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# Hitachi Capital's Management Plan for Further Sustainable Growth

— Status of “Growth Stage” and Action Plan —

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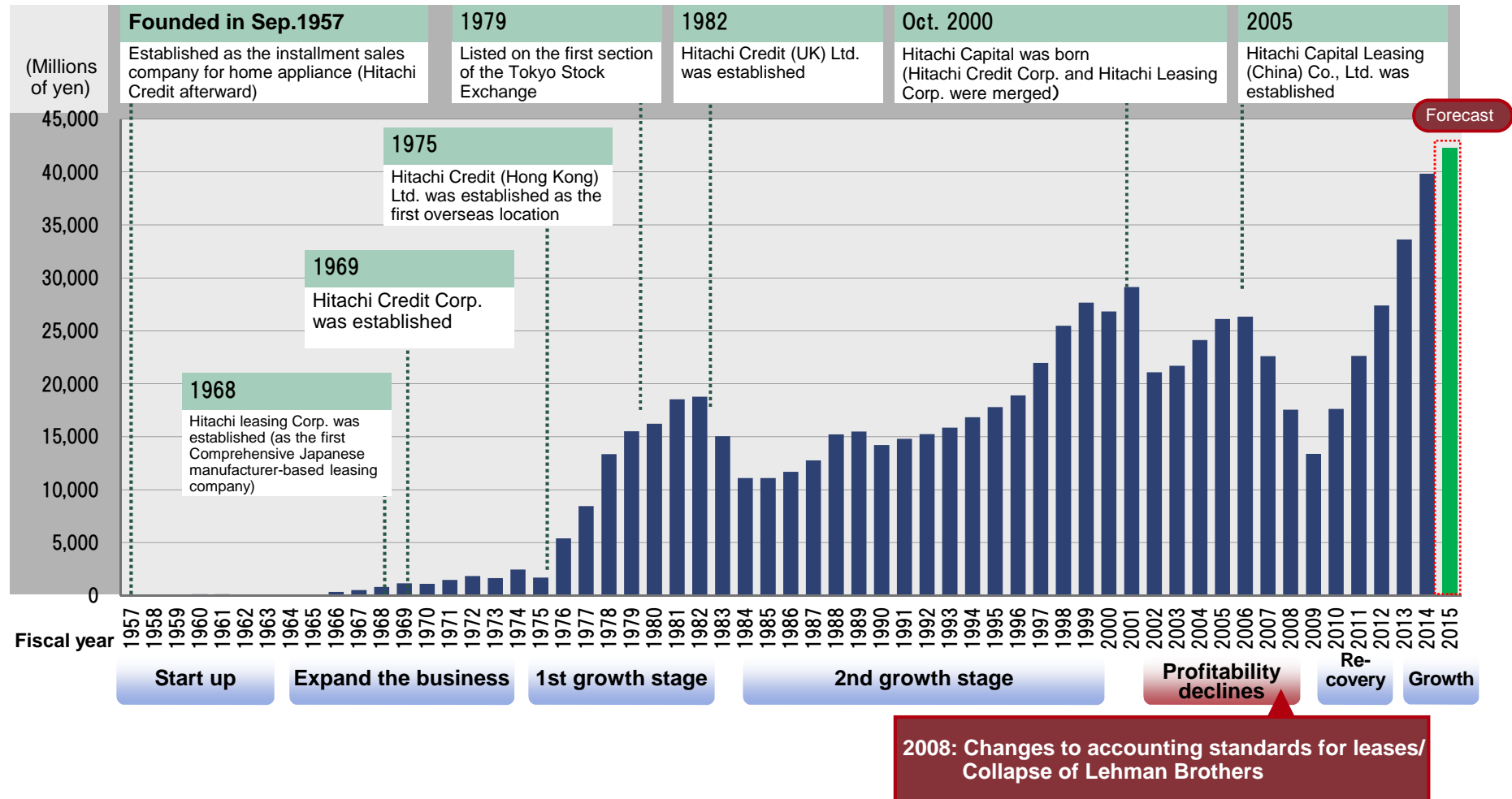
# 1-1 Outline

<b>Company name</b>	<b>Hitachi Capital Corporation</b>	
<b>Representative</b>	<b>President &amp; CEO Kazuya Miura</b>	
<b>Established</b>	<b>September 10, 1957</b>	
<b>Capital</b>	<b>¥9,983 million</b>	
<b>Consolidated results (FY2014)</b>	<b>Volume of business</b>	<b>¥2,118,850 million</b>
	<b>Revenues</b>	<b>¥143,341 million</b>
	<b>Operating income</b>	<b>¥38,349 million</b>
<b>Credit ratings</b>	<b>S&amp;P: A-, R&amp;I: A+, JCR: AA-</b>	
<b>Consolidated subsidiaries</b>	<b>Japan 14, Overseas 16 (As of March 31, 2015)</b>	
<b>Stock listing</b>	<b>First Section of Tokyo Stock Exchange</b>	
<b>Major shareholders</b>	<b>Hitachi Group (60.49%)</b> -Hitachi, Ltd. (58.50%) -Hitachi High-Technologies Corporation (1.99%)	

# 1-2 Business Results / Events

## Ordinary Income since established

### Continuous profits since year 3



## “Offer optimal solution” and “Contribute to local community”

### Diverse “functions”

- Offer a wide range of services as finance leasing, receivable collection, credit guarantees, insurance, trust services to meet clients' needs

### Locally based sales

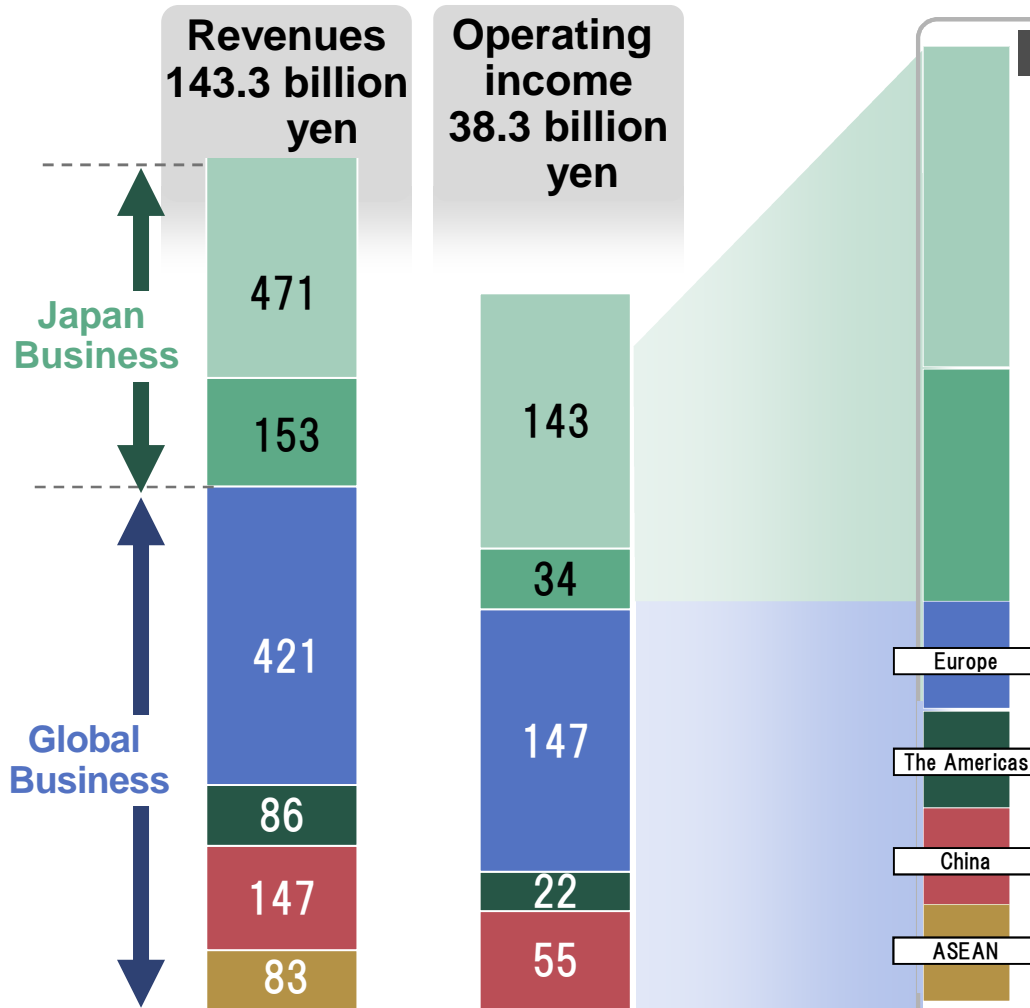
- Focus on local market needs by promoting thorough localization

### Being integral part of Hitachi Group, unified strength at group level

- Strive to provide solutions as “One Hitachi”, make Hitachi Group more competitive and Hitachi brand more valuable

# 1-4 Business Overview

## Revenues and operating income by segment (FY2014)



### Financial services by segment

#### Account Solution

Meet various customers' needs by combining our functions such as lease, insurance and trust and financial services in collaboration with the Hitachi Group

#### Vendor Solution

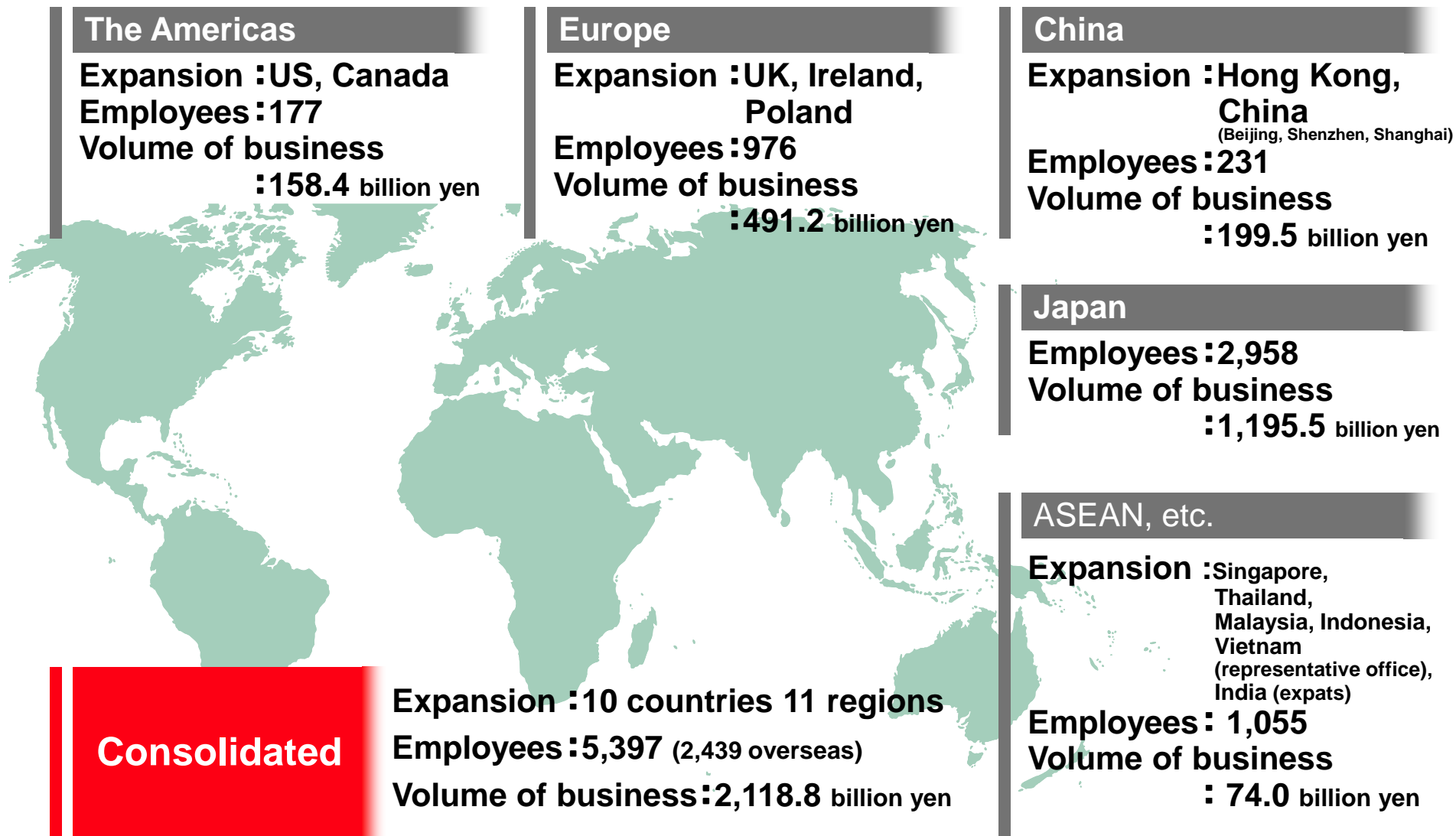
Meet vendors' needs for sales promotion by providing lease and loan services

#### Europe / The Americas / China / ASEAN

Provide customers and vendors in each area with wide range of financial services that meet their needs and financial services in collaboration with the Hitachi Group

\*"Others/adjustments" are recorded as non-reporting segment items.  
Revenues: +6.8 billion yen Operating income: -2.4 billion yen

# 1-5 Global Network



\*Volume of business, employees: as of March 31, 2015

### Transforming the Company into a “High-Profit Enterprise” to Achieve Sustainable Growth

**Transformation**

**Continuous structural transformation  
into “competitive management base”**

**Achieve growth  
strategies**

**“Offer optimal solution” and  
“Contribute to local community”**

**Strengthen  
management base**

**Focus on “quality” as the base  
for competitive advantage**



## The Hitachi Capital Group's Strengths

### Diverse functions

Receivables collection, credit guarantees, insurance, trust services

### Hitachi Group

One Hitachi: synergy, brand

### Locally-based solutions

Localized operations, business partners

## Transformation

(Continuous structural transformation into a highly competitive management base)

### Japan Business

Improve profitability by transforming business model

- Synergy effect by Hitachi Group Business
- Expand the business in growing area by market-led approach, cultivating new business, establish No.1 position in niche market

### Hitachi Group Business

- Accelerate the growth strategies collaborating with Hitachi Group as its common strategy
- Strengthen capabilities for providing solutions under "One Hitachi" concept
  - Sophisticate financial services
  - Expand business area for globalization

### Global Business

Pursue true globalization

- Synergy effect by Hitachi Group Business
- Enhance localized operations
- Risk Management

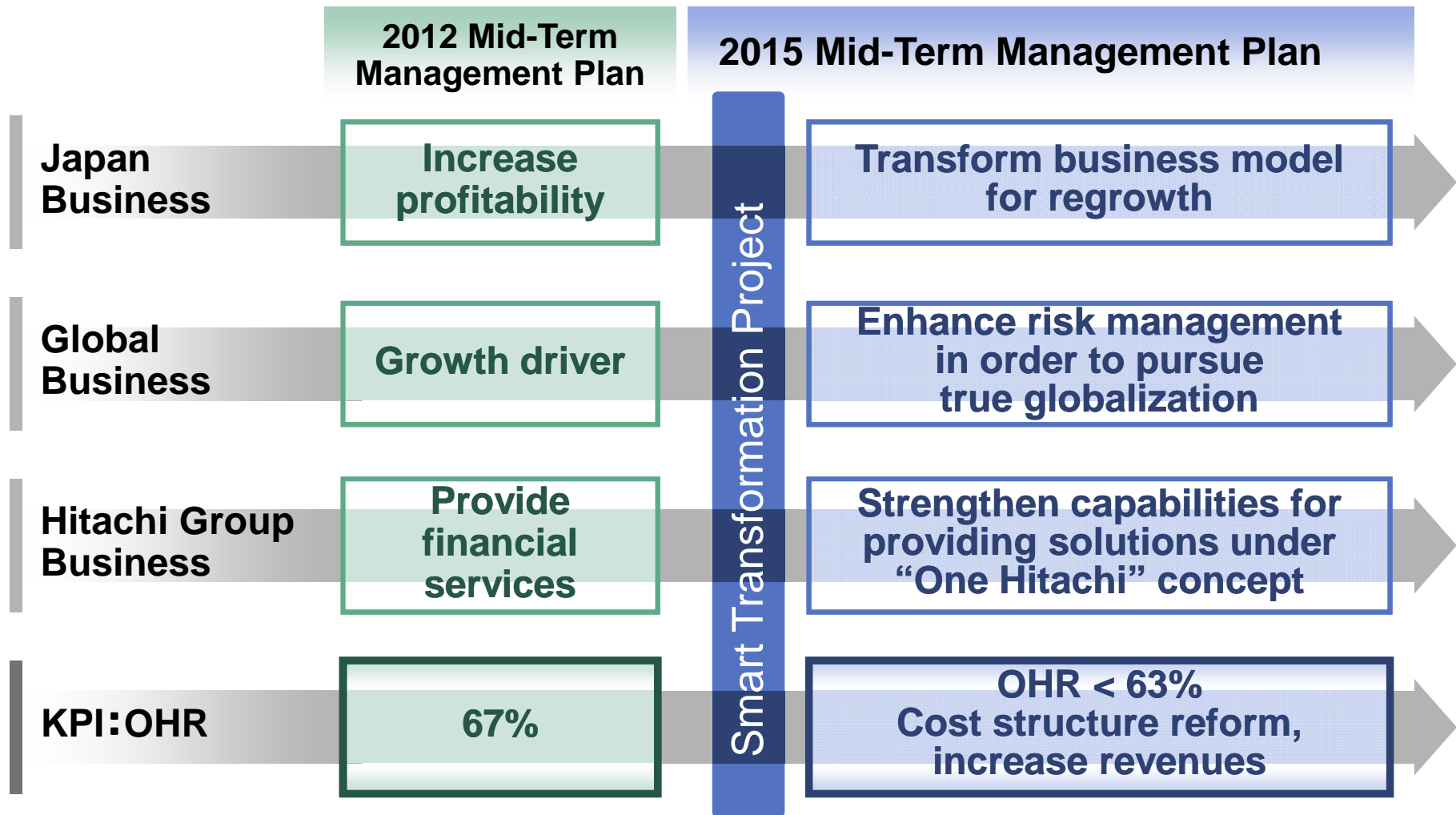
Achieve growth strategy

Strengthen management base

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

# 2-3 Transformation

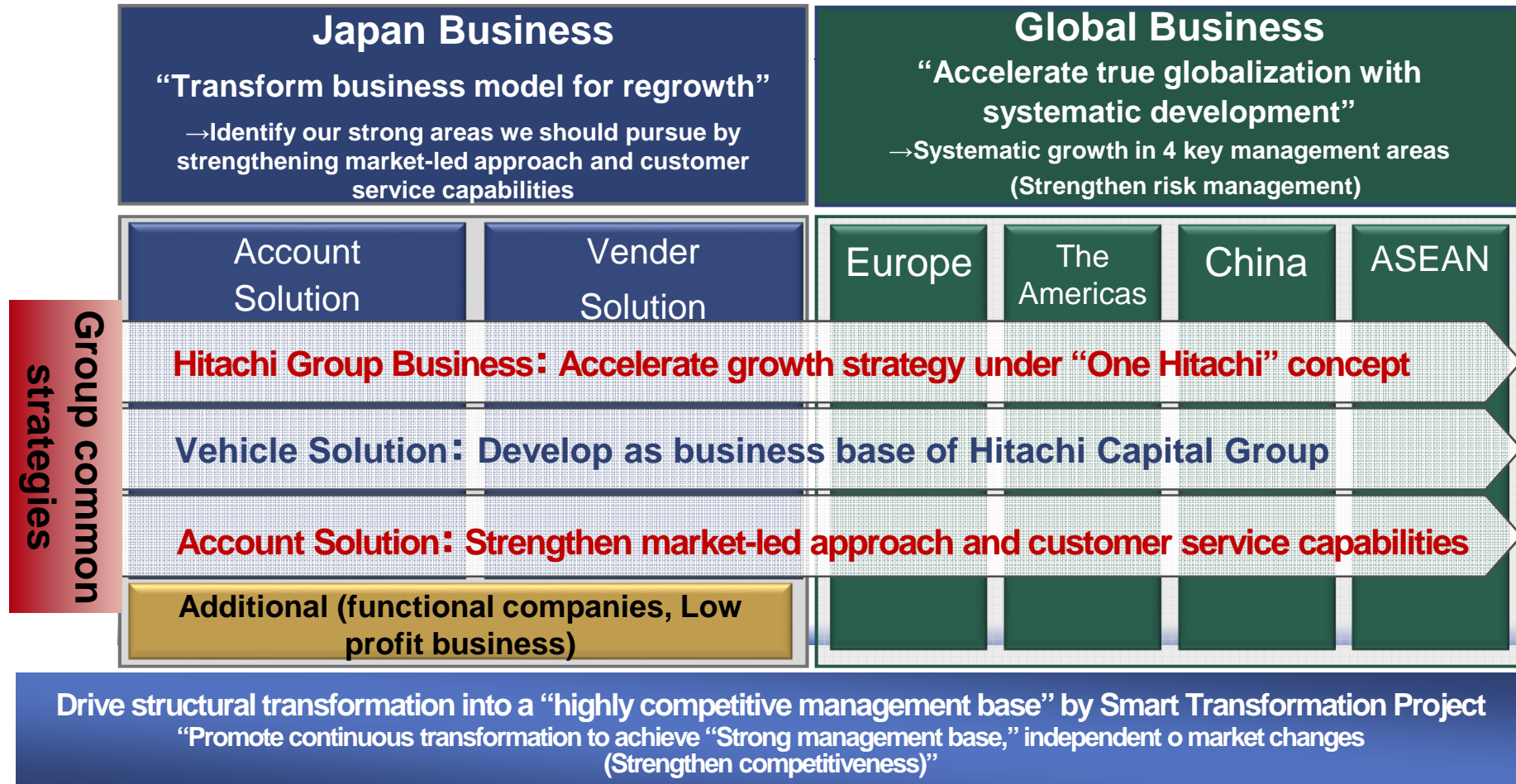
Continuous structural transformation into a highly competitive management base



## 2-4 Business Strategies (Outline)

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

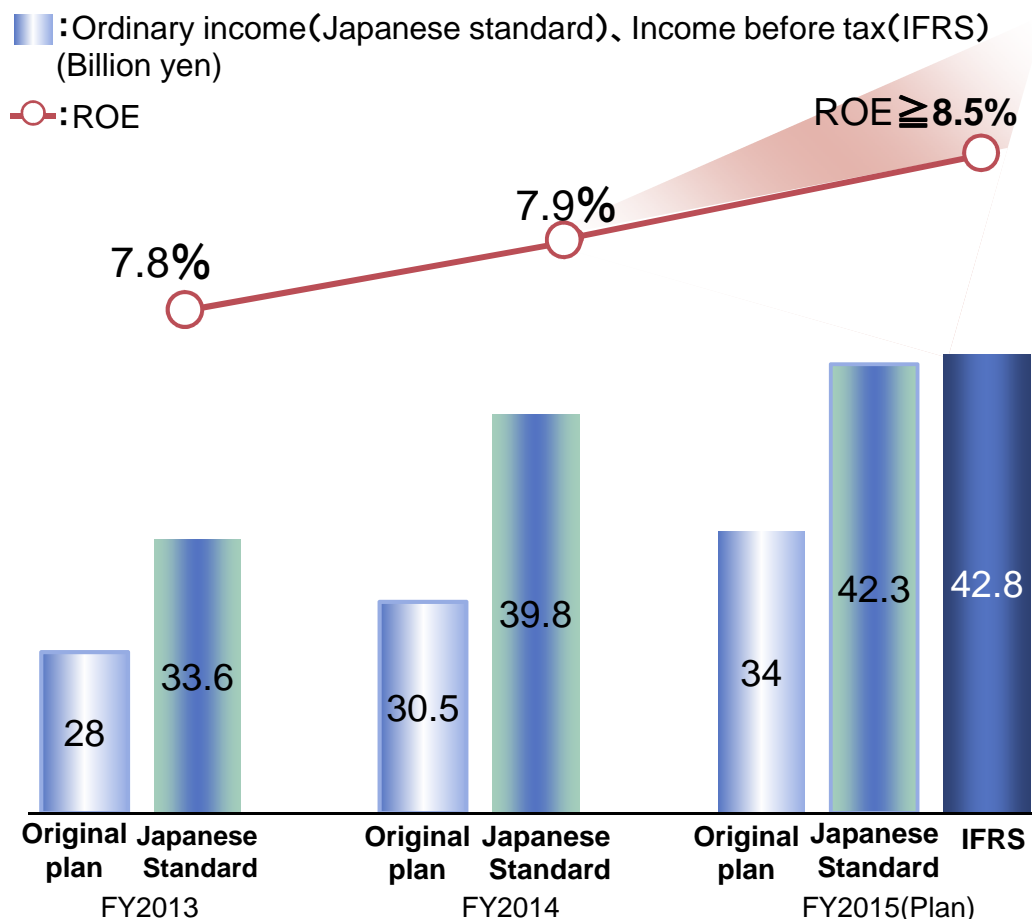
### Regional Strategy (Segment)



# 3-1 Progress toward 2015 Mid-Term Management Plan (Ordinary Income / ROE / OHR)

2015 Mid-Term Management Plan (growth stage) made a solid progress and its target was revised upward

## Ordinary income / ROE



## 【 FY2015 Target and Status 】

	FY2013 (Result)	FY2014 (Result)	FY2015 (Target)
ROE	7.8%	7.9%	8.0% ↓ ROE ≥ 8.5%
Ordinary Income (Billion yen)	<u>33.6</u>	<u>39.8</u>	<u>38.0</u> ↓ <u>42.3</u>
OHR※	66.9%	64.5%	OHR < 63%

\* OHR (overhead ratio) = SG&A (selling, general and administrative expenses - bad debt expenses) / (revenues - financing costs)

## IFRS (pro forma amount)

	FY2013	FY2014	FY2015 (Target)
ROE	7.6%	7.7%	ROE ≥ 8.5%
Ordinary Income (Billion yen)	<u>33.1</u>	<u>35.5</u>	<u>42.8</u>
OHR※	65.1%	63.1%	OHR < 63%

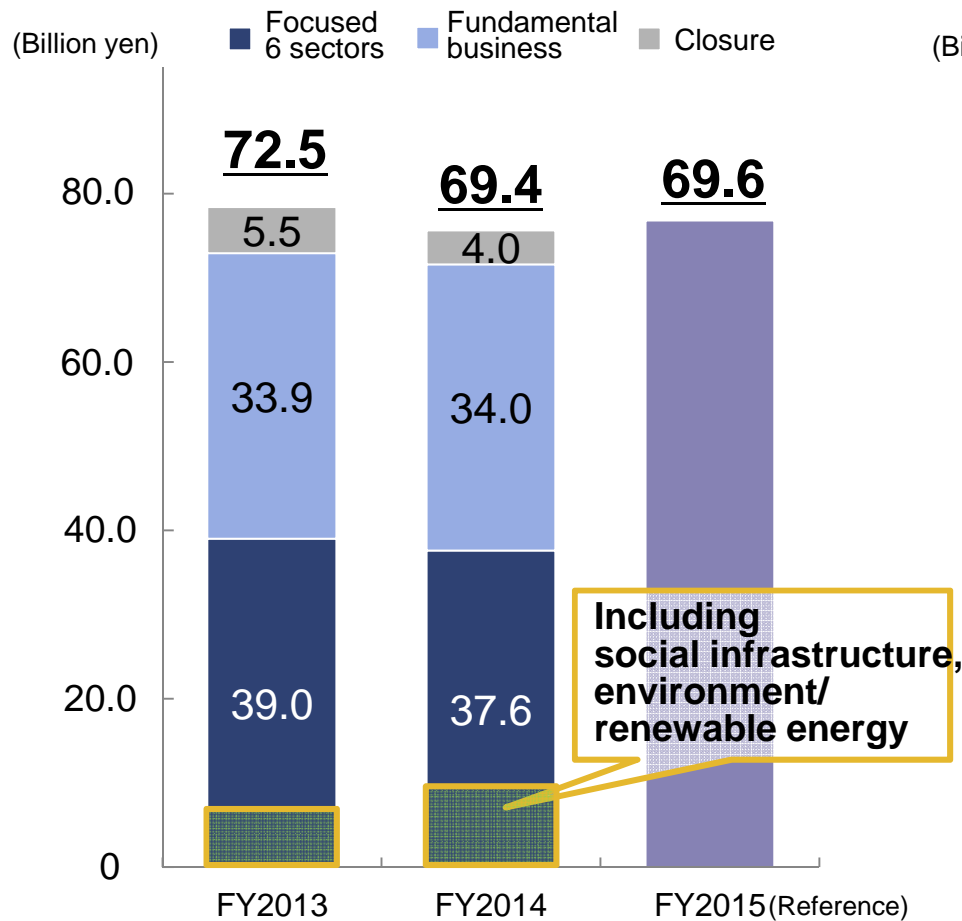
\* OHR (overhead ratio) = SG&A / Gross Income

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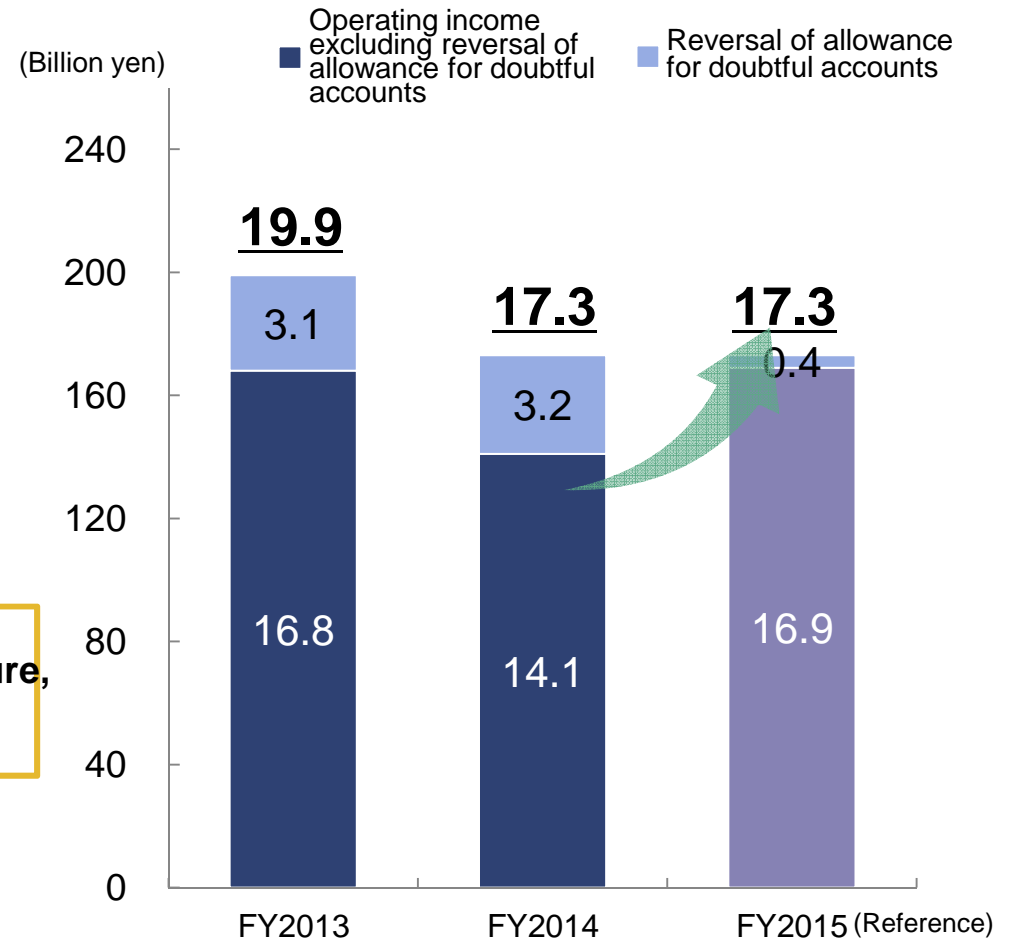
# 3-2 Regional Strategy ( Japan Business – Business Results )

**Solid re-growth by business selection and concentration and strengthening management base**

**Revenues (J-GAAP)**



**Operating income (J-GAAP)**



### 3-3 Regional Strategy ( Japan Business – 6 focused sectors )

Focused sectors	FY2015 Targets	FY2014 results	Self Evaluation	Preparation	Actions in FY2014
Social infrastructure	Volume of business (Accumulated) <u>220.0 billion yen</u>	201.1 billion yen	Excellent	Excellent	<ul style="list-style-type: none"> <li>Enhance real estate lease business (e.g. logistics facilities) and PPP/PFI capability through collaboration with the Hitachi Group and using the Company's know-how</li> </ul>
Environment and Renewable energy	Amount of Power Generation (Accumulated) <u>350 MW</u>	255MW	Good	Excellent	<ul style="list-style-type: none"> <li>4 solar power plants started operations (10.7MW). Wind power generation business also showed solid expansion</li> </ul>
Vendor finance	Volume of business 150.0 billion yen	131.4 billion yen	Need to improve	Need to improve	<ul style="list-style-type: none"> <li>Increased business except copier machine field (provide system services, etc.)</li> <li>Enhanced solution proposals to major vendors (asset holding, receivables management)</li> </ul>
Auto leasing	Number of Vehicles <u>100 thousand</u>	93 thousand	Need to improve	Good	<ul style="list-style-type: none"> <li>Strengthened synergy effects with Mitsui Sumitomo Auto Service in front capability and operations (Enhanced the BPO function of vehicle total management)</li> </ul>
Health care	Volume of business 50.0 billion yen	31.7 billion yen	Need to improve	Good	<ul style="list-style-type: none"> <li>Enhanced collaboration with the Hitachi, business in nursing care sector, and cultivation of new business including BPO service for hospitals</li> <li>Increased business of second hand medical equipment</li> </ul>
Agriculture	Volume of business 50.0 billion yen	33.7 billion yen	Need to improve	Need to improve	<ul style="list-style-type: none"> <li>Enhanced the efforts in "6th industrialization" (Collaboration with producers and distributors)</li> </ul>

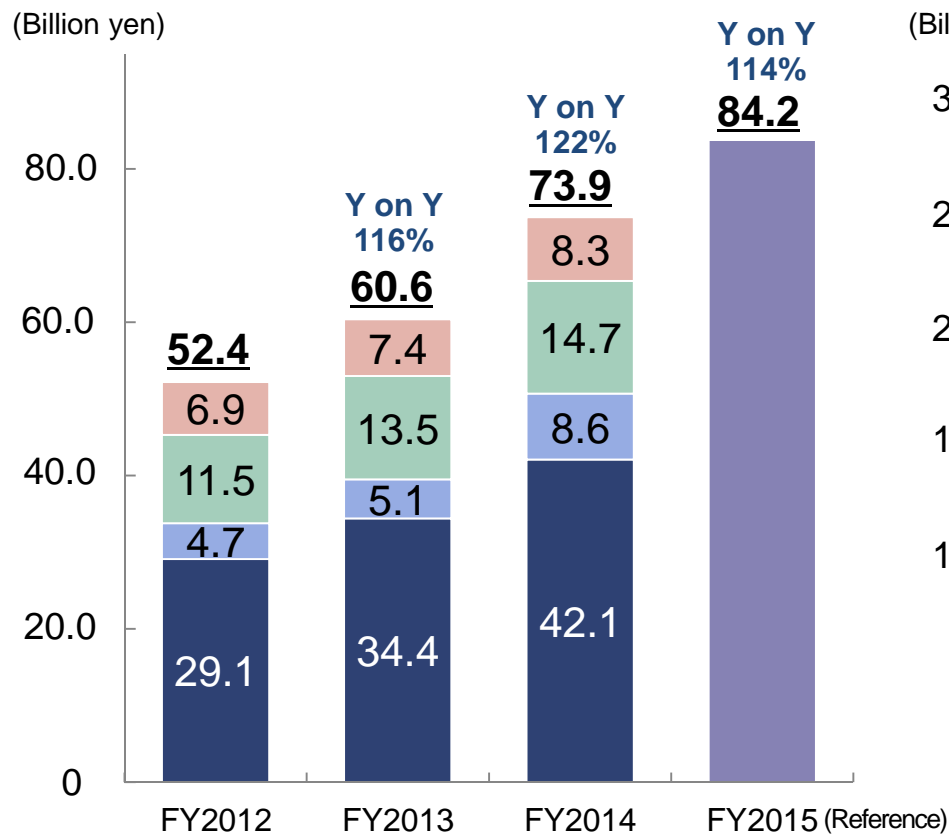
# 3-4 Regional Strategy ( Global Business – Business Results )

## Solid progress toward sustainable growth based on Europe business

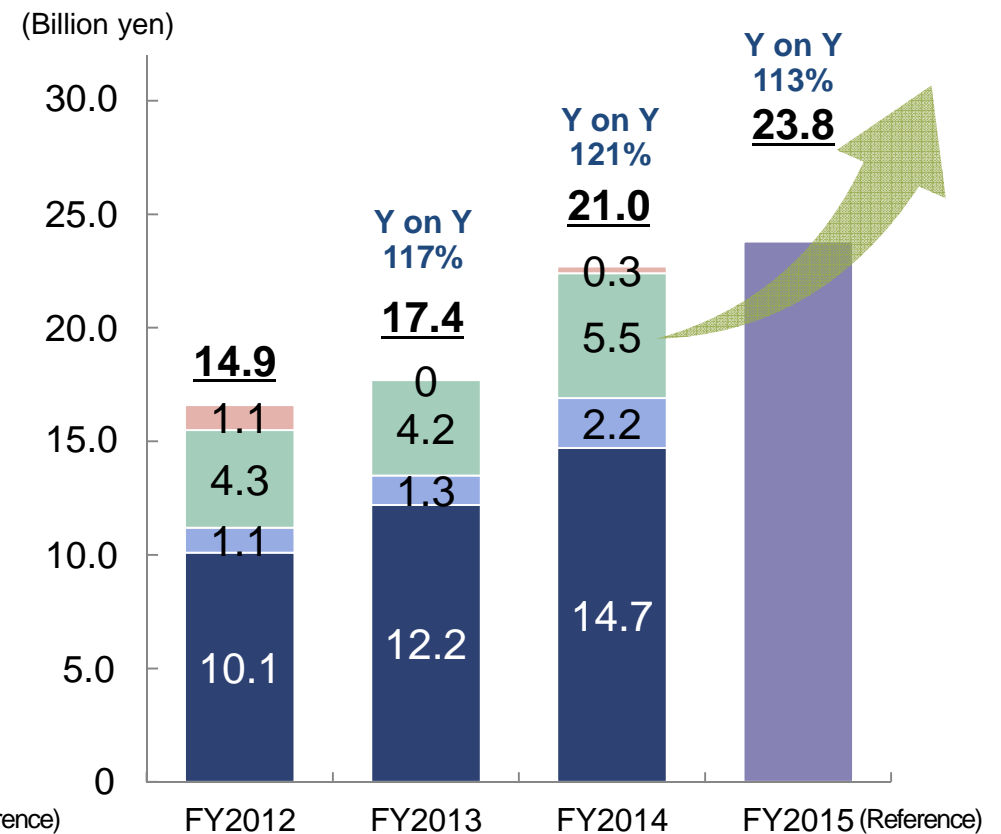
### Revenues (J-GAAP)

### Operating income (J-GAAP)

■ Europe    ■ The Americas    ■ China, Hong Kong    ■ ASEAN



(Note) Figures in FY2012 and 2013 were calculated with FX rate in FY2014



(Note) Figures in FY2012 and 2013 were calculated with FX rate in FY2014. Include Others/Adjustments



## Business Environment

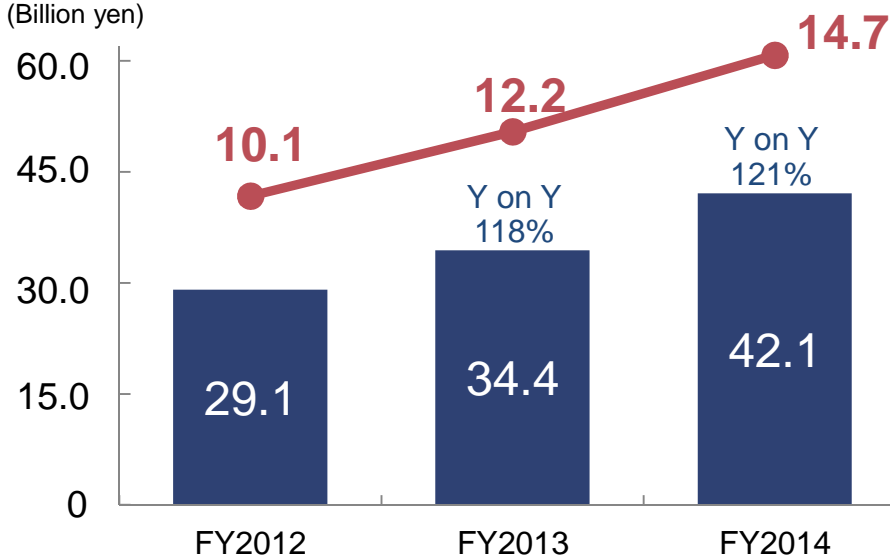
- Lehman shock in 2008 caused competitors including banks to scale down or withdraw from the market
- Current: Continued strong UK economy (strong purchasing power) Favorable financing environment due to monetary-easing policies Competitors started reentering the market, but not on a full scale
- Risk: Financial instability in Europe, interest rate rise, re-entrance of competitors

## Business

- Consumer division (Furniture, Home renovation, Auto loan, etc.)
- Corporate division (Finance to agriculture and corporations, etc.)
- Vehicle solution (Provide vehicle-related solutions)

## Revenues (bar) / Operating income (line)

(Billion yen)



(Note) Figures in FY2012 and 2013 were calculated with FX rate in FY2014

## Topics in FY2014/Future initiatives

### 【Main topics】

- Steady growth in UK business
- Started Vehicle Solution business in Poland (April 2014)
- Promoted Hitachi Group Business in Europe through collaboration with third-party financial institutions

### 【Future initiatives】

- “Steadily implement growth strategy for sustainable growth”
- Develop new business (increase business for commercial vehicles, auto loan, personal loan, etc.)
- Expand collaboration with the Hitachi Group
- Considering further development in Europe (Turkey, etc.)



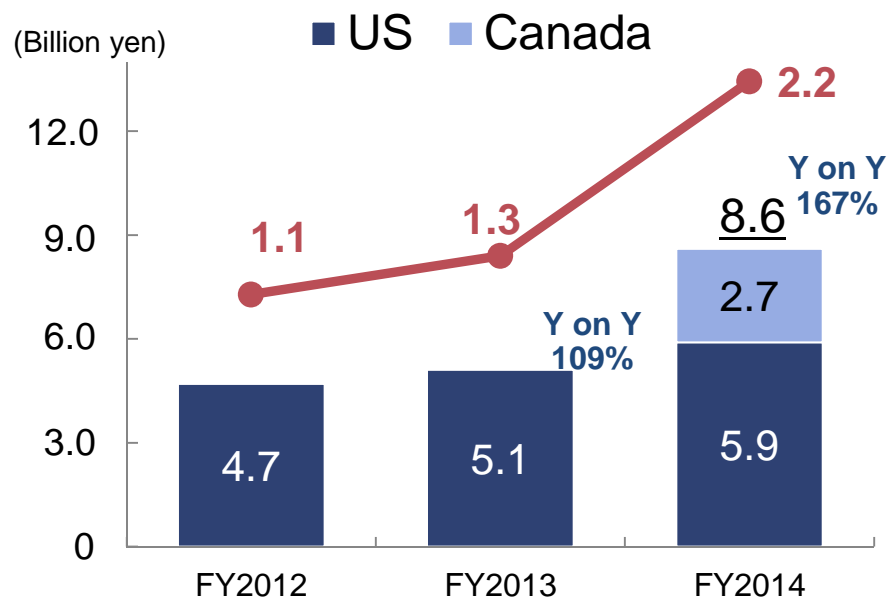
## Business environment

- Economic recovery is accelerated in the US
- Leasing market returned to the pre-Lehman shock level
- Interest rates are expected to rise within the year due to the termination of monetary easing policies
- Industry reorganization brought opportunity to increase business

## Business

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

## Revenues (bar) / Operating income (line)



(Note) Figures in FY2012 and 2013 were calculated with FX rate in FY2014

## Topics in FY2014/Future initiatives

### 【Main topics】

- Developed truck finance business in Canada (May 2014)
- Promoted Hitachi Group Business (energy saving/ smart grid business, etc.)

### 【Future initiatives】

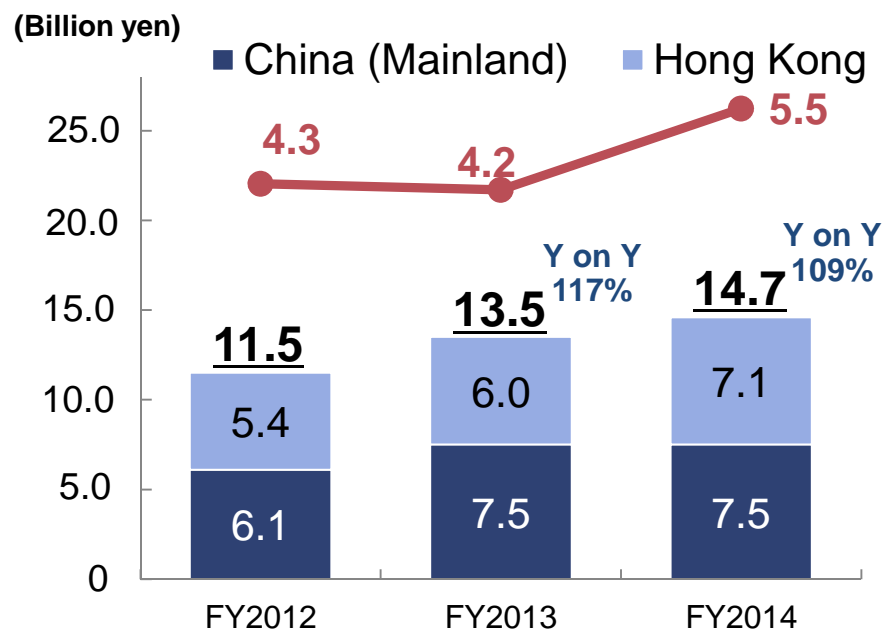
- Promote Hitachi Group Business aggressively
- Consider expansion of the US business area (in the West Coast, etc.)
- Promote business expansion in Canada
- Continue market research for entrance in Mexican market

# 3-7 Regional Strategy (Global Business-China)

## Business environment

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

## Revenues (bar) / Operating income (line)



(Note) Figures in FY2012 and 2013 were calculated with FX rate in FY2014

## Business

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

## Topics in FY2014/Future initiatives

- 【Main topics】**
  - Promoted business structural reform in Mainland China
  - Strengthened public sector and made alliance with a Chinese major bank affiliated leasing company to establish new business base
  - Strengthened collaboration with the Hitachi Group (health care, factoring)
- 【Future initiatives】**
  - Establish high quality receivables portfolio (Increase the ratio of public/Hitachi Group/short-term receivables)
  - Collaborate with the Hitachi Group aggressively (Take initiatives in business development, reorganize business bases in Mainland China)
  - Consider business expansion to Taiwan from Hong Kong and auto loans in Mainland China

## Business environment

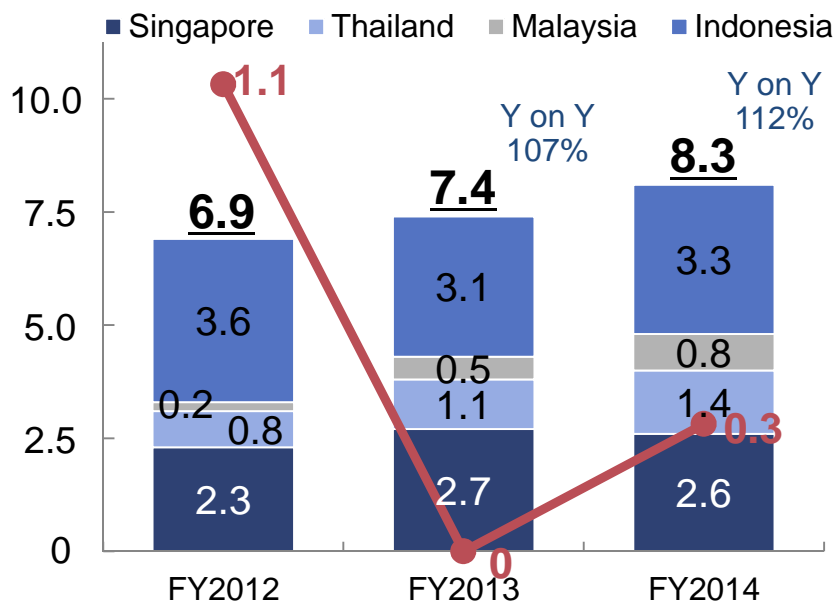
- Impact of economic downturn and regulatory changes
- Mid- to long-term growth of cross-border trades within and outside ASEAN is expected against the backdrop of the progress of RCEP negotiations

## Business

- Business finance (Information equipment, Auto lease, Industrial equipment, Commercial facility, Medical equipment)
- Truck finance
- Consumer finance (Auto loans)

## Revenues (bar) / Operating income (line)

(Billion yen)



(Note) Figures in FY2012 and 2013 were calculated with FX rate in FY2014

## Topics in FY2014/Future initiatives

### 【Main topics】

- Enhanced regional headquarters functions in Singapore
- Expanded factoring business for Hitachi Group in Thailand
- Established a new subsidiary for corporate business in Indonesia (July 2014) (Business for the Hitachi Group and Japanese companies)
- Expanded corporate finance in Malaysia
- Accelerated market research in India (collaboration with financial institutions (April) )

### 【Future initiatives】

- Enhance the hub function of Regional Headquarters (Singapore)
- Strengthen collaboration with the Hitachi Group
- Consider to expand the business in new area

# 4 Target of Growth Stage

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

	FY2013 (Result)		FY2014 (Result)		FY2015 (Targets)	
	Left: J-GAAP	Right: IFRS	Left: J-GAAP	Right: IFRS	Left: J-GAAP	Right: IFRS
<b>ROE</b>	7.8%	7.6%	7.9%	7.7%	ROE ≥ 8.5%	ROE ≥ 8.5%
<b>Ordinary income</b> (IFRS: Income before tax)	33.6 billion yen	33.1 billion yen	39.8 billion yen	35.5 billion yen	42.3 billion yen	42.8 billion yen
<b>OHR</b>	66.9%	65.1%	64.5%	63.1%	OHR < 63%	OHR < 63%
<b>Dividend payout ratio</b>	25.3%	26.0%	28.6%	29.1%	30%	
<b>Maintain high credit rating</b> (sound financial position)	▪ S&P: A-    ▪ JCR: AA-    ▪ R&I: A+					

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

**(1) “Basics” and “Ethics”**

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

**(3) “Quality” and “Development”**