
Status of FY2016-FY2018 Mid-Term Management Plan

April 27, 2017

 **Hitachi Capital Corporation**

Contents

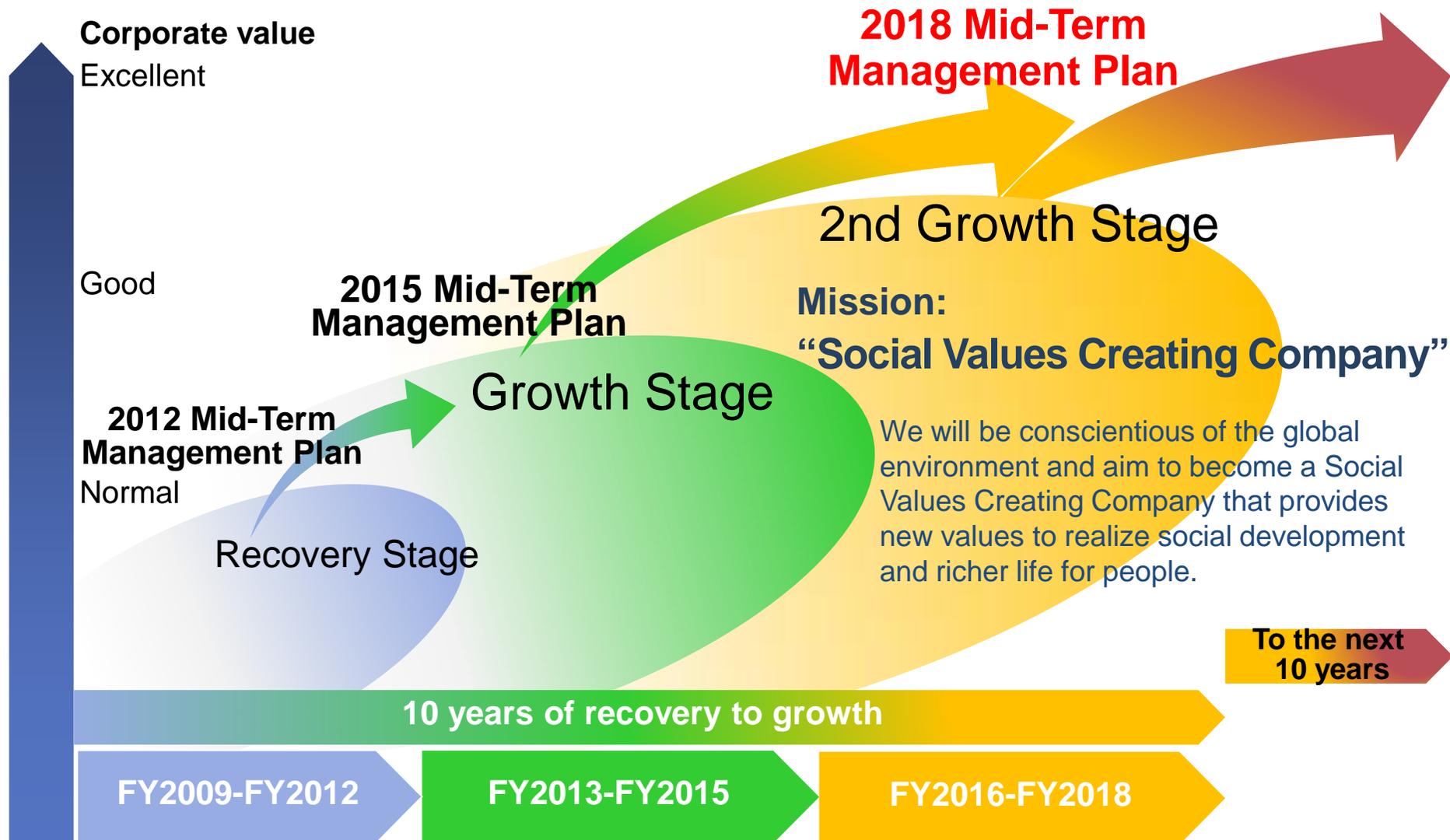
- 1. Summary of 2018 Mid-Term Management Plan**
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1-1. Positioning of 2018 Mid-Term Management Plan **HITACHI** Inspire the Next

“Change” and “Growth”



Global Business: Continue double digit growth

“Maintain high and systematic growth”

- Risk control according to regional characteristics
- Diversify business portfolio to build a system insusceptible to external environments
- Overseas ratio in FY2018: 60% (profit before Tax)

Japan Business: Challenge to achieve 2% ROA

“Transition to growth stage through continuous change in business mix”

- Progress asset utilization by resetting focused sectors
- Strengthen back office capability that leads to the competitive advantage

Aggressive Investment: Highly-skilled professionals/ Aggressive IT investment/ Collaborate with Partners

- Execute strategic investment to support business growth (Business partner, M&A, IT investments, etc.)
 - ⇒ M&A: 300 billion yen in asset size
 - IT investment: 20 billion yen
 - Human resources investment:
 - Add 200 highly-skilled professionals

1-3. Business Map of 2018 Mid-Term Management Plan **HITACHI** Inspire the Next



* MUFG: Mitsubishi UFJ Financial Group, Inc.
 MUL: Mitsubishi UFJ Lease & Finance Company Limited

1-4. Regional Strategy of 2018 Mid-Term Management Plan (Overview)

No.	Region	Basic policy	2018 Mid-Term Management Plan Targets (Announced on June 2016)
1	Japan	Change business portfolio. Improve profitability by replacing and expanding focused sectors	<ul style="list-style-type: none"> • Profit growth rate (CAGR): 8% • ROA: 1.9%
2	Europe	Develop the platform business model as a base for stable growth	<ul style="list-style-type: none"> • Profit growth rate (CAGR): 8% • ROA: over 2.5%
3	The Americas	Expand business through strategic investment (M&A, human resources)	<ul style="list-style-type: none"> • Profit growth rate (CAGR): over 20% • ROA: over 2.0%
4	China	Construct high-quality portfolio through strategic business alliance	<ul style="list-style-type: none"> • Profit growth rate (CAGR): 9% • ROA: over 2.0%
5	ASEAN	Strengthen management base toward mid- to long-term growth	<ul style="list-style-type: none"> • ROA: over 1.0%

* Profit growth rate (CAGR): Average annual growth rate of profit before tax (FY2015 to FY2018)

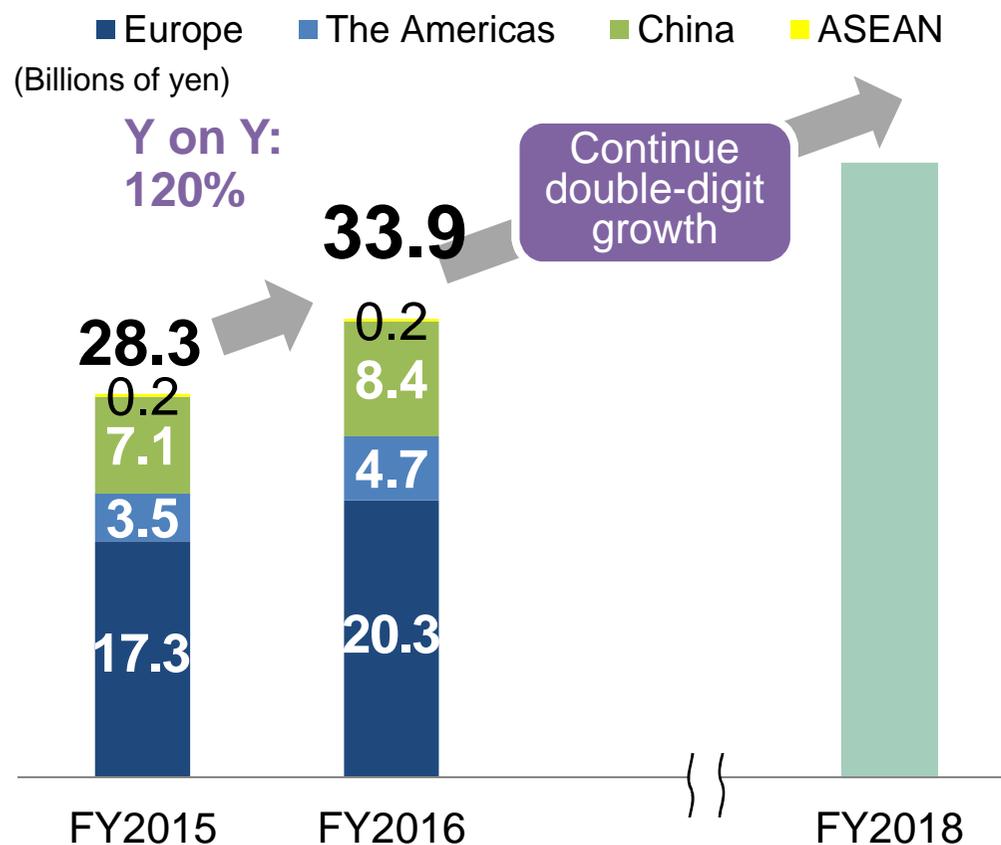
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2-1. Global Business: Overview

- Double-digit growth in profit before tax in FY2016
- Maintained high profitability of over 2% ROA

Profit before tax



ROA in local currency basis

Region	FY2015	FY2016	FY2018 Original target
Europe	2.7%	2.8%	Over 2.5%
The Americas	1.7%	1.7%	Over 2.0%
China	2.3%	2.4%	Over 2.0%
ASEAN	0.2%	0.2%	Over 1.0%
Total	2.2%	2.2%	Over 2.0%

* Excluding FOREX effect from FY2016 onward

2-2. Global Business: Europe

- No impact from Brexit and our UK business expanded
- Accelerated development of Vehicle Solution business in continental Europe

Achievements in FY2016

【UK】

- Maintained high growth in consumer finance/Vehicle Solution business
- Established off-balance/risk-off scheme utilizing joint venture

【Continental Europe】

- Strengthened Vehicle Solution business in continental Europe through acquisition of Noordlease Holding B.V. in the Netherlands

Future direction

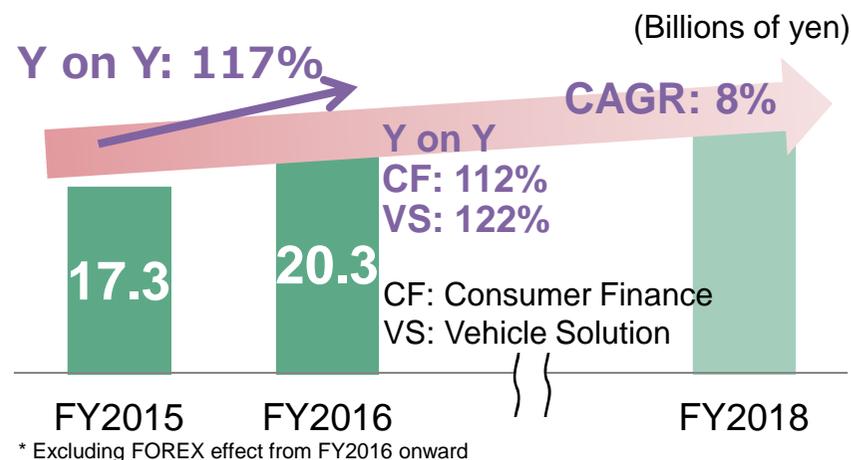
【UK】

- Maintain stable growth of UK business through risk control
 - Commence full-scale operation of joint venture (Earn commission income)

【Continental Europe】

- Continue acquisition of Vehicle Solution business
- Expand coverage of Hitachi Group's sales finance (Collaboration with third-party financial institutions)

Profit before tax



2-3. Global Business: The Americas

- Expanded significantly as a growth driver due to growth of Factoring and business acquisitions
- Executed M&A in Vehicle Solution to achieve the scale commensurate with market size

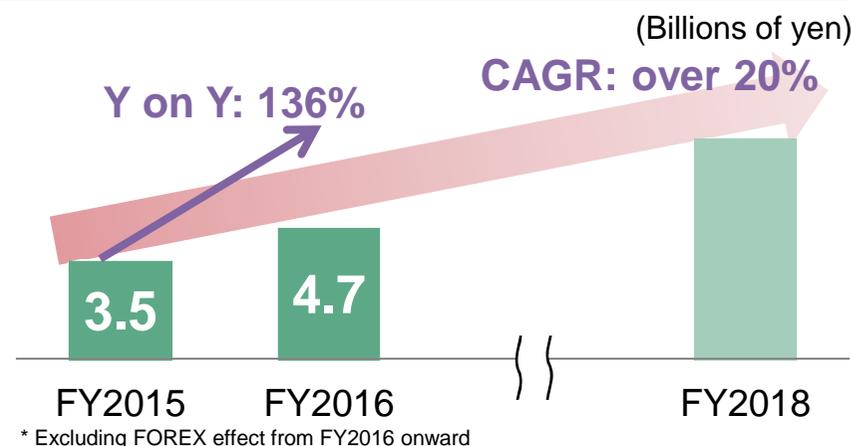
Achievements in FY2016

- Top line expanded significantly through acquisition of large projects in factoring business in the US and business expansion in Canada
- Expanded vendor finance business in IT and healthcare sectors with business acquisition of CreekrIDGE Capital LLC

Future direction

- Expand IT/healthcare businesses utilizing business platform of CreekrIDGE Capital LLC
- Focus on M&A in Vehicle Solution business (FY2017: Narrow down candidates and execute)

Profit before tax



2-4. Global Business: China

- Increased profit by shifting to public projects through alliance with Hitachi and local partners
- Enhanced finance arrangement capability utilizing a Hong Kong financial company

Achievements in FY2016

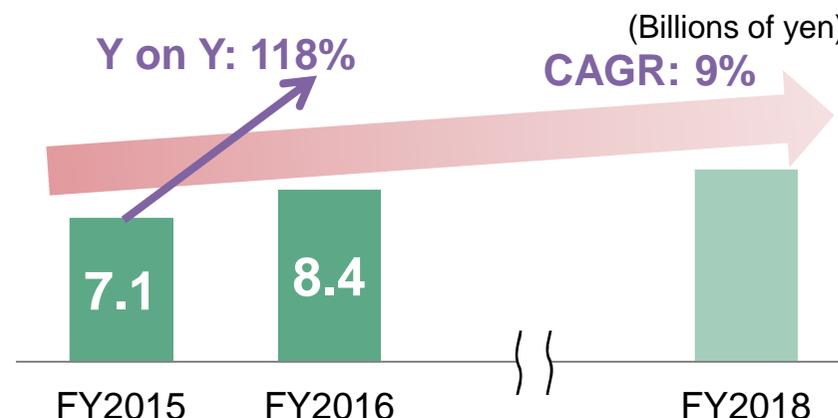
- Focused on public projects together with Hitachi Group: Increased to 80% of operating assets (FY2015: 70%)
- Established a financial company in Hong Kong (HCMC) and invested in local leading leasing companies (4 cases)

Future direction

- Enhance front capability in public sector
 - Promote collaboration with local leading partners (Candidates for investment: 10)
 - Utilize Hitachi Group products and solutions
- Enhance finance arrangement capability utilizing HCMC (Diversify fund raising methods, etc.)

*(HCMC): Hitachi Capital Management (China) Ltd.

Profit before tax



* Excluding FOREX effect from FY2016 onward

Investments in Chinese leasing companies

Time of investment	Region
Apr. 2016	Nanjing
Jun. 2016	Zibo
Oct. 2016	Qingdao
Feb. 2017	Xian



2-5. Japan Business

- Focused sectors expanded due to business portfolio transformation
- Improved OHR through Smart Transformation Project

Achievements in FY2016

- Focused sectors expanded. Accounted for over 30% of operating assets
 - Accumulated assets in eco- and energy-related business (Amount of power generation: 368MW* FY2015: 321MW*)
* Accumulated
 - Obtained the first PFI project as a representative company of a consortium
- Improved OHR by enhancing operational efficiency

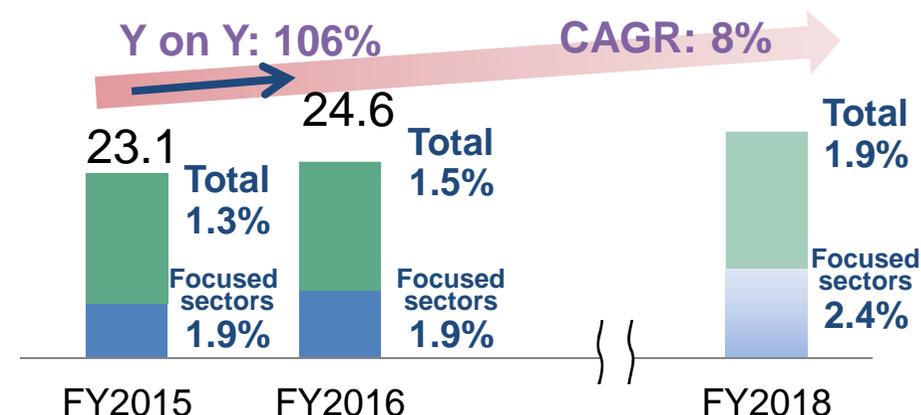
OHR	FY2015	FY2016	Y on Y
	65%	62%	-3%

Future direction

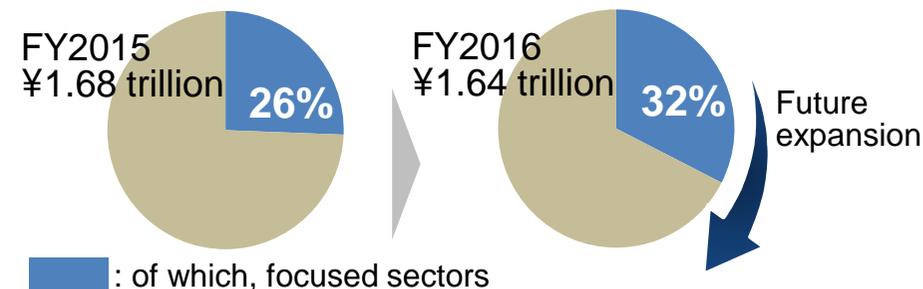
- Expand focused sectors
 - Eco- and energy- related: Expand mainly in wind power generation (FY2018 target amount of power generation: Over 500MW*)
* Accumulated
 - Vehicle: Complete system renewal to expand business (FY2018 target number of vehicles: 100 thousand)
- Structural reform in fundamental/restructuring sectors
 - Consolidate Vendor Solution business (Consolidate sales and integrate core systems, etc.)

Profit before tax

(Billions of yen) ■: of which, focused sectors %: ROA



Composition of operating assets

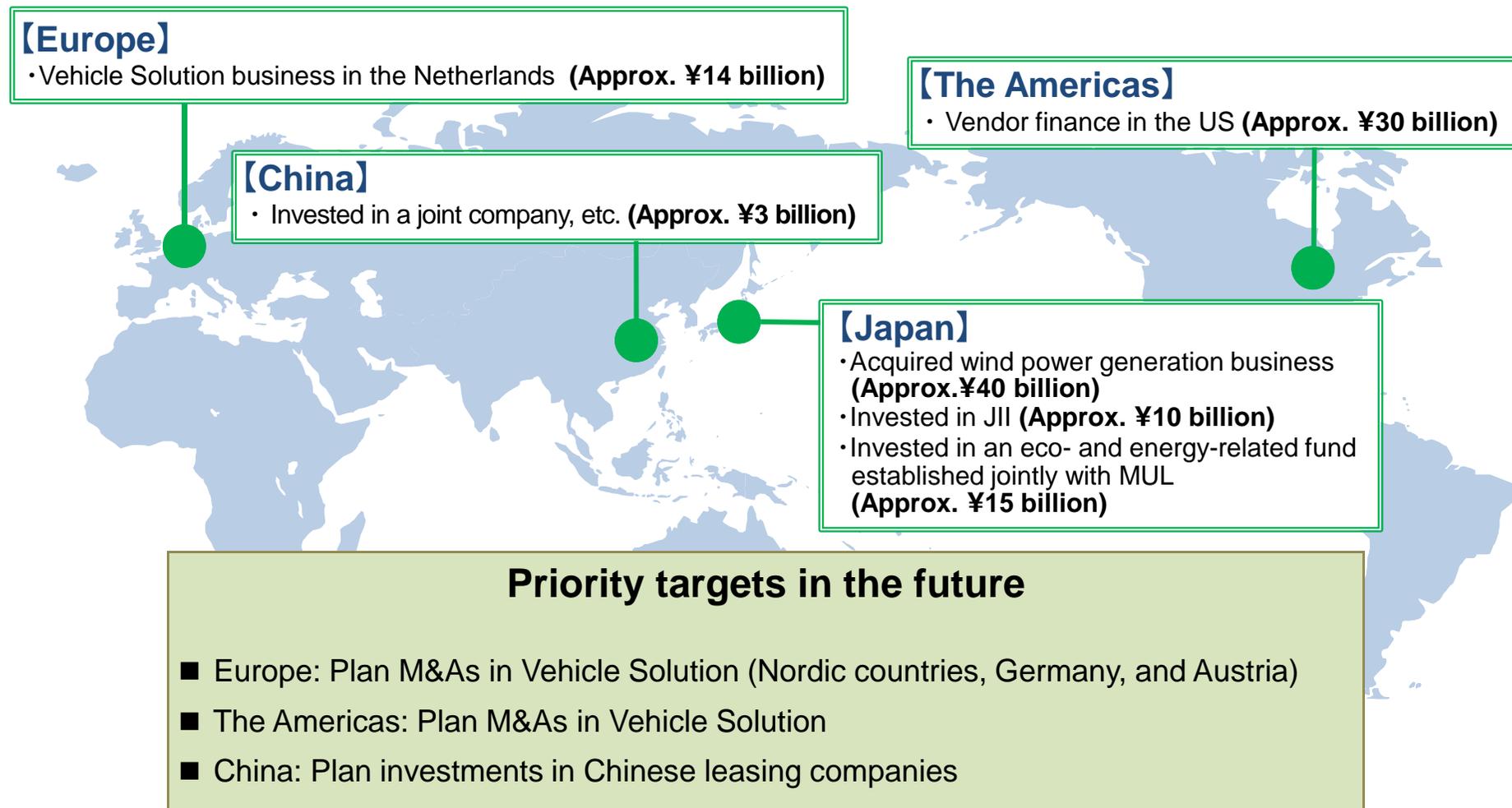


■: of which, focused sectors

Sectors to be enhanced: Social infrastructure, Eco- and energy-related, Vehicle, Local governments/public
Start-up (Green shoots) sectors to be developed: Food/Security/BPO

2-6. Aggressive Investment: M&A

- FY2016-FY2018 accumulated: 300 billion yen scale* (based on asset size)
- FY2016 results: Approx. 120 billion yen*



* Based on the exchange rate prevailing at the time 2018 Mid-Term Management Plan was announced (£ 1=¥180, US \$ 1=¥120.)
FY2016 results include capital contributions.

2-7. Aggressive Investment: Collaboration with Partners (MUFG/MUL)

Date	Achievements in FY2016
May 13, 2016	<ul style="list-style-type: none"> Entered into a Memorandum of Understanding on Business Alliance between two companies (Hitachi Capital and Mitsubishi UFJ Lease & Finance (“MUL”)) and five companies (Hitachi Capital, Hitachi, Mitsubishi UFJ Financial Group (“MUFG”), The Bank of Tokyo-Mitsubishi UFJ and MUL) Entered into a capital alliance agreement between three companies (Hitachi Capital, MUFG and MUL)
August 3, 2016	Entered into a business alliance agreement with MUL
August 29, 2016	Entered into a business alliance agreement regarding an open financial platform
October 3, 2016	Hitachi transferred Hitachi Capital shares to MUFG and MUL
January 4, 2017	Established “Japan Infrastructure Initiative Company Limited” as an open financial platform (Operations commenced in April 2017)
February 28, 2017	Established an investment fund “Renewable Energy Partners LLC Silent Partnership” in the Eco- and energy-related sector in Japan which is one of the collaborative fields with MUL

2-8. Aggressive Investment: Collaboration with Partners (MUFG/MUL)

Japanese open platform that provide risk money to meet global funding needs for infrastructure

Company name	Japan Infrastructure Initiative Company Limited (JII)	<p>【Role of JII】</p> <ul style="list-style-type: none"> • Provide financial support for Japanese manufacturers' efforts to spread products and technology in response to diversifying infrastructure needs • Take flexible approaches according to the nature of products and technology from manufacturers' perspective <p>【JII's core business】</p> <ul style="list-style-type: none"> • Participate in infrastructure projects and provide support for service business <p>【Fund scale】</p> <ul style="list-style-type: none"> • Aim to achieve investments and loans of ¥100 billion early
Capital	¥10 billion (reserves ¥10 billion)	
Number of employees	18 full-time employees	
Shareholders	Hitachi Capital: 47.55% Mitsubishi UFJ Lease & Finance: 47.55% The Bank of Tokyo-Mitsubishi UFJ: 4.9%	

- April 17, 2017: Held a party to celebrate the establishment of the company (128 people from 47 companies attended)

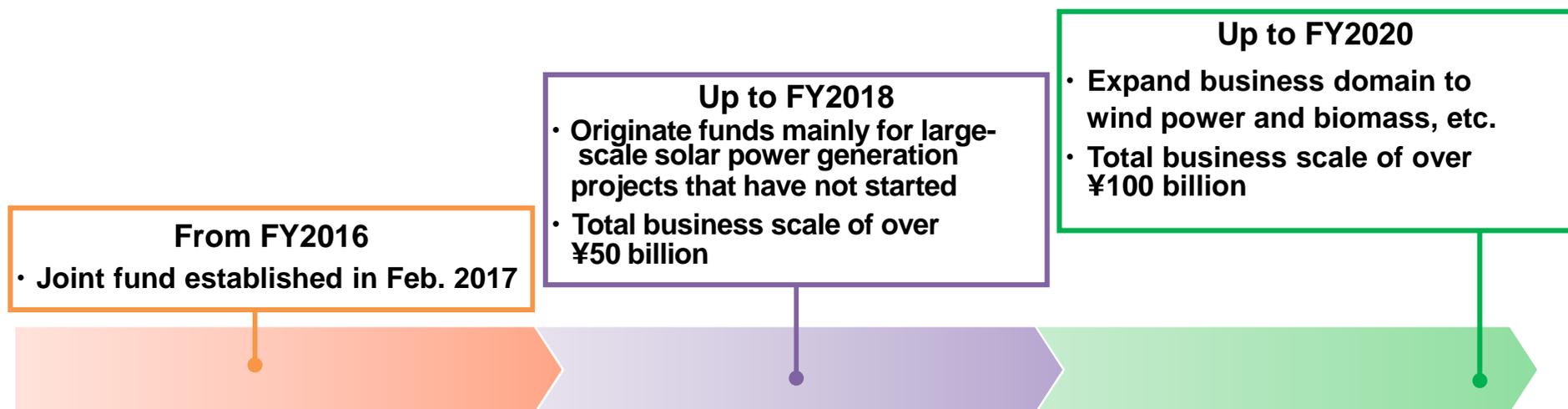
2-9. Aggressive Investment: Collaboration with Partners (MUL)

Eco- and energy- related: Established an investment fund to invest in renewable energy

Name	Renewable Energy Partners LLC Silent Partnership
Investors	Hitachi Capital, Mitsubishi UFJ Lease & Finance (Investment ratio: 50% each)
Investment amount	Up to ¥30 billion (Each company has invested ¥10 million by the end of Feb. 2017)
Capital	¥500 thousand (Contributed by general incorporated associations)

Investment target

- Solar power, wind power, and biomass power generation
- Aim to jointly acquire large- scale power generation businesses and difficult projects
- Consider sale to other funds after its operation starts, with an aim to construct an origination & distribution business model



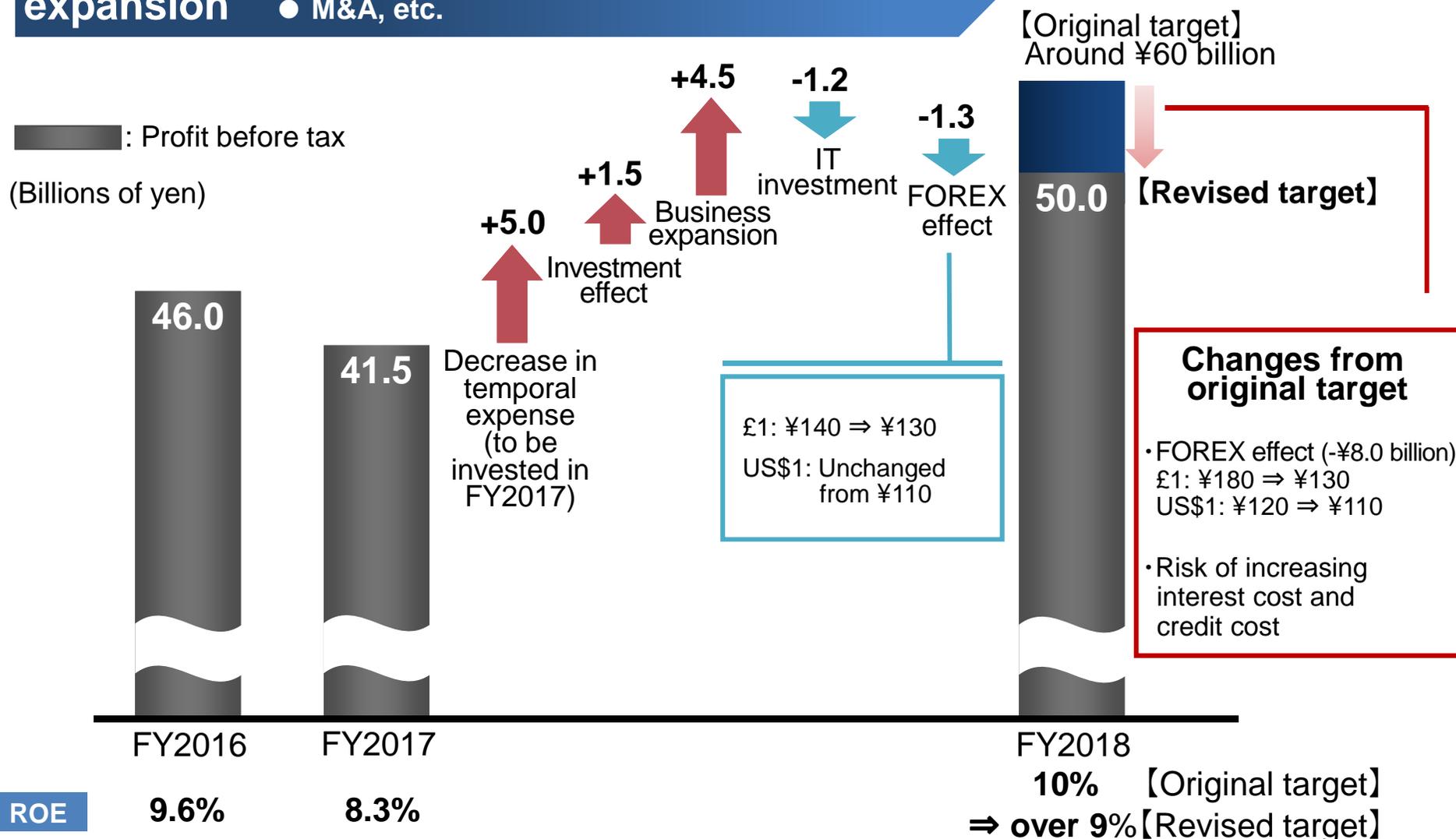
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3. Revision of FY2018 Target

Keep business expansion

- Double-digit growth in Global Business
- Profitability progress in Japan Business
- M&A, etc.



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Note:

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