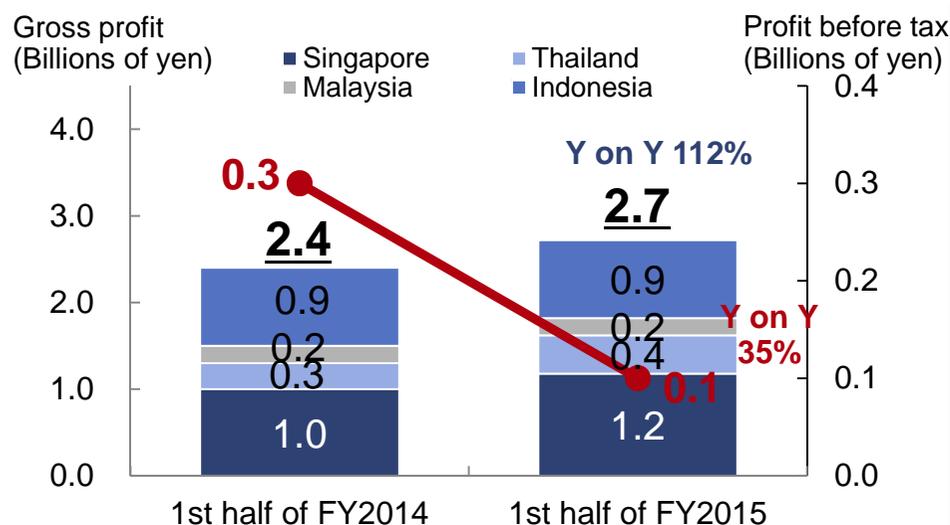
### Business environment

- Current business environment faces adverse factors including economic downturn, regulatory changes, and political instability
- However, mid- to long-term growth is still expected in the area

### Major business

- Business finance  
(Information equipment, Industrial equipment, Commercial facility, Medical equipment, Factoring)
- Vehicle solutions  
(Auto lease, truck/auto finance, etc.)

### Gross profit (bar) / Profit before tax (line)



(Note) Figures in 1st half of FY2015 are excluding foreign exchange effect

### Topics in 1st half of FY2015

- Established a solid base as a growth driver in the mid- to long-term centering around a regional headquarters in Singapore
- Expanded financial services for Japanese companies in ASEAN
- Expanded factoring business for Hitachi Group in Thailand
- Accelerated business expansion in Malaysia (Changed the company name, established Kuala Lumpur branch)
- Expanded corporate finance in Indonesia

# 4. Target of Growth Stage

## Transformation into a “High-Profit Enterprise” to Achieve Sustainable Growth

	FY2013 (Result)	FY2014 (Result)	FY2015 (Target)
ROE	7.6%	7.7%	≥9%
Profit before tax	33.1 billion yen	35.5 billion yen	46.5 billion yen
OHR	65.1%	63.1%	<63%
Dividend Payout Ratio/ Dividend Per Share	26%    ¥48	29%    ¥60	30%    ¥84
Maintain high credit rating (sound financial position)	<ul style="list-style-type: none"> <li>▪ S&amp;P: A-</li> <li>▪ JCR: AA-</li> <li>▪ R&amp;I : A+</li> </ul>		

We will provide services trusted by customers and the local community, taking a global perspective to meet the needs of society in such ways as consideration for the environment.

**(1) “Basics” and “Ethics”**

**(2) “Stand on One’s Own” and “Coexistence”**

**(3) “Quality” and “Development”**

# Hitachi Capital

<http://www.hitachi-capital.co.jp/>

**Note:**

This document contains forward - looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed using information available at the time. Accordingly, forecasts may differ from actual results due to a variety of factors.