
**Status of
FY2016-FY2018
Mid-Term Management Plan**

October 26, 2016

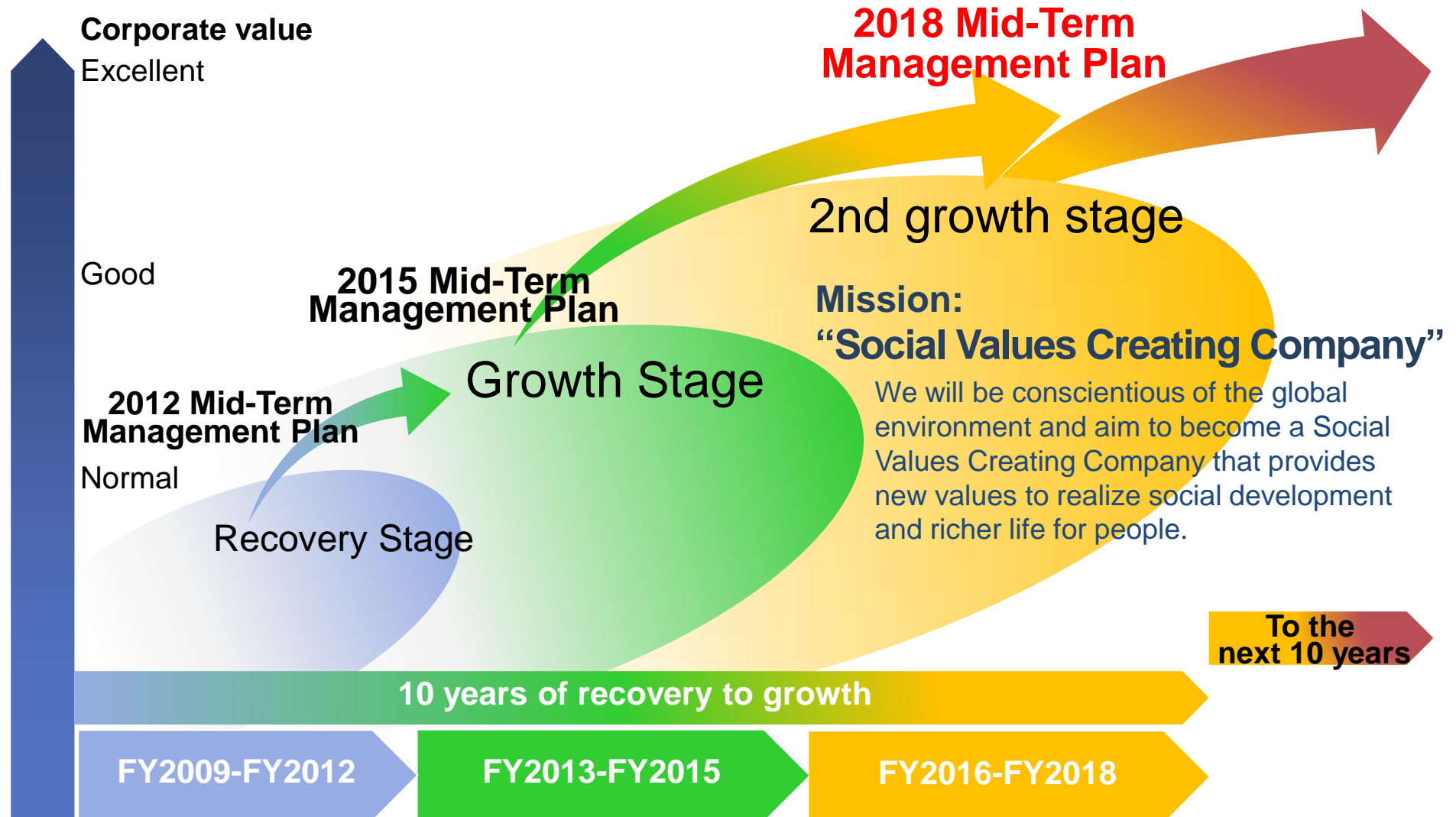
 **Hitachi Capital Corporation**

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1-1. Summary of 2018 Mid-Term Management Plan: Positioning

“Change” and “Growth”



1-2. Summary of 2018 Mid-Term Management Plan: Highlights

Global Business: Continue double digit growth

“Maintain high and systematic growth”

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

Japan Business: Challenge 2% ROA

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

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

Aggressive investment: Highly-skilled professionals/ Aggressive IT investment/ Collaborate with partners

- Execute strategic investment to support business growth (Business partner, M&A, IT investments, etc.)

⇒ M&A : M&A: 300 billion yen in asset size
IT investment : 20 billion yen
Human resources investment : Add 200 highly-skilled professionals

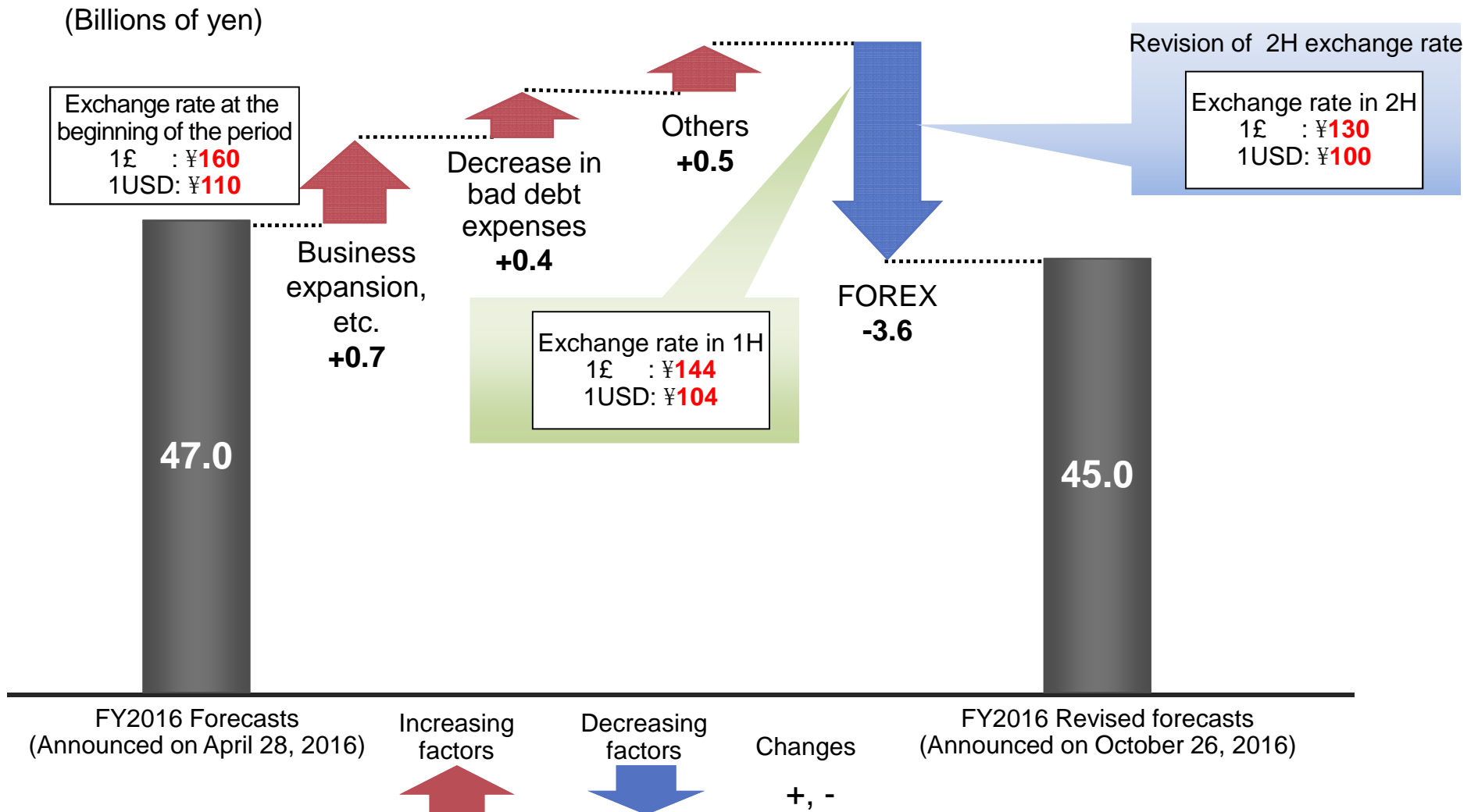
1-3. Summary of 2018 Mid-Term Management Plan: Business Map



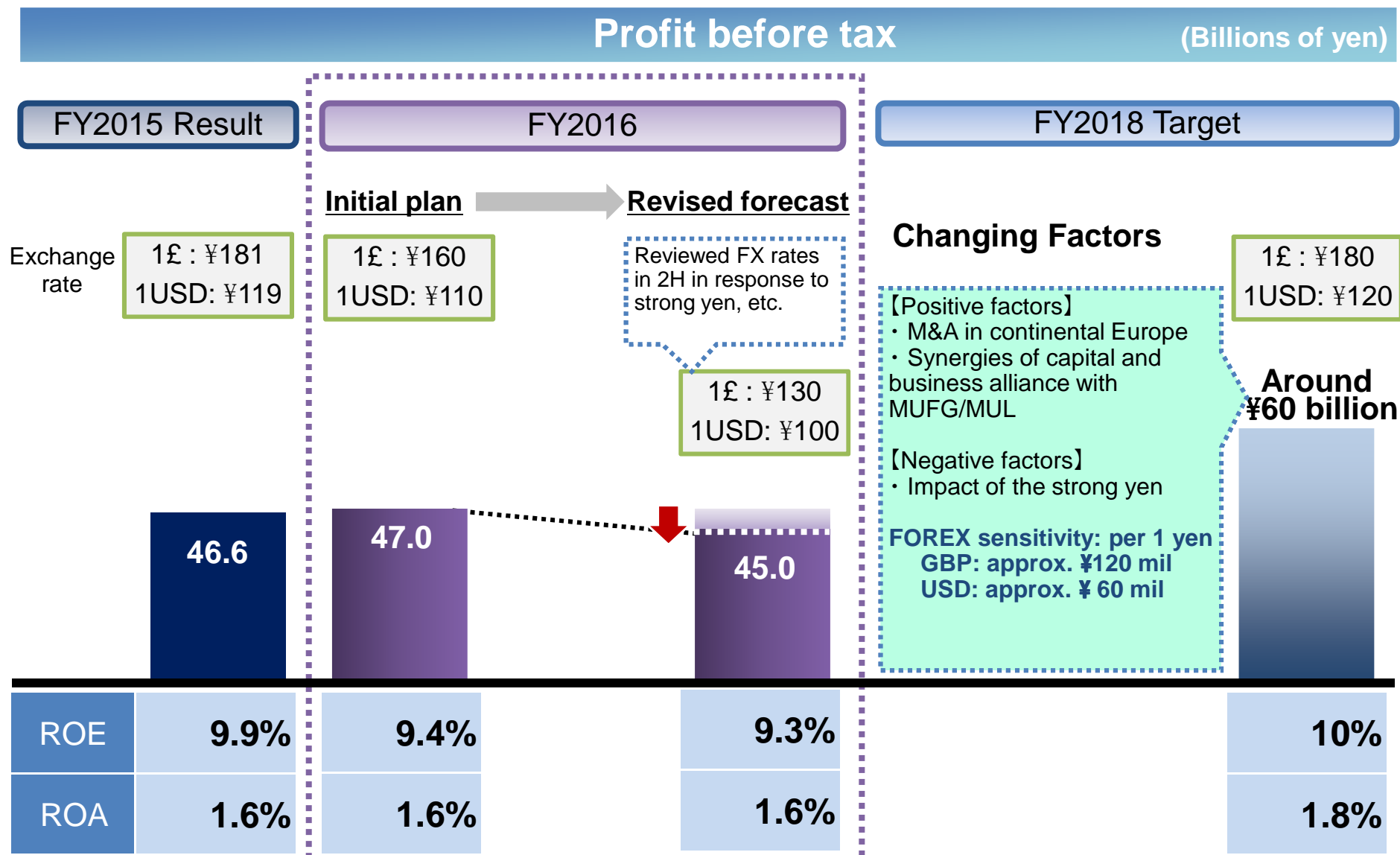
* MUFG: Mitsubishi UFJ Financial Group, Inc.
MUL: Mitsubishi UFJ Lease & Finance Company Limited

2-1. Status of 2018 Mid-Term Management Plan: Changing Factors of Profit Before Tax (Forecast)

**Exceeded the plan in 1H.
Expect to achieve the plan in 2H but consider FOREX impact**



2-2. Status of 2018 Mid-Term Management Plan

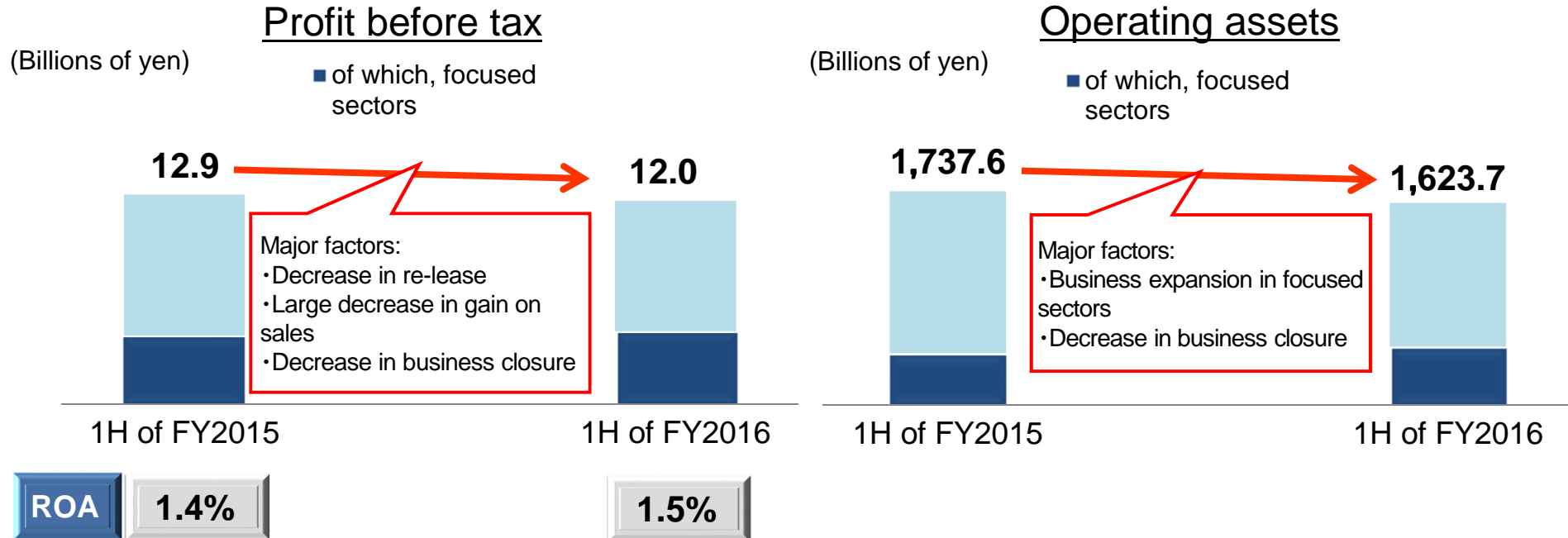


2-3. Status of 2018 Mid-Term Management Plan: Regional Strategy (Overview)

No.	Region	2018 Mid-Term Management Plan Basic policy	Topics in 1H
1	Japan	Change business portfolio. Improve profitability by replacing and expanding focused sectors	<ul style="list-style-type: none"> • Steady progress on expansion of focused sectors and cost structure reform • Business transfer in eco- and energy- related business
2	Europe	Develop the platform business model as a base for stable growth	<ul style="list-style-type: none"> • Continued stable growth mainly in consumer business • No influence on our business after the Brexit decision
3	The Americas	Expand business through strategic investment (M&A, human resources)	<ul style="list-style-type: none"> • Steady business expansion as a growth driver • Business transfer in healthcare related business
4	China	Construct high-quality portfolio through strategic business alliance	<ul style="list-style-type: none"> • Steady progress of business structural reform to public sector • Established a joint venture with a government-affiliated leasing company
5	ASEAN	Strengthen business base toward mid- to long-term growth	<ul style="list-style-type: none"> • Continuous efforts to strengthen business base

2-4. Status of 2018 Mid-Term Management Plan: Regional Strategy (Japan (1))

Profit decreased year on year but expansion of focused sectors and cost structure reform progressed as planned



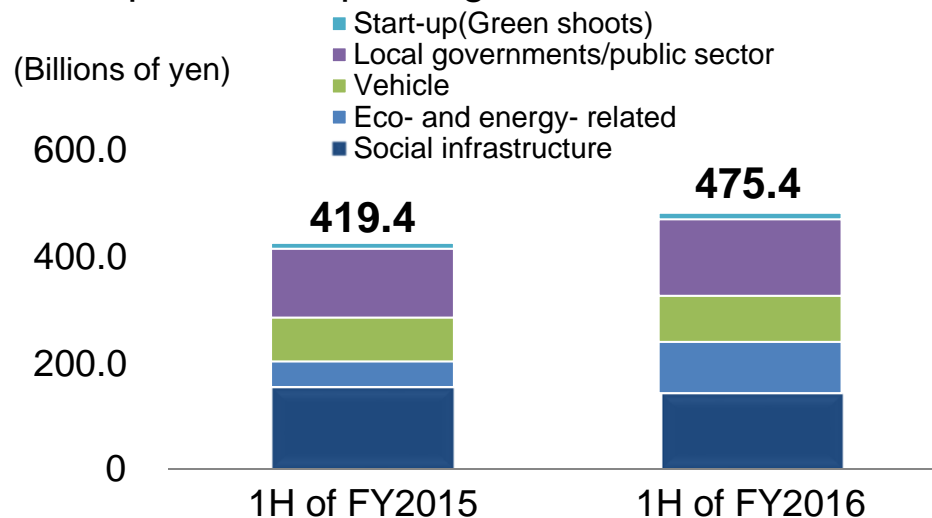
Business Environment/
Forecast

- Companies' capital investment is declining against a backdrop of the strong yen and slowdown in the overseas economy, etc.
- Continued low interest rates brought by negative interest rates will have negative impact on financial income.
- Under the regional revitalization/Japan revitalization plan by the Japanese government, various measures including PPP/PFI, eco- and energy, infrastructure and IT security is expected to be accelerated.

2-4. Status of 2018 Mid-Term Management Plan: Regional Strategy (Japan (2))

Expand focused sectors

Composition of operating assets in focused sectors



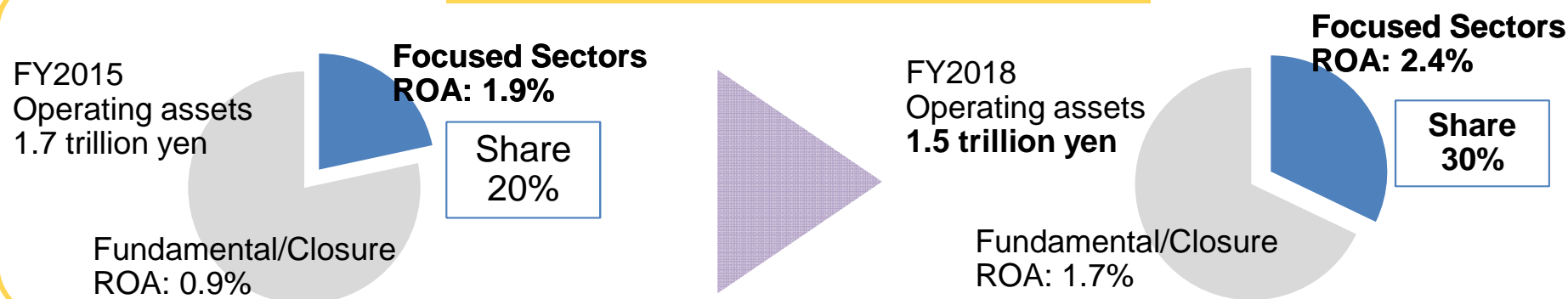
Improve OHR by cost structure reform

OHR	FY2015 Results	1H of FY2016 Results	FY2016 Forecasts
Japan Business	65%	64%	63%
Japan Business excluding closing business	60%	59%	58%

【Status of cost structural reform】

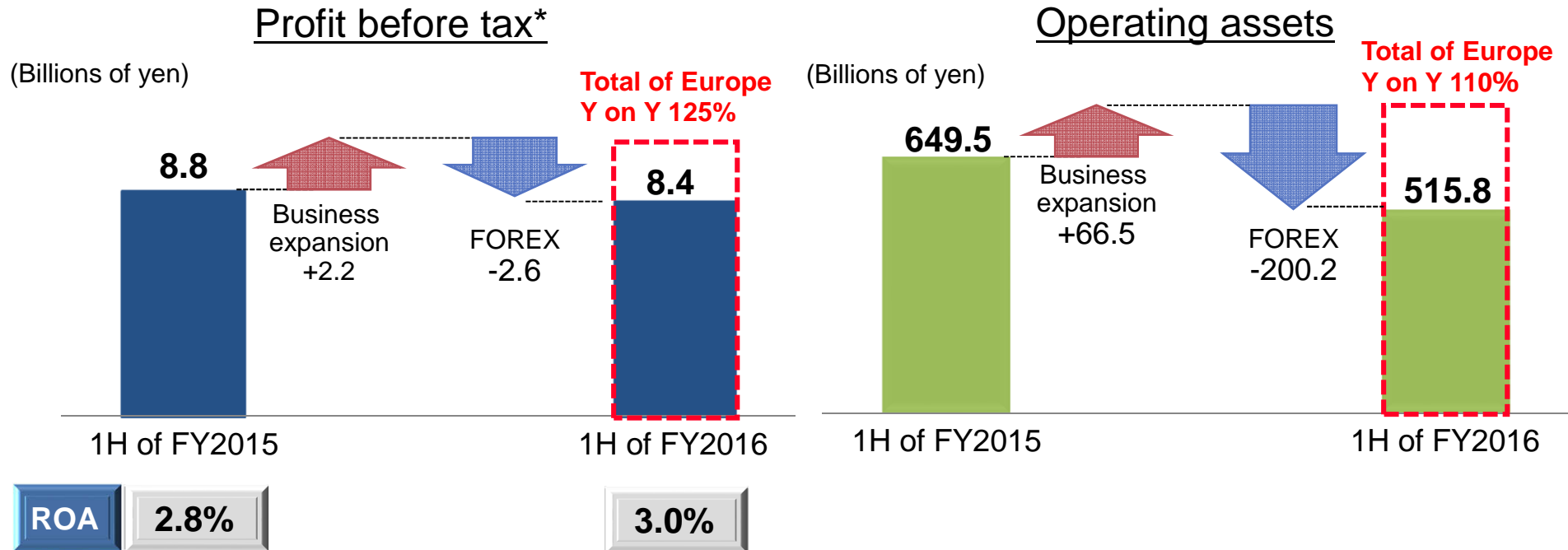
- Promoting integration of IT systems
- Started considering utilization of AI to improve operational efficiency

Composition of operating assets/ROA



2-5. Status of 2018 Mid-Term Management Plan: Regional Strategy (Europe (1))

Little Brexit impact on our business and maintain stable growth



* The dotted line and Y on Y are on a local currency basis.

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Business Environment/
Forecast

- Economic downturn which was feared right after the Brexit has not been observed so far.
- Interest rates will remain low.
- Continue to pay close attention to changes in business environment and impact on the Company's business

■ Economic Indicators in the U.K

	June	July	August	September
Retail sales index	4.3%	5.9%	6.2%	4.1%
Manufacturing PMI	52	48	53	55
Service PMI	52	47	53	53
Share price index *	100	103	105	106

* FTSE100 Index. Calculated based on June as 100

2-5. Status of 2018 Mid-Term Management Plan: Regional Strategy (Europe (2))

UK business: Stable business foundation less susceptible to economic changes

Characteristics of UK business

- Less impact from EU market due to its business model to meet domestic demands

- Low risk of deterioration in credit cost due to thorough credit risk management and diversification of business and receivables, with our business portfolio consisting of high quality customers and partners.

- Stagnation rate in consumer finance of Hitachi Capital

	1H of FY2015	1H of FY2016
Average arrears rate in 1H	1.42%	1.23%

- Reference: Industry average stagnation rate in U.K

	FY2013	FY2014	FY2015
Arrears rate*	4.2%	3.5%	2.9%

*Finance & Leasing Association (UK)

Impacts of Brexit

【Status in 1H】

- Market condition remained unchanged with no major impact on our UK business

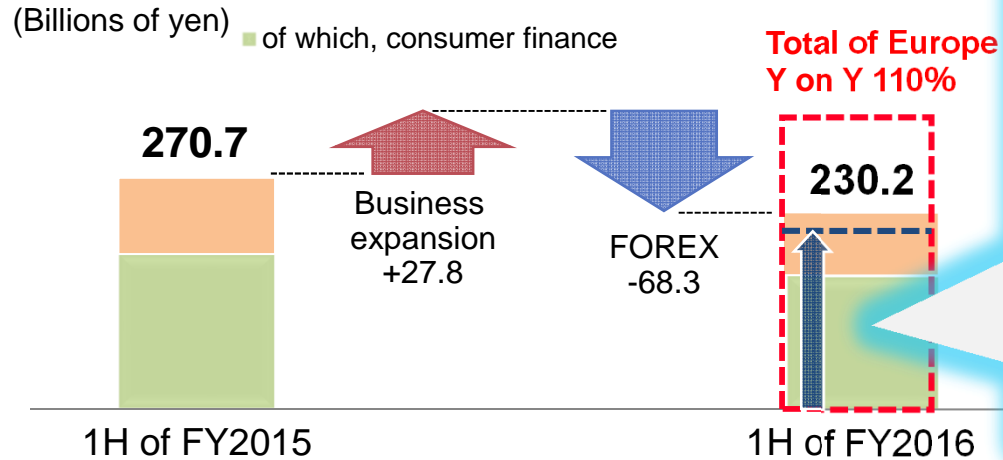
【Future outlook】

- **Although major economic downturn in UK may have a negative impact on our new transaction volume, a risk of drastic deterioration of the quality of the existing receivables is low.**

2-5. Status of 2018 Mid-Term Management Plan: Regional Strategy (Europe (3))

Steady business growth mainly in consumer finance

Volume of business in Europe

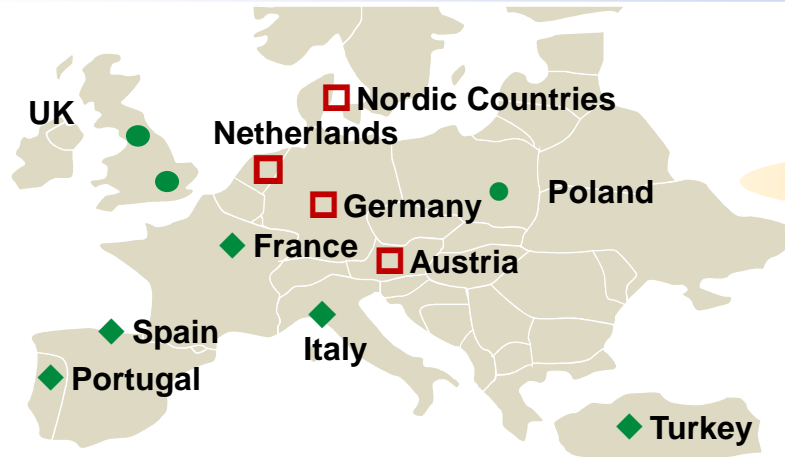


- Steady increase in transaction volume due to expanding consumer market (Local currency basis YoY: 111%)

- Maintain No.1 share in consumer installment market

* The dotted line and Y on Y are on a local currency basis.

Accelerate business development in Europe (M&A in Vehicle Solution)

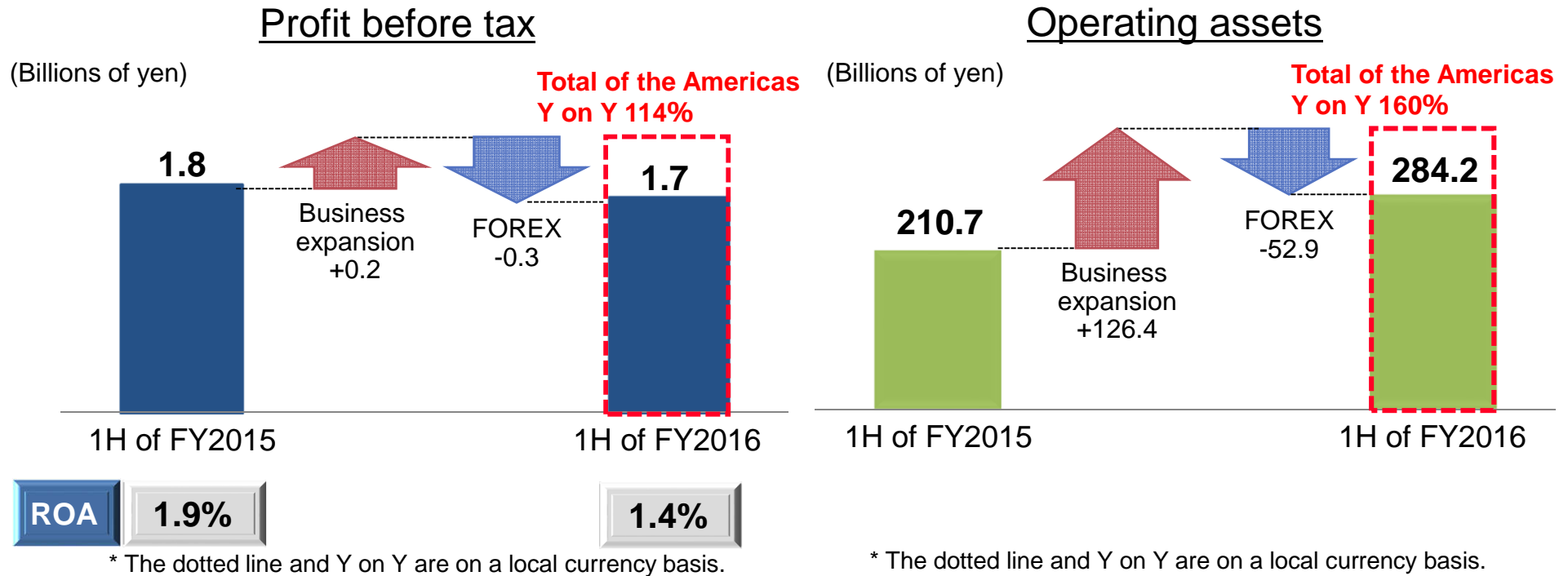


- ◆ Collaboration with third-party financial institutions
- Existing business bases
- Priority area for Vehicle Solution

Multiple projects are under consideration for early closing

2-6. Status of 2018 Mid-Term Management Plan: Regional Strategy (The Americas (1))

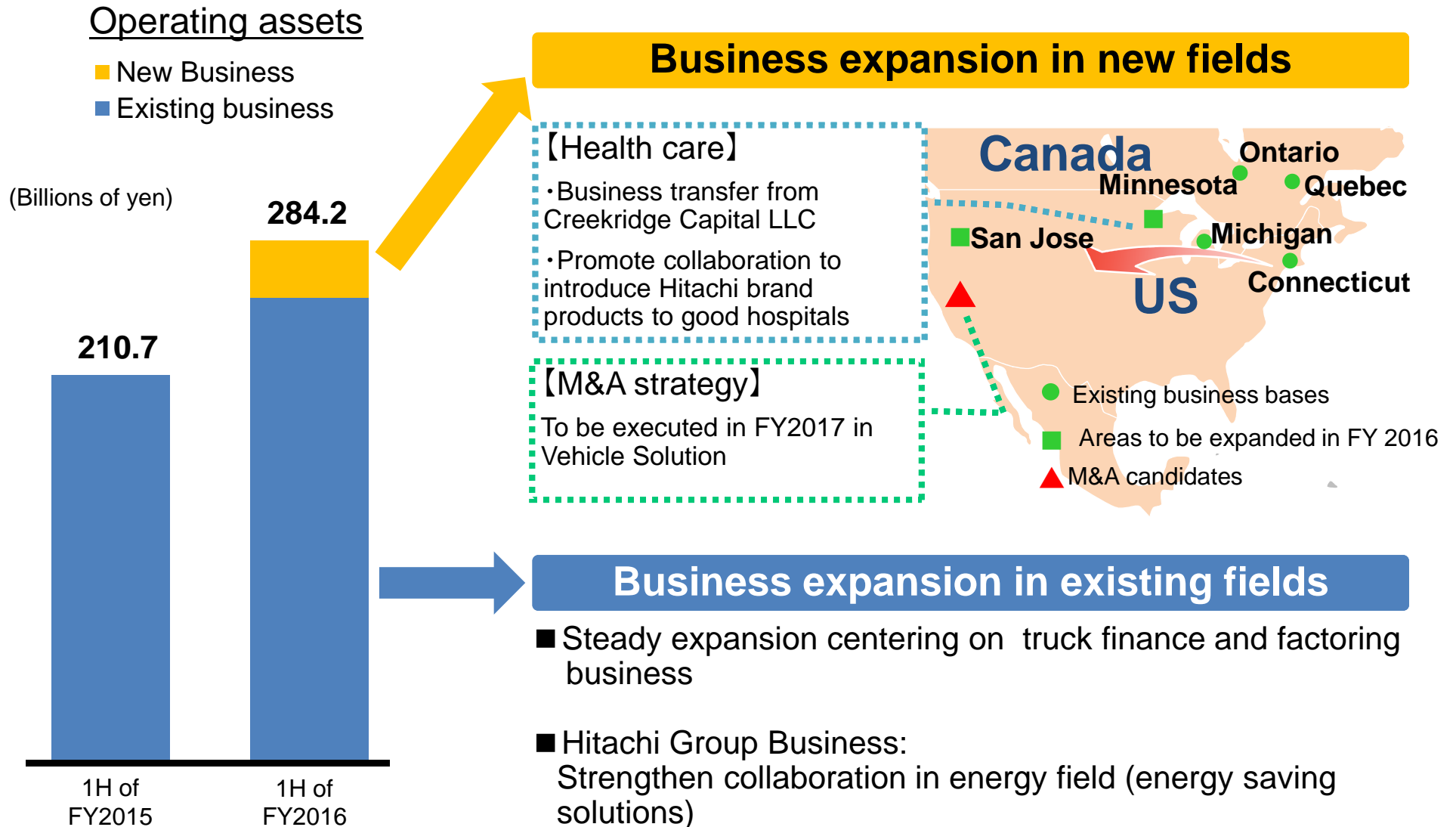
Stable growth due to expansion of existing business and M&A



Business
Environment/
Forecast

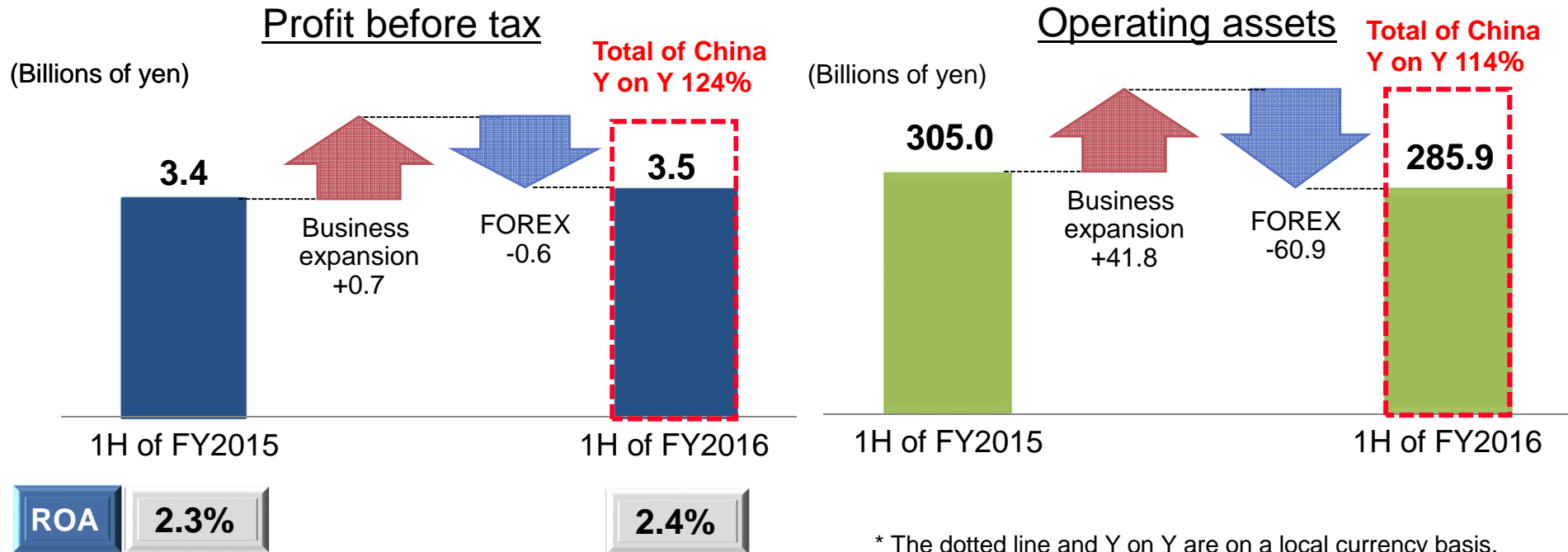
- ISM Manufacturing PMI dropped in August but rose again above 50 in September.
- While sales of new small truck is on an upward trend, the market condition of medium and large trucks partially shows a declining trend.
- The average growth rate of medical equipment finance in healthcare market is expected to be 5.3% p.a. by 2019. (source : Three Keys Capital Advisors, LLC)

2-6. Status of 2018 Mid-Term Management Plan: Regional Strategy (The Americas (2))



2-7. Status of 2018 Mid-Term Management Plan: Regional Strategy (China (1))

Continued growth through business structural reform in Mainland China



* The dotted line and Y on Y are on a local currency basis.

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Business Environment/
Forecast

- Fiscal expenditure is increasing mainly in infrastructure investments (Cumulative fiscal expenditure during Jan-Aug 2016: Increase 12.8% YoY)
- The Chinese government announced the action plan for transportation infrastructure of 4,700 billion Yuan in the next three years ⇒ Demand for finance service is expected to increase while public field remains as a focused area

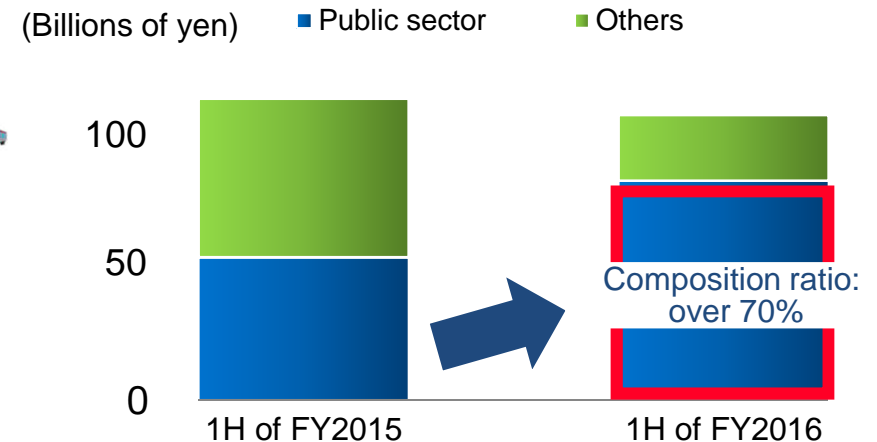
2-7. Status of 2018 Mid-Term Management Plan: Regional Strategy (China (2))

Focus on social infrastructure business in Mainland China through investments

Areas of business expansion and future plan



Composition of operating assets 【Mainland China (excluding factoring)】



Region	Target	Current status
Zibo	Hospital	Made investment through funds to increase orders for overall hospital equipment including peripherals
Nanjing	Public deals	Our investee leasing company started its operations and is aiming to expand business with public projects
Xian	Subway, rail transit	Preparation to establish a joint venture is underway
Qingdao	Subway (railway, elevators, air conditioning, etc.)	

3. Conclusion

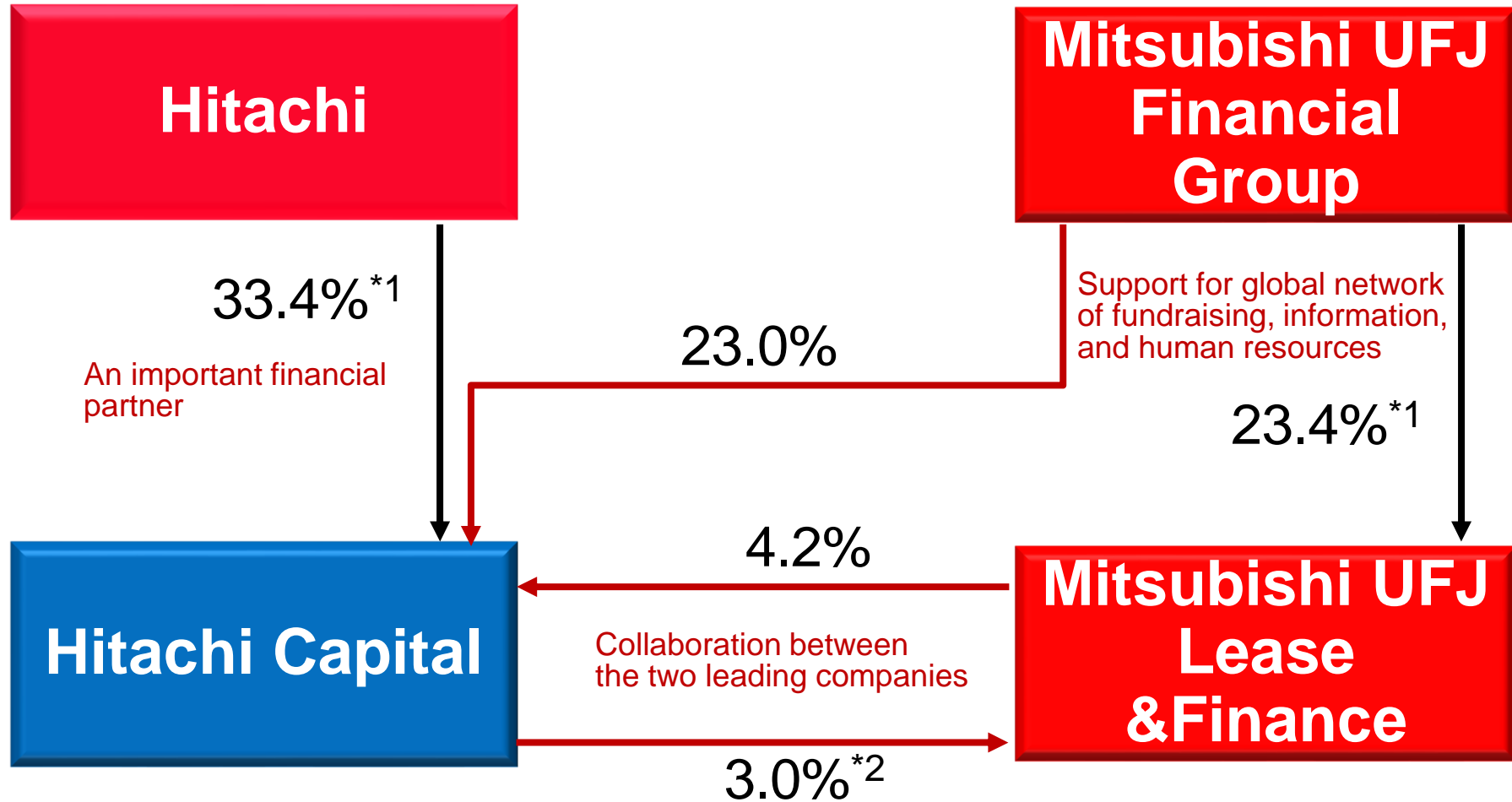
	FY2015	FY2016 Forecast	Y on Y
【 】: Initial plan			
Profit before Tax	46.6 billion yen	45.0 billion yen 【47.0 billion yen】	96% 【101%】
ROE	9.9%	9.3% 【9.4%】	-0.6% 【-0.4%】
ROA	1.6%	1.6% 【1.6%】	-0.0% 【+0.0%】
Dividend per share (Payout ratio)	84 yen (30.0%)	86 yen (31.9%)	+2 yen (+1.9%)

Dividend per share: no change from the initial plan

4. Capital and Business Alliance

4-1. Capital Structure: New Stage of Growth Strategy **HITACHI** Inspire the Next

Proceed to the new stage of growth strategy through a partial transfer of Hitachi Capital's shares owned by Hitachi (executed on October 3, 2016)

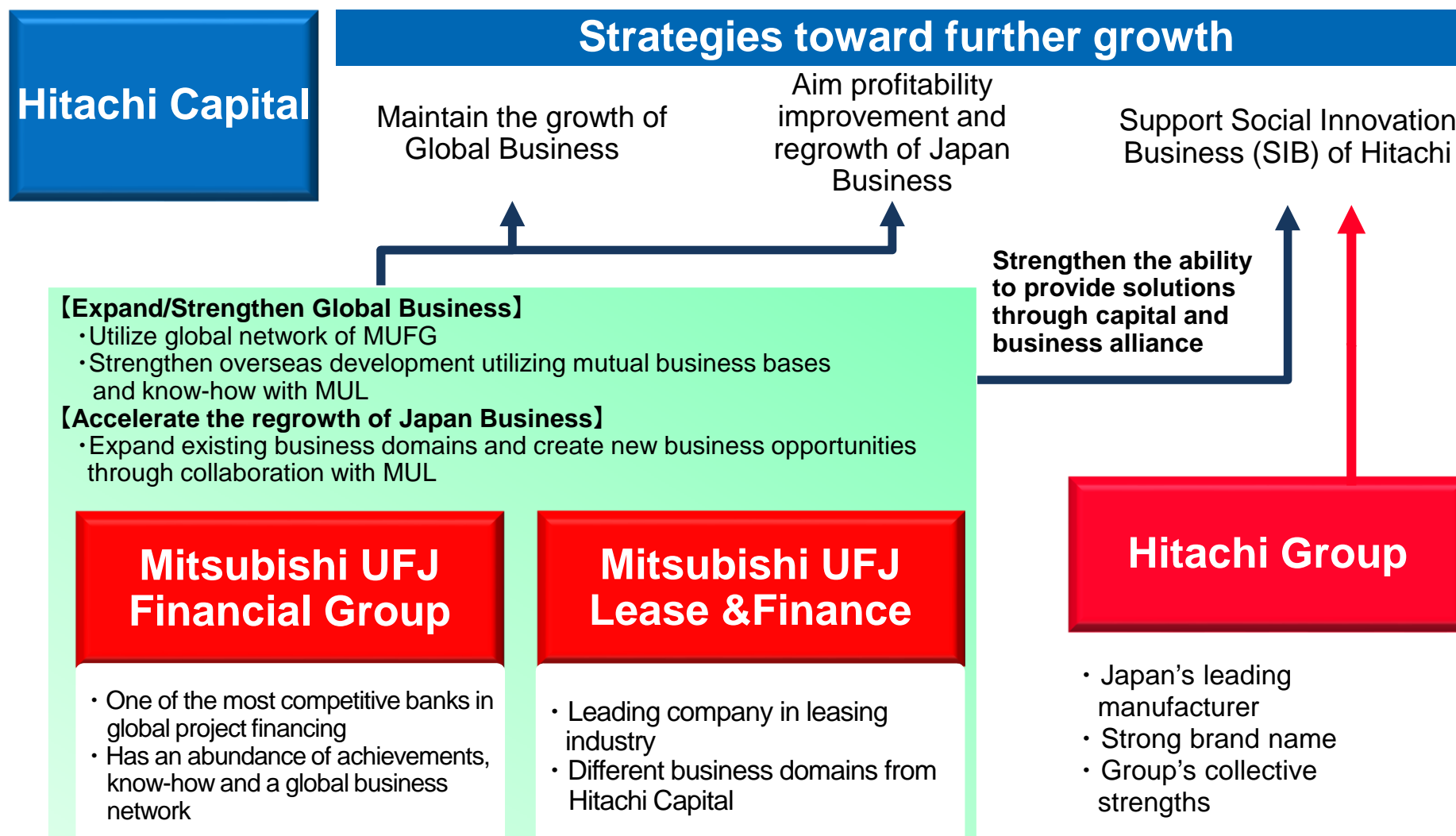


*1 Voting rights (including those held by group companies)

*2 Acquiring in the stock market

4-2. Aim of Capital and Business Alliance

Ensure Hitachi Capital's growth through capital and business alliance with MUFG and MUL



4-3. Concept of Alliance Strategy (2 Companies)

Combine the strengths of both companies and expand growth fields on a global basis

Hitachi Capital

Knowledge and business know-how as a manufacturer-affiliated leasing company

Mitsubishi UFJ Lease & Finance

Knowledge and business know-how as a financial institution/trading company-affiliated leasing company

- Accelerate business growth in the strategically collaborative fields through alliance
- Create new business opportunities by utilizing the existing functions and customer bases of both companies

Achieve the current target of total ¥400 billion and then aim for higher target

Environment and Energy
(100 billion yen)

Urban infrastructure/
real estate
(100 billion yen)

Overseas
(200 billion yen)

With an aim to maximize corporate values, expand collaborative fields and enhance collaboration as well as start discussion with business integration as one option

Evolve into a new type of a non-bank group having a wide range of business domains, overwhelming network and ability to provide solutions

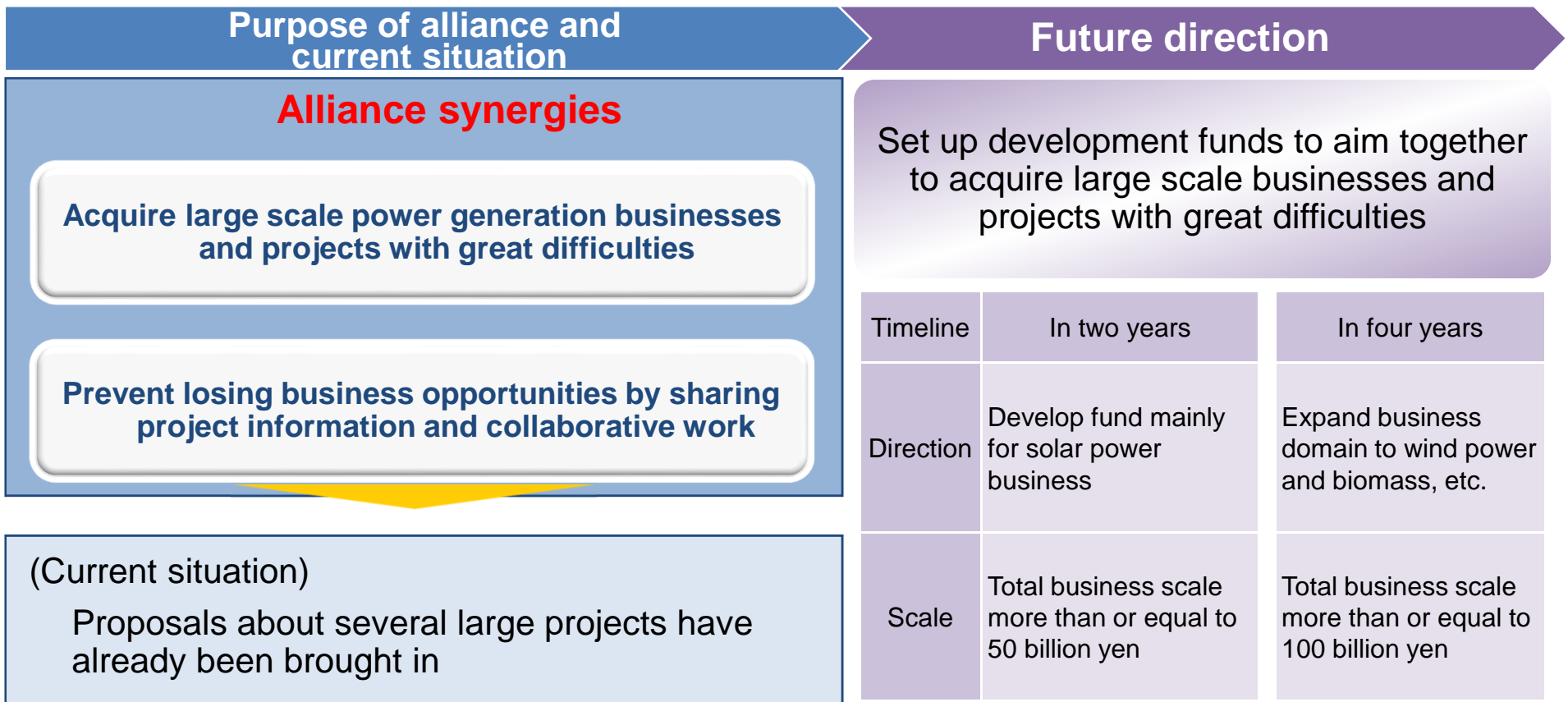
Business domains

Network

Solutions

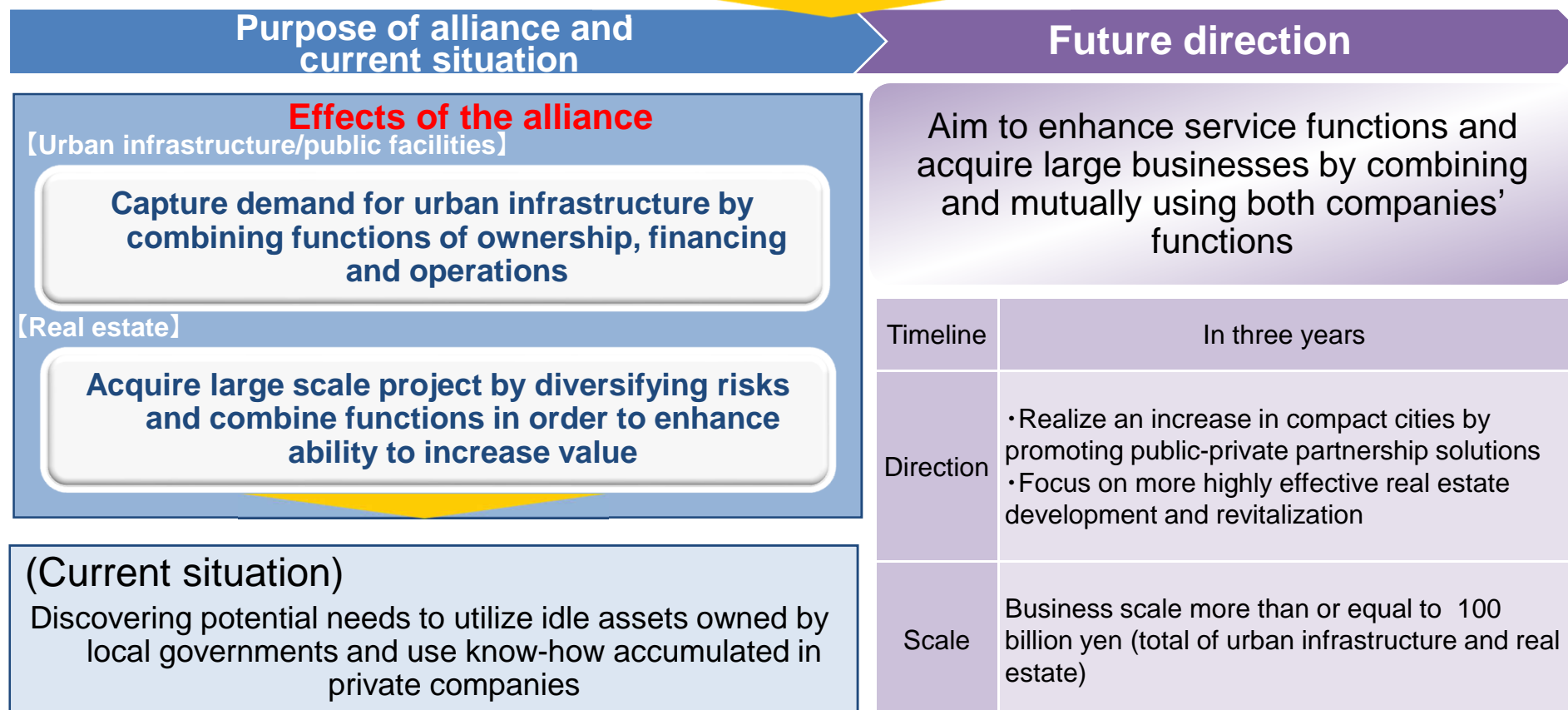
4-4. Alliance Strategy (2 companies) (1): Environment and Energy

Business environment	Current recognition		Future outlook
	Solar power	FIT certification for non-working project will expire soon	Increase in last-minute demand
		New project demand peaked out	Development of large scale projects and increasing sales needs in secondary markets
Wind power/ biomass	Demand increased as a field following solar power	Increase in projects with great difficulties such as long development period	



4-4. Alliance Strategy (2 companies) (2) : Urban Infrastructure/Public Facilities, Real Estate

Business environment	Current recognition		Future outlook	
	Urban infrastructure/public facilities	Promote privatization of infrastructure operations led by Japanese Government	}	Further increase in a demand to outsource facility management risks
		Accelerate efforts to increase compact cities		Increase in large facilities/infrastructure development business
Real estate	Need to increase economic value of old buildings	Increase in needs for large scale repairs of buildings and improvement of functions		



4-4. Alliance Strategy (2 companies) (3): Overseas

Business environment	Current recognition (Mexico)		Future outlook
	Japanese company	Over 1,000 companies advancing into Mexico	Continuous market expansion mainly in automotive industry
		Shift from using as an export base to enhancing domestic sales in Mexico	
Local company	Corporate activities intensified due to economic development	Increase in needs for comprehensive financial services supporting value chains of foreign companies in Mexico	

Purpose of alliance and current situation

Effects of the alliance

Reduce risk and cost by joint market entry and realize early commercialization

Provide comprehensive service functions by mutually utilizing the strengths and customer bases

(Current situation)

Promoting discussions by local members toward crystallization of joint business

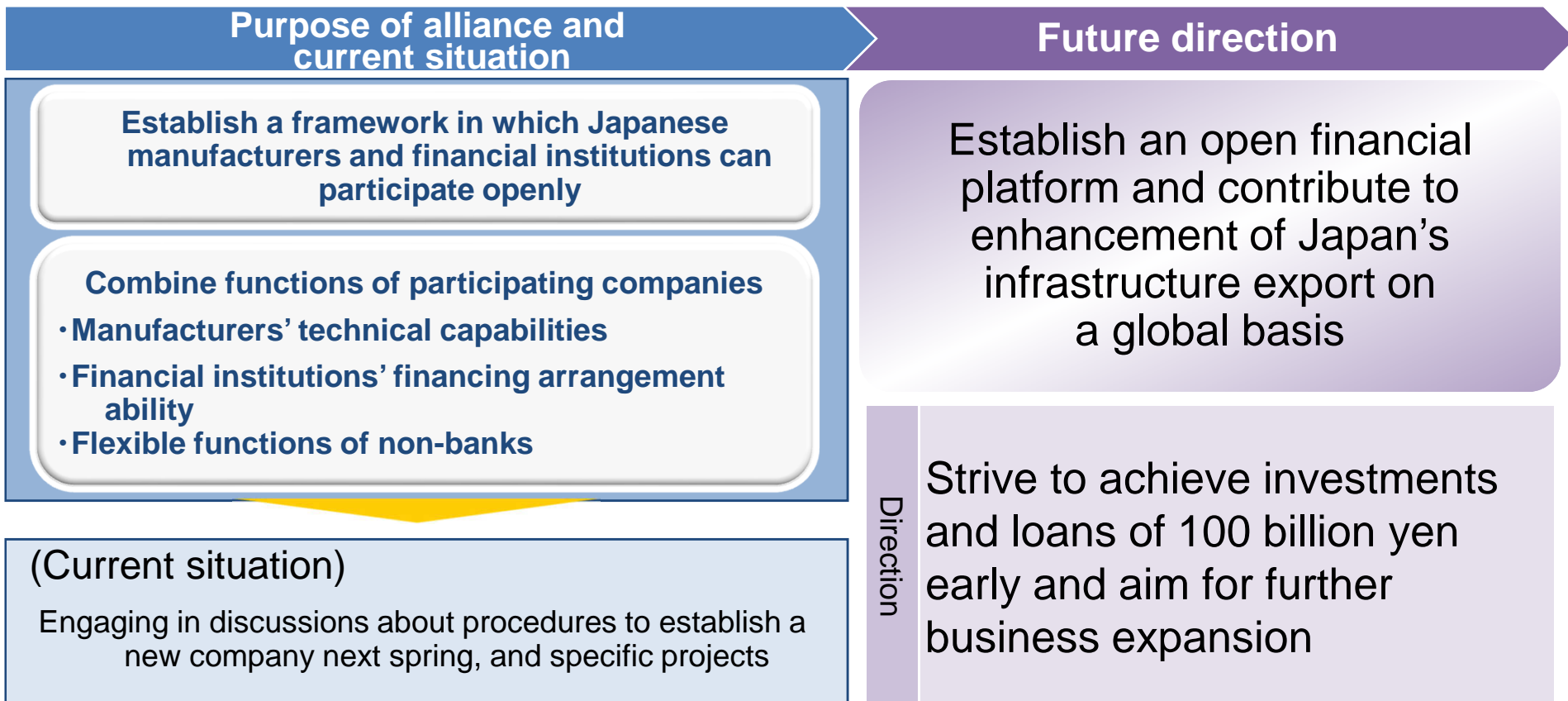
Future direction

Firstly aim for early commercialization in Mexico with joint entry and then expand to Asia

Timeline	In three years
Direction	Accelerate the mutual utilization of customer bases and functions and expand business jointly in Asia and other countries/regions in addition to Mexico
Scale	Asset scale in Mexico: more than or equal to 50 billion yen Total overseas asset scale including Mexico: more than or equal to 200 billion yen

4-4. Alliance Strategy (5 companies): Open Financial Platform

Business environment	Current environment	Current recognition
	<p>Global infrastructure market is expected to grow at a high growth rate exceeding 10% p.a.</p> <p>The Japanese Government provides support to infrastructure export by Japanese companies</p>	<p>The manufacturer's technical capabilities as well as ability to provide comprehensive solutions including financial functions are important to win a large and long-term infrastructure project</p>



Reference: Overview of the Business Alliance

	2 Companies Alliance	5 Companies Alliance
Participating companies	<ul style="list-style-type: none"> •Hitachi Capital •Mitsubishi UFJ Lease & Finance 	<ul style="list-style-type: none"> •Hitachi Capital •Mitsubishi UFJ Lease & Finance •Hitachi •Mitsubishi UFJ Financial Group •The Bank of Tokyo-Mitsubishi UFJ
Major collaborative fields	<p>Domestic: Environment and energy Urban infrastructure/ public facilities Real estate</p> <p>Overseas: The Americas, China, ASEAN</p>	Social Infrastructure
Purpose	Expand business domains in Japan and overseas through the alliance between leading companies in the industry	Establish an open financial platform to support exporting social infrastructures by Japanese companies
Direction and scale	Total 400 billion yen in Japan and overseas	Total 100 billion yen of investments and loans

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Note:

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