
Status of FY2019-FY2021 Mid-Term Management Plan

May 29, 2020

 **Hitachi Capital Corporation**

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1. Vision

Social values creation based on SDGs

Mission
Social Values
Creating Company

Aim at both solving social issues
and achieving sustainable growth



ROE: Over 10%, ROA: $\geq 2\%$
CAGR*: Around 5 to 8%

2021
Mid-Term
Management Plan
Value Up Stage

2018
Mid-Term
Management Plan
2nd Growth Stage

Back-casting

Management strategy
towards our Vision

Gaining benefits

* CAGR: Average annual growth rate of profit before tax

2-1. Summary of 2021 Mid-Term Management Plan: Highlights (Major Management Strategies)

Business Strategy	Shift to key businesses	<ul style="list-style-type: none"> ■ Shift to key businesses based on megatrends
	Deepen regional strategy	<ul style="list-style-type: none"> ■ Further improve profitability of Japan Business: ROA $\geq 2\%$ ■ Stable and systematic growth of Global Business
	Increase added value	<ul style="list-style-type: none"> ■ Accelerate business model shift ■ Focused investment of management resources on business enhancement measures
Management Base	Strengthen non-financial capital	<ul style="list-style-type: none"> ■ Strengthen management base to support growth ■ Promote ESG management
Return to Shareholders	Enhance return to shareholders	<ul style="list-style-type: none"> ■ Increase payout ratio to around 40% ■ Maintain a balance of return to shareholders, credit ratings, and investment for growth

2-2. Summary of 2021 Mid-Term Management Plan: **HITACHI** Megatrends Inspire the Next

SUSTAINABLE DEVELOPMENT GOALS

Society 5.0
ソサエティ

— Megatrends —

Energy Mobility (Transportation) Urbanization Healthcare Population growth

Smartization

Innovation

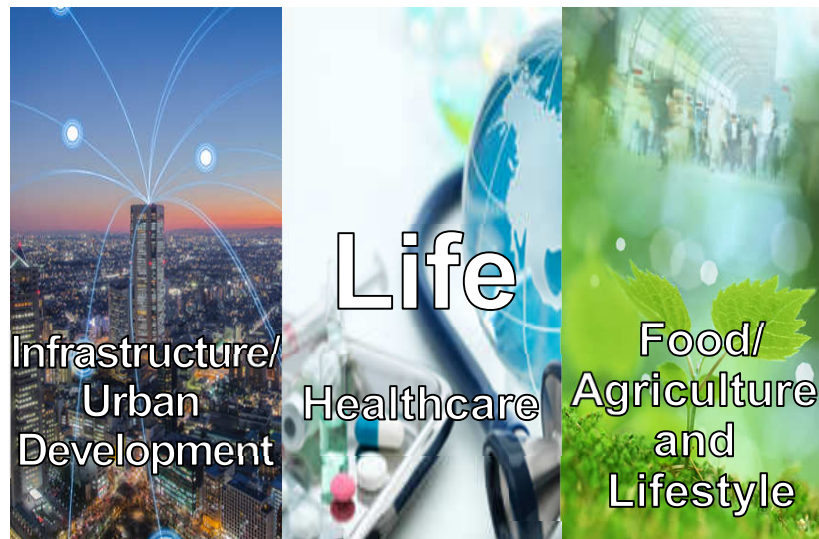
**Technology advancement
(Digital technology and data utilization)**

**New service model
such as sharing**

*1 SDGs: 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

*2 Society 5.0: Vision of future society proposed by the Japanese Government
A human-centered society that balances economic advancement with the resolution of social issues by a system that highly integrates cyberspace and physical space (reality space)

2-3. Summary of 2021 Mid-Term Management Plan: Key Businesses



3-1. Shift to Key Businesses: Environment/Energy

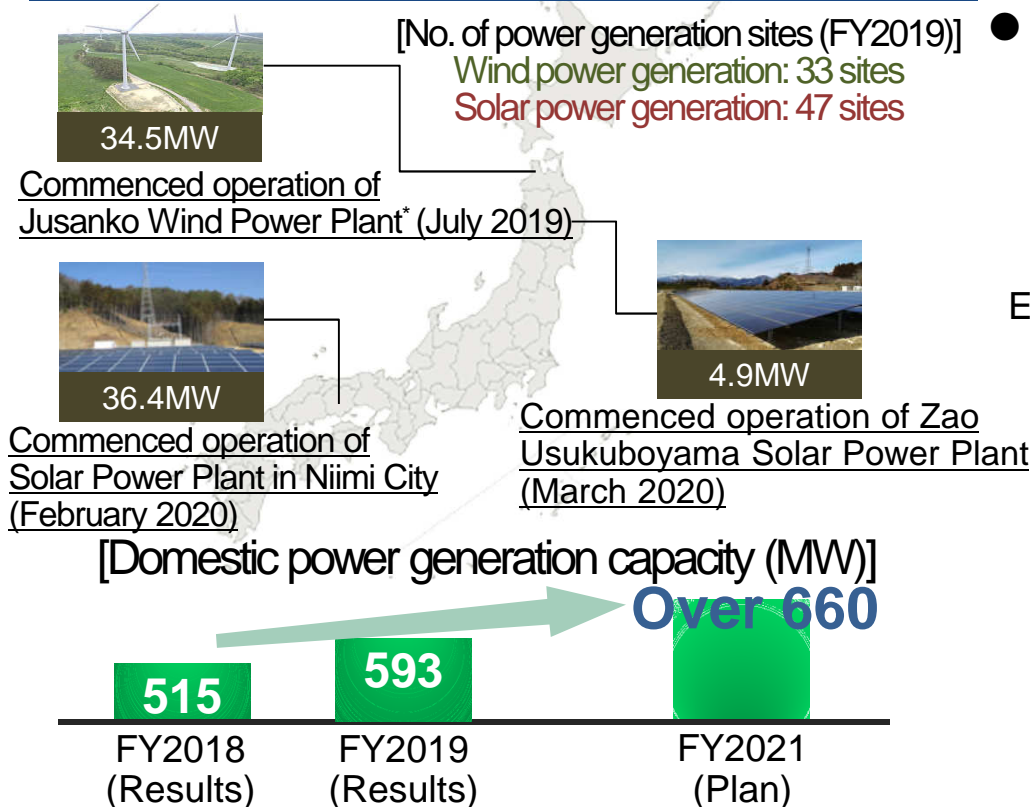


Direction of
2021 Mid-Term
Management Plan

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

Achievements in FY2019

Expanded domestic renewable energy business



Global expansion

- Formed partnership with GRIDSERVE Sustainable Energy Ltd, a British technology market leader, to support acceleration of the use of renewable energy and the shift to EV in the UK

[Sample project: soon-to-open state of the art Electric Forecourt® in Essex. Using solar power generation]



- Features**
- High speed charging to EV
 - Supply clean energy generated by solar power
 - 5 year plan to deliver over 100 Electric Forecourts® UK-wide

*Support the project with
our finance know-how and insights*

*Commenced test operation in December 2018. (Actual power generation capacity is included in FY2018.)

3-2. Shift to Key Businesses: Mobility



Direction of
2021 Mid-Term
Management Plan

- Expand business areas in the Continental Europe
- Evolve into mobility solutions by utilizing data

Achievements in FY2019



3-3. Shift to Key Businesses: Life



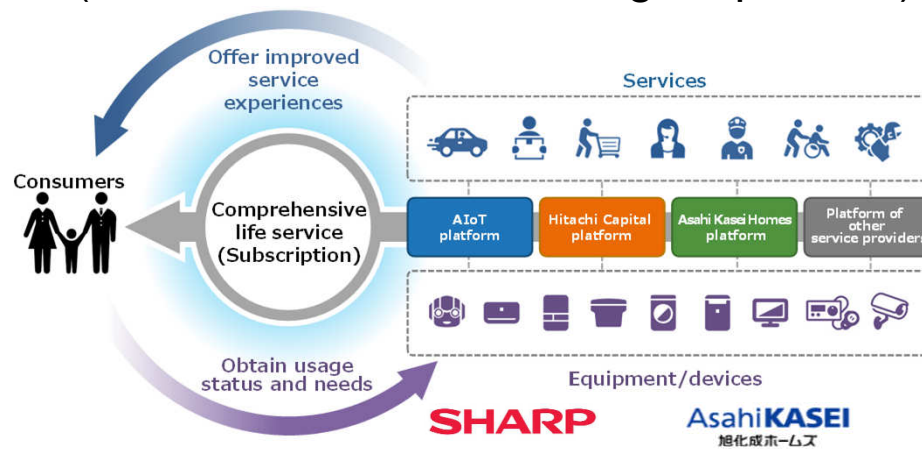
Direction of
2021 Mid-Term
Management Plan

- Strengthen solutions for realization of richer life
- Accelerate expansion in ASEAN area

Achievements in FY2019

To improve QOL

- Developed new services to realize optimum life according to life stages
(Started demonstration testing in April 2020)

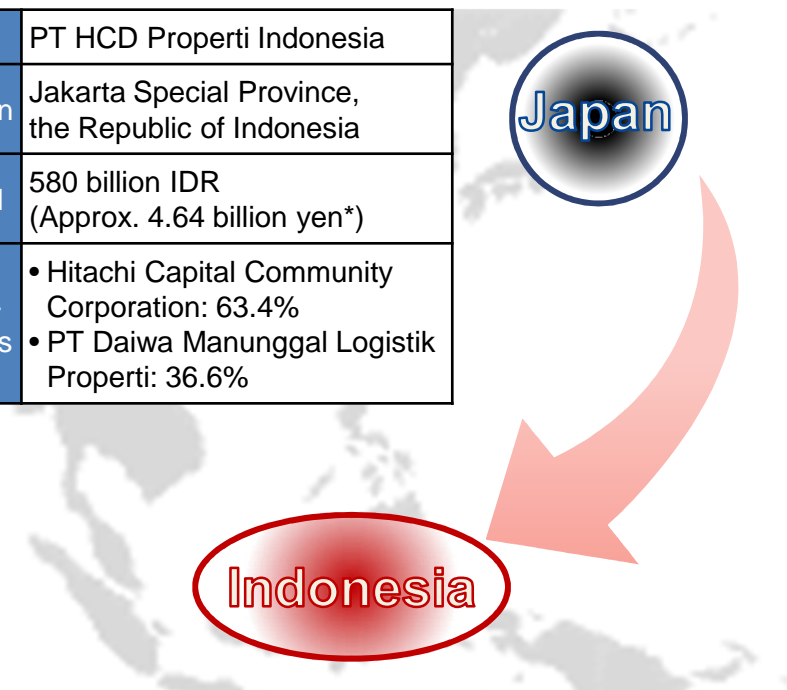


Acquired data	<ul style="list-style-type: none"> ▪ Equipment usage history (time of day/frequency/menus, etc.) ▪ Air conditioning (temperature/humidity/cleanliness, etc.) ▪ Indoor flow line ▪ Level of fatigue/heartbeat/depth of sleep, etc.
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Acquired new business opportunities

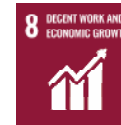
- Established a business company with the Daiwa House Group (December 2019)

Name	PT HCD Properti Indonesia
Location	Jakarta Special Province, the Republic of Indonesia
Capital	580 billion IDR (Approx. 4.64 billion yen*)
Shareholdings	<ul style="list-style-type: none"> • Hitachi Capital Community Corporation: 63.4% • PT Daiwa Manunggal Logistik Properti: 36.6%



*Foreign exchange rate at the time of announcement: 1IDR = ¥0.008

3-4. Shift to Key Businesses: Sales Finance



Direction of
2021 Mid-Term
Management Plan

- Strengthen competitiveness by seeking convenience for vendors

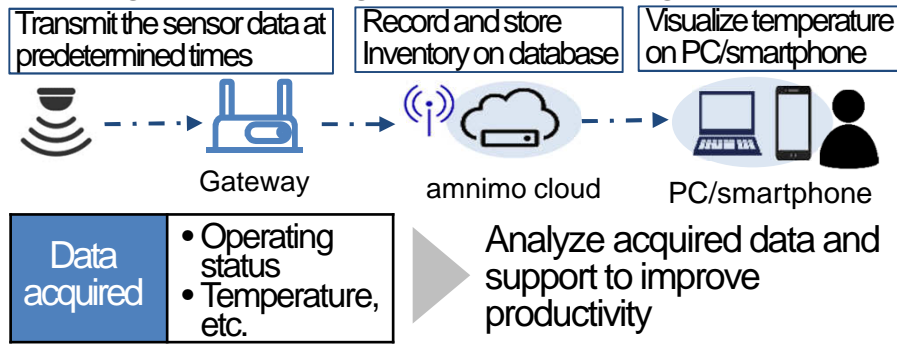
Achievements in FY2019

Developed a new business model

- Sought a new business model to solve issues by collecting various data from leased assets (started demonstration testing in March 2020)

Outline of IoT leasing demonstration testing

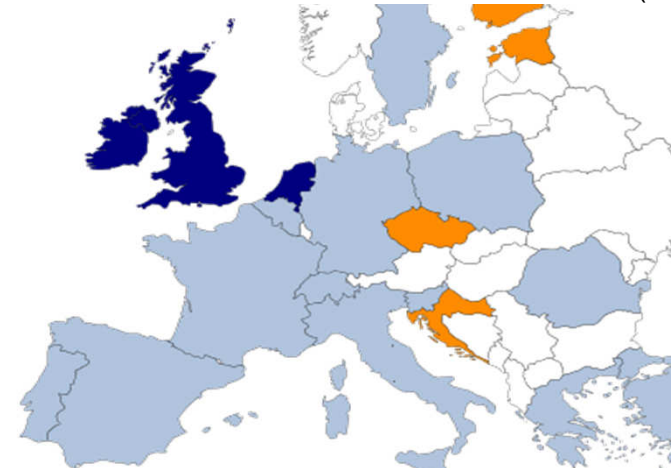
- 1) Measure data with sensors equipped in lease equipment
 - 2) Verify effectiveness of data-driven services (consulting for efficient use)
- <Target assets: e.g. injection molding machines>



Expanded regional coverage

- Strengthened sales finance by incorporating the Netherlands Sales Office (April 2019)

- Business bases of Sales Finance
- Regions in collaboration with external financial institutions (Existing)
- Regions in collaboration with external financial institutions (from FY2019)



Expanded regions through collaboration with external financial institutions
FY2018: 17 countries ⇒ FY2019: 21 countries

4-1. Deepen Regional Strategy: Japan Business

Activity Policy
of
2021 Mid-Term
Management Plan

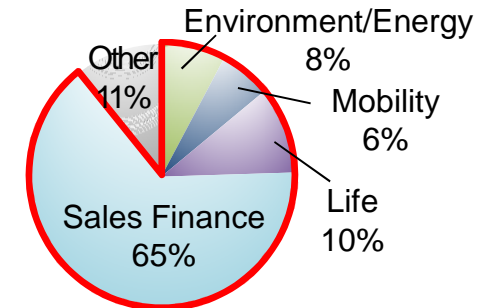
- Shift to key businesses and continue cost structure reform
⇒ Further improve profitability

Achievements in FY2019

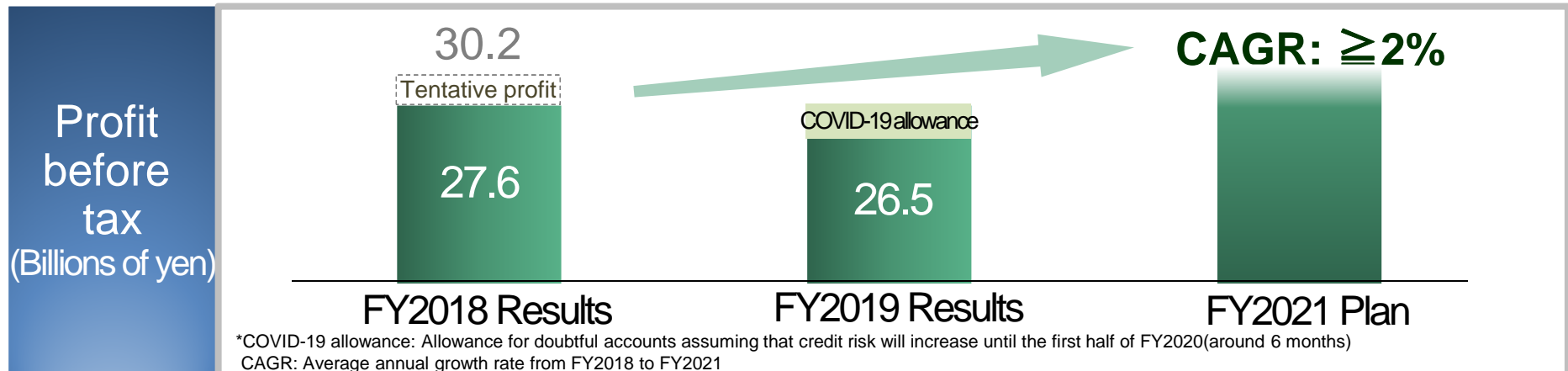
- Expanded key businesses
 - Solar power generation/Wind power generation ([Power generation capacity] FY2018: 515MW → FY2019: 593MW)
 - Sales finance (capture Windows10-related demand) (Growth in PC volume: 158% year-on-year)
- Improved OHR in Vendor Solution (FY2018: 56.8% → FY2019: 54.4%)
 - Coordinate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

<(Reference) Key business composition >

FY2019 (Operating assets)



○ : Key businesses



4-2. Deepen Regional Strategy: Europe Business

Activity Policy
of
2021 Mid-Term
Management Plan

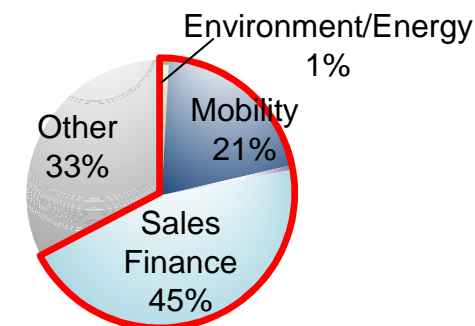
- Aim at stable growth in UK business and accelerate expansion in the Continental Europe
⇒ Seek growth insusceptible to changes in external environment

Achievements in FY2019

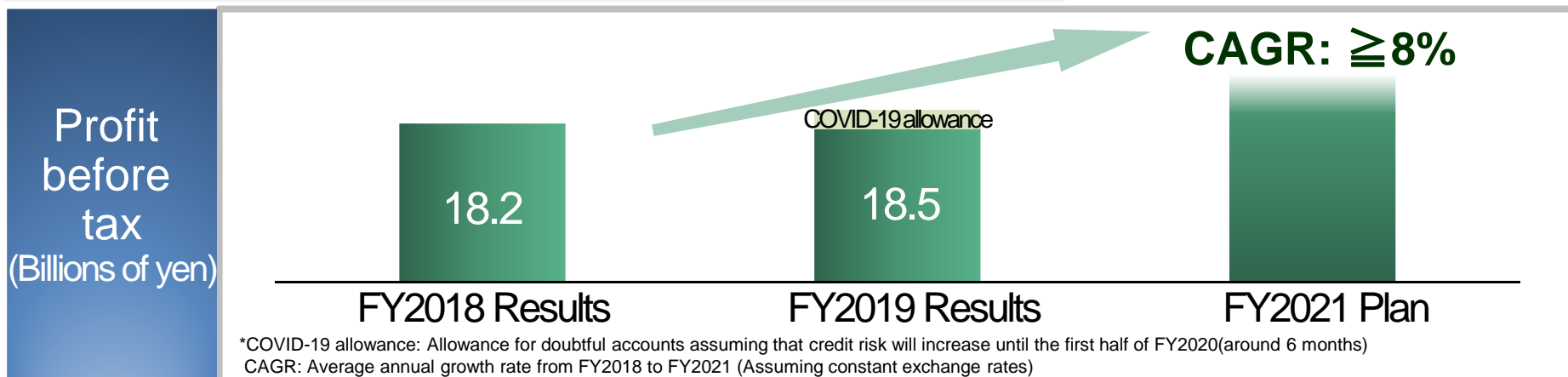
- Stable growth in UK business
(Growth rate of UK's profit before tax: 108%*1)
▪ DX improved customer satisfaction
- Development in the Continental Europe
▪ Belgium, Czech, Slovakia, and Hungary
▪ (Ratio of the Continental Europe*2 FY2018: 6%→FY2019: 7%)
- Full-scale entry to MaaS business (Netherlands)

<(Reference) Key business composition >

FY2019 (Operating assets)



○ : Key businesses



*1 Excluding the impacts of COVID-19 and FOREX *2 Operating assets

4-3. Deepen Regional Strategy: The Americas Business **HITACHI** Inspire the Next

Activity Policy
of
2021 Mid-Term
Management Plan

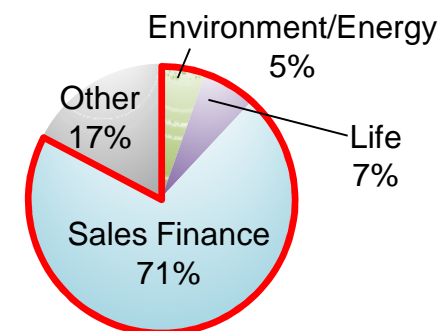
- Regrowth by building new core businesses
- Focus on Sales Finance and Environment/Energy

Achievements in FY2019

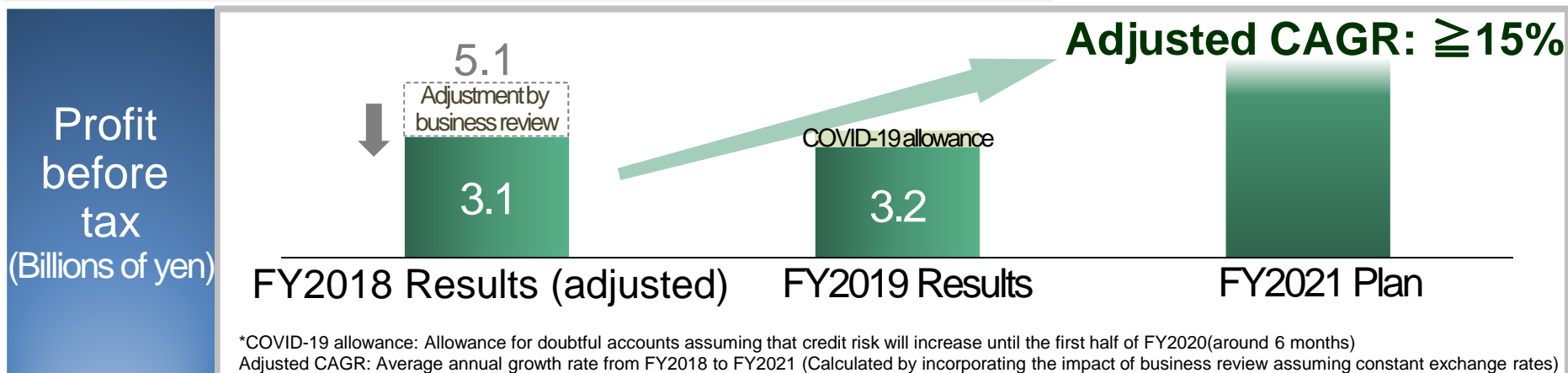
- Entered into subscription-type energy saving business through collaboration with partners
- Promoted business structural reform
 - Closing of large factoring business, etc.
- Growth of Canada business
(Growth rate of Canada's profit before tax: 106%*)

<(Reference) Key business composition >

FY2019 (Operating assets)



○ : Key businesses



*Excluding the impacts of FX

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4-4. Deepen Regional Strategy: China Business

Activity Policy
of
2021 Mid-Term
Management Plan

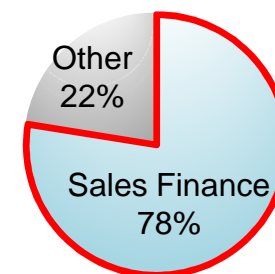
- Drastic review of business strategy by selection and concentration of businesses
- Return to sales finance (diversified model)

Achievements in FY2019

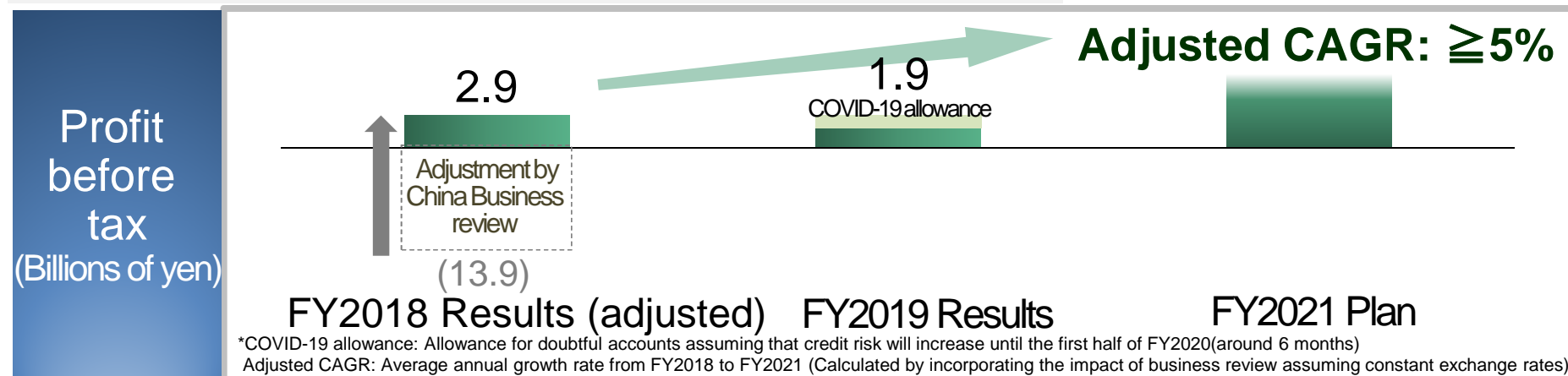
- [Mainland China] Enhanced collaboration with partners (Hitachi, MUFG, local partners, etc.)
- [Hong Kong] Enhanced collaboration with partners in Sales Finance (copier)
- Drastic business review
 - Closing of large factoring business, etc.

<(Reference) Key business composition >

FY2019 (Operating assets)



○ : Key businesses



4-5. Deepen Regional Strategy: ASEAN Business

Activity Policy
of
2021 Mid-Term
Management Plan

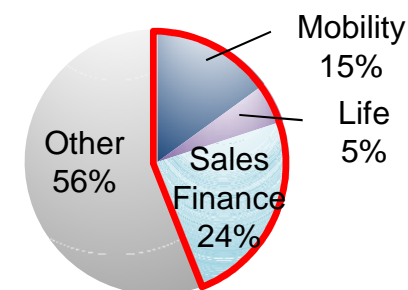
- Promote expansion of business domains and areas in line with regional needs and resources of each company
- Seek new business opportunities in key businesses including Life

Achievements in FY2019

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

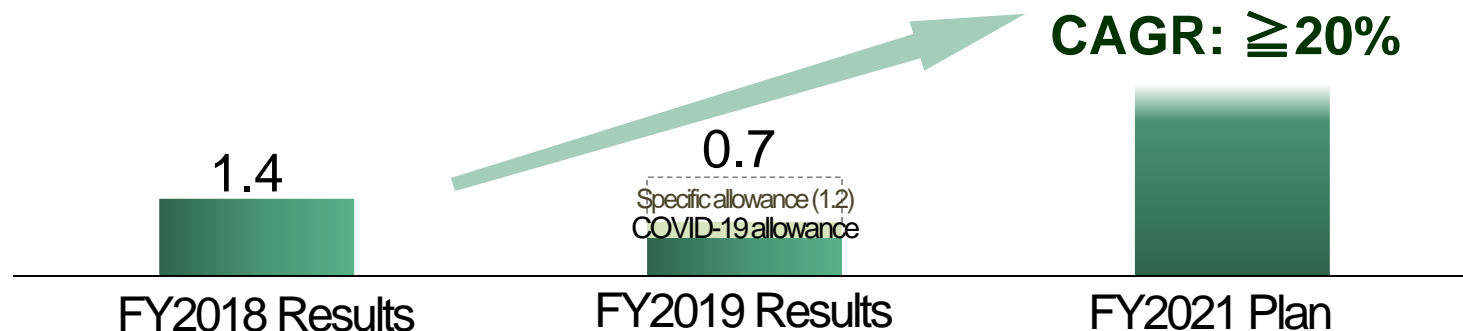
<(Reference) Key business composition >

FY2019 (Operating assets)



○ : Key businesses

Profit
before
tax
(Billions of yen)

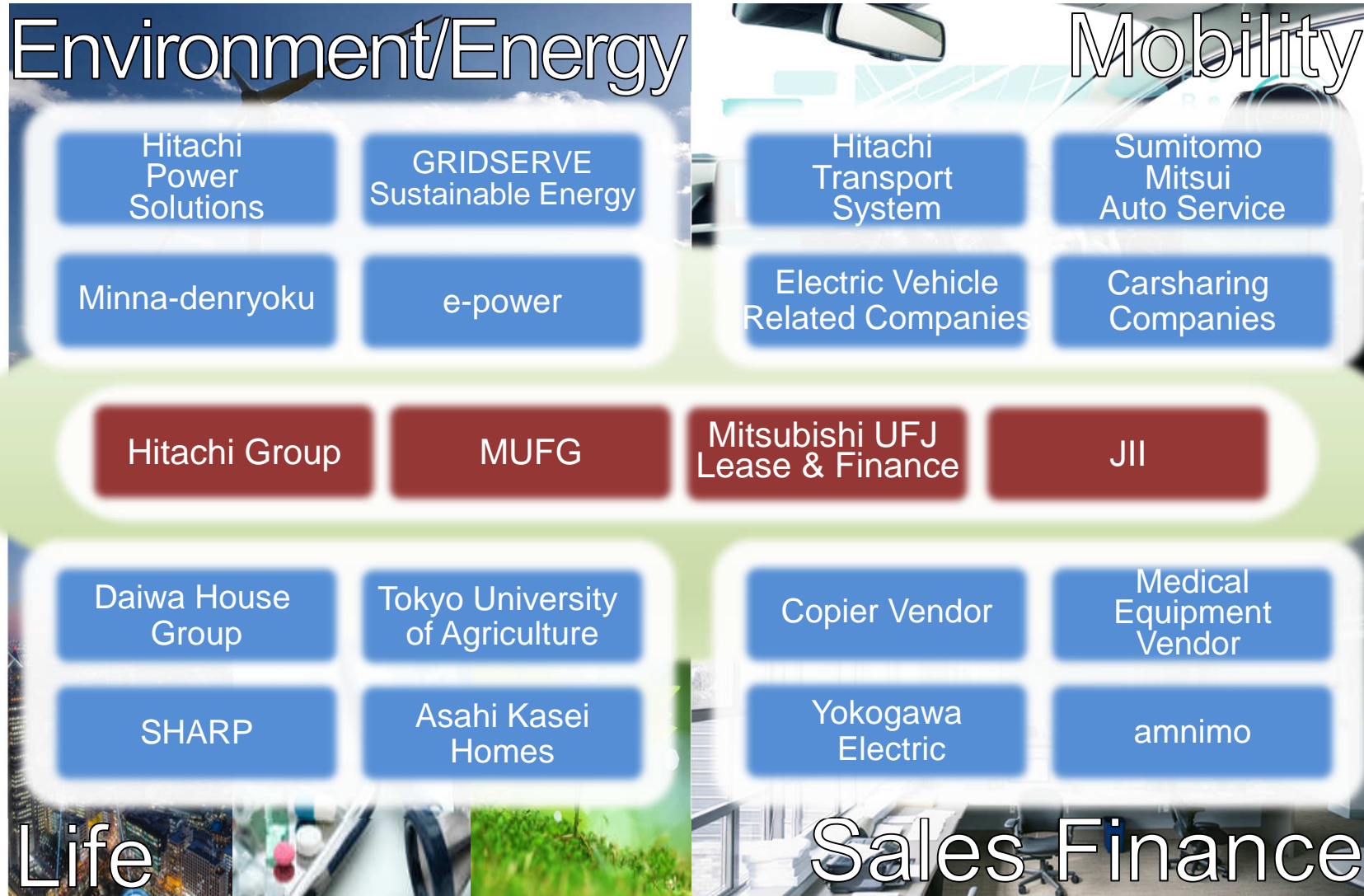


*COVID-19 allowance: Allowance for doubtful accounts assuming that credit risk will increase until the first half of FY2020 (around 6 months)
CAGR: Average annual growth rate from FY2018 to FY2021 (Assuming constant exchange rates)

* Excluding the impacts of FX

5-1. Increase Added Value: Collaboration with Partners

Enhance partnerships in key businesses



MUFG: Mitsubishi UFJ Financial Group, Inc.
JII: Japan Infrastructure Initiative Company Limited

Sound investments considering business environment

Achievement of Value Up Stage

M&A	R&D	DX
<Investment in 2021 Mid-Term Management Plan (cumulative total of 3 years) >		
Approx. ¥50-¥100 billion (Operating assets)	Approx. ¥ 3 billion (Investment amount)	Approx. ¥ 15 billion (Investment amount)
Key initiatives		
<ul style="list-style-type: none"> ● Global expansion of Mobility (Belgium, Czech, Slovakia, and Hungary) ● Invested in the Netherlands MaaS company ● Entered into subscription-type energy saving business 	<ul style="list-style-type: none"> ● Demonstration testing to realize life platform ● Demonstration testing to develop IoT leasing ● Study for useful chemicals made from food residues 	<ul style="list-style-type: none"> ● AI-based screening in sales finance ● Optimized vehicle management system in mobility ● Introduced IT tools to streamline back office operations
Expand area/service	Create new businesses	Improve operational quality and efficiency
FY2019: approx. ¥5.6 billion	FY2019: approx. ¥0.26 billion	FY2019: approx. ¥5.0 billion

6. Strengthen Non-Financial Capital: ESG Management **HITACHI** Inspire the Next

【Initiatives in FY2019】

Environment

[Vision]
FY2050:
CO₂ emission
Zero

- Reduced the number of domestic vehicles by 20 (7%)
- Further promoted energy-saving activities at offices
- Agreed on international long-term commitment (TCFD^{*1}, SBT^{*2})

Society

[Vision]
Employee
engagement
80%

- Promoted working method transformation project
- Established new compensation system that fits with times
- Enhanced systems to ensure active involvement of senior and contract employees

Governance

- Inappropriate deals in China: Implemented thoroughgoing recurrence prevention measures
- Enhanced governance over group companies
- Expanded performance-based stock compensation plan

*1 TCFD: Task Force on Climate-related Financial Disclosures *2 SBT: Science Based Targets for reduction of greenhouse gas

7-1. Novel Coronavirus Infection: Hitachi Capital's Response

For the world with or after the coronavirus



Secure safety of
employees and
their families
(Stay motivated)

- Check employees' health condition (Require temperature check/report every morning)
- Distribute face masks to employees (Strict requirement)
- Provide across-the-board support money to employees
- Introduce a special leave system



Business
continuation
(BCP/BCM)

- Understand the current situation and take measures globally
- Develop BCP for each corporate division
- Secure short-term liquidity to prepare for emergencies



Recovery
of topline
(Shift to a new style)

- Thoroughly implement teleworking: 70% or more
- Review sales styles (Promote non-face-to-face sales activities)
- Use digital technologies
- Review operating process

7-2. Novel Coronavirus Infection: Environment Recognition

Business confidence

- Capital investments and personal consumption continue to decline sharply for a while due to measures such as lockdown imposing strict restriction on economic activities
- The number of bankruptcies of SMEs, especially those in the service business, has increased, worsening the unemployment rate
- Although the strict measures will remain in place for a while, economic activities and personal consumption will recover gradually after the lockdown is eased in stages or reviewed in or after the second quarter
- It is difficult to completely end the infection, and there are concerns over the second (and third) wave, but their impact on the economic environment is expected to be limited considering we can capitalize on the experience obtained from the first wave and advancement of the cure

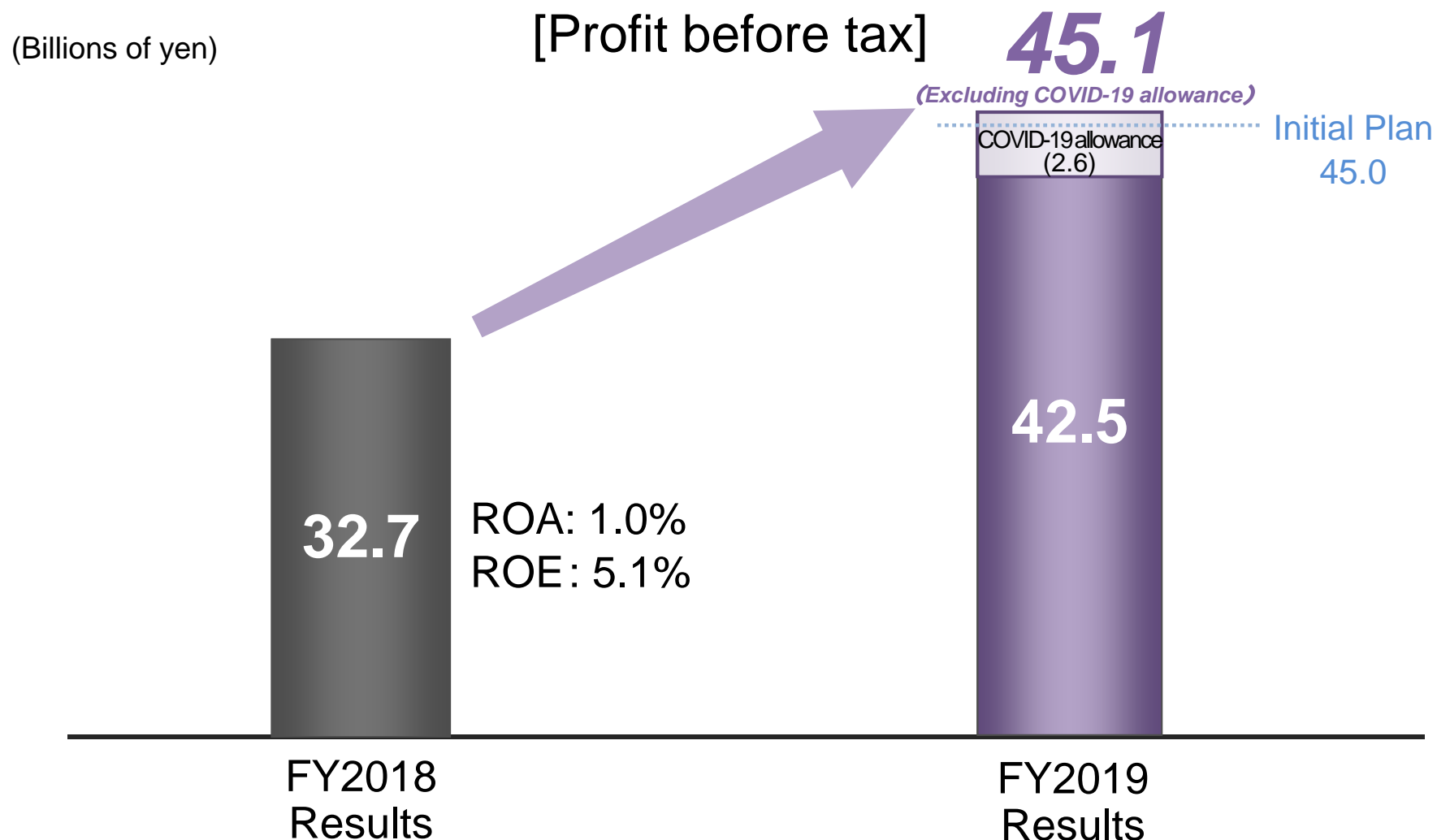
Trend

- Acceleration in teleworking and the working method transformation in companies
- Active use of EC in response to stay-at-home requests and restrictions on movement of people
- Increase in investments in communication infrastructure development (e.g. 5G)
- Slowdown in urbanization (concentration of population in urban areas) to avoid the “3Cs (Closed spaces, Crowded places, and Close-contact settings)”
- Rise in needs for prevention and sanitation in healthcare
- Rapid increase in demand, especially in personal consumption, after the lockdown is lifted

➤ *Seek new business opportunities in preparation for post-pandemic new normal*

8. Conclusion: Quantitative Results

FY2019: Achieve the initial plan of ¥45 billion based on actual capabilities



8. Conclusion: Quantitative Targets

<FY2020 forecasts*>

Forecasts incorporate decreases in business volume and revenues assuming novel coronavirus will have a significant negative impact on the Company's earnings until June 2020 and the business will recover gradually towards March 2021.

	[FY2019]	[FY2020 forecasts*]	[FY2021 targets]
Profit before tax	¥42.5 billion	¥38.5 billion	¥55.0 billion
Asset efficiency (ROA)	1.3%	1.2%	1.7%
Capital efficiency (ROE)	8.1%	7.1%	9%

*Foreign exchange rate: £1 = ¥138, \$1 = ¥109 for FY2019, £1 = ¥135, \$1 = ¥108 for FY2020 and FY2021

HITACHI

Inspire the Next

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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.