
Status of FY2016-FY2018 Mid-Term Management Plan

May 9, 2018

 **Hitachi Capital Corporation**

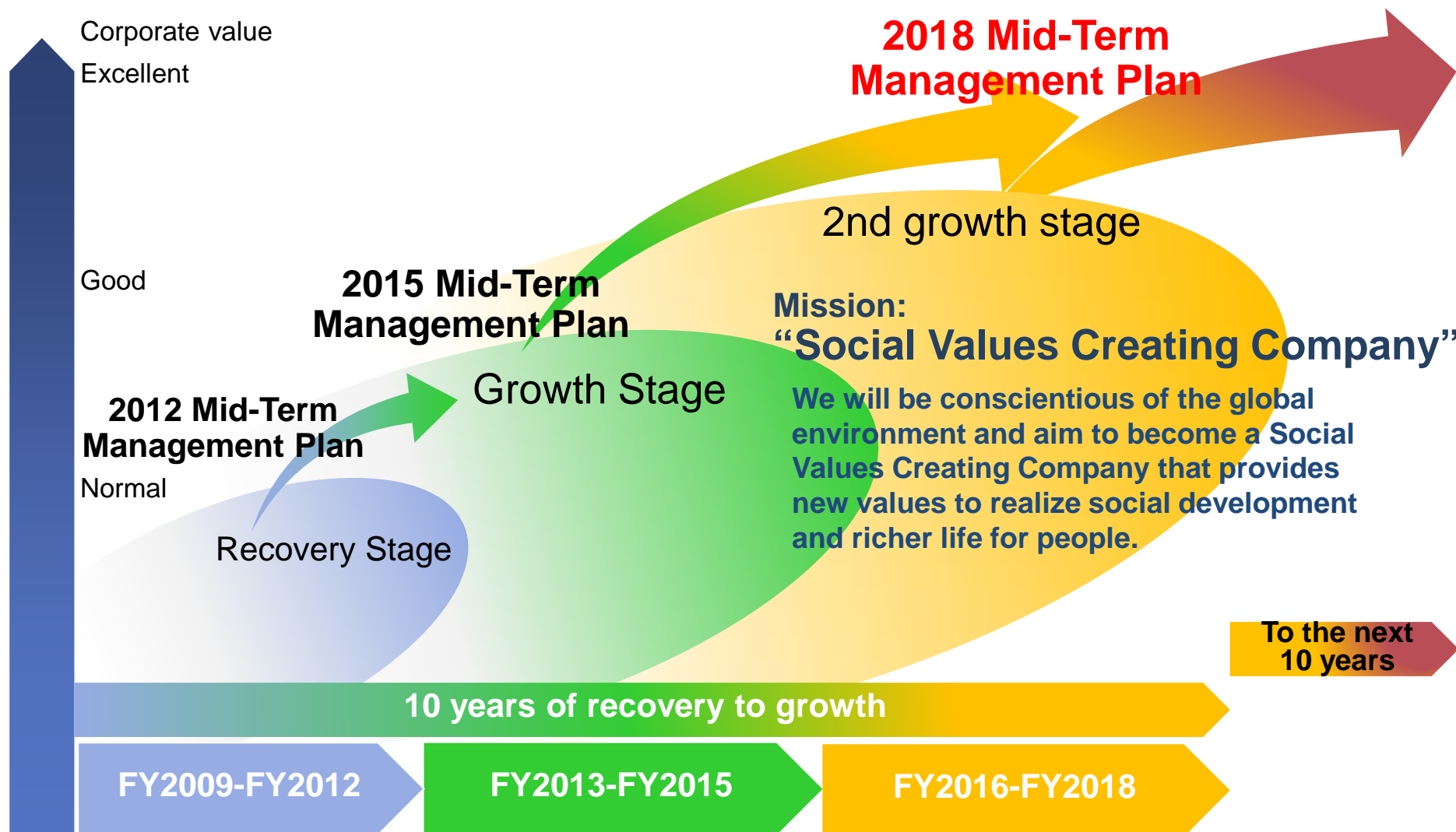
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1-1. Positioning of 2018 Mid-Term Management Plan **HITACHI** Inspire the Next

“Change” and “Growth”



1-2. Highlights of 2018 Mid-Term Management Plan **HITACHI** Inspire the Next

**Global Business:
Continue
double digit growth**

“Maintain high and systematic growth”

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

**Japan Business:
Challenge to
achieve 2% ROA**

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

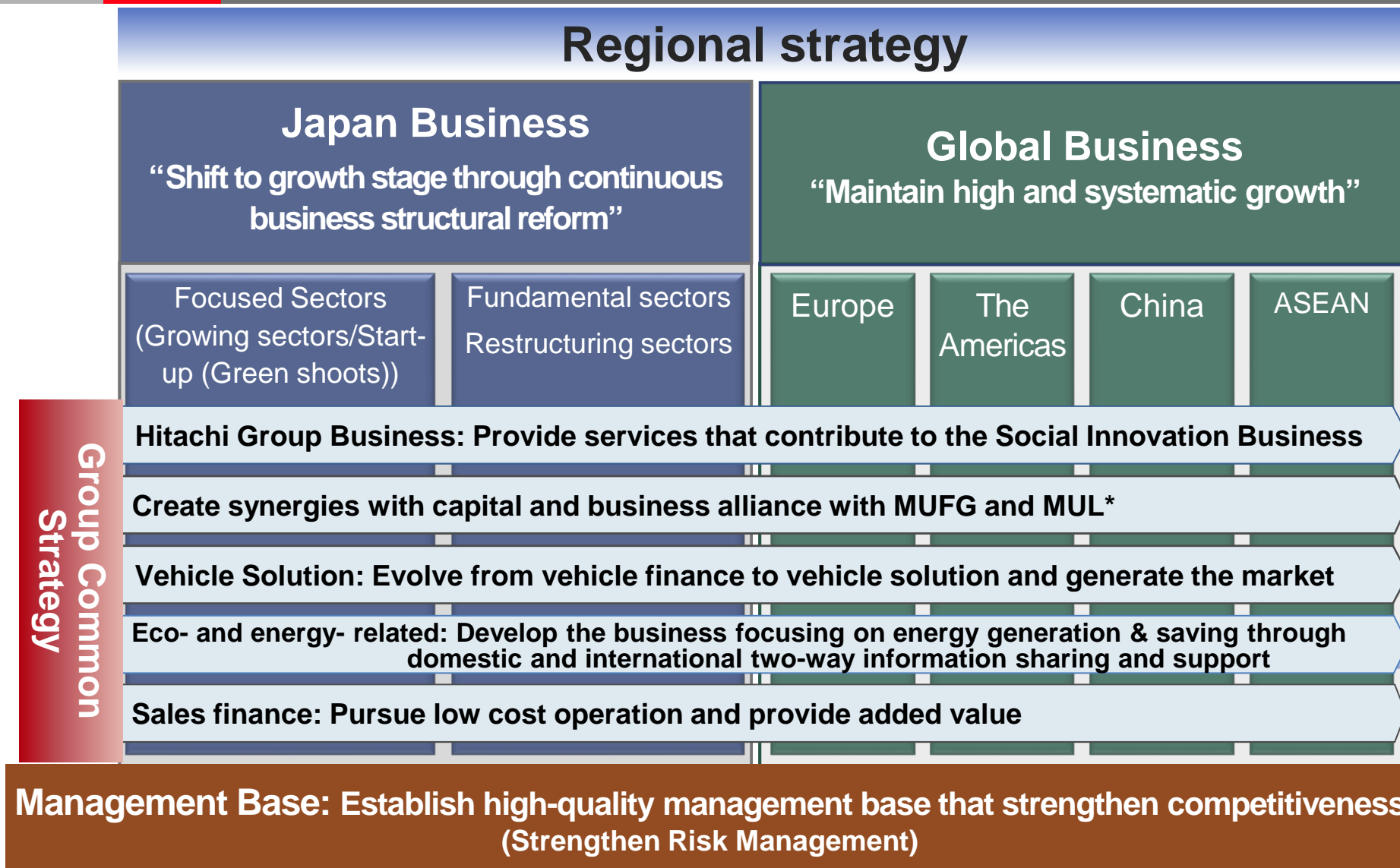
- Progress asset utilization by resetting focused sectors
- Strengthen back office capability that leads to the competitive advantage

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

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

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

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



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

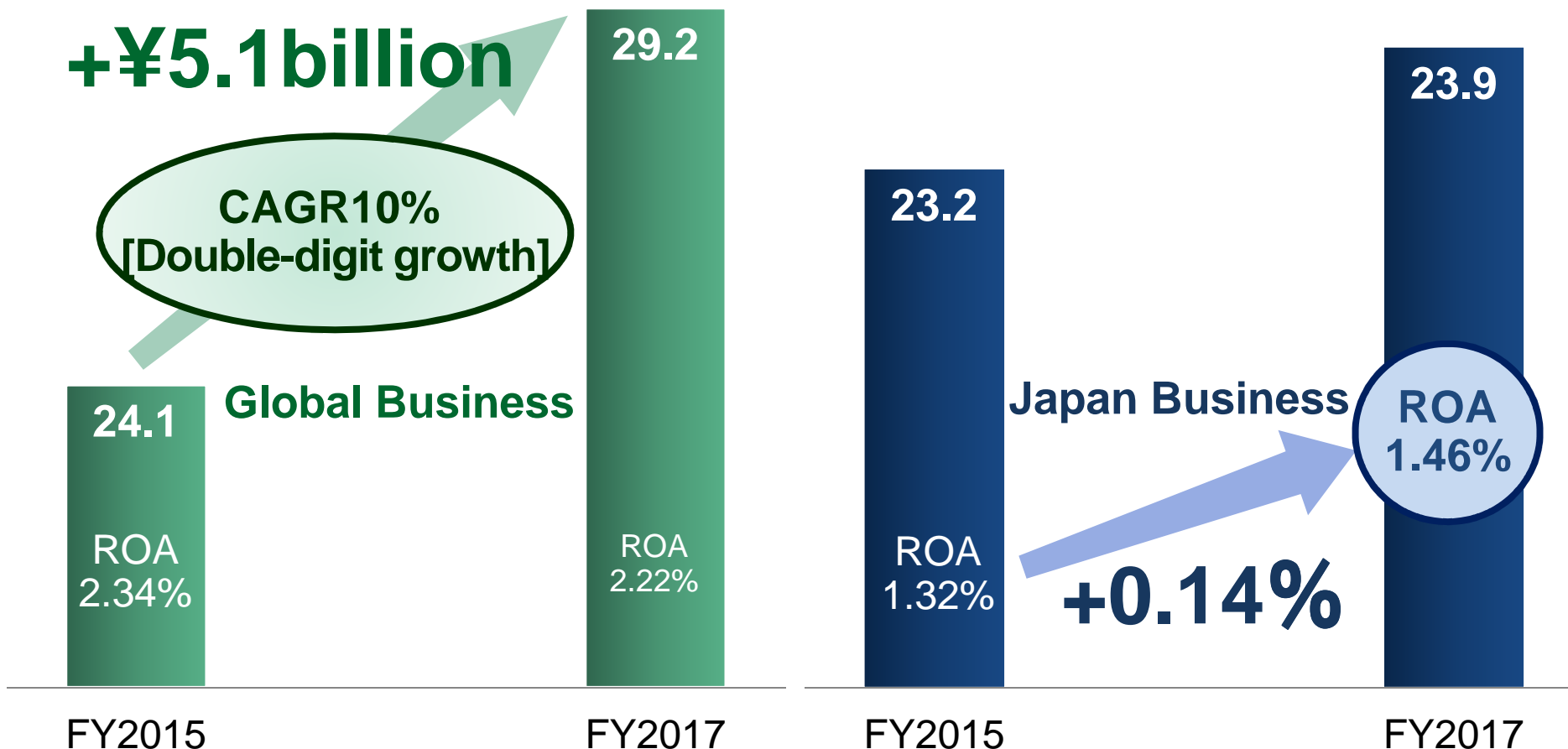
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2-1. Review of FY2017

Global Business continued to grow. Japan Business improved profitability

(Billions of yen)

【Profit before tax/ROA】



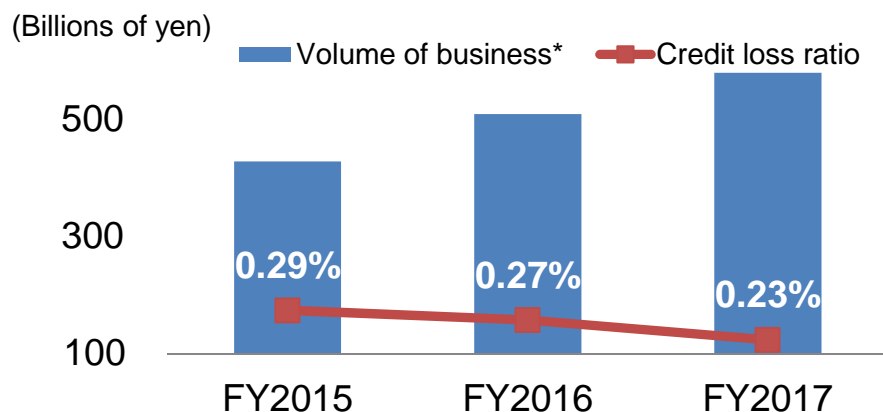
* Profit before tax of Global Business and Japan Business excludes adjustments (company-wide expenses etc.).

* Global Business excludes foreign exchange effects (Profit before tax for FY2015 was calculated using the exchange rate for FY2017).

2-2. Europe Business

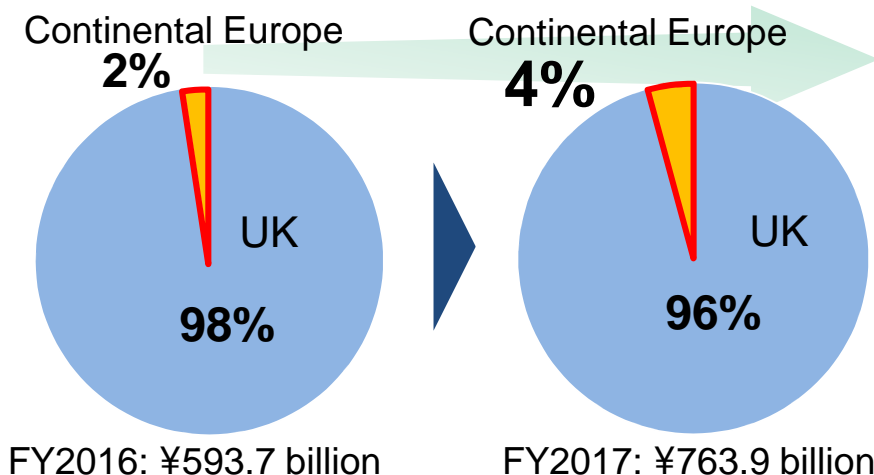
Favorable growth in UK business. Expanded businesses in continental Europe

Review of UK Business



*Excluding foreign exchange effects

Operating assets*



*Calculated using the exchange rates at the end of each fiscal year

Topics

【UK】

- Continued stable growth
- Enhanced internal control by obtaining FCA* permit

【Continental Europe】

- Executed M&As in vehicle solution (Across the Netherlands/Enhanced Poland business)
- Opened Netherlands sales office

Direction

【Continental Europe】

- Accelerate horizontal expansion
 - Consider M&As in vehicle solution
 - Expand sales finance (Utilize business base of the Netherlands sales office/Enhance collaboration with Japanese manufacturers)

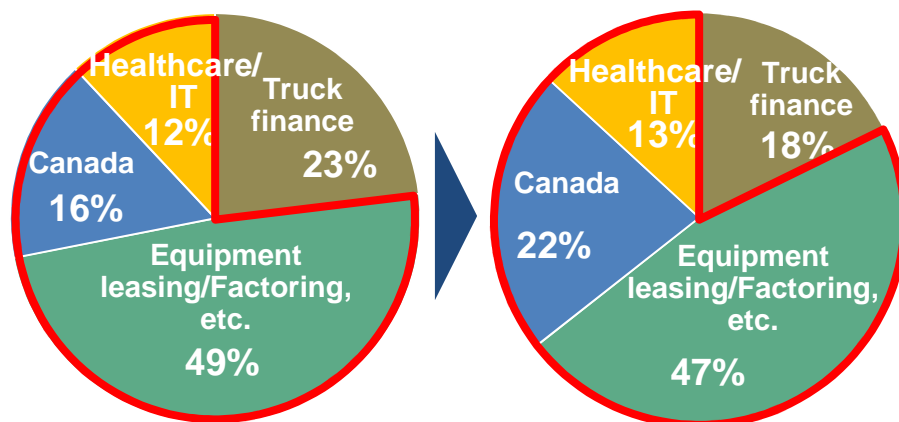
*Financial Conduct Authority

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2-3. The Americas Business

Steadily accumulated operating assets as a growth driver

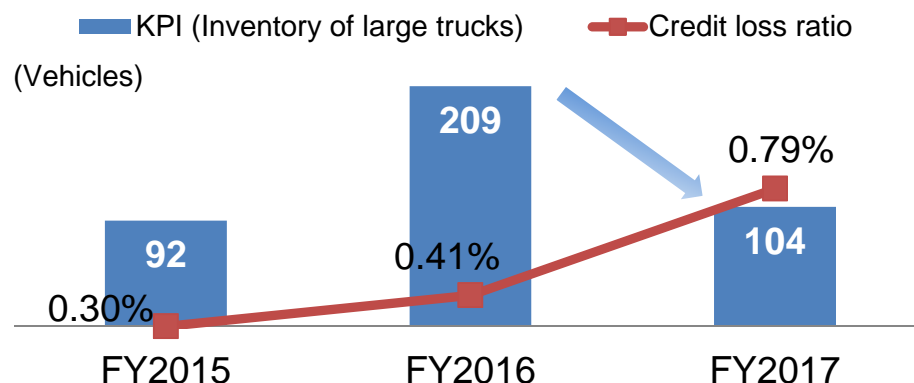
Operating assets*



FY2016: ¥304.1 billion FY2017: ¥333.7 billion

*Calculated using the exchange rates at the end of each fiscal year

Credit loss KPI/results



Topics

- Favorable growth in healthcare/IT sectors and Canada business
- Implemented measures to improve quality of receivables in truck finance business
 - Scaled down the handling of large trucks used in resource logistics
 - Disposed of returned trucks ahead of schedule

Direction

- Expand sales finance in healthcare/IT sectors through M&As
- Consider horizontal expansion in Canada business

2-4. China Business

Swiftly executed business strategies against environmental changes

Strategic images

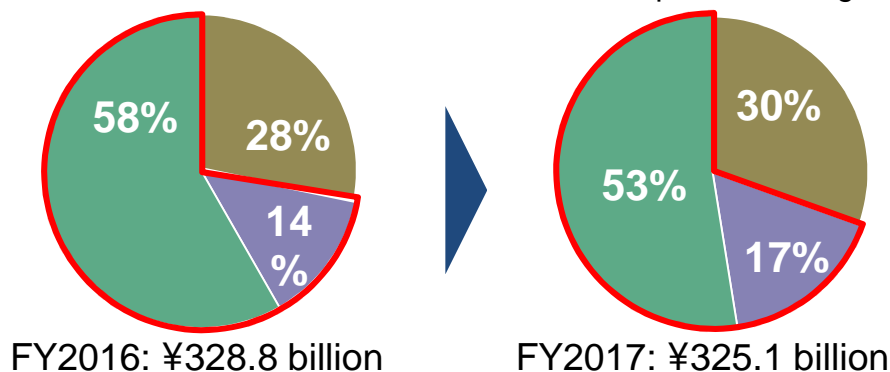


Topics

- Enhanced financial management functions in Hong Kong (made the Hong Kong subsidiary an intermediate holding company)
 - Issued green bonds (funding for eco- and energy-related business in mainland China)
- Enhanced collaboration with partners (Chinese companies/Hitachi Group)
- Accumulated operating assets in non-public sectors

Operating assets*

■ Mainland China: Public ■ Mainland China: Non-public ■ Hong Kong



*Calculated using the exchange rates at the end of each fiscal year

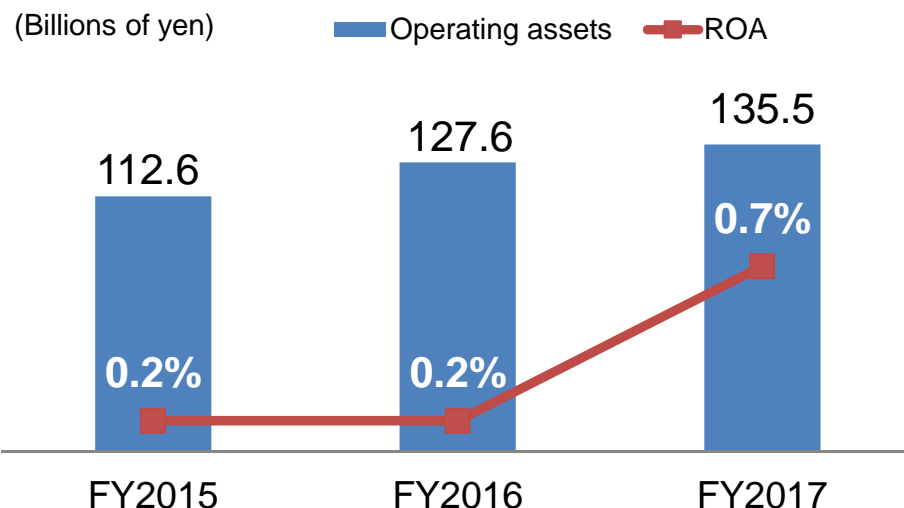
Direction

- Accelerate shift to non-public sectors
 - Focus on growing sectors including automobiles/IT, etc.
- New collaboration with partners (financial institutions)
 - Originate syndicated loans, etc.

2-5. ASEAN Business

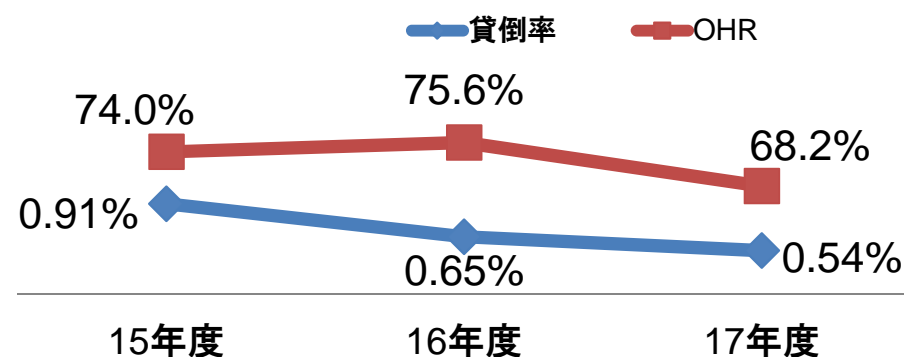
Showed recovery trend by strengthening management base

Operating assets



* Calculated based on the exchange rate in FY2015

Credit loss ratio/OHR



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

Topics

【Strengthened management base】

- Reinforced capital/Enhanced IT infrastructure (Thailand/Malaysia)
- Hired professional human resources/
Fostered human resources (Singapore/Indonesia)

【Business expansion】

- Profit increased in all regions (Singapore/Thailand/Malaysia/Indonesia)

Direction

- Continue strengthening management base
- Enhance sales finance across ASEAN (share vendor information)
- Consider business expansion into new region

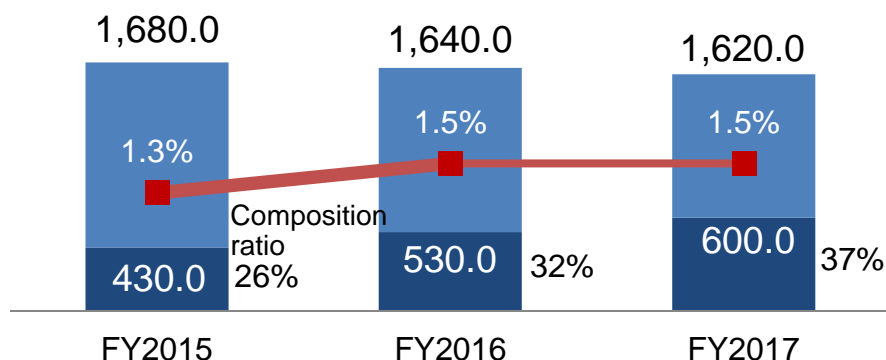
2-6. Japan Business (1)

Operating assets increased in focused sectors. OHR improved through structural reform

Operating assets*

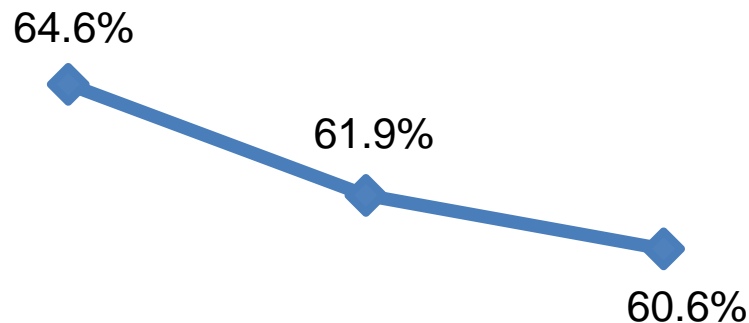
(Billions of yen)

■ Focused sectors ■ Other sectors ■ ROA



* Amounts are rounded to the nearest ¥1 billion.

OHR*



FY2015 FY2016 FY2017

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

Topics

【Focused sectors】

- Steady increase in operating assets (Social infrastructure/Eco- and energy-related)

【Structural reform】

- Improved OHR through structural reform
 - Reorganized businesses to enhance competitiveness
 - Launched and promoted a working method transformation project

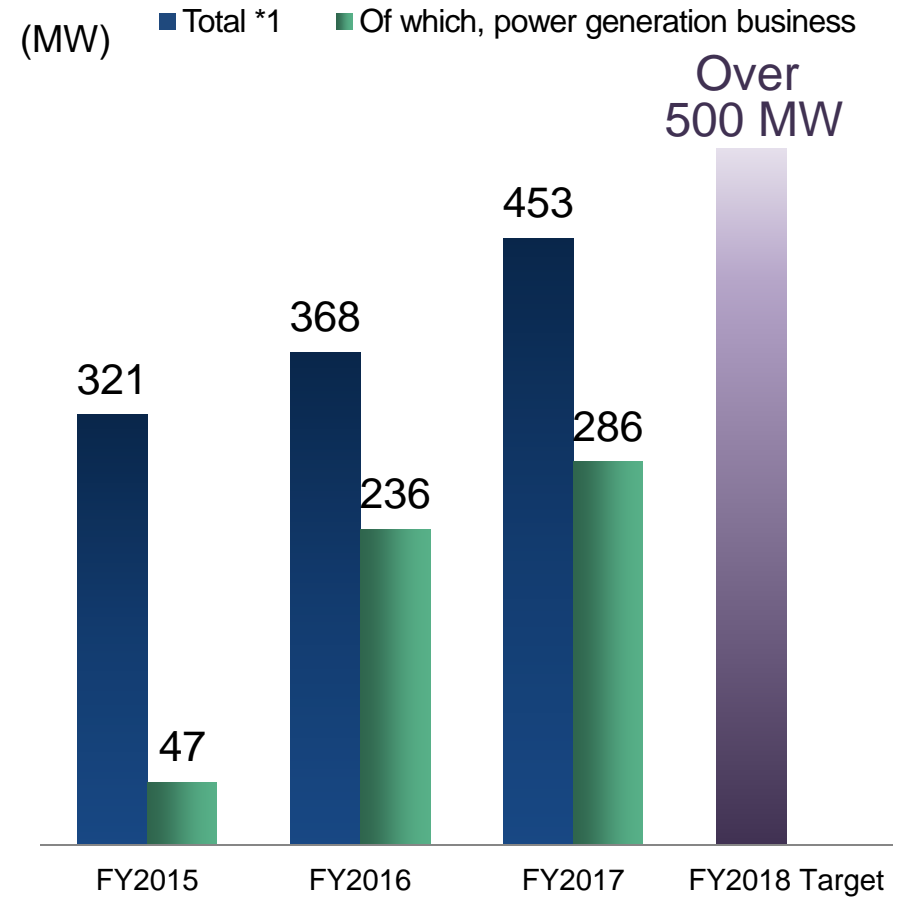
Direction

- Business expansion in focused sectors
- Continue structural reform to improve OHR
 - Complete integration of core systems
 - Accelerate working method transformation project

2-6. Japan Business (2): Eco- and Energy-Related Business

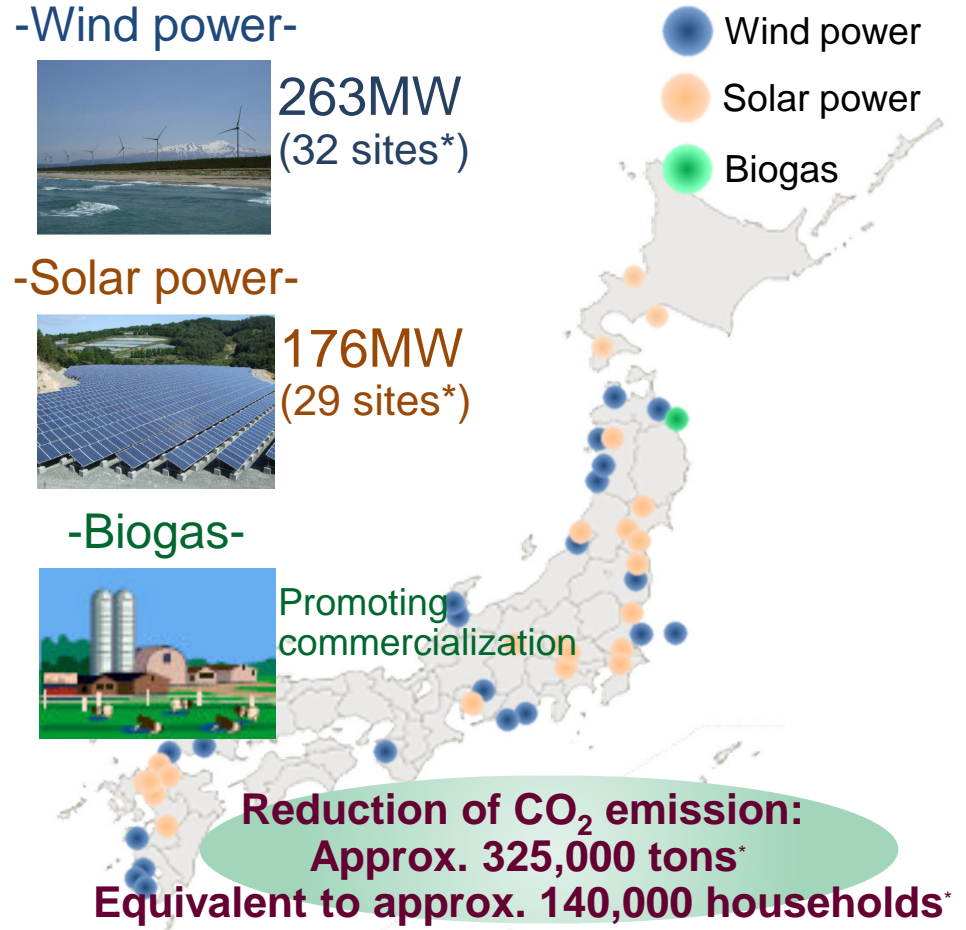
Developed renewable energy business across Japan

Power generation capacity



* : Power generation capacity is the accumulated total of power generation business and equipment lease, including partial investment.

Power generation business map



* : Calculated by the Company based on the accumulated electricity generated by renewable power generation business until FY2017 (estimates) according to the Law Concerning the Promotion of the Measures to Cope with Global Warming.

* : Sites are only power generation business.

2-7. Vehicle Solution (1): Collaboration with Partners (Collaboration with Hitachi Transport System)

Basic Agreement on Business Alliance with Hitachi Transport System



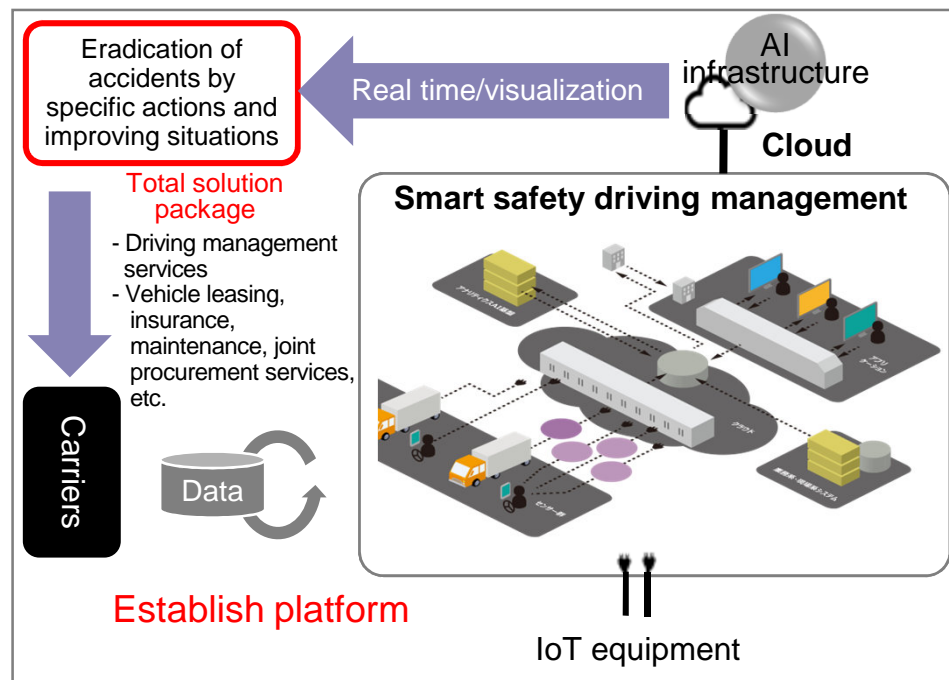
<p>Purpose of business alliance</p>	<p>Promote various measures toward realization of new innovations through “Finance, Commerce, Logistics, and Information” by expanding collaborative innovation areas across businesses and industries, while especially focusing on enhancement of finance and logistics as a function</p>
<p>Particulars of business alliance</p>	<p>(1) The details of the alliance are being discussed and considered by both companies (2) Partial acquisition of shares of Hitachi Auto Service (under discussion/consideration) ⇒ Enhance collaboration with vehicle-related business of Hitachi Transport System (sales, leasing, maintenance, etc. of vehicles)</p>
<p>Timeline</p>	<ul style="list-style-type: none"> ▪ Business alliance agreement: Late June 2018 (Scheduled) ▪ Share transfer of Hitachi Auto Service: Late July 2018 (Scheduled)

2-7. Vehicle Solution (2): Promotion of R&D (Collaboration with Hitachi Transport System)

Joint development through industry-academia collaboration aiming at realization of zero-accident society

Smart safety driving management system

(Started joint development with Hitachi Transport system, RIKEN*, Kansai University of Welfare Science, and Hitachi, Ltd.)



Outline of solutions

- Collect drivers' information in Cloud
- AI identifies situations affecting accidents and Hiyari-Hatto (near-miss)
- Give a real-time warning to the driver and driving manager

Future developments

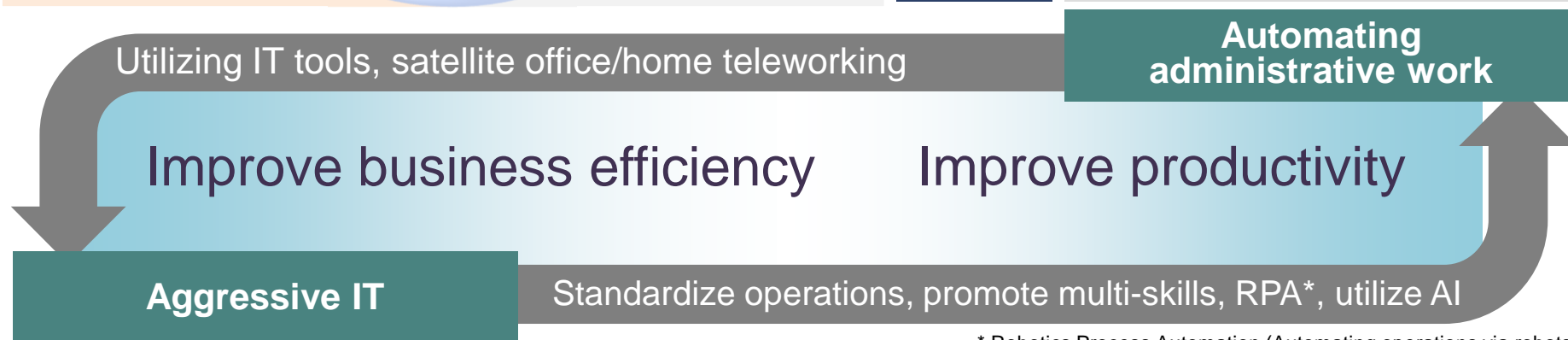
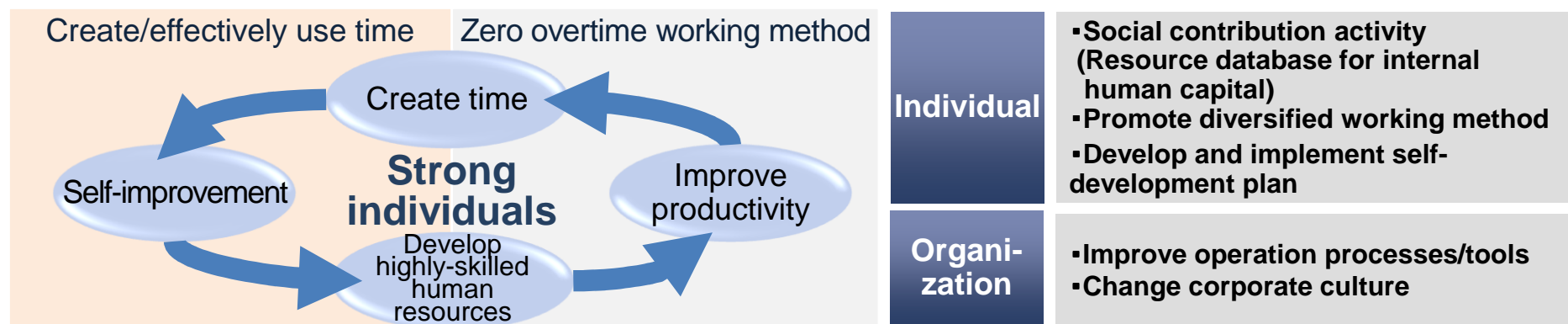
- Utilize IoT to realize zero-accidents and reduce loss costs
- Establish advanced driving management system/safety education system
- Provide total solution package including vehicle leasing/insurance/maintenance/joint procurement functions, etc.

- Future plan includes sharing procurement function and contributing to a maintenance business through predictive analytics
- Consider sales expansion to bus/taxi sectors

* RIKEN Center for Biosystems Dynamics Research

2-8. Working Method Transformation

Promote working method transformation and realize a good cycle enabling growth of both individuals and the Company



* Robotics Process Automation (Automating operations via robots)

【Productivity improvement KPIs】

	FY2016	FY2017	FY2018 Target
Actual overtime	17.3 hours	6.4 hours	0 hour

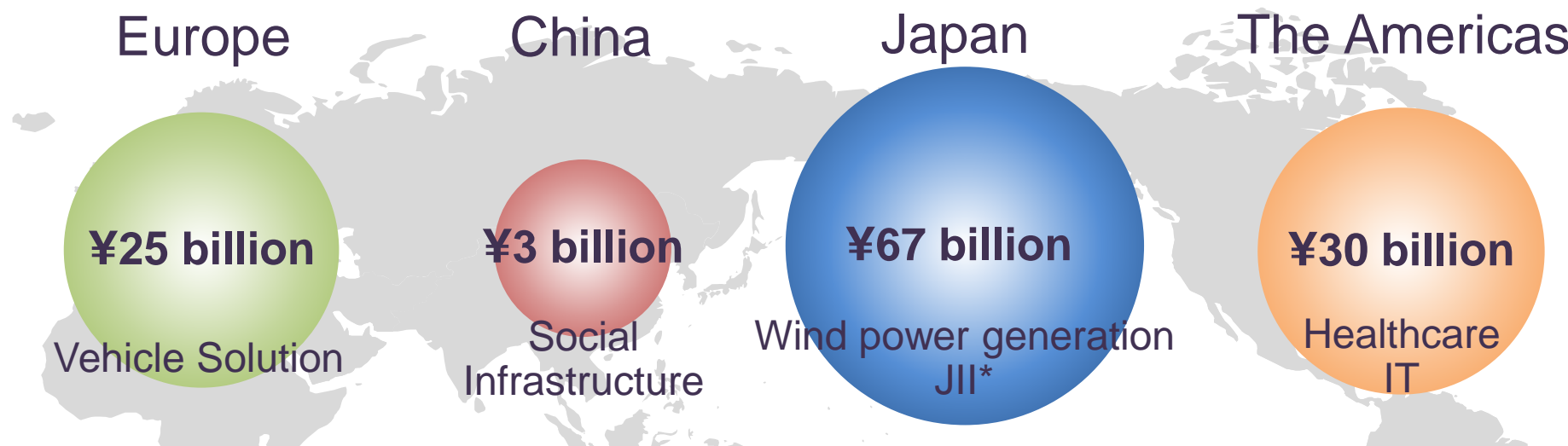
	FY2016	FY2017	FY2018 Target
OHR of Japan Business	62%	61%	57%

*Actual overtime = overtime hours (monthly average) – annual leave, etc. (Non-consolidated basis)

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

2-9. Progress of Collaboration with Partners

Executed approx. ¥125 billion investments in 2 years of 2018 Mid-Term Management Plan



Focused investment sectors to accelerate growth

Vehicle Solution



Eco- and energy- related



Pie chart: Amount

*JII: Japan Infrastructure Initiative Company Limited

* Figures are calculated using the exchange rate at the time of the investment.

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3. Quantitative Targets (Conclusion)

	FY2017	FY2018 Forecast	Y on Y
Profit before tax	44.3 billion yen	50.0 billion yen	113%
ROE	8.8%	9.2%	+0.4%
ROA	1.4%	1.5%	+0.1%
OHR	60.9%	59.4%	-1.4%
Dividend per share (Payout ratio)	¥86.00 (31.4%)	¥92.00 (30.1%)	+¥6.00 (-1.2%)

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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.