

# Hitachi Capital Report 2020

Year ended March 31, 2020



# Basic Management Policy

The Basic Management Policy has been created, encompassing three key areas—“Principles,” “Mission,” and “Core Values.” By implementing the Basic Management Policy in business activities, we aim to achieve the “FY2019-FY2021 Mid-Term Management Plan” that is our organizational vision as a “Social Values Creating Company” that contributes to provide richer society.

## Principles

Hitachi Capital advocates the following Principles “to contribute to the creation of a richer society by creating values desired by society and customers.”

### 1. Sustainable Growth

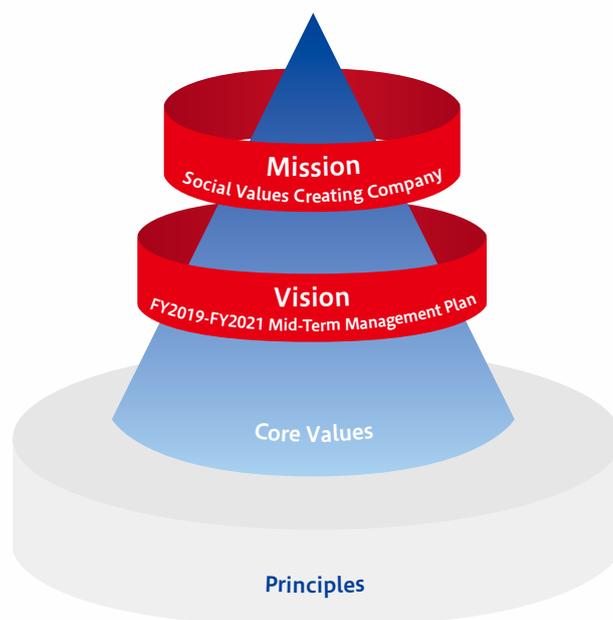
We will achieve sustainable growth backed by high quality management with trust as our first priority.

### 2. Respect for Human Dignity

We will improve ourselves as disciplined individuals and strive to increase our corporate strengths by treating each other with respect.

### 3. Implementation of Corporate Ethics

We will voluntarily act in accordance with laws and ethics and contribute to the development of a wholesome society.



## Mission “Social Values Creating Company”

We will be conscientious of the global environment and aim to become a Social Values Creating Company that provides new values to realize social development and richer life for people.

## Core Values

All of Hitachi Capital share and act on the following core values to realize the Mission, “Social Values Creating Company.”

① <b>Future-focused</b>	Challenges to create a new value not by attaching to past methodology but adapting to changes in the future.
② <b>Customer-oriented</b>	To become a company needed from customers, always pursuing customers’ needs, taking actions from customers’ perspectives.
③ <b>The three actuals: “The actual place, actual situation, and the actual case”</b>	The actual place is where communication with customers taking place. Customers are our priority, conducting business with understandings of actual situation and focusing on the actual case.
④ <b>“Basics” and “Ethics”</b>	Adopt the basics. Always need to get back to basics to conduct daily tasks properly and behave appropriately.
⑤ <b>Quality First</b>	Always prioritizing quality first, continuing efforts to enhance quality to be a trusted and appreciated company by customers.
⑥ <b>Diversity</b>	Understanding different ideas and ways of working, and creating new values to create a vibrant corporate culture.
⑦ <b>Individual Accountability</b>	Accomplishing own role and responsibilities without relying on others and enhancing own ability and skills.
⑧ <b>Harmony</b>	The willingness to respect the opinions of others and discuss matters in a manner that is thorough and frank, but fair and impartial, and once a conclusion has been reached, to cooperate and work together to achieve a common goal.
⑨ <b>Sincerity</b>	To approach issues openly and honestly, without drawing false distinctions between oneself and others. “Sincerity” is the spirit that inspires the confidence that society has placed in us.
⑩ <b>Pioneering Spirit</b>	A purposeful approach to one’s work based on individual initiative, to create new business by pursuing novel, new goals. This spirit is manifested in a keen desire to be at the forefront of technology and the top of our chosen fields of expertise. These objectives are achieved by promoting the limitless potential of each individual member.

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## Purpose of Report

### [ Report position ]

Hitachi Capital Corporation issues the Hitachi Capital Report as an integrated report to allow all of our stakeholders to gain an overall understanding of financial and non-financial information of the Group. Please see the corporate website for more details and the latest information.

### [ Precautions for "Forward-looking Statements" ]

This document includes information that constitutes "forward-looking statements" on whether the Business Integration between Mitsubishi UFJ Lease & Finance Company Limited and Hitachi Capital Corporation will be successfully completed and the outcome thereof. To the extent that statements in this document do not relate to historical or current facts, they may constitute such forward-looking statements. These forward looking statements are based on the current assumptions and beliefs of the two companies in light of the information currently available, and involve known and unknown risks, uncertainties, and other factors. Such risks, uncertainties, and other factors may cause any future results, achievements, and financial positions of one or both of the two companies (or the group after the Business Integration) expressed or implied in the forward-looking statements to be materially different from the contents of this document.

### Scope of the Report

#### [ Organizations covered ]

Hitachi Capital Corporation and its consolidated subsidiaries

#### [ Applicable period ]

FY2019 (April 1, 2019 to March 31, 2020)



#### Detailed Financial Information

[https://www.hitachi-capital.co.jp/hcc/english/ir\\_english/index.html](https://www.hitachi-capital.co.jp/hcc/english/ir_english/index.html)

Hitachi Capital  
Report  
(this report)

#### Detailed Non-financial Information

[https://www.hitachi-capital.co.jp/hcc/english/company/csr\\_index.html](https://www.hitachi-capital.co.jp/hcc/english/company/csr_index.html)



## Top Message

# Evolving together by pursuing further social values

President & CEO  
Hitachi Capital Corporation

*Seiji Kawabe*



Since our establishment in 1957, Hitachi Capital has been expanding its businesses and sales finance services, including leasing, and installment sales, to meet the ever evolving needs of society and customers while remaining true to the local community. Through evolving our business and services along with the requirements of society and needs of the time, we have met and even exceeded the expectations of our customers.

In recent years, we have established the Mission of “Social Values Creating Company,” which embodies this identity. Under this Mission, we have contributed to social development and a richer life for people through addressing global social challenges, achieving continuous enhancement of corporate value, and providing new values based on the SDGs. In the FY2019-FY2021 Mid-Term Management Plan currently underway, we are not only providing finance solutions,

but also accelerating the shift towards a high value-added business model by combining our strengths of finance, service, and commercialization.

Since our establishment and global expansion over the past 63 years, we have cultivated two major strengths together with our customers.

Firstly, we have led and developed community-focused financial services globally ahead of our peers. We have established irreplaceable strengths, including a solid partner alliance, non-financial capital, such as knowledge and know-how, and possessed a globally diversified, high quality business portfolio.

Secondly, our position stands as a multi-solution provider of supply chain beyond the scope of finance. We have developed businesses through connecting with partners and stakeholders representing diverse communities and business areas while creating new values and possibilities with the key words of “connect,” “get together,” and “bear fruits.”

With these as the driving force of our growth, we will move forward vigorously with unwavering determination in each and every step while agilely responding to changes in society.

At the same time, we are faced with substantial changes in the business environment, and it can be said that we have entered into an unpredictable era. In addition to the spread of COVID-19 shaking the foundation of the global system, large-scale natural disasters due to climate change, urbanization due to population growth, and problems of energy and food shortages are contributing to the increased uncertainty concerning the outlook for the world economy, including large scale monetary easing taking place in each country. In the future, as uncertainty grows, we must further transform ourselves with fresh new thinking in order to realize sustainable growth and enhance corporate value.

Given this background, we have made the decision to go ahead with our business integration with Mitsubishi



Takahiro Yanai (right), President & CEO, Mitsubishi UFJ Lease & Finance Company Limited, pictured at the press conference announcing the business integration on September 24, 2020

UFJ Lease & Finance Company Limited. As of April 1, 2021, our newly integrated company will mark a new beginning as Mitsubishi HC Capital Inc. Since the capital alliance with Mitsubishi UFJ Lease & Finance Company Limited in 2016, our two companies have been discussing ways to improve corporate value. Following these discussions, we believe that business integration of our two companies, from the different backgrounds of manufacturing and banking and trading, is the best way to strengthen our management foundation and meet the expectations of all stakeholders. The new company Mitsubishi HC Capital Inc. aims to become a global player in both size and domain by harnessing the mutually complementary nature of the businesses and strengthening the business base of the two former companies.

Furthermore, we will launch an asset business beyond the scope of a lease company to pursue greater added value in creating social values globally. By blending the two companies' strengths and knowledge, we will address diverse challenges faced by society and customers, and accelerate the sustainable creation of social values while creating and providing new businesses and services. Additionally, we will evolve into a company that provides a sense of fulfillment and pride to its employees and make the new company respected and appreciated by all.

We will take strides to evolve into a leader in the industry as a company truly indispensable to society. We look forward to your continuous loyal patronage of our new company, “Mitsubishi HC Capital Inc.”

# FY2019-FY2021 Mid-Term Management Plan

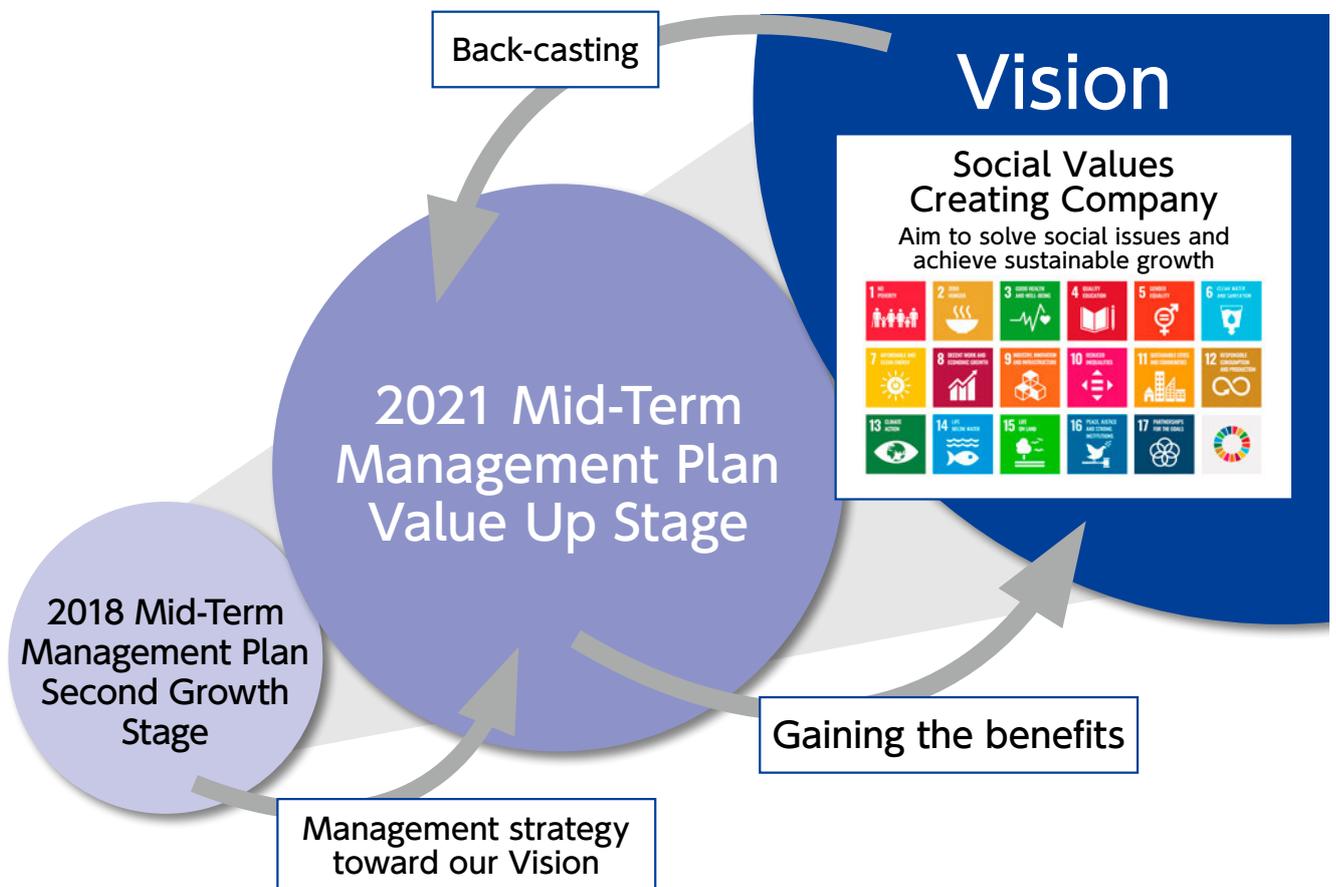
The Hitachi Capital Group is working to create and provide new value globally, with the SDGs as the base, to satisfy the needs of our customers and constantly changing society, as the “Social Values Creating Company.” The FY2019-FY2021 Mid-Term Management Plan (2021 Mid-Term Management Plan) is positioned as the critical three-year period for achieving our vision. During this time, we will accelerate our shift to the high value-added business model, including not only finance, but also services and commercialization, to contribute to the realization of a richer society.

## Vision of Hitachi Capital

The Hitachi Capital Group satisfies the expectations of stakeholders as the Social Values Creating Company to provide solutions to social issues and delivers new value for growth by contributing to social development and a richer life for people through new value that combines its strengths of finance, services, and commercialization, with the SDGs as the base.

These are the source of our company’s sustainable growth. By constantly being ahead of the times and environmental changes, we strive for their steady implementation, and we will grow daily by enhancing sustainable corporate value and pursuing high profitability.

## Creating Social Values based on SDGs\*



\* SDGs: Sustainable Development Goals. Action plan adopted by the United Nations covering global issues to be achieved by 2030, consisting of 17 Sustainable Development Goals and 169 specific targets.

## Highlights of 2021 Mid-Term Management Plan

The business environment is experiencing a paradigm shift caused by the acceleration of recent mega trends and the COVID-19 pandemic. With a transformation facing the entire global community, Hitachi Capital and other lease companies are being called upon to provide a broad range of functions beyond assistance for capital investment using sales finance, including commercialization and consulting services.

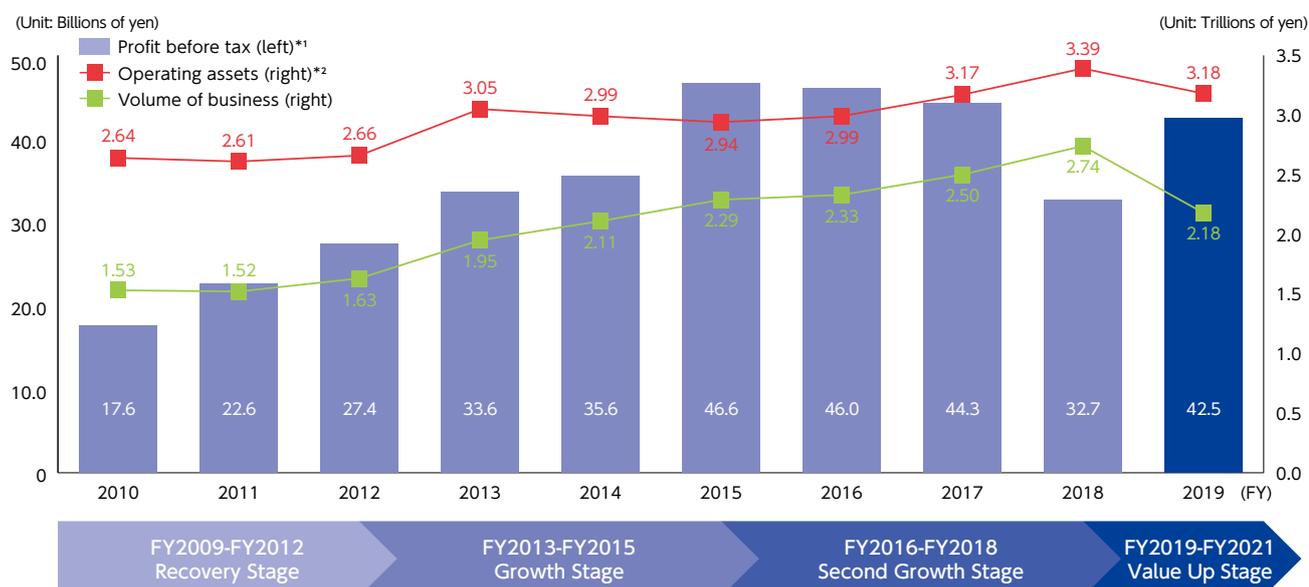
Based on global mega trends, in the 2021 Mid-Term Management Plan we have positioned "Environment/Energy," "Mobility," "Life," and "Sales Finance" as the four key businesses where we can harness our own strengths and experience as well as partnerships. We are now in the process of promoting these businesses across each region.

We recognize "smartification" and "innovation" as cross-functional trends spanning all businesses. In addition to supporting capital investment through leasing, we will establish new service models using data on our assets, which will enable us to shift to a high value-added business model and accelerate our transition.

Through our early global expansion ahead of competitors, we have established the strengths of a strong foundation of partnerships around the world; not to mention a wealth of knowledge. We are using M&A and other means to complete our functions aimed at delivering higher value-added services tailored to local communities and their needs along with global mega trends. As a multi-solution provider in the global supply chain, we will continue to enhance our presence.

Business Strategy	Shift to key businesses	Shift to key businesses based on megatrends
	Deepen regional strategy	Further improve profitability of Japan Business: ROA $\geq$ 2%
		Stable and systematic growth of Global Business
	Increase added value	Accelerate business model shift
Focused investment of management resources on business enhancement measures		
Management Base	Strengthen non-financial capital	Strengthen management base to support growth
		Promote ESG management
Return to Shareholders	Enhance return to shareholders	Increase payout ratio to around 40%
		Maintain a balance of return to shareholders, credit ratings, and investment for growth

## Business Performance



\*1 Before FY2013: Ordinary income \*2 Before FY2013: Total accounts receivable

# Announced Business Integration through Merger with Mitsubishi UFJ Lease

## — To Be One of the Largest Global Players in the Sector —

Hitachi Capital Corporation and Mitsubishi UFJ Lease & Finance Company Limited resolved, at the respective board of directors meetings of the two companies which were held on September 24, 2020, on their business integration (the “Business Integration”) through a merger (the “Merger”) and concluded the business integration agreement and the merger agreement, as indicated below.

As a result of the Business Integration, the two companies will become a global player in the sector in terms of size and business lines by being able to complement each other’s business domains and strengthen their respective management bases. Upon the Business Integration, a new integrated company Mitsubishi HC Capital Inc. will aim to create sustainable social value by operating an advanced asset business beyond the leasing business framework and providing customers with new value in countries and regions across the world.

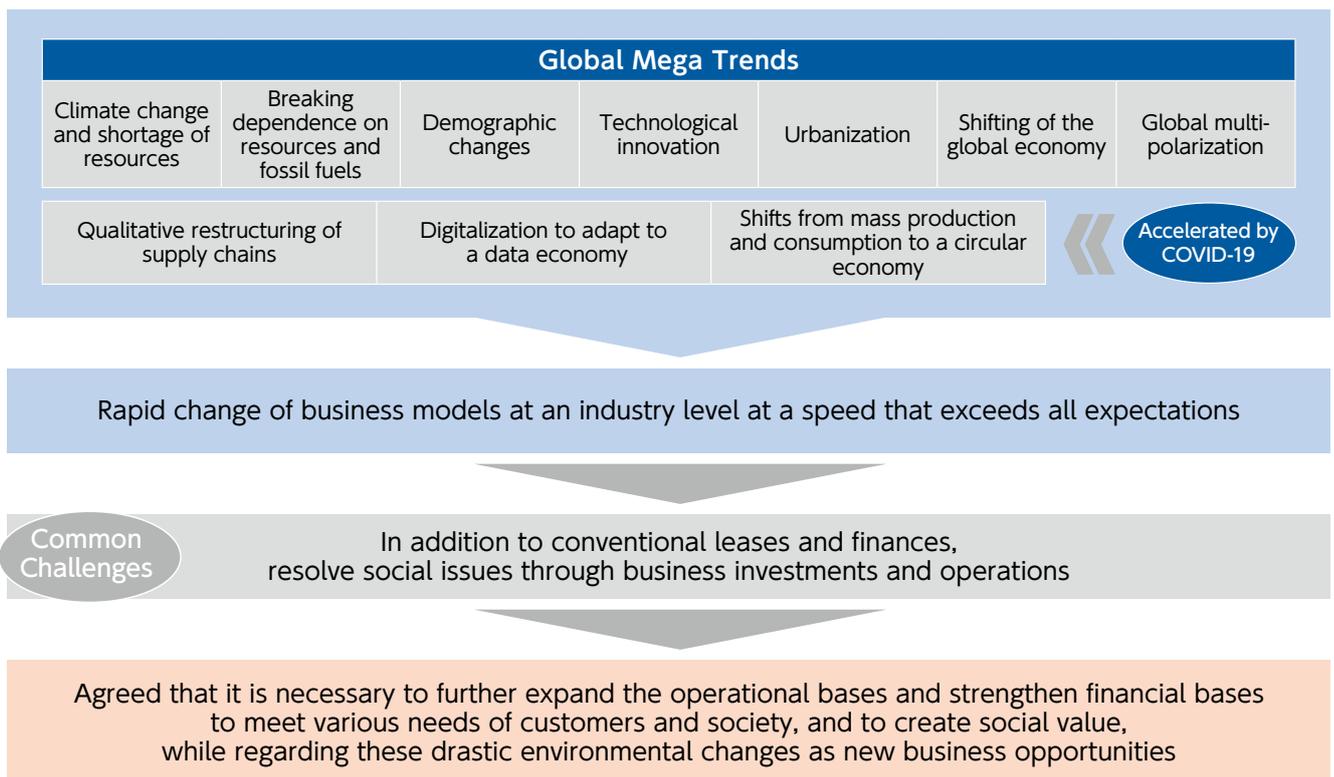
### Backgrounds of the Business Integration

In recent years, there have been drastic changes in the external environment as well as the trends and mega-trends influencing domestic and international economies in the long-term, such as climate change, shortages of resource, decarbonization to break dependence on resources and fossil fuels, demographic changes, technological innovation, urbanization, the shifting of the global economy, and global multi-polarization, all of which are accelerating.

Furthermore, global expansion of the COVID-19 pandemic from this year has prompted a paradigm shift for the overall economy and society. This is expected to sharply accelerate changes in corporate activities, such as qualitative restructuring of supply chains, digitalization to adapt to a data economy, and shifts from mass production and consumption to a circular economy.

As customers and society adapt themselves to the environmental changes, the prominence of leasing companies, holding various asset-related functions and offering flexible services which are not limited to financial functions, will increase further.

Through close cooperation with various industries, we have come to regard those drastic changes of customers and society as business opportunities. To meet the needs of both customers and society and create social value, we have decided that the optimal means is to integrate our businesses through a merger to further expand our business foundation and to strengthen our financial bases with great consideration of mutual respect and fairness, and from a constructive perspective.



## Purposes of the Business Integration

The two companies have set the goal of sustainable enhancement of corporate value through the resolution of social issues to realize a rich society that can adapt to environmental change, as stated in the medium- to long-term corporate vision statements of their respective medium-term management plans.

With the Business Integration, the two companies will realize (i) complementing each other's business domains, (ii) strengthening their management bases, and (iii) creating new value based on (i) and (ii) and grow stronger, by developing the business as an integrated entity under a unified vision and philosophy.

(i) Complementing Each Other's Business Domains	(ii) Strengthening the Management Base	(iii) Creating New Value
<ul style="list-style-type: none"> <li>✓ Diversify the portfolios in terms of both business domains and geographical areas</li> <li>✓ Establish a solid and stable revenue structure</li> <li>✓ Expand investment activities utilizing enhanced capabilities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Bring together resources and expertise of the two companies                             <ul style="list-style-type: none"> <li>- Utilization and enhancement of human resources</li> <li>- Utilization of partner networks</li> <li>- Reinforcement of financial bases</li> <li>- Advancement of risk management</li> <li>- Promotion of digitalization</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Offer new value beyond the framework of traditional leasing companies</li> <li>✓ Transform into one of the largest players in the leasing sector, and contribute to customers and communities across the world, by utilizing its expanding scale and built-up capital</li> <li>✓ Develop into a company that can provide solutions to modern social issues</li> </ul>

## Complementing Each Other's Business Domains

By building ideal, mutually complementary relationships, the New Integrated Company may establish an extensive and comprehensive lineup of businesses, and achieve diversification in its portfolios in terms of both business domains and geographical areas. This will help the New

Integrated Company not only to establish a solid and stable revenue structure that will be less susceptible to the external environment, but also to increase profitability via expanded investment activities utilizing its enhanced capabilities.

Characteristics of the two companies	Hitachi Capital Corporation (HC)		Mitsubishi UFJ Lease & Finance Company Limited (MUL)	
	Characteristics	Sales Finance	↔	Corporate Finance
		Strengths in Europe	↔	Strengths in Japan
		Hitachi business (Important finance partner) Overseas Local Business (Consumer finance in UK etc.)	↔	Real-estate Business (Securitization, Real-estate investment) Global Assets (Aviation, Railcar and sea container leasing)
Common focus Priority areas	Social Infrastructure, Environment & Energy, Mobility etc.			

Business domains of two companies' strengths		Corporate Finance	Overseas Local Business	Sales Finance		Health Care	Environment & Energy		Overseas Infrastructure	Real-estate			Mobility	Global Asset			Corporate Investment	BPO
				Supplier	Vendor		Solar-power	Wind-power		Leases	Finance	Investment		Aviation	Railcar	Container		
	New Integrated Company	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	HC		○	○	○	○	○	○		○			○					○
	MUL	○	○			○	○		○	○	○	○	○	○	○	○	○	
	JII*							○										

\* JII: Japan Infrastructure Initiative Company Limited

## Basic Strategy of the New Integrated Company

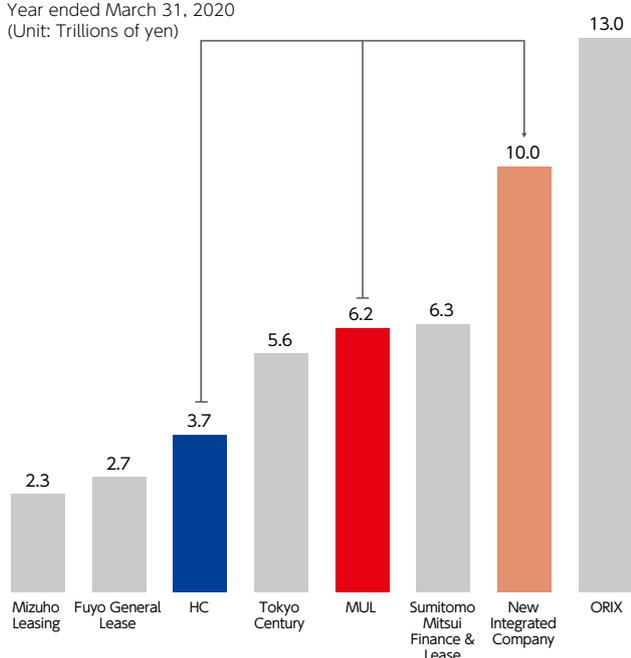
The New Integrated Company will continue to follow the corporate visions shared by the two companies, which include providing solutions to social issues and achieving sustainable growth in order to enhance corporate value over the medium- to long-term.

The New Integrated Company will aim to accomplish its corporate vision by developing an advanced asset business beyond the framework of the leasing business and striving to create social value with a pioneering spirit in countries and regions across the world. (Please refer details in page 11-12.)

## New Integrated Company at a Glance

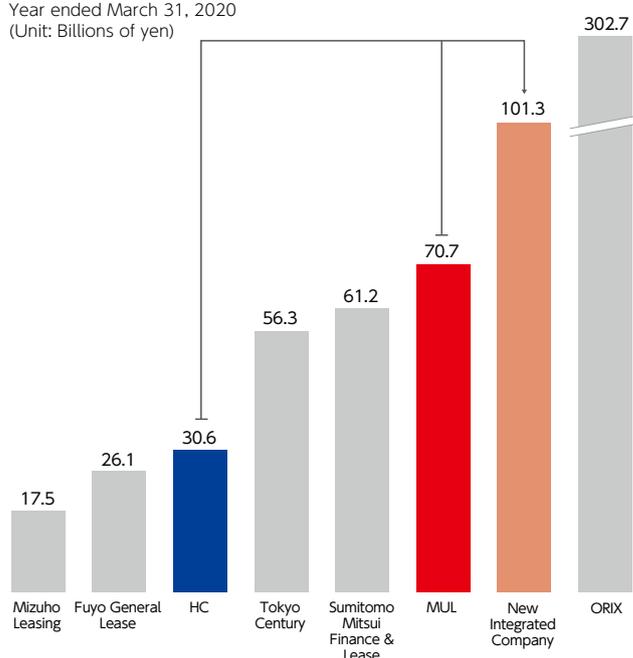
### Total Assets JPY 10 trillion

Year ended March 31, 2020  
(Unit: Trillions of yen)



### Net Income JPY 100 billion over

Year ended March 31, 2020  
(Unit: Billions of yen)



## Merger Ratio and Overview of the New Integrated Company

**Merger Ratio**  
MUL : HC  
**1 : 5.10**

5.10 shares of MUL's common stock will be delivered by allotment for one share of HC's common stock

Company name*	Mitsubishi HC Capital Inc.
Location of head office	5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Accounting standards	Japanese GAAP

## Schedule of the Business Integration

September 24, 2020	Execution of the Business Integration Agreement and Merger Agreement
December 31, 2020 (Scheduled)	Record date of the extraordinary meetings of shareholders (both companies)
Late February 2021 (Scheduled)	Extraordinary meetings of shareholders (both companies)
April 1, 2021 (Scheduled)	Effective date of the Business Integration

\*A proposal pertaining to the planned amendments to the articles of incorporation of Mitsubishi UFJ Lease & Finance Company Limited that is necessary in association with the change of the trade name is scheduled to be approved at the extraordinary meeting of shareholders of Mitsubishi UFJ Lease & Finance Company Limited planned to be held in late February, 2021. The change of the trade name of the New Integrated Company is on condition that the amendments to the articles of incorporation are approved at such extraordinary meeting of shareholders and the Merger takes effect.

## Measures to Ensure Fairness and to Avoid the Conflict of Interest

Although a particular conflict of interest does not exist between the two companies, as Mitsubishi UFJ Financial Group, Inc. is a large shareholder of both of the two companies, holding 22.85% of the voting rights of Mitsubishi UFJ Lease & Finance Company Limited, by itself or through its subsidiaries, and 23.01% of the voting rights of Hitachi Capital Corporation, respectively, as of March 31, 2020, its interest regarding the Business Integration may differ with that of other shareholders of the two companies.

Also, considering that the Business Integration may have an impact on the group operational policy of Hitachi, Ltd., which holds 33.40 % of the voting rights of Hitachi Capital Corporation as of March 31, 2020, interest of Hitachi, Ltd. regarding the Business Integration may not correspond exactly to those of other shareholders of Hitachi Capital Corporation. Under these circumstances, the following measures have been implemented in order to take extra precautions to ensure fairness of the Business Integration.

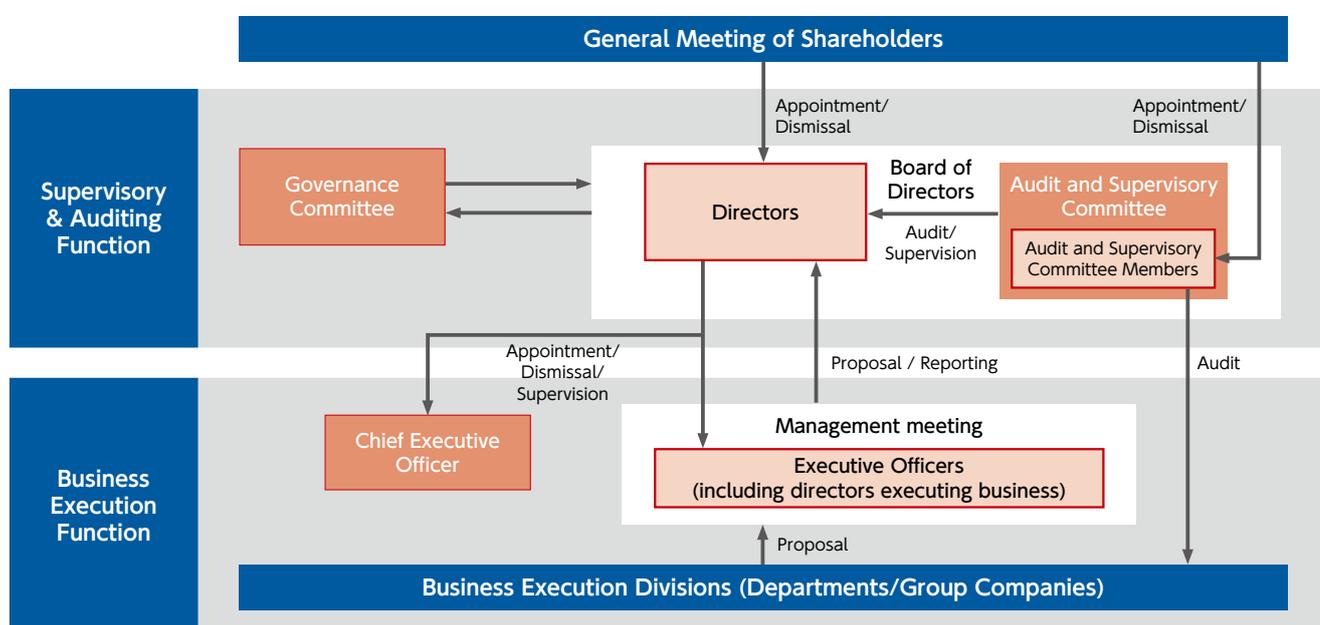
- Obtaining a financial analysis report (*santeisho*) and Fairness Opinion from the financial advisor
- Advice from external law firms
- Establishing an independent committee and obtaining a response by Hitachi Capital Corporation
- Approval from all directors of Hitachi Capital Corporation except one who concurrently serves for Mitsubishi UFJ Financial Group, Inc. and Hitachi, Ltd. as an officer or employee
- Approval from all directors of Mitsubishi UFJ Lease & Finance Company Limited except one who concurrently serves for Mitsubishi UFJ Financial Group, Inc. as an officer or employee and opinion of no objection from all auditors

## Corporate Governance Structure of the New Integrated Company after the Business Integration

For the purpose of aiming to improve the fairness and transparency in business, to strengthen the supervisory function of the board of directors, and to enrich the corporate governance system, the organizational form of the New Integrated Company after the Business Integration will be that of a company with an audit and supervisory committee. Further, an arbitrary governance committee consisting of outside directors (including directors who are audit and supervisory committee members), representative directors,

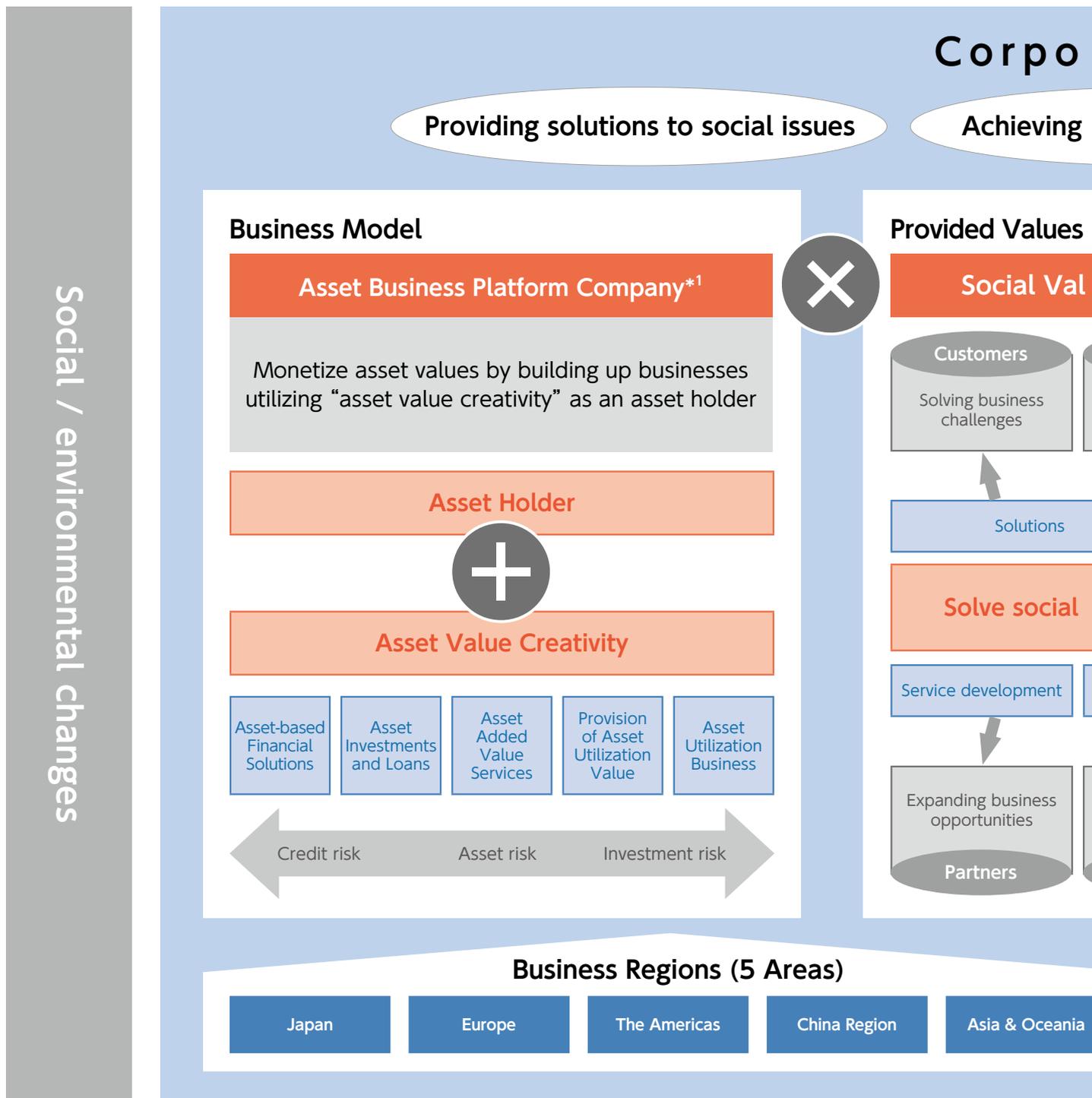
and inside directors who are appointed by representative directors, is scheduled to be established as an advisory institution for important matters such as the appointment of and remuneration for officers and improving the effectiveness of the board of directors.

In addition, management meetings will be established in the New Integrated Company, and important matters are to be decided after the matters have been deliberated by the management meeting.



# Corporate Vision and Basic Strategy: Voyager to the Frontier

— Beyond the Leasing Business Framework —



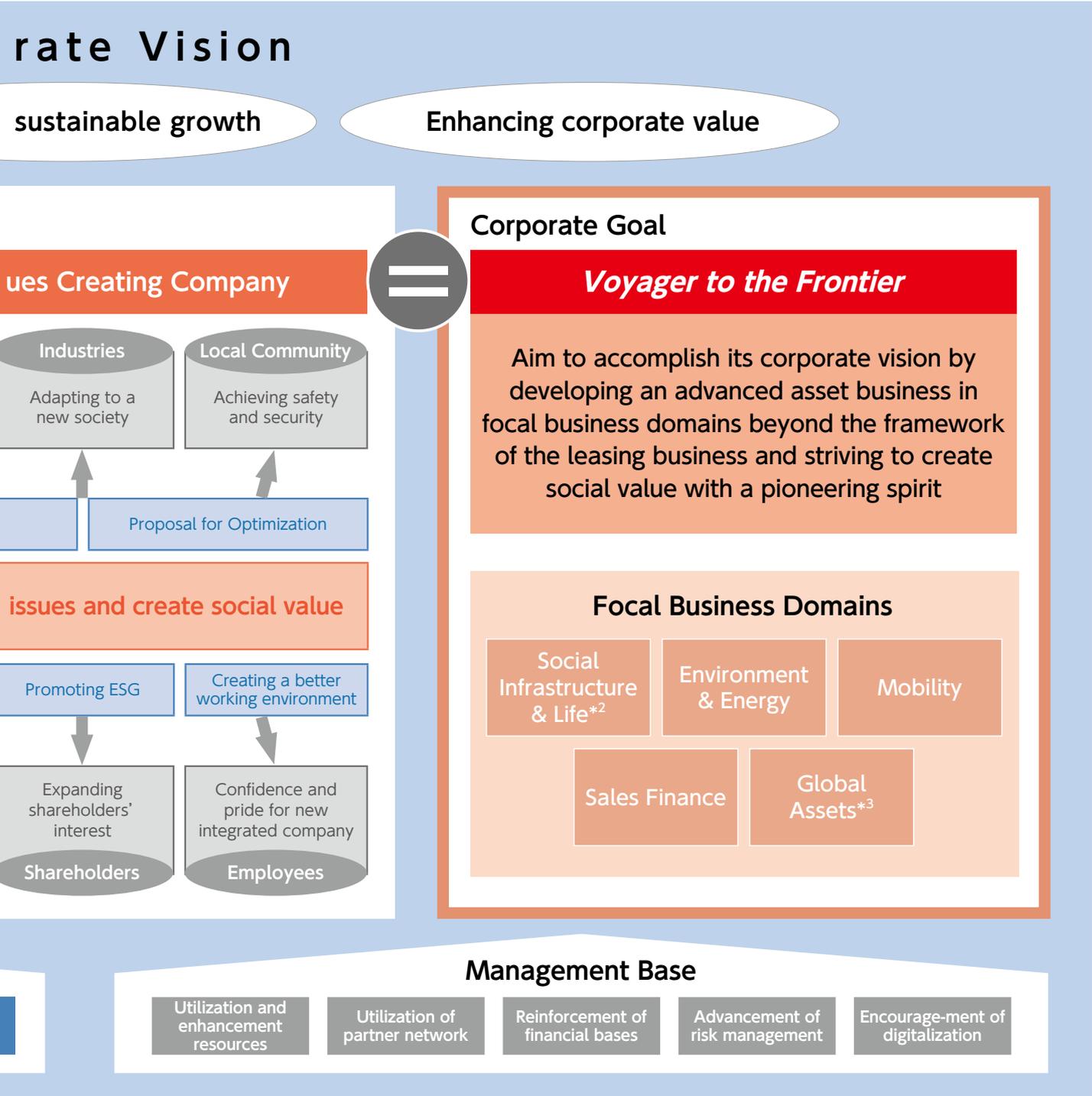
\*1 Assets includes intangible assets such as computerized assets (software/database), innovative assets (R&D/licensing), economic competitiveness (human resources/organization)

\*2 Social Infrastructure & Life refers to infrastructure/urban planning, healthcare, food and agriculture, and life related sectors

\*3 Global assets refers to assets that have global market value such as aviation, aircraft engine, vessels, sea and rail containers, etc.

The New Integrated Company will continue to follow the corporate visions shared by the two companies, which include providing solutions to social issues and achieving sustainable growth in order to enhance corporate value over the medium- to long-term.

The New Integrated Company will aim to accomplish its corporate vision by developing an advanced asset business beyond the framework of the leasing business and striving to create social value with a pioneering spirit in countries and regions across the world. The corporate goal of the New Integrated Company has been titled “Voyager to the Frontier,” with intentions to exert its initiatives and open up and develop new frontiers in the focused domains of social infrastructure & life, environment & energy, mobility, sales finance, and global assets.



# Business of Hitachi Capital — Key Business —

Since the founding of Hitachi Capital, we have worked towards meeting the needs of our customers and society, and by developing businesses and services that reflect the demands of the times including sales finance services such as leasing and loans, are meeting their expectations.

The 2021 Mid-Term Management Plan positions “Environment/Energy,” “Mobility,” “Life,” and “Sales Finance” as new key business segments based upon global megatrends, as well as SDGs and Society 5.0 for SDGs, and strives to provide new value.



## Established 1957

Hitachi Home Electric Appliance Geppuhanbai Corporation was established with the aim of promoting the spread and popularization of Hitachi, Ltd. electronic appliances (its corporate name was changed to Hitachi Credit Corporation in 1969). Additionally, in 1968 Hitachi Leasing Corporation was founded as Japan’s first manufacturer-based comprehensive leasing company with the aim of increasing sales of Hitachi Group Products through the use of leasing, at that time a new form of banking practice. Both companies gradually expanded their business areas, and by developing local businesses, supported Japan’s period of rapid growth.

## Hitachi Capital Corporation established

Hitachi Credit Corporation, which listed on the First Section of the Tokyo Stock Exchange in 1979, and Hitachi Leasing Corporation, which expanded its business along with the expansion of the leasing industry into the Japanese economy.

In 2000, these two companies merged with the aim of consolidating their financial operations within the Hitachi Group and expanding their business, giving birth to the current Hitachi Capital Corporation. This new name was suggested by employees the most, and reflects the company’s determination to be “at the heart of the financial business.”

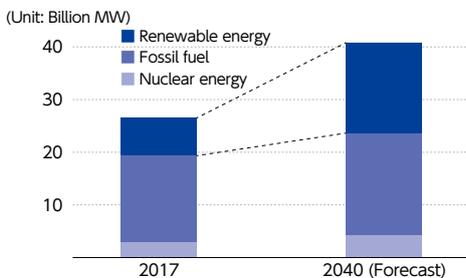


## Enter global market with our strengths — wind power generation and energy saving services



### Background / Market trends

Ratio of renewable energy is forecast to increase to approximately 40% of global power generation by 2040



Source: International Energy Agency (IEA) “World Energy Outlook 2018”

### Our initiatives

- Develop new businesses to shift from FIT (self-consumption type, power supply for limited area, etc.)
- Expand the renewable energy business (wind power, biogas, biomass, etc.)
- Accelerate global expansion

### Advanced initiatives

[Japan] Resource-recycling model (biogas)

- Entered into a bioenergy business using waste (e.g. residua of yam)

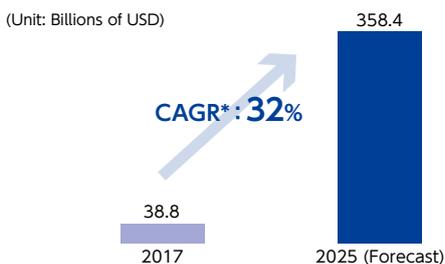


## Evolve into mobility solutions by utilizing data



### Background / Market trends

Size of the global MaaS market forecast to expand rapidly



Source: Research and Markets

\* CAGR: Compound annual growth rate

### Our initiatives

- Mobility as a Service (MaaS)
- Collaboration for EV platform in areas where we operate
- BtoB sharing business

### Advanced initiatives

[Europe] Demonstration testing of EV in UK

- Analyzed issues in introducing EV (impacts on power grids, etc.) to prepare for a shift to EV



### The challenge of new business fields

Given the major changes in the business environment in which the leasing business is situated, we have expanded the scope of our business operations with an eye to solving societal issues. We have rapidly expanded the scope of our activities by leading operations using our Group companies, with their diverse functions. In the social infrastructure business, we started management and operation of commercial facilities with the Ayase Town Hills Shopping Center, which opened in 2005 in Ayase, Kanagawa. In our environment and energy business, in January 2014 we established Hitachi Wind Power Ltd., a wind power generation company (co-established with Hitachi, Ltd.).

### Mission (management policy) — “Social Values Creating Company”

At present, our aim is to move away from simply providing finance, and towards being the “Social Values Creating Company” with SDGs as a foundation, to meet the needs of society and of our customers. In 2016, the company formed a capital and business alliance with Mitsubishi UFJ Financial Group, Inc. and Mitsubishi UFJ Lease & Finance Company Limited, thus becoming an equity-method affiliate of both Hitachi, Ltd. and Mitsubishi UFJ Financial Group, Inc. Furthermore, through joint investment with Mitsubishi UFJ Lease & Finance Company Limited and MUFG Bank, Ltd., in 2017 we established “Japan Infrastructure Initiative Company Limited,” an open finance platform with which to expand the scope of our new business with our partners.



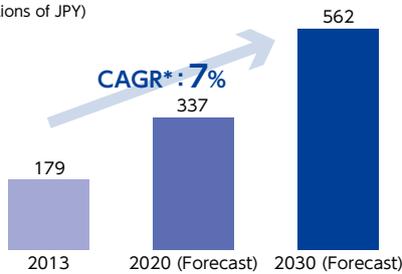
### Strengthen solutions for realization of richer life



#### Background / Market trends

Global healthcare industry market size annual growth of approximately 7%

(Unit: Trillions of JPY)



Source: Japan Revitalization Strategy  
\* CAGR: Compound annual growth rate

#### Our initiatives

- Develop subscription-type services
- Provide intelligent logistics
- Enter into “Infrastructure as a Service” business

#### Advanced initiatives

[China] Management of diagnostic imaging center

- Participated in management of the healthcare business with local partners



### Strengthen competitiveness by seeking convenience for vendors



#### Background / Market trends

Global expansion of Hitachi Capital Group business

From 1999 Hong Kong	Launched sales finance through collaboration with a multifunction copier vendor Market share: Approx. 60%
From 2013 Europe	Expanded regional coverage through collaboration with third party financial institutions Regional coverage: 17 countries (FY2018)
From 2013 Japan	Acquired NBL Co., Ltd. (Consolidated vendor solution business) Built one of the largest network in Japan
From 2016 US	Full-scale entry through acquisition of CreekrIDGE Capital LLC and Global Technology Finance, LLC Acquired business platform

#### Our initiatives

- Enhance convenience of vendors by linking systems and data with them
- Use AI in front, middle, and back offices (including for screening) to promote man-power saving and streamlining

#### Advanced initiatives

[Japan] Improved efficiency of screening by using AI

- Improved convenience for vendors and operational efficiency by using Hitachi’s AI

# Business of Hitachi Capital – Global Expansion –

Since the 1970s, we have used our pioneering spirit and community-focused approach to provide locally based financial services, and to expand our business worldwide. We have built up a solid track record of trust and success by accurately understanding specific needs and issues for each region, and by handling these in a timely and flexible manner.

## 1975: Expansion overseas

In 1975, we established our first overseas local subsidiary in Hong Kong. At the time of its establishment, its main business was the installment sales of electronic appliances of Hitachi Ltd.



## To 2020: 17 countries

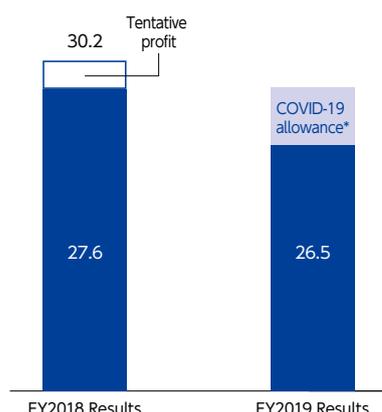
At present, we have established local subsidiaries in the Europe, Americas, China, and ASEAN regions, and are expanding their business.

Around the world, by expanding businesses to meet local needs, we are contributing to local economic development and job creation.

At present, we have 52 group companies active in 17 countries. Currently, our global business ratio is in excess of 50%.

<b>Japan Business</b>	<b>2021 Mid-Term Management Plan</b>	Shift to key businesses and continue cost structure reform ⇒ Further improve profitability
Achievements in FY2019		

Profit before tax  
(Unit: Billions of yen)

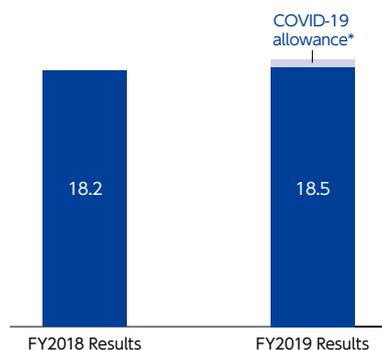


- Expanded key businesses
  - Solar power generation/Wind power generation [Power generation capacity] FY2018: 515MW → FY2019: 593MW
  - Sales finance (capture Windows10-related demand) Growth in PC volume: 158% year-on-year
- Improved OHR in Vendor Solution (FY2018: 56.8% → FY2019: 54.4%)
  - Coordinate systems with vendors, use AI for screening

Description of operations		
Account solutions	Environment/energy	<ul style="list-style-type: none"> <li>• Wind/solar/biogas power generation business</li> <li>• ESCO business</li> <li>• Finance for energy-saving equipment</li> </ul>
	Mobility	<ul style="list-style-type: none"> <li>• Auto leasing and ancillary services</li> </ul>
	Life	<ul style="list-style-type: none"> <li>• Infrastructure and urban development (building leasing, PPP/PFI, etc.)</li> <li>• Healthcare (leasing of medical equipment, etc.)</li> <li>• Food, agriculture, and lifestyle industry (strawberries, production of sake, etc.)</li> </ul>
	Sales finance	<ul style="list-style-type: none"> <li>• Leasing of information and industrial construction equipment, etc.</li> </ul>
Vendor solutions	Offers financial services including the Group's leases and installment sales in response to the sales promotion needs of partner vendors, etc.	
	Sales finance	<ul style="list-style-type: none"> <li>• Leasing of office equipment, etc.</li> </ul>
Other	Provision of functions (non-life insurance, trusts, debt collection, etc.)	

<b>Europe Business</b>	<b>2021 Mid-Term Management Plan</b>	Aim at stable growth in UK business and accelerate expansion in the Continental Europe ⇒ Seek growth insusceptible to changes in external environment
Achievements in FY2019		

Profit before tax  
(Unit: Billions of yen)



- Stable growth in UK business
  - Growth rate of UK's profit before tax: 108% (excluding the impacts of COVID-19 and FOREX)
  - DX improved customer satisfaction
- Development in the Continental Europe
  - Belgium, Czech, Slovakia, and Hungary
  - (Ratio of the Continental Europe (Operating assets)) FY2018: 6% → FY2019: 7%
- Full-scale entry to MaaS business (Netherlands)

Description of operations		
Offers a broad range of financial services, and financial services in coordination with the Hitachi Group in response to the needs of customers and vendors in the European region.		
UK	For consumers	<ul style="list-style-type: none"> <li>• Loans for household furnishings and renovations, etc.</li> <li>• Unsecured financing</li> </ul>
	For businesses	<ul style="list-style-type: none"> <li>• Financing for industrial and agricultural equipment, etc.</li> </ul>
	Mobility	<ul style="list-style-type: none"> <li>• Auto leasing and ancillary services (passenger, commercial, and special vehicles)</li> </ul>
Continental Europe	Vendor solutions	<ul style="list-style-type: none"> <li>• Sales finance for construction and medical equipment, etc.</li> <li>• Cross-border expansion of business from the Netherlands to the UK and continental Europe</li> </ul>
	Mobility	<ul style="list-style-type: none"> <li>• Auto leasing and ancillary services (Expanded to 8 countries)</li> </ul>

\* COVID-19 allowance: Allowance for doubtful accounts assuming that credit risk will increase until the first half of FY2020 (around 6 months)

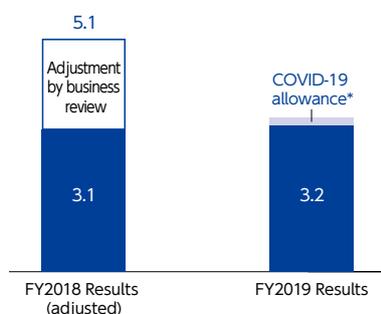
## The Americas Business

## 2021 Mid-Term Management Plan

- Regrowth by building new core businesses
- Focus on Sales Finance and Environment/Energy

### Achievements in FY2019

Profit before tax  
(Unit: Billions of yen)



- Entered into subscription-type energy saving business through collaboration with partners
- Promoted business structural reform
  - Closing of large factoring business, etc.
- Growth of Canada business
  - Growth rate of Canada's profit before tax: 106% (excluding the impacts of FOREX)

### Description of operations

Offers a broad range of financial services, and financial services in coordination with the Hitachi Group in response to the needs of customers and vendors in the Americas region.

Region	Business	Services
United States	Transportation	<ul style="list-style-type: none"> <li>• Finance for small and medium trucks</li> <li>• Inventory finance</li> </ul>
	Commercial finance	<ul style="list-style-type: none"> <li>• Facilities leasing</li> <li>• Sales finance for medical and IT equipment, etc.</li> <li>• Structured finance such as for energy savings solutions</li> </ul>
Canada	Canada business	<ul style="list-style-type: none"> <li>• Finance for trucks</li> <li>• Sales finance for construction equipment, etc.</li> </ul>

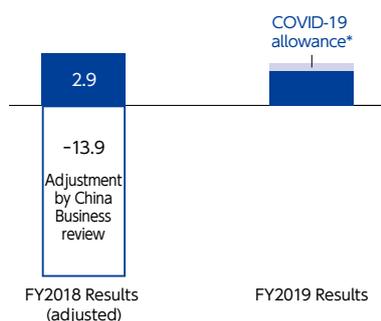
## China Business

## 2021 Mid-Term Management Plan

- Drastic review of business strategy by selection and concentration of businesses
- Return to sales finance (diversified model)

### Achievements in FY2019

Profit before tax  
(Unit: Billions of yen)



- [Mainland China] Enhanced collaboration with partners
- [Hong Kong] Enhanced collaboration with partners in Sales Finance (copier)
- Drastic business review
  - Closing of large factoring business, etc.

### Description of operations

Offers a broad range of financial services, and financial services in coordination with the Hitachi Group in response to the needs of customers and vendors in the China region.

Region	Business	Services
China region	Public services	<ul style="list-style-type: none"> <li>• Leasing of IT and air conditioning equipment, etc.</li> <li>• Investment, etc. in local partner companies</li> </ul>
	Hospitals	<ul style="list-style-type: none"> <li>• Leasing of medical equipment, etc.</li> <li>• Leasing of IT related equipment, etc.</li> </ul>
Hong Kong region	Sales finance	• Sales finance for office equipment, etc.
	Vehicles finance	• Loans for personal vehicles, etc.
Other	Other	• Convergence business such as large factoring and syndicated loans

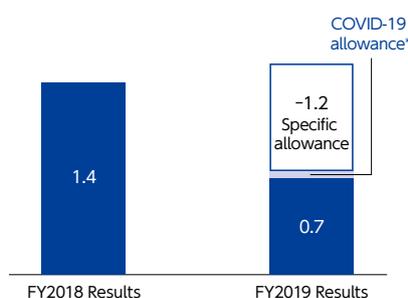
## ASEAN Business

## 2021 Mid-Term Management Plan

- Promote expansion of business domains and areas in line with regional needs and resources of each company
- Seek new business opportunities in key businesses including Life

### Achievements in FY2019

Profit before tax  
(Unit: Billions of yen)



- Increased topline through business expansion
  - Growth rate of gross profit: 104% (excluding the impacts of FOREX)
- Established a business company in Indonesia with Daiwa House Group
- Enhanced collaboration with partners (Hitachi Group, Japanese/Local partners)

### Description of operations

Offers a broad range of financial services, and financial services in coordination with the Hitachi Group in response to the needs of customers and vendors in the ASEAN region.

Region	Services
Singapore	<ul style="list-style-type: none"> <li>• Finance for information and business equipment, etc.</li> <li>• Finance for vehicles</li> </ul>
Thailand	<ul style="list-style-type: none"> <li>• Finance for industrial, construction, and office equipment, etc.</li> <li>• Finance for trucks</li> </ul>
Malaysia	<ul style="list-style-type: none"> <li>• Finance for industrial and construction equipment, etc.</li> <li>• Finance for trucks</li> </ul>
Indonesia	<ul style="list-style-type: none"> <li>• Finance for vehicles</li> <li>• Building leasing</li> </ul>

\* COVID-19 allowance: Allowance for doubtful accounts assuming that credit risk will increase until the first half of FY2020 (around 6 months)

In "About Hitachi Capital Group" section, we introduce details of the Group.

**WEB** [https://www.hitachi-capital.co.jp/hcc/english/company/group\\_index.html](https://www.hitachi-capital.co.jp/hcc/english/company/group_index.html)

# Business of Hitachi Capital — ESG Management —

With the aim of improving sustainable corporate value, the Hitachi Capital Group is implementing ESG management company-wide, and setting medium- to long-term goals in each of environment, society, and governance, while working to make these a reality.

In addition, we are also strengthening both financial and non-financial capital by continuously improving and evolving our policies and initiatives through dialogue with our stakeholders.



## Environment / Earth-friendly

Since 2003, in cooperation with Hitachi, Ltd., the Hitachi Capital Group has been providing financial services for the construction and operation of power plants and other facilities. As a leading company in environmental management, we will continue to consider the global environment, and promote businesses and energy-saving activities that aim to contribute to the realization of a decarbonized society, looking towards achieving zero CO<sub>2</sub> emissions by 2050 in accordance with the Paris Agreement.

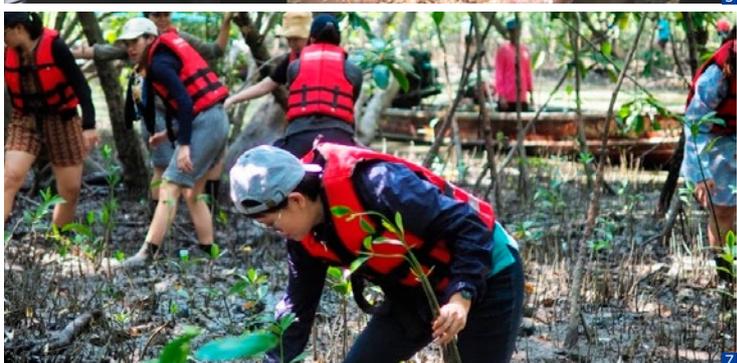
KPI: FY2050  
Zero CO<sub>2</sub> emission

## Society / Respecting employees

At Hitachi Capital Group, human resources are our most important resources. We are striving to improve employee engagement by building an “Excellent Workplace” — a workplace environment in which each and every individual can work with enthusiasm and job satisfaction, and by making the most of our diverse human resources. In addition, the Group believes that building a safe and secure work environment is vital in order that each employee can maximize his or her potential, and we are working to maintain and thoroughly implement such an environment.

KPI: Employee engagement 80%

- 1 2 Holding of SDG workshop when setting our 2021 Mid-Term Management Plan by the nonprofit corporation Imacocollabo in August, 2018 for all executives, directors and the presidents of domestic group companies, and in March, 2019, for the presidents and managers of overseas group companies
- 3 Volunteer snow removal in February 2019 in special heavy snowfall areas as stipulated in the Act on Special Measures concerning Countermeasures for Heavy Snowfall Areas
- 4 Hitachi Triple Win Corporation strawberry farm that has obtained GLOBALG.A.P Certification in May, 2018
- 5 Support for dinners at a homeless shelter near Hitachi Capital America Corp. offices, which has continued for nearly 10 years in September, 2019
- 6 Distribution of difficult-to-obtain masks and disinfectant, to employees in Japan, China, UK, and Indonesia in March, 2020
- 7 Hitachi Capital (Thailand) Co., Ltd. employees participating in a mangrove reforestation project in October, 2019
- 8 Hitachi Capital (UK) PLC employees participating in forest and biodiversity conservation activities in a special nature reserve in December, 2019



## Our response to the spread of the COVID-19 infection

In July 2019, we formulated our Declaration of Health Management, and are promoting a variety of measures based on our unchanging basic philosophy that “protecting safety and health takes precedence over everything else.” In addition, in light of the global spread of the COVID-19 infection, we are prioritizing the safety and health of our employees and other stakeholders by reducing the risk of infection by utilizing telework and staggered work hours, along with implementing thorough BCP and BCM for business continuity, and implementing these measures while being aware of the recovery of the top line during COVID-19.

- Prioritizing the safety and health of stakeholders
- Business continuity (BCP/BCM)
- Recovery of top line (Conversion to new style)

## Governance / Fair management

At present, 75% of our directors comprise outside directors, and independent outside directors serve as chairman of the board of directors and chairs of the three committees, thus maintaining independence. In addition, we are aware of the interests of all shareholders, and ensure care is taken in order that operations are not biased in favor of any specific shareholders. In risk management, we have introduced the “Three Lines of Defense” based on the COSO framework\*, and are carrying out inspections and audits by business divisions, corporate divisions, and audit divisions in order to strengthen global management.

Promote information disclosure to ensure management transparency

\* A generally accepted framework for evaluating internal controls created by the American Committee of Sponsoring Organizations of the Treadway Commission in 1992.

# Earth-friendly — Environmental Report —

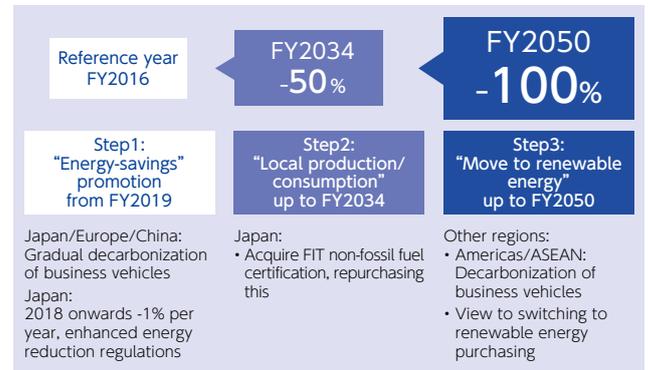
## Achieve decarbonization by 2050

In October 2019, the Hitachi Capital Group set as an SBT (science-based target for the reduction in greenhouse gases)\*<sup>1</sup> the long-term goal of decarbonization by FY2050 aimed at keeping the rise in average global temperatures to well below 2°C above pre-industrial levels in accordance with the 2015 Paris Agreement.

In July 2019, we also announced our endorsement of the TCFD (Task Force on Climate-related Financial Disclosures)\*<sup>2</sup> and SBT initiatives. In the future, in view of the TCFD recommendations, as well as working to enhance disclosure regarding climate change, we will also promote care for the environment through our customer's businesses, and enhance our response to climate change by reducing the Group's greenhouse gas emissions.

\*1 SBT: Science-Based Targets. Science-based greenhouse gas reduction targets in line with the 21st Conference of the Parties to the Framework Convention on Climate Change (COP21) (Paris Agreement) in December 2015.

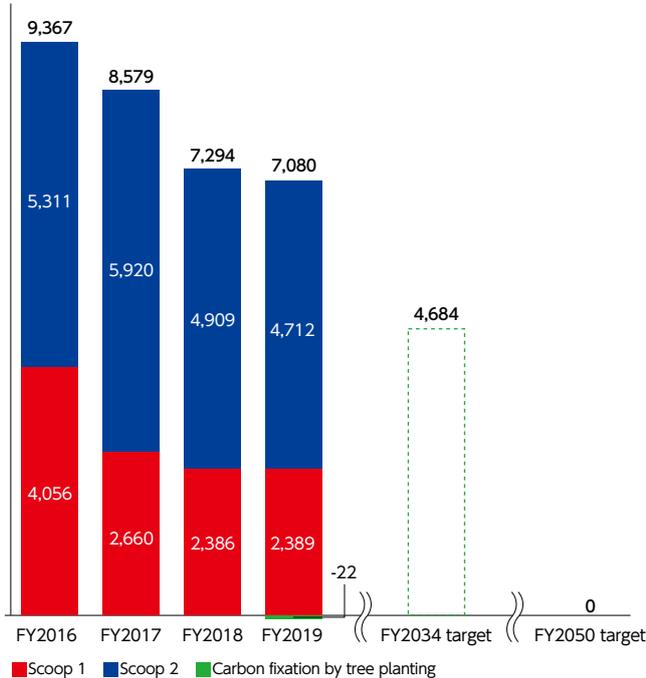
\*2 TCFD: "The FSB Task Force on Climate-related Financial Disclosures" established in 2016 by the Financial Stability Board (FSB), an international organization that aims to stabilize the financial system.



In Step 1, we will put in place far-reaching measures to reduce the burden on the environment throughout the Group as a whole, including moves to EVs (electric vehicles), FCVs (fuel cell vehicles), and power savings. In Step 2, we will look to acquire non-fossil fuel certification from FY2033 and onwards, and as a Group, promote purchasing and decarbonization centered around renewable energy. In Step 3, we will also procure decarbonized energy from outside the Group, achieving full decarbonization by 2050.

## Trends in Hitachi Capital Group CO<sub>2</sub> emissions

(Unit: t-CO<sub>2</sub>e)



\* Conversion coefficients for each energy input are calculated based on their global warming potential according to the IPCC report.

\* CO<sub>2</sub> sequestration by tree planting: Carbon dioxide sequestration in forests from FY2019 to FY2028 certified by the Tokyo Metropolitan Government's "Tokyo Forest Improvement Contribution Certification System" (see P. 30)

## CO<sub>2</sub> emissions by Hitachi Capital Group in FY2019

Category			CO <sub>2</sub> emissions (t-CO <sub>2</sub> e)	Emission ratio
Scope1 total			2,389	4.1%
Scope2 total			4,691 (4,712* <sup>3</sup> )	8.1%
Scope3	Category1	Purchased goods and services	4,380	7.6%
Scope3	Category2	Capital goods	43,163	74.6%
Scope3	Category3	Fuel and energy activities not included in Scope1 and 2	245	0.4%
Scope3	Category5	Waste from business operations	169	0.3%
Scope3	Category6	Business travel	672	1.2%
Scope3	Category7	Employee commuting	1,933	3.3%
Scope3	Category15	Investment	223	0.4%
Scope3 total			50,786	87.8%
Total			57,865	100.0%

\*<sup>3</sup> CO<sub>2</sub> emissions excepting Carbon fixation from tree planting

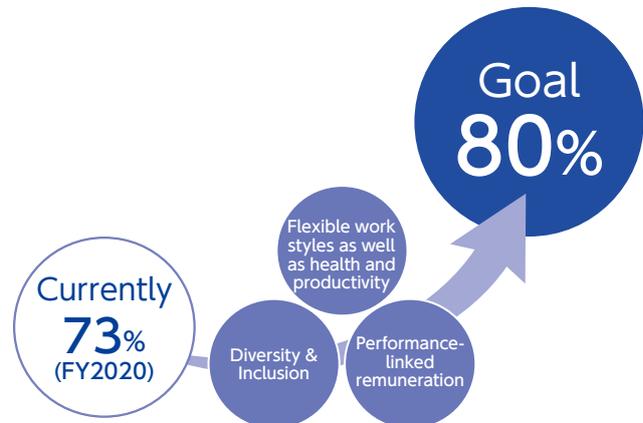
For details on activities and yearly trends in our environmental performance, see our Environmental Efforts.

**WEB** <https://www.hitachi-capital.co.jp/hcc/english/company/environment.html>

# Respecting Employees — Social Report —

## Maximize employee satisfaction (80%)

In striving for a rewarding and attractive workplace in which each and every employee can perform their duties with enthusiasm and energy, we consider employee satisfaction levels to be a key performance indicator (KPI) and set affirmative employee survey (engagement) reply ratios as benchmarks. Under the 2021 Mid-Term Management Plan, we are mindful of the following three points: 1) trusting and respecting one another and building impartial relationships, 2) feel pride in one's own work, and 3) create an "Excellent Workplace" that is rewarding and encourages solidarity among colleagues, while focusing on bringing (1) flexible work styles as well as health and productivity management (workplaces where individuals can fully contribute their skills), (2) diversity and inclusion (workplaces where a diverse range of "human capital" plays an active role), and (3) performance-linked remuneration (workplaces where organizational objectives are achieved) to reality.



## Measures to control COVID-19 infections

In order that we can prevent the spread of COVID-19 infections in Japan and abroad, and ensure business continuity (BCP/BCM), we are (1) implementing measures to prevent the spread of infection among employees and (2) promoting and supporting

employees in working from home. We are developing new initiatives as required, such as in June 2020, conducting a questionnaire amongst all employees of domestic Group companies into their work style under a state of emergency.

**Ensuring the safety of employees, their families, and other stakeholders**

- Distributing masks and alcohol disinfectant to domestic and overseas employees (March 2020)
- Web system that tracks the health status of all employees (from April 2020)
- Payment of funds to support the fight against COVID-19 (May 2020)
- Establishment of new normal work allowance (in addition to support payments, provided for financial support such as for the purchase of sanitary products) (from September 2020)
- Subsidising the costs of self-funded PCR tests (to prevent the spread of infection in the workplace, when requested by business partners) (from September 2020)
- Hosting of an online health promotion seminar (September 2020)

etc.

**During/After COVID-19: promotion and support for employees working from home**

- Promoting usage of phone and web conferencing systems (from April 2020)
- Introducing in-house electronic seal (from September 2020)
- Publishing and dissemination of working-from-home guideline (from September 2020)
- Establishing working-from-home allowance (from October 2020)
- Promoting IT in each workflow aimed at implementing working from home

etc.

Underlined: Reflects the results of the questionnaire on work style under a state of emergency

**Business continuity (BCP/BCM)**

- Understanding the current global situation, and implementing countermeasures
- Develop BCP for each corporate department
- Ensure liquidity on hand in case of emergencies

For details and achievements of activities, please refer to the "For Employees and Their Families" Social Efforts section of the website. In the Social Efforts section, we introduce details and achievements of our human rights, customers, business partners, and social contribution activities.

**WEB** ▶ <https://www.hitachi-capital.co.jp/hcc/english/company/society.html>

# Fair Management — Governance Report —

## Corporate governance

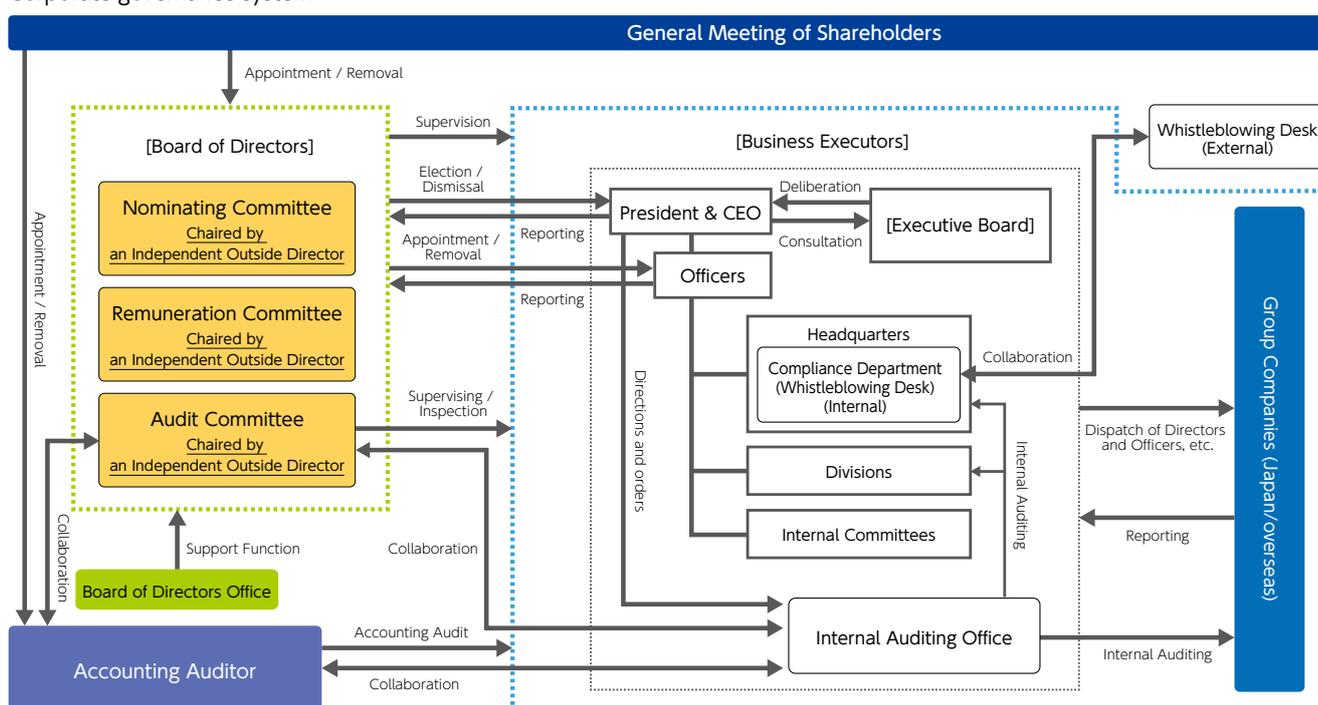
### Corporate governance system

By separating supervising functions and business execution functions in our management, Hitachi Capital aims to bring about a speedy and appropriate resolution of management issues we may face, now or in the future. We employ the company with Nominating Committee, etc. in order to form a part of management structure to enhance management transparency.

### Decisions on business execution

In order to enable prompt decisions on business execution and to maximize the allocation of the finite resources of the Board of Directors to oversight of business execution and the other unique functions of the Board of Directors, the Company efficiently delegates authority and delegates authority related to decisions on business execution to the extent permitted under the Companies Act to Executive Officers. In addition, the Executive Board has been established as an advisory organ for decision making by the President and Chief Executive Officer.

### Corporate governance system



### FY2019 overview of three Committees

Nominating Committee	Remuneration Committee	Audit Committee
<p><b>Objective:</b> Decisions on content of measures regarding the appointment and removal of the Board of Directors and the Executive Board</p> <p><b>Main agenda:</b></p> <ul style="list-style-type: none"> <li>• Appointment and removal of Board of Directors and composition of the three Committees</li> <li>• Selection of the Board of Consultants</li> <li>• Review of successor plan for the Chief Executive and CEO</li> <li>• Appointment and removal of Executive Officers</li> </ul> <p>Frequency: 13 times</p>	<p><b>Objective:</b> Decision on remuneration received by Directors and Executive Officers</p> <p><b>Main agenda:</b></p> <ul style="list-style-type: none"> <li>• Examination and design of performance-linked, share-based remuneration</li> <li>• Decision on Director remuneration</li> </ul> <p>Frequency: 13 times</p>	<p><b>Objective:</b> Supervision of duties of Executive Officers, and establishment of evaluation criteria of external Accounting Auditors and assessment of their qualifications and performance</p> <p><b>Main agenda:</b></p> <ul style="list-style-type: none"> <li>• Examination of risk to new businesses (particularly key businesses), irregular transactions in factoring transactions at Hitachi Capital Factoring (China) Co., Ltd.</li> <li>• Systematic and periodic audits of the Company and Hitachi Capital Group companies in accordance with the prescribed audit plan</li> </ul> <p>Frequency: 24 times</p>

Frequency of Committee meetings between April 2019 and March 2020

For details and the latest information, refer to our Corporate Governance Report (only in Japanese), Financial Information Details, and Governance webpages.

**WEB** ▶ <https://www.hitachi-capital.co.jp/hcc/english/company/governance.html>  
<https://www.hitachi-capital.co.jp/hcc/english/company/pdf/2020CorporateGovernance.pdf>

## Composition of Committees

Members of the three committees consisting of the Nominating Committee, Remuneration Committee, and Audit Committee should basically be outside directors (hereinafter, independent outside directors) who fulfill the independence judgment criteria specified by the Company. However, sometimes internal directors, who are familiar with the unique circumstances at the Company, may serve as members to enhance the effectiveness of the Committees in discharging their duties. Furthermore, in order to ensure both the independence of Business Executors from committee decisions and their objectivity, the Chairman of the committees are selected from independent outside directors.

## Activity status of the Board of Directors

In FY2019, the Board of Directors met 21 times.

The Board of Directors conducts a self-evaluation of effectiveness at least once a year. From FY2019, we further improved objectivity and neutrality by appointing independent outside directors to serve as chairman of the board as well as chair of the Nominating, Remuneration and Audit committees.

Independent Outside Directors 4	Outside directors who meet our standards for independence. The main role is to oversee business execution objectively from an independent perspective. The Company submitted the notification for independent officers specified by the Tokyo Stock Exchange for all independent outside directors.
Outside Directors 2	Although Outside Directors, those who do not meet our standards for independence. The main roles are to oversee business execution and provide advice that contributes to specific business objectives. Directors include officers, etc. who are also officers at the Company's main shareholders, and who are not reported as independent officers.
Internal Directors 2	Directors who have worked as an employee or Executive Officer at our Company. The main roles are to oversee effective business execution based on experience of business execution at the Company and to provide information to the independent outside directors and the outside directors on the Company's specific circumstances. Directors who serve concurrently as Representative Executive Officers have a role in enhancing the effectiveness of the Board of Directors by providing fresh information to the Board of Directors as the representatives of employees who execute business in addition to communicating the ideas of the Board of Directors directly to employee who execute business to realize speedy management.

## Board of Directors agenda items and number of meetings of the Board of Directors

Board of Directors agenda items		Breakdown (Time spent on each item (minutes) / Total time spent during board meetings (minutes))	
Corporate management/ Management strategy	Mid-Term Management Plan-related, creation of new business from the perspective of the SDGs*, review of the business portfolio, etc.	29.3%	
Reporting of each Committee	Nominating Committee and Remuneration Committee reports	5.9%	
	Audit Committee reports	9.1%	
Business management	Finance/Accounting/ Capital policy	Settlement-related, budget-related, dividends from surplus, finance-related, etc. 21.2%	
	ESG-related items	Social-related items: human capitals strategies, human capital development	6.0%
		Governance-related items: evaluation of Board of Directors effectiveness, corporate governance codes, regulations-related, general meeting of shareholders, appointment of officers, risk management, internal controls	22.0%
	Other: IT strategies, integrated reporting, dialog with shareholders, etc.	6.5%	
Number of times Board of Directors meeting held		21 times	

\* The new businesses discuss many proposals related to the environmental and energy businesses (ESG-related).

## Evaluation of effectiveness of the Board of Directors

### a Objectives and positioning

In order to achieve sustainable growth as well as increase corporate value over the medium to long term, we have established "Corporate Governance Standards," and are working to enhance our effective corporate governance system as well as strengthen its supervisory functions. We consider that an evaluation of the effectiveness of the Board of Directors is a key to it performing this important role.

### b Basic procedure

Each year, all Directors complete a questionnaire on the effectiveness of the Board of Directors, based upon which the Board of Directors conducts discussions aimed at improving its effectiveness. By having Directors complete this questionnaire that reflects changes in the management environment, we are able to identify the challenges facing the Board of Directors. This is incorporated in a repeated cycle of PDCA, of checking and implementing countermeasures to these challenges; thus, achieving continuous improvements in Board of Director effectiveness.

## Directors and Officers

Male 18, Female 1 (female ratio 5%)

Average age: 59

### Overview of the Board of Directors

Name	Attribution			FY2019 Board of Directors/ Committee Attendance Rate				Age	Term of office held	Common shares held*2	Main concurrent positions	Main areas expected of Directors		
	Independent	Outside	Internal	FY2019*1 Board of Directors meeting attendance rate (attended/held)	Committee meeting attendance rate (attended/held)							Corporate management/ Management strategy	Business management	
					Nominating Committee	Remuneration Committee	Audit Committee						Finance/ Accounting/ Capital policy	ESG- related
Koichiro Hiraiwa (Chairman of the Board of Directors Nominating Committee member*3)	○	○	—	100% (21/21)	100% (13/13)	100% (13/13)	100% (24/24)	70	5 years	1,200	Representative Director of Dream Estate Tokyo Inc.	○	○	
Wataru Sueyoshi (Nominating Committee Chairman/Audit Committee member/Remuneration Committee member*3)	○	○	—	100% (21/21)	100% (13/13)	100% (13/13)	100% (24/24)	63	4 years	500	Partner of SHIOMIZAKA (Law Firm)			○
Takashi Nakamura (Audit Committee Chairman*3)	○	○	—	100% (21/21)	100% (13/13)	100% (13/13)	100% (24/24)	64	3 years	300	—	○	○	
Yuri Sasaki (Remuneration Committee Chairman/Nominating Committee member/ Audit Committee member*3)	○	○	—	100% (21/21)	100% (13/13)	100% (13/13)	100% (24/24)	53	2 years	0	Dean, Faculty of Economics, Meiji Gakuin University Professor, Faculty of Economics, Meiji Gakuin University Director, JBA (the Japanese Bankers Associations) TIBOR Administration Expert Advisor, Financial System Council, Financial Services Agency			
Masahiko Hasegawa*3	—	○	—	—	—	—	—	55	—*4	—	Vice President and Executive Officer, in charge of Regional Strategies [Japan], General Manager and Deputy General Manager of Corporate Sales & Marketing Group, and CMO of Energy Sector, Hitachi Ltd.	○		○
Koichiro Oshima*3	—	○	—	—	—	—	—	54	—*4	—	Managing Executive Officer, Head of Financial Solutions Unit, Mitsubishi UFJ Financial Group, Inc. Managing Executive Officer, Head of Financial Solutions Group, Assistant to Group Head of Global Commercial Banking Business Group and Supervisory Executive of Global Markets Sales and Trading Division, Global Markets Division for the Americas, Europe, Middle East and Africa and Asia, MUFG Bank, Ltd. Managing Executive Officer, General Managing Officer of O&D Planning Division, Supervisory Executive of Global Markets Sales and Trading Division (Special Assignment), Deputy Global Head of Sales & Trading- Solutions, and International Supervision Executive of Capital Markets, Mitsubishi UFJ Securities Holdings Co., Ltd.	○		
Seiji Kawabe (Remuneration Committee member*3)	—	—	○	95.2% (20/21)	—	—	—	64	4 years	16,900	Representative Director of Japan Credit Information Reference Center Corp.			
Kiyoshi Kojima (Audit Committee member*3)	—	—	○	100% (21/21)	—	—	100% (24/24) Full-time Audit Committee member	61	3 years	21,900	—			

—: Not appointed

\*1 The term of office of Directors is from their appointment at the 62nd Ordinary General Meeting of Shareholders on June 26, 2019 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2020 held on June 29, 2020.

\*2 When the "number of shares held" is less than one *tangen* (unit stock): 100 shares, this is displayed as "0."

\*3 The Company is a company with Nominating Committees. The members of each committee are selected by the Board of Directors after their election at the Ordinary General Meeting of Shareholders.

\*4 Appointed as a member of the Board of Directors on June 29, 2020.

As of June 30, 2020

## Overview of Executive Officers

As of June 30, 2020

		Name Position	Age	Authority	Strategic responsibility	Division of duties	Responsible for	Committee	Common shares held
Financial industry knowledge	Group business	Seiji Kawabe Representative Executive Officer, President & CEO	64	Executive of company operations	CEO	Chief Executive		IT Strategy/Business Planning Promotion Committee Chairman	16,900
○		Seiichiro Kishino Representative Executive Officer, Executive Vice President and Executive Officer	64	Assists the operations of the President and CEO Acts on behalf of the President in the event that the President is incapacitated	CIO CISO	Assistant to President	Partnership Promotion Office, China Region, Risk Management Division, Digital Transformation Division	Export Controlling Committee Chairman	12,800
		Chihiro Shirai Senior Vice President and Executive Officer	61		—	Assistant to President	Corporate Strategy Division, ASEAN Region, Mobility Solutions Division	Investment and Marketing Planning Promotion Committee Chairman	5,800
		Kazumi Anei Senior Vice President and Executive Officer	59	Manages these business and corporate divisions	CMO	Head of Business Enhancement Division	Planning Division, Corporate Business Division (including Hitachi Capital Community Corporation), Account Business Division, Hitachi Group Business Division, Environment and Energy Business Division Europe Region and Americas Region	Environmental Promotion Committee Chairman	4,300
○		Satoshi Inoue Senior Vice President and Executive Officer	61		CFO	Head of Financial Division	Human Capital Division	Pension Committee Chairman	2,200
		Masao Takemoto Vice President and Executive Officer	60		—	Head of Hitachi Group Business			2,500
		Yoshikazu Ohashi Vice President and Executive Officer	58		CHRO	Head of Human Capital Division		Rewards and Punishments Committee Chairman Human Rights Promotion Committee Chairman Human Capital and Education Committee Chairman	4,600
○		Masashi Takeda Vice President and Executive Officer	56		—	Head of Corporate Strategy Division			900
		Tsuyoshi Sato Vice President and Executive Officer	57		—	Head of Partnership Promotion Office			600
		Masao Nishida Executive Officer	59		—	Chief Executive for ASEAN Hitachi Capital Asia Pacific Pte. Ltd., CEO & Managing Director			14,400
	○	Kazunori Hamazaki Executive Officer	55		—	Chief Executive for China Hitachi Capital Management (China) Ltd. Director Chairman Hitachi Capital (Hong Kong) Ltd. Director Chairman			700
	○	Shinji Tanaka Executive Officer	56	CRO (Officer responsible for quality assurance)	Head of the Risk Management Division		Crisis Management Committee Chairman ERM Committee Chairman J-SOX Committee Chairman	1,300	

—: Not appointed

## Remuneration for Executives

Under Hitachi Capital's policy in accordance with the stipulations of the Companies Act regarding a company with a nominating committee, etc., the Remuneration Committee decides on the amount of remuneration for Directors and Executive Officers for each individual. The basic policy is to realize enhancement in the Company's corporate value and management that contributes to the interests of stakeholders, including shareholders by enabling Directors to leverage their expected capabilities appropriately and Executive Officers to determine management policy not only in the short term but also from a medium-to-long term perspective and to plan and implement Mid-Term Management Plan and annual business budgets.

The compensation policy determined by the Remuneration Committee sets performance-linked compensation at a standard approximately 40% of the annual income. The specific compensation composition ratios and evaluation indices are reviewed annually by the Remuneration Committee. Moreover, the calculation of specific amount of remuneration is determined by the coefficient of variation specific to each Executive Officer based on prescribed standards of the Remuneration Committee as performance-linked remuneration and performance-linked stock remuneration have a range of fluctuations in order to enhance the incentive of the remuneration system.

### Performance-linked compensation of Executive Officers

	Remuneration category	Composition ratio	Evaluation indices	
1	Basic compensation	60%	—	
2	Performance-linked compensation	25%	Quantitative portion (80%)	1. Income before taxes (50%/100%)
				2. ROA (Return on assets/Profit before tax to total assets ratio) (30%/100%)
			Qualitative portion (20%)	Achievement of the three qualitative standards for each Executive Officer
3	Performance-linked, share-based remuneration	15%	Income before taxes (Mid-Term Management Plan target)	

### Targets and results in the FY2019 performance-linked, share-based remuneration indices

Indicator	Target	Result
Income before taxes	45 billion yen	42.5 billion yen
ROA	1.3%	1.3%
OHR	63.4%	61.9%

### Total amount of remuneration for Directors and Executive Officers

Executive category	Number of employees	Type of remuneration (million yen)			Total remuneration, etc. (million yen)
		Monthly remuneration	End-of-the year bonus and remuneration linked with achievements	Performance-linked, share-based remuneration	
Directors (of which, Outside Directors)	10 (8)	104 (68)	17 (8)	— —	121 (77)
Executive Officer	12	333	114	69	517
Total	22	437	132	69	639

(Note) 1. The number of Directors excludes one Director who serves concurrently as an Executive Officer.

2. The amount of remuneration for Directors includes monthly remuneration from April until the time of retirement and year-end bonus for three Directors who retired at the conclusion of the General Meeting of Shareholders held in June 2019.

3. The amount of monthly remuneration and performance-linked remuneration for Executive Officers include remuneration from April until the time of retirement for one Executive Officer who retired on August 5, 2019.

4. The performance-linked, share-based remuneration system grants a set number of points to Executive Officers during their term of office, and after the end of the Mid-Term Management Plan, through a trust they are issued shares of the Company (for non-residents, a sum corresponding to these) corresponding to the accumulated points. This performance-linked, share-based remuneration calculates the expected compensation for future share distribution in accordance with the expected points to be distributed for the current fiscal year, and states the amount that is to be expensed in the current consolidated fiscal year.

The Group has established the role of chief risk officer (CRO) to oversee all matters related to Hitachi Capital's risk management and compliance. Moreover, we have strengthened our stance towards information security management by creating the role of chief information security officer (CISO), who oversees all matters related to information security risks.

## Risk management

The Group has formulated the Risk Management Policy and Credit Risk Management Policy to clarify basic management policies and methods for addressing risks.

In order to ensure sound and effective management, we also accurately identify risks that impact our business, and position risks that could have a significant impact on our operations as "risks to be managed." Our basic philosophy is to properly manage our Group's risks by establishing in advance policies, methods, and measures for each risk to be managed, according to their characteristics.

For these risks, we have established a Risk Management Department in order to manage each individual risk, as well as a Risk Control Department that oversees the Group's risk management. Lastly, we have established an Enterprise Risk Management (ERM) committee with the aim of improving the effectiveness of risk management. This is chaired by the Manager of the Risk Management Division, and comprises General Managers of Head Office Divisions and related departments. The ERM Committee receives reports on risk management and other activities from related departments, shares information among the departments, and discusses the necessary issues regarding these activities. In addition, the committee regularly reports to the Executive Committee, the Audit Committee, and the Board of Directors on the status of risk management implementation for the entire company.

Every month, the ERM Committee handles (1) management of the management risk level based on the risk map, (2) reports on the registration status of accident information in Japan and overseas and the operation status of the Accident Investigation Committee, (3) reports on information security-related information and activities, (4) reports on the status of customer inquiries and complaints, (5) reports on the status of internal audit findings, (6) reports on the status of responses to inspections by government and external organizations, and (7) reports on legal trends and compliance activities, etc., discusses company-wide information sharing and discussions on countermeasures, and if needed reviews the impact of and prioritization of risks. In risk management, we are creating a risk map and managing risk levels according to the PDCA cycle in order to discover potential risks and promote countermeasures. "Bottom-up risks" based on the risk maps created by each division and company, and "management risks" which integrate the top-down risks identified by management are set each year, and we are promoting consolidated/global-based risk management in line with a risk-based approach. Furthermore, we have introduced the "Three Lines of Defense" based on the COSO framework\* and implemented a checking and monitoring system that is carried out by respective departments on themselves, as well as by the risk management and auditing departments. The status of management of these risk levels is reported to the Board of Directors annually for review.

\* A generally accepted framework for evaluating internal controls created by the American Committee of Sponsoring Organizations (COSO) of the Treadway Commission in 1992.

## Compliance

The Group has established the "Code of Conduct" and "Hitachi Capital Global Compliance Program Framework Policy," positioning these as the highest-level policies for promoting the compliance structure, and based on these has established the "Compliance Policy," "Policy on Anti-Social Forces," and others.

Based on internal control resolutions, the Group has established the Global Incident Reporting System (GIRS) for appropriate reporting when abnormal transactions (including significant damages, fraudulent transactions, and transactions with antisocial forces) occur. Matters reported by GIRS are coordinated with the ERM Committee and other committees to ensure that necessary measures based upon appropriate management are taken.

Additionally, at all Group companies and company departments, a compliance survey is conducted every six months into the status of misconduct incidents and lawsuits, the status of the whistleblowing systems, the status of disciplinary action, the status of bribery prevention measures, the status of compliance with competition laws, and the status of the exclusion of anti-social forces and money laundering that have occurred in the previous six months; we make efforts to ensure we have accurate information on unusual transactions and similar; and we report the results of these investigations to the ERM Committee and the Executive Committee and Board of Directors.

In fiscal 2019, there were no significant financial or non-financial (human resources and supply chain initiatives, and environmental initiatives) violations of laws or regulations by the Group or by its employees.

## Information security system

The Group has established its "Information Security Policy" and "Personal Information Protection Policy," and has established internal regulations that are consistent with the international standard (ISO/IEC 27001: 2013) of the Information Security Management System (ISMS). We are also working on various initiatives related to information security so that our customers can use our services with confidence. In particular, since fiscal 2019, we have been promoting working from home in order to reform work styles and help prevent the spread of new COVID-19 infections, and by increasing employee sensitivity to information security, are preventing information leakage incidents.

Please refer to the "Risk Management," "Compliance," and "Information Security" pages for details and the latest information.

**WEB** Risk management

<https://www.hitachi-capital.co.jp/hcc/english/company/governance.html#tab01>

**WEB** Compliance, Information security

<https://www.hitachi-capital.co.jp/hcc/english/company/governance.html#tab02>

# Financial Information (Excerpt)

For the latest and more detailed financial information, please check the IR information on our website, as well as the "Securities Report" (Japanese) and "Financial Information Details" (English).

**WEB** ▶ [https://www.hitachi-capital.co.jp/hcc/english/ir\\_english/index.html](https://www.hitachi-capital.co.jp/hcc/english/ir_english/index.html)

Accounting Standards	IFRS				
Item	Fiscal year	FY2016	FY2017	FY2018	FY2019
Financial results (million yen)					
Revenue		370,860	404,124	453,253	464,020
Income before taxes		46,033	44,295	32,706	42,526
Net income attributable to owners of the parent		32,926	32,057	19,363	30,693
Volume of business		2,334,252	2,509,327	2,745,094	2,186,490
Year-end financial position (million yen)					
Total assets		3,245,029	3,468,756	3,772,784	3,719,474
Total liabilities		2,881,851	3,075,649	3,382,365	3,323,460
Total equities		363,178	393,107	390,418	396,013
Cash flows (million yen)					
Cash flows from operating activities		- 142,653	- 219,623	- 176,507	130,021
Cash flows from investing activities		- 52,388	- 36,681	- 56,268	- 15,741
Cash flows from financing activities		216,105	253,577	277,131	- 65,623
Corporate management indices					
ROE (Profit to equity attributable to owners of parent ratio)		9.6%	8.8%	5.1%	8.1%
ROA (Operating assets balance to Profit before tax ratio)		1.5%	1.4%	1.0%	1.3%
OHR (Overhead Ratio)		60.7%	60.9%	59.0%	61.9%
Equity ratio/Equity attributable to owners of the parent ratio		10.8%	10.9%	10.0%	10.2%
Per share information, etc. (yen)					
Equity per share attributable to equity owners of the parent		2,933.03	3,241.24	3,230.95	3,260.23
Net income attributable to owners of the parent per share		281.69	274.26	165.69	262.67
Dividends per share*		86	86	46	110
Payout ratio (Consolidated)*		30.5%	31.4%	27.8%	41.9%

\* Dividends per share and payout ratio are calculated based on ordinary dividends only, excluding special dividends.

# Non-Financial Information (Excerpt)

For more detailed non-financial information, please refer to the CSR policies and activities on our website.

**WEB▶** [https://www.hitachi-capital.co.jp/hcc/english/company/csr\\_index.html](https://www.hitachi-capital.co.jp/hcc/english/company/csr_index.html)

The data has been prepared and updated with information available as of the date of publication.

Item	Fiscal year	FY2016	FY2017	FY2018	FY2019
Environment					
Volume of CO <sub>2</sub> Emission (Scope 1 Emissions)		4,056t-CO <sub>2</sub> e	2,660t-CO <sub>2</sub> e	2,386t-CO <sub>2</sub> e	2,389t-CO <sub>2</sub> e
Volume of energy except electricity, such as kerosene and gasoline (Scope 1 Emissions)		60,999GJ	44,432GJ	39,790GJ	38,557GJ
Volume of CO <sub>2</sub> Emissions (Scope 2 Emissions)		5,311t-CO <sub>2</sub> e	5,920t-CO <sub>2</sub> e	4,909t-CO <sub>2</sub> e	4,712t-CO <sub>2</sub> e
Volume of electrical energy use (Scope 2 Emissions)		104,252GJ	99,031GJ	96,886GJ	92,511GJ
Volume of CO <sub>2</sub> Emissions (Scope 3 Emissions)		32,488 t-CO <sub>2</sub> e	83,799 t-CO <sub>2</sub> e	61,141 t-CO <sub>2</sub> e	50,786t-CO <sub>2</sub> e
Volume to contribute to reduce CO <sub>2</sub> emissions by our renewable energy plant* <sup>1</sup>		126,510 t-CO <sub>2</sub> e	208,429 t-CO <sub>2</sub> e	250,321 t-CO <sub>2</sub> e	272,059 t-CO <sub>2</sub> e
Society					
Number of employees (consolidated basis)		5,337	5,390	5,558	5,643
Percentage of women employees		36%	35%	37%	38%
Percentage of women in management positions* <sup>2</sup>		18%	16%	29%	22%
Total expenses of social contribution activities (million yen)* <sup>3</sup>		57.9	35.5	65.8	79.7
Governance					
Outside Directors* <sup>4</sup> (of which, Independent Outside Directors) * <sup>4</sup>		6 (4)	8 (4)	8 (4)	6 (4)
Internal Directors* <sup>4</sup>		3	3	3	2
Number of whistleblowing cases		9	24	24	33

\*1 Annual power generation from renewable energy in the Group's environment/energy business is converted into the relevant CO<sub>2</sub> emissions based on "Act on Promotion of Global Warming Countermeasures."

\*2 Equivalent to section chief or higher.

\*3 Expenses include monetary and goods donations, and employee participation.

\*4 The number of directors is as of the resolution date at the Ordinary General Meeting of Shareholders for each year.

# Stock Information

## Share price trend over the past 5 years

Term	59th	60th	61st	62nd	63rd
Settlement date	March, 2016	March, 2017	March, 2018	March, 2019	March, 2020
Max. (yen)	3,570	3,050	3,245	3,285	3,280
Min. (yen)	2,189	1,725	2,444	2,130	1,705

\* Maximum and Minimum of Share price in the first section of the Tokyo Stock Exchange.

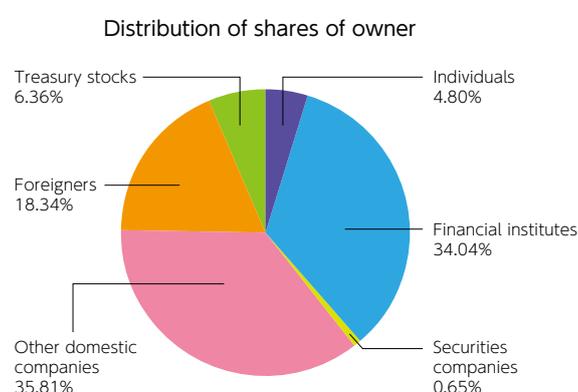
## Stock Information (as of March 31, 2020)

Total number of authorized shares: 270,000,000

Total number of issued shares: 124,826,552

Number of shareholders: 8,913

One unit stock: 100 shares



## Major shareholders (top 10)

Shareholder Name	Shares Held	Shareholding Ownership Ratio (%)
Hitachi, Ltd.	39,031,800	33.39
Mitsubishi UFJ Financial Group, Inc.	26,884,484	23.00
Mitsubishi UFJ Lease & Finance Company Limited	4,909,340	4.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,760,200	3.22
Japan Trustee Services Bank, Ltd. (Trust Account)	3,575,100	3.06
GOLDMAN SACHS INTERNATIONAL	2,180,116	1.87
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,637,164	1.40
STATE STREET BANK AND TRUST COMPANY 505001	1,190,147	1.02
JP MORGAN CHASE BANK 380684	1,152,500	0.99
CREDIT SUISSE SECURITIES (USA) LLC SPCL. FOR EXCL. BEN	1,098,469	0.94

\* Our 7,940,875 treasury shares are excluded from the above list of major shareholders.

\* The shareholding ownership ratios shown above were calculated without these treasury shares.

# External Evaluations

## Bond issue ratings (as of March 31, 2020)

We have held the AA bond rating from Standard & Poor's (S&P) continuously since becoming the first in the leasing and credit industry to acquire this rating in 1989.

Rating agency	Long-Term	Short-Term
Standard & Poor's (S&P)	A <sup>-</sup>	A-2
Moody's	-	Prime-2
Japan Credit Rating Agency (JCR)	AA <sup>-</sup>	J-1+
Rating and Investment Information (R&I)	A <sup>+</sup>	a-1

## Selected representative ESG (Environment, Social and Governance) indices

We have been adopted as a constituent of the following indices that reflect outstanding corporate performance on ESG.

FTSE Russell	FTSE4Good Index Series / FTSE Blossom Japan Index   FTSE4Good      FTSE Blossom Japan
MSCI	MSCI Japan ESG Select Leaders Index <b>2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</b> MSCI Japan Empowering Women (WIN) Select Index <b>2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</b>
S&P/JPX	S&P/JPX Carbon Efficient Index 

## Recognized as one of the highest ranking companies by the Development Bank of Japan in Environment Rating

In March 2020, the Development Bank of Japan ("DBJ") granted us a loan under DBJ Environmentally Rated Loan Program, and we were rated as "particularly advanced in the commitment to environmental considerations."



## "Tokyo Forest Improvement Contribution Certification System" Certification

In May 2020, our initiatives in "The Forest of Hitachi Capital Group (Hachioji City, Tokyo)" in which the Hitachi Capital Group participates as part of its social contribution programs, were recognized and certified under the "Tokyo Forest Improvement Contribution Certification System" by Tokyo Metropolitan Government.



## "Outstanding Health & Productivity Management Enterprise 2020 (Large Enterprise Category)" Certification

In March 2020, we were certified as an "Outstanding Health & Productivity Management Enterprise 2020 (Large Enterprise Category)" in the "Certified Health & Productivity Management Outstanding Organizations Recognition Program" designed by the Ministry of Economy, Trade and Industry, and certified by the Nippon Kenko Kaigi.



## Received "Platinum Kurumin" Certification

In August 2019, we received "Platinum Kurumin" certification from the Minister of Health, Labour and Welfare as a company that provides outstanding support for childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children.



## Registered for the Consumer Affairs Agency's "Whistleblowing Compliance Management System Certification" (Declaration of Conformity Registration System)

In October 2019, our system was registered based on the development and operation of the "Employee Voice," which is the Hitachi Capital Group's whistleblowing system.





Company Profile (March 31, 2020)

Company Name:  **Hitachi Capital Corporation**

Address of Headquarters: Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan

Management: Seiji Kawabe, President & CEO

Founded: September 10, 1957

Capital: 9,983 million yen

Consolidated number of employees: 5,643

Consolidated volume of business: 2,186,490 million yen

Consolidated total assets: 3,719,474 million yen

Consolidated total equity: 396,013 million yen

Listed Stock Exchanges: First Section of Tokyo Stock Exchange, Inc.