
Fact & Data Book 2019

October, 2019

 **Hitachi Capital Corporation**

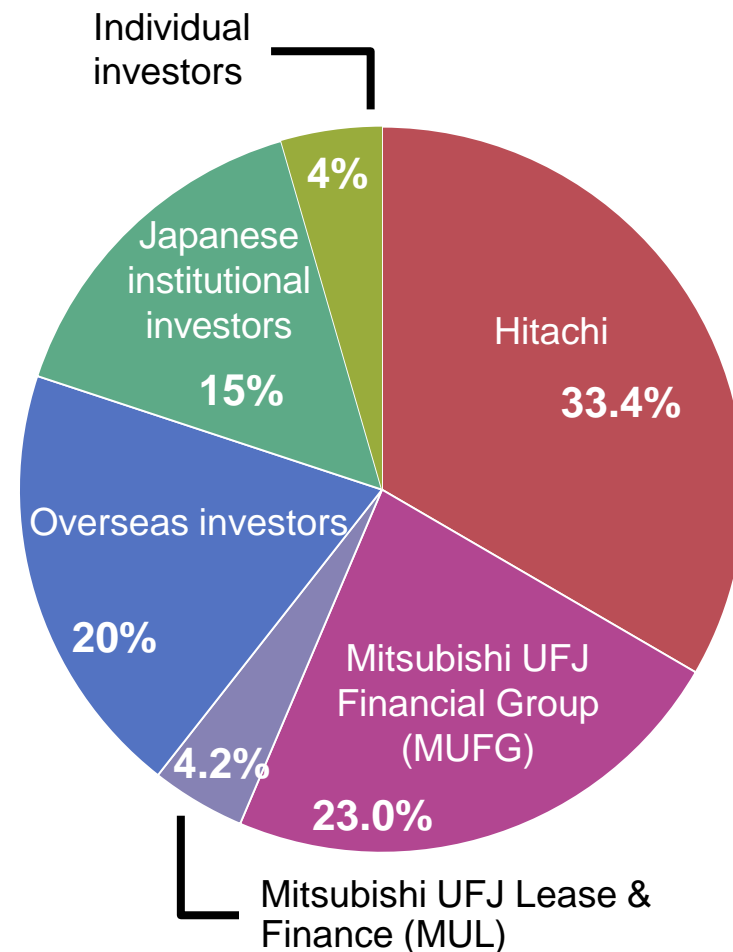
Contents

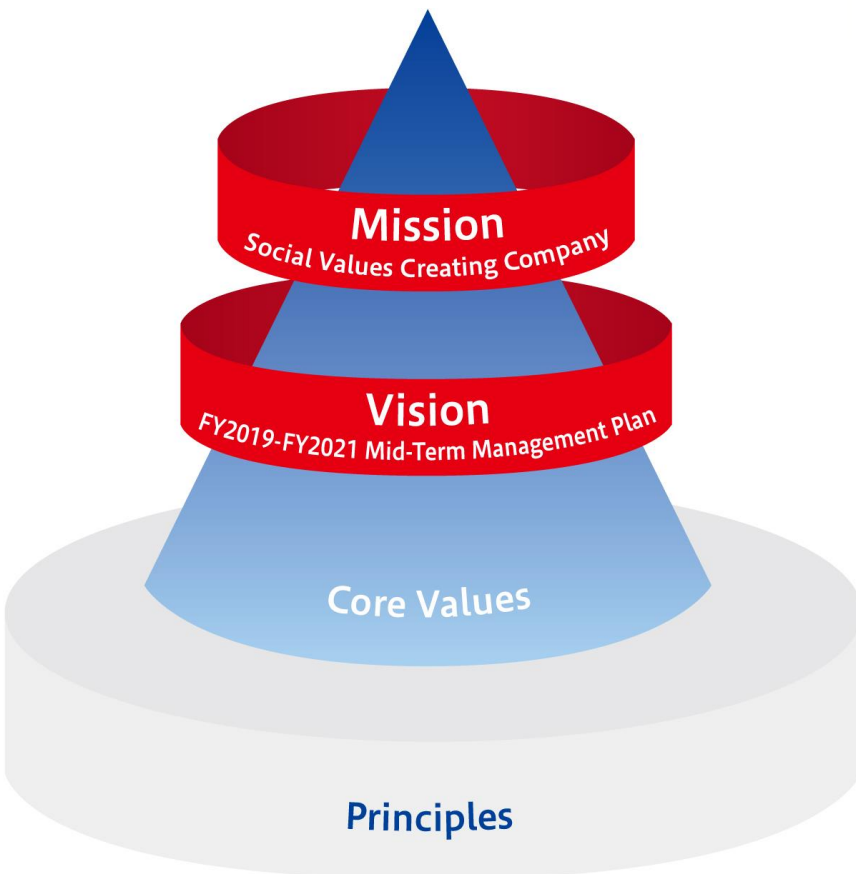
- 1. Overview of Hitachi Capital**
- 2. Business Profile of Hitachi Capital**
- 3. Return to Shareholders**
- 4. FY2019–FY2021 Mid–Term Management Plan**

1-1. Basic Information (As of March 31, 2019)

Company name	Hitachi Capital Corporation	
Representative	Seiji Kawabe, President & CEO	
Founded	September 10, 1957	
Capital	9,983 million yen	
Consolidated results (FY2018) *IFRS	Volume of business	2,745 billion yen
	Revenues	453.2 billion yen
	Profit before tax	32.7billion yen
Credit ratings	S&P: A- R&I: A+ JCR: AA-	
Consolidated subsidiaries	Japan 25, Overseas 25	
Number of employees	5,558 (including 3,066 overseas employees)	
Stock listing	First Section of Tokyo Stock Exchange (Securities code: 8586)	

Composition of shareholders and ownership ratio (excluding treasury stock)





Mission (Management Policy)

“Social Values Creating Company”

Core Values (Action Guidelines)

- | | |
|--|-------------------------------|
| (1) Future-focused | (6) Diversity |
| (2) Customer-oriented | (7) Individual accountability |
| (3) The three actuals:
“The actual place, the actual
situation, the actual case” | (8) “Harmony” |
| | (9) “Sincerity” |
| (4) “Basics and Ethics” | (10) “Pioneering spirit” |
| (5) Quality First | |

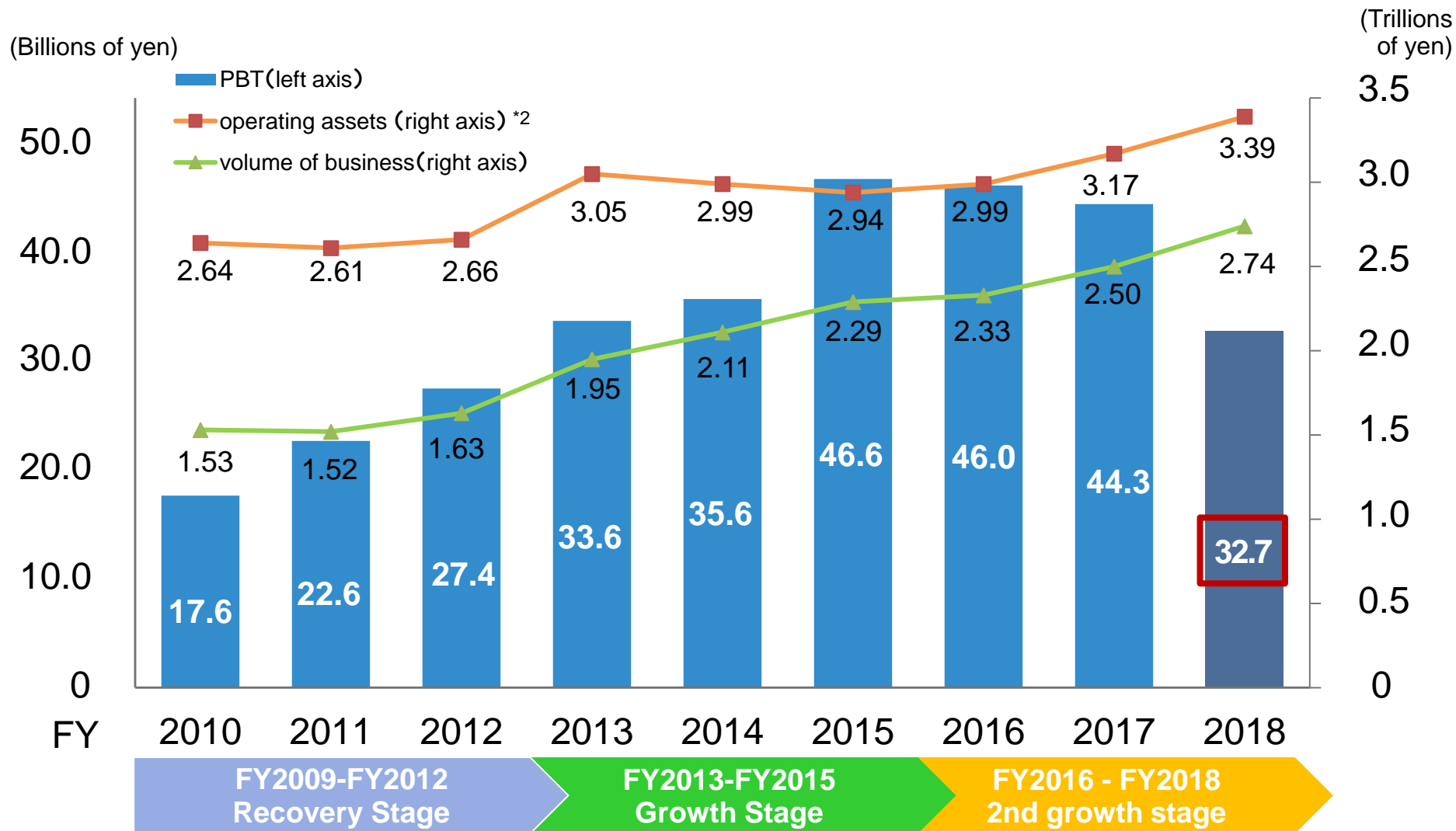
Principles

- (1) Sustainable growth
- (2) Respect for human dignity
- (3) Implementation of corporate ethics

1-3. History

- 1957 • Established as Hitachi's installment sales company for home appliance (Hitachi Credit afterward).
- 1968 • Hitachi Leasing Corp. was established (as the first Japanese manufacturer-based leasing company).
- 1969 • Hitachi Credit Corp. was established.
- 1975 • Hitachi Credit (Hong Kong) Ltd. was established as the first overseas base.
- 1979 • Listed on the first section of the Tokyo Stock Exchange.
- 1982 • Hitachi Credit (UK) PLC (present Hitachi Capital (UK) PLC) was established.
Opened Singapore branch. (became a local subsidiary in 1994)
- 1989 • Hitachi Credit America Corp. (present Hitachi Capital America Corp.) was established.
- 2000 • Hitachi Capital Corp. was established (merger of Hitachi Credit and Hitachi Leasing).
- 2005 • Hitachi Capital Leasing (China) Co., Ltd. was established.
- 2008 • Hitachi Capital (Thailand) Co., Ltd. was established.
- 2011 • Consolidated First Peninsula Credit Sdn. Bhd. (present Hitachi Capital Malaysia Sdn. Bhd)
- 2012 • Hitachi Capital Canada Corp. was established. Consolidated PT. Arthaasia Finance (Indonesia).
- 2014 • Consolidated Corpo Flota Sp. z o.o. (Porland). (present Hitachi Capital Polska Sp. z o.o.)
- 2016 • Entered into capital and business alliance agreement with MUFG and MUL.
A portion of shares of Hitachi Capital was transferred from Hitachi to MUFG and MUL.
⇒ Became an affiliate of Hitachi and MUFG accounted for using the equity method
- 2017 • Consolidated Noordlease Holding B.V. (the Netherlands).
• Japan Infrastructure Initiative Company Limited was established.
(joint capital investment of Hitachi Capital and MUL, and MUFG Bank Ltd.)
- 2019 • Consolidated Maske Fleet GmbH and Maske Langzeit-Vermietung GmbH. (Germany and Austria)

1-4. Performance Trends



*1 Before FY2013: Ordinary income

*2 Before FY2013: Total accounts receivable

1-5. Significant Subsidiaries

Japan

- Hitachi Capital Servicer Corporation
(Established: 1983/ Collection and management of receivables)
- Hitachi Capital Services Co., Ltd.
(Established: 1989/ Purchasing and selling of used products)
- Hitachi Capital Auto Lease Corporation
(Established: 1989/ Auto leasing business)
- Hitachi Triple Win Corp.
(Established: 2000/ Outsourcing business, and food, beverage, and agricultural business)
- Sekisui Leasing Co., Ltd.
(Incorporated: 2002/ Leasing business and financing business)
- Hitachi Capital Insurance Corporation
(Incorporated: 2004/ Non-life insurance business)
- Hitachi Capital Community Corporation
Established: 2004/ Development, operation, and management of commercial facilities and residential facilities, etc.)
- Hitachi Capital Trust Corporation
(Established: 2005/ Trust business)
- Hitachi Capital NBL Corporation
(Incorporated: 2013/ Leasing business)
- Hitachi Green Energy Corporation
(Incorporated: 2013/ Power generation business)
- Hitachi Wind Power Ltd.
(Established: 2014/ Power generation business)
- Hitachi Sustainable Energy Ltd.
(Established: 2016/ Power generation business)

The Americas

- Hitachi Capital America Corp. (America)
(Established: 1989/ Leasing business and financing business)
- Hitachi Capital Canada Corp. (Canada)
(Established: 2012/ Leasing business and financing business)
- CLE Capital Inc.. (Canada)
(Incorporated: 2014/ Leasing business and financing business)

Europe

- Hitachi Capital (UK) PLC (UK)
(Established: 1982/ Leasing business and financing business)
- Hitachi Capital Polska Sp. z o.o. (Poland)
(Incorporated: 2014/ Auto leasing business)
- Hitachi Capital Mobility Netherlands B.V. (the Netherlands)
(Incorporated: 2017/ Auto leasing business)
- Maske Fleet GmbH (Germany)
(Incorporated: 2019/ Auto leasing business)
- Maske Langzeit-Vermietung GmbH (Austria)
(Incorporated: 2019/ Auto leasing business)

China

- Hitachi Capital (Hong Kong) Ltd.
(Established: 1975/ Leasing business and financing business)
- Hitachi Capital Leasing (China) Co., Ltd.
(Established: 2005/ Leasing business and financing business)
- Hitachi Capital Factoring (China) Co., Ltd.
(Established: 2013/ Factoring business)
- Hitachi Capital Management (China) Ltd.
Established: 2016/ Financial holding company)

ASEAN

- Hitachi Capital Asia Pacific Pte. Ltd. (Singapore)
(Established: 1994/ Leasing business and financing business)
- Hitachi Capital (Thailand) Co., Ltd. (Thailand)
(Established: 2008/ Leasing business and financing business)
- Hitachi Capital Malaysia Sdn. Bhd. (Malaysia)
(Incorporated: 2011/ Leasing business and financing business)
- PT. Arthaasia Finance (Indonesia)
(Incorporated: 2012/ Leasing business and financing business)
- PT. Hitachi Capital Finance Indonesia (Indonesia)
(Established: 2014/ Leasing business and financing business)

1-6. Global Network

The Americas

Covered area: US, Canada

Number of employees: 388

Volume of business: ¥721.7 billion

Europe

Covered area: UK, Poland,
the Netherlands,
Germany, Austria

Number of employees: 1,565

Volume of business : ¥662.6 billion

China

Covered area: Mainland China (Beijing,
Shenzhen, Shanghai),
Hong Kong area

Number of employees: 210

Volume of business : ¥251 billion

Japan

Number of employees: 2,492

Volume of business : ¥993.5 billion

ASEAN

Covered area: Singapore, Thailand,
Malaysia, Indonesia

Number of employees: 903

Volume of business: ¥116.1 billion

Consolidated

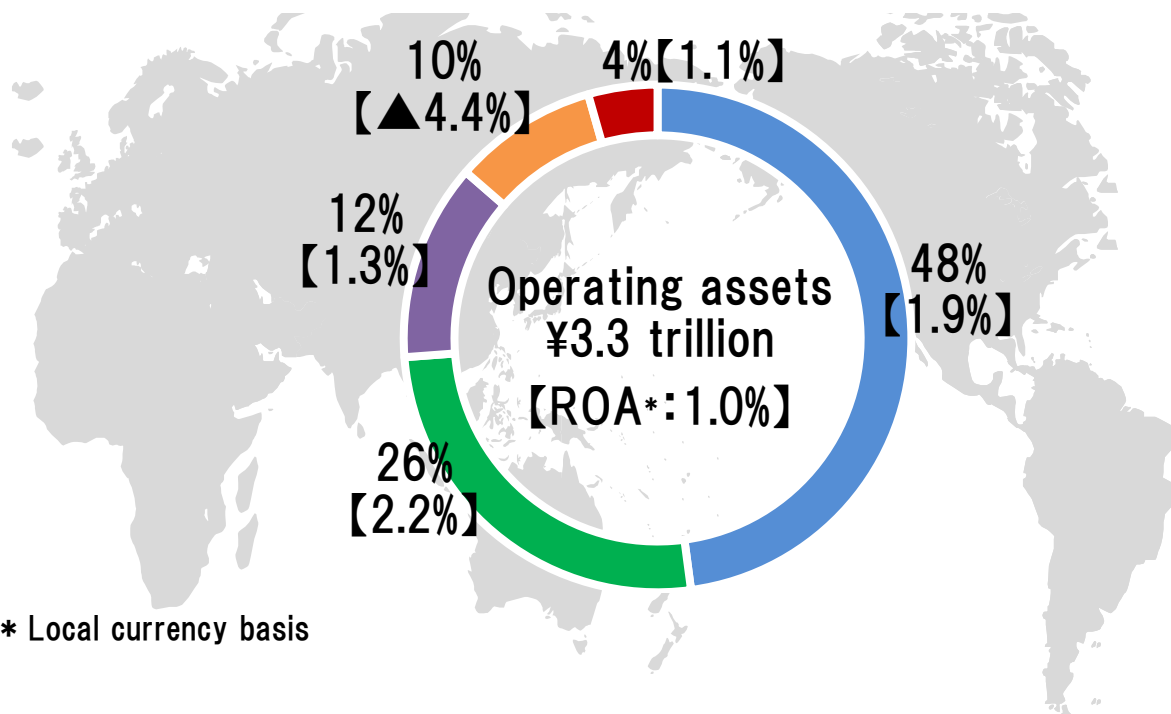
Covered area: 13 countries

Number of employees: 5,558

Volume of business : ¥2,745 billion

Composition of operating assets (As of March 31, 2019)

■ Japan ■ Europe ■ The Americas ■ China ■ ASEAN

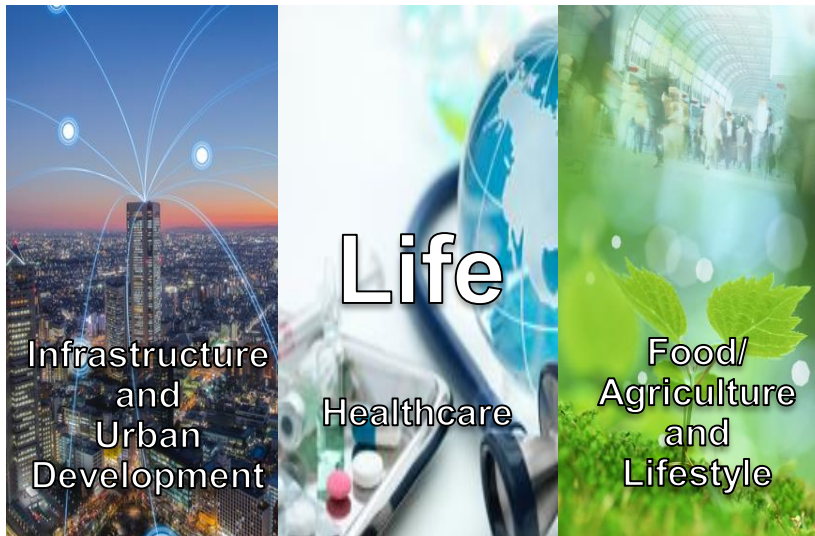


* Local currency basis



2. Business Profile of Hitachi Capital

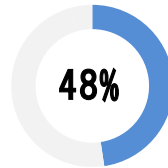
2-1. Key Businesses



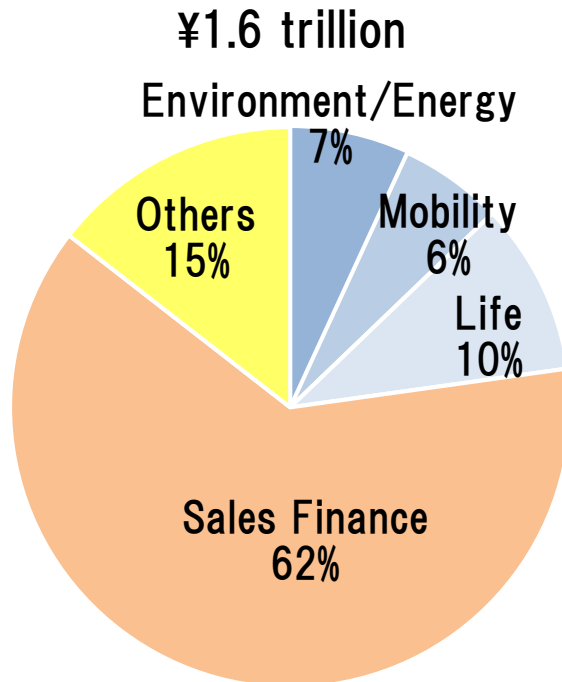
2-2. Japan Business



Ratio of Japan Business
to consolidated
operating assets



Breakdown of operating assets



As of March 31, 2019

Account Solution

Environment/Energy

- Wind power • Solar power • Biogas generation business
- ESCO business
- Energy saving equipment finance



Mobility

- Auto leasing and accessory services



Life

- Infrastructure and Urban Development (building leasing, PPP/PFI, etc.)
- Healthcare (medical equipment leasing, etc.)
- Food/Agriculture and Lifestyle (strawberry/sake production, etc.)



Sales Finance

- Information equipment and Industrial construction machinery leasing, etc.

Vendor Solution

Sales Finance

- Office appliances leasing, etc.



Others

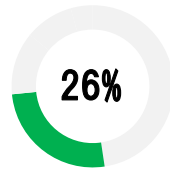
Others

- Function provision (Non-life insurance, Trust service and receivables collection, etc.)

2-3. Europe Business



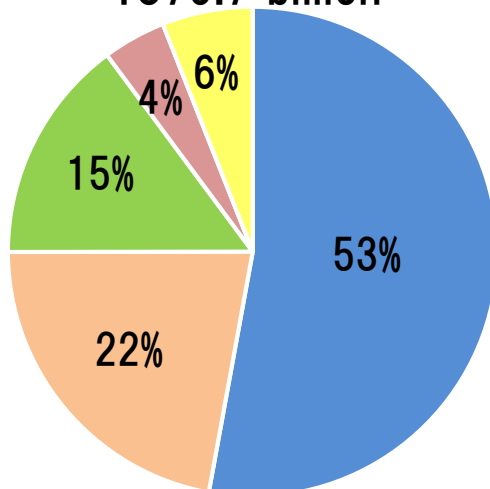
Ratio of Europe Business
to consolidated
operating assets



Breakdown of operating assets

- (UK)Consumer
- (UK)Business
- (UK)Mobility
- (UK・Continental Europe)Vendor Solution
- (Continental Europe)Mobility

¥879.7 billion



As of March 31, 2019

UK

Continental
Europe

Consumer

- Furniture and reform loan, etc.
- Unsecured loan



Business

- Finance for industrial equipment and agricultural machinery, etc.



Mobility

- Auto leasing and accessory services
(passenger vehicles・commercial vehicles・specialized vehicles)



Vendor Solution

- Sales Finance for construction machinery and medical equipment, etc.
- *Cross-border business development from the Netherlands to the UK and continental Europe.

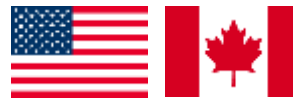


Mobility

- Auto leasing and accessory services
(Poland, the Netherlands, Germany, Austria)



2-4. The Americas Business

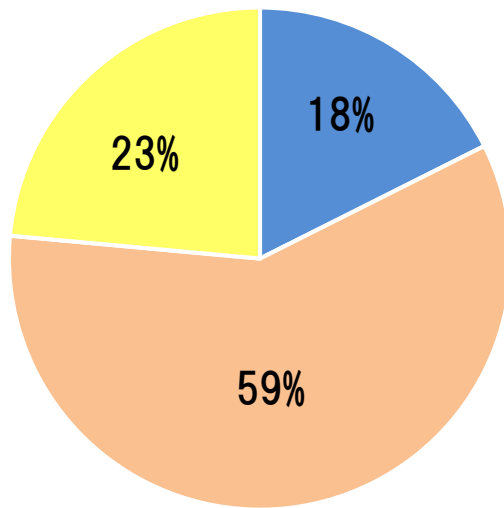


Ratio of the Americas
Business to consolidated
operating assets

12%

Breakdown of operating assets

- (US)Transportation
 - (US)Commercial finance
 - Canada business
- ¥426.1 billion



As of March 31, 2019

US

Transportation

- Small-duty and medium-duty trucks finance
- Inventory finance



Commercial finance

- Equipment leasing
- Sales Finance for medical equipment and IT equipment, etc.
- Structured finance for Energy saving solutions



Canada

Canada business

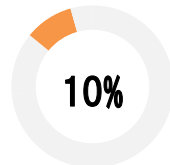
- Truck finance
- Sales Finance for construction machinery, etc.



2-5. China Business



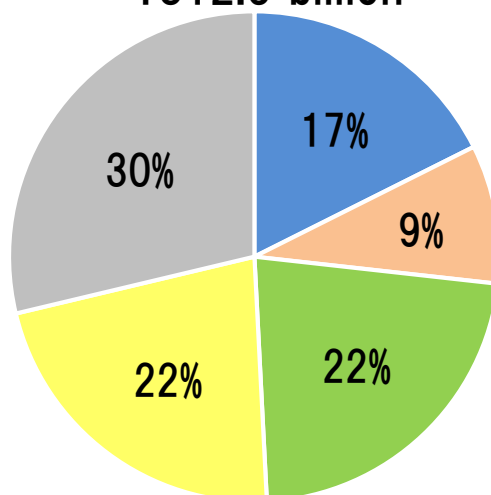
Ratio of China Business
to consolidated
operating assets



Breakdown of operating assets

- (Mainland China)Public
- (Mainland China)Hospital
- (Hong Kong area)Sales Finance
- (Hong Kong area)Auto finance
- Others

¥312.5 billion



As of March 31, 2019

Mainland China

Public

- IT equipment and Air conditioning equipment leasing, etc.
- Investment in local partner companies



Hospital

- Medical equipment leasing, etc.
- IT related equipment leasing



Hong Kong area

Sales finance

- Sales finance for office appliances, etc.



Auto finance

- Personal auto loan, etc.



Others

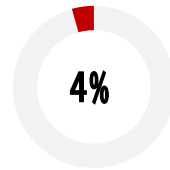
Others

- Closure businesses like Large factoring, Syndicated loan, etc.

2-6. ASEAN Business

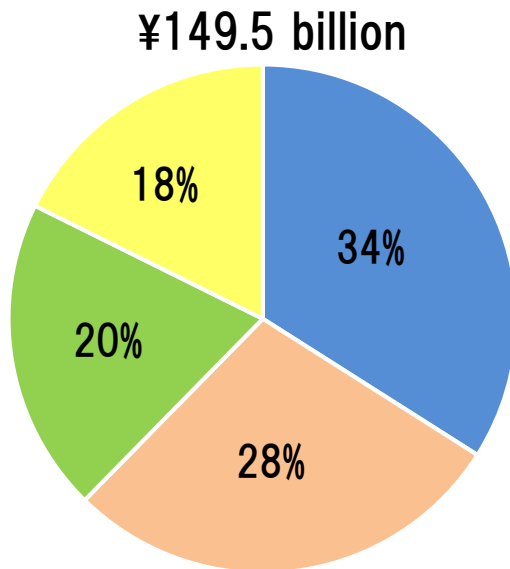


Ratio of ASEAN Business
to consolidated
operating assets



Breakdown of operating assets

- Singapore
- Thailand
- Malaysia
- Indonesia



As of March 31, 2019

Singapore

- Finance for information equipment and office appliances
- Auto finance



Thailand

- Finance for industrial machinery, construction machinery and office appliances, etc.
- Truck finance



Malaysia

- Finance for industrial machinery and construction machinery, etc.
- Truck finance



Indonesia

- Auto finance
- Building leasing





3. Return to Shareholders

Secure internal reserves while continuing to pay stable dividends

“Basic policy for profit distribution”

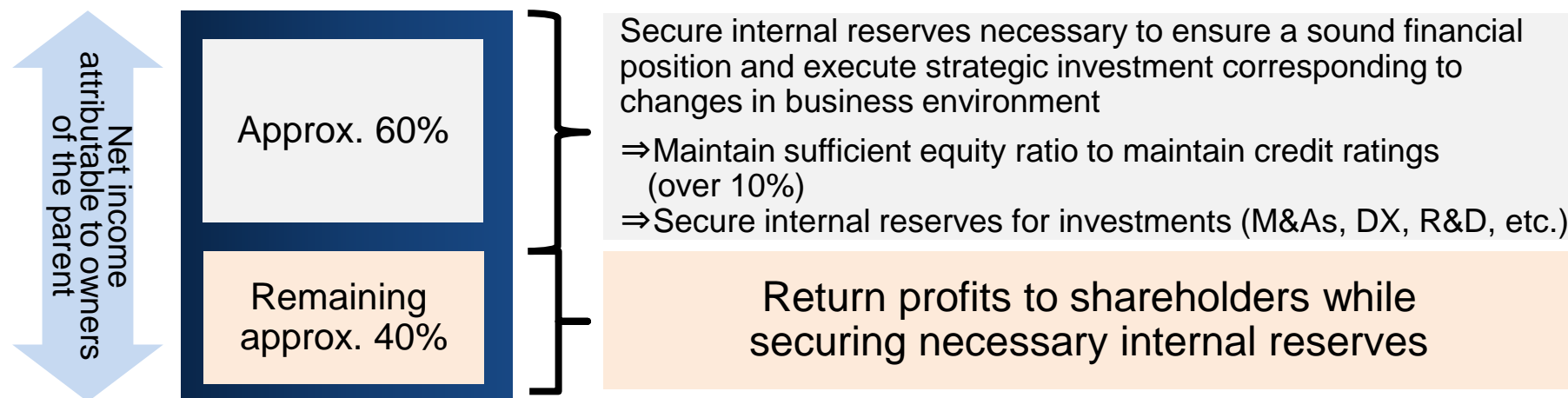
(1) Cash dividends:

The Company will secure internal reserves necessary to ensure a sound financial position and proactively execute strategic investment corresponding to changes in business environment, in order to enhance corporate value and achieve sustainable growth. Also, we position returning profits to the shareholders as one of the most important management measures and maintain a stable distribution of dividends.

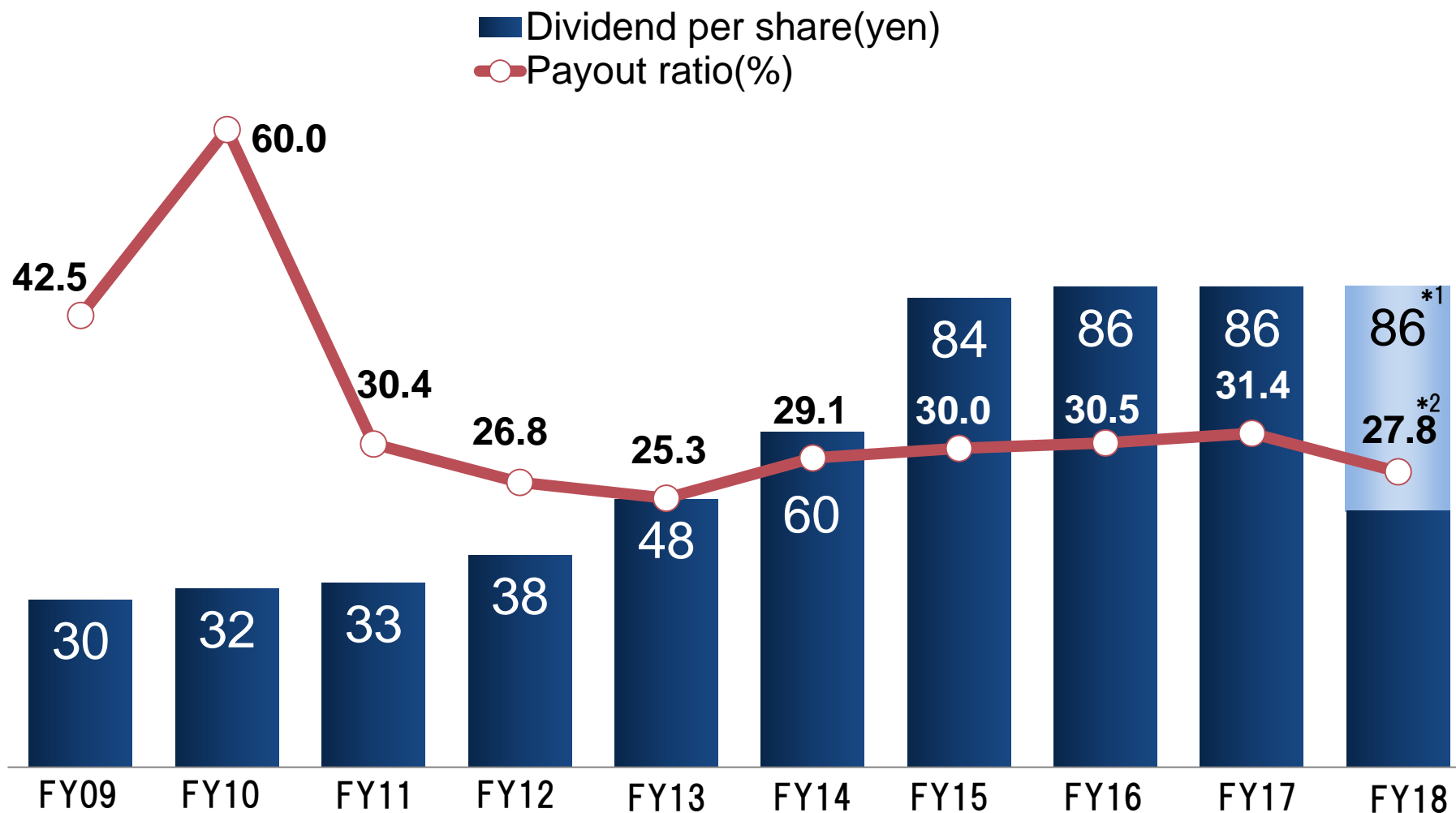
(2) Acquisition of treasury stock:

The Group acquires treasury stock as a supplementary measure to dividends in returning profit to shareholders to the extent that is in line with the dividend policy, based on the comprehensive consideration about capital needs to maintain financial position and carry out business plans and the market environment.

【Profit distribution policy in 2021 Mid-Term Management Plan】




3-2. Dividend per Share



■ ordinary dividend payments
■ special dividend

*1 Including special dividend of ¥40 per share (record date: August 14, 2019)

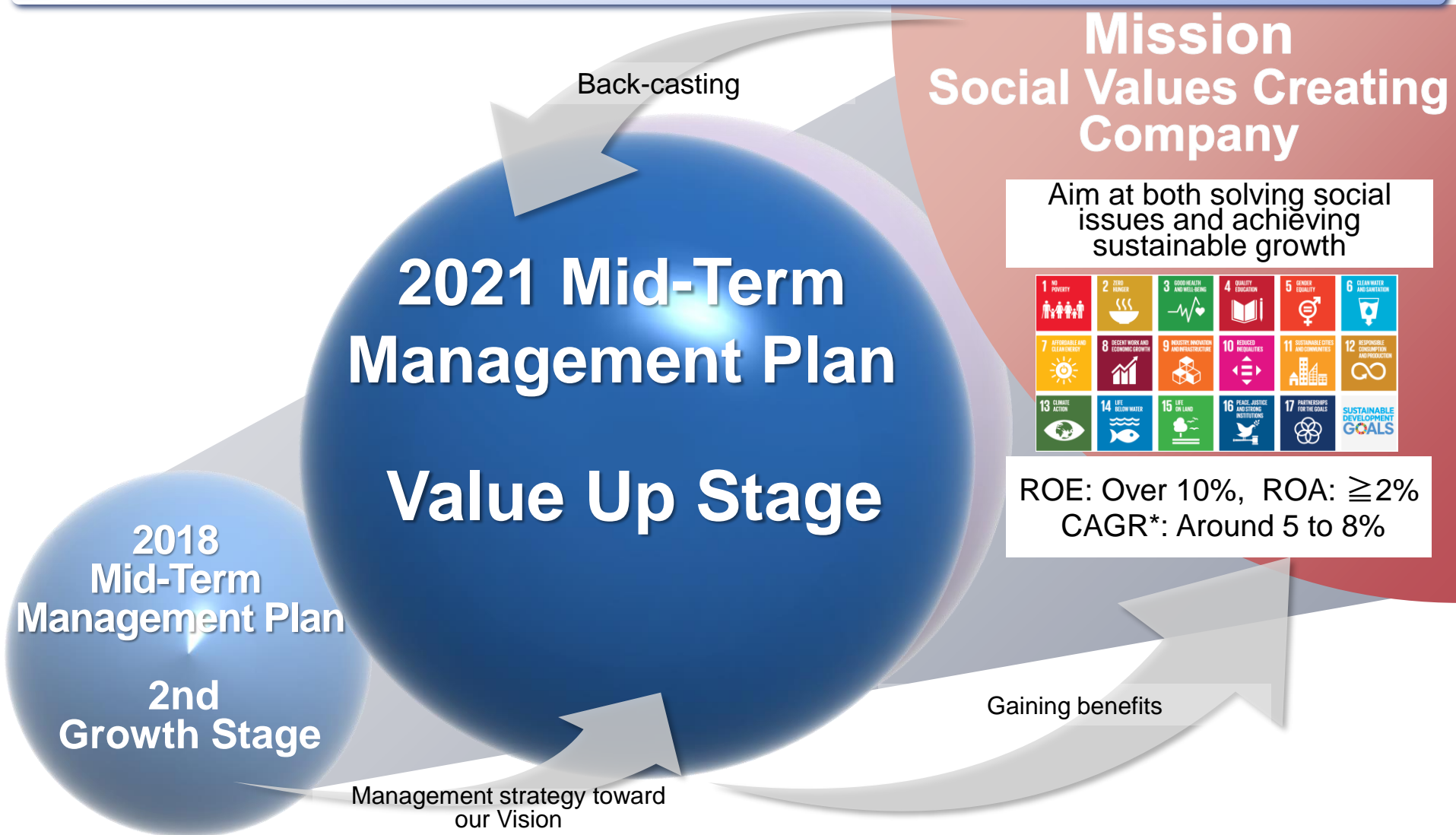
*2 Calculated using ordinary dividend payments of 46 yen



4. FY2019–FY2021 Mid–Term Management Plan

**(Excerpt from 「FY2019–FY2021 Mid–Term Management Plan」
Announced on October 9)**

Social values creation based on SDGs



* CAGR: Average annual growth rate of profit before tax

4-2. Highlights of 2021 Mid-Term Management Plan (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

4-3. Megatrends



Society 5.0
ソ サ エ ティ

— Megatrends —

Energy Mobility
(Transportation) Urbanization Healthcare Population
growth

Smartization

Innovation

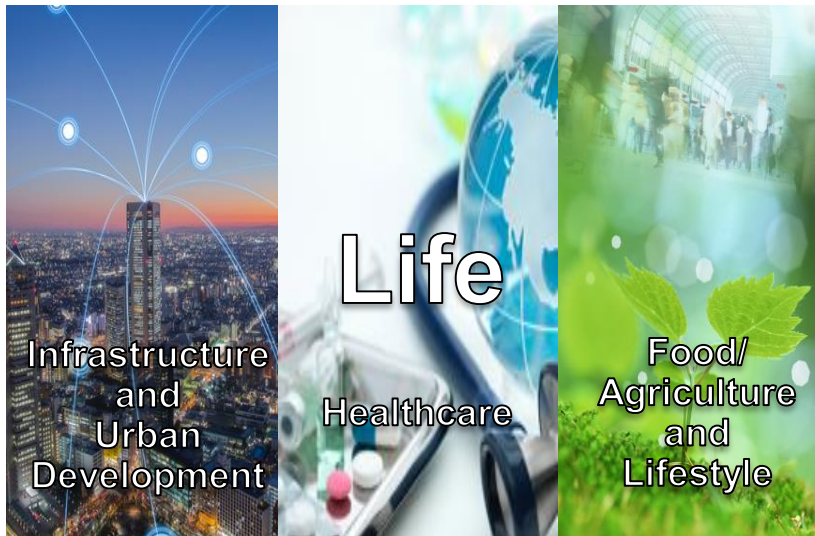
Technology advancement
(Digital technology and data utilization)

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)

4-4. Key Businesses



4-5. Key Businesses: Environment/Energy

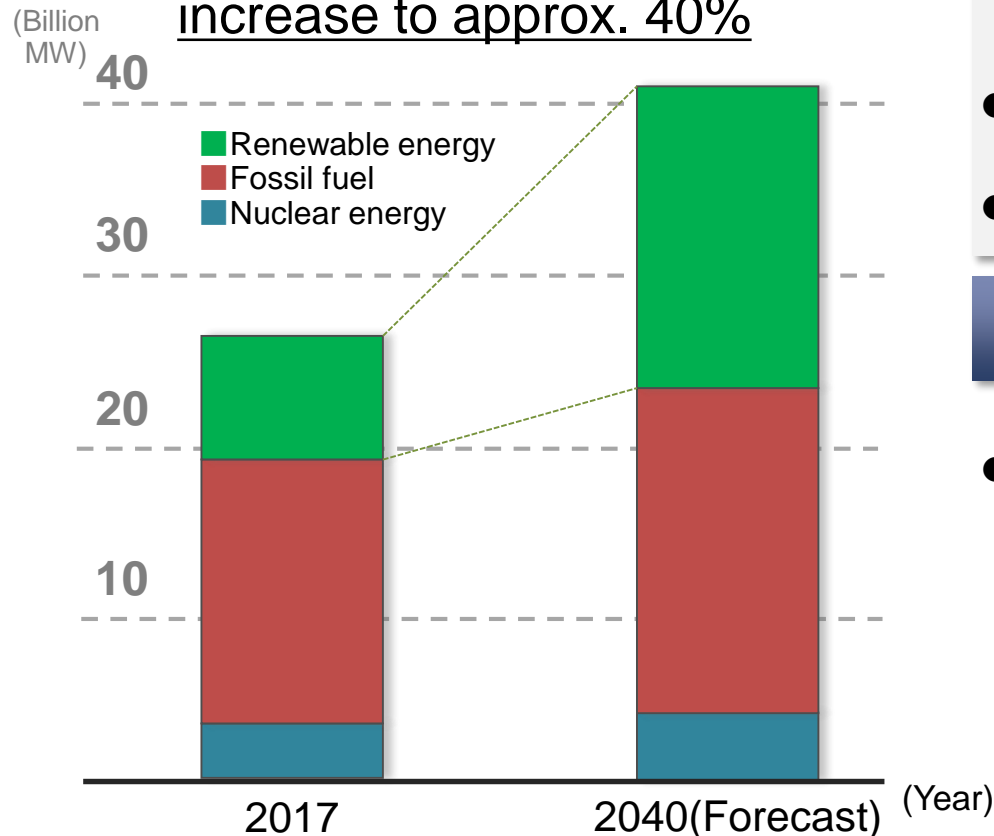


HITACHI
Inspire the Next

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

Global power generation

Ratio of renewable energy will
increase to approx. 40%



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)



4-6. Key Businesses: Mobility

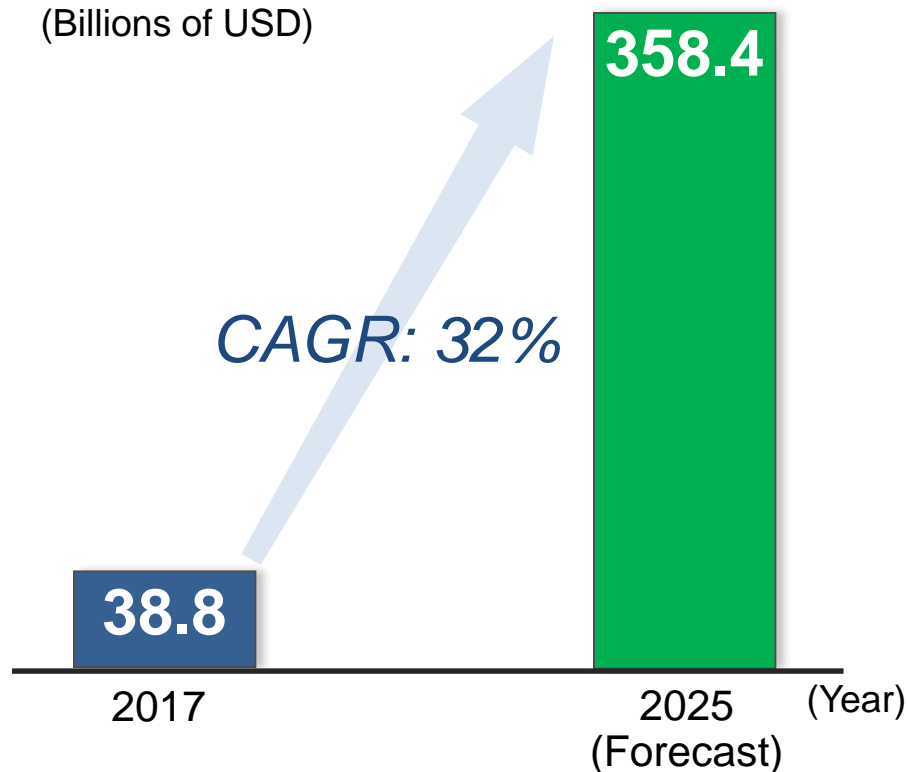


Evolve into mobility solutions by utilizing data

Global MaaS market

Market size will expand rapidly

(Billions of USD)



Source: Research and Markets

Our initiatives

- Mobility as a Service (MaaS)
- Collaboration for EV platform in areas where we operate
- B to B 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



4-7. Key Businesses: Life

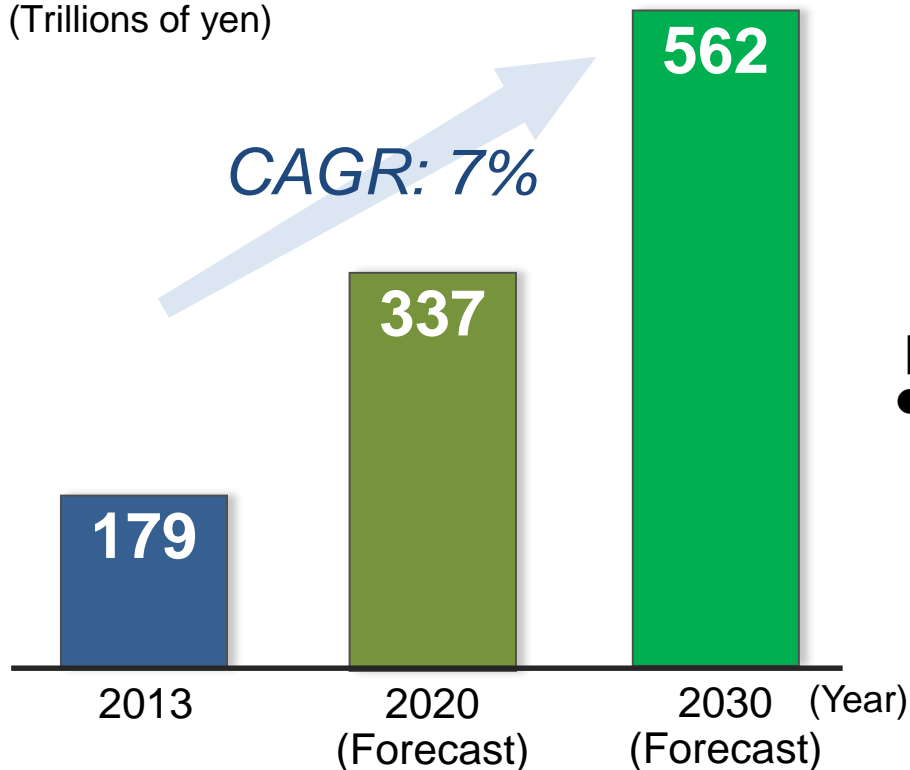


Strengthen solutions for realization of richer life

Global healthcare market

Market size will grow at 7% per annum

(Trillions of yen)



Source: Japan Revitalization Strategy

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



4-8. Key Businesses: Sales Finance



HITACHI
Inspire the Next

Strengthen competitiveness by seeking convenience for vendors

Key developments

Expanded business globally

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 CC and GTF

Acquired business platform

Future 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 manpower 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



*Market share in Hong Kong: Based on our estimate (FY2018)

Domestic network: For information communications equipment vendors

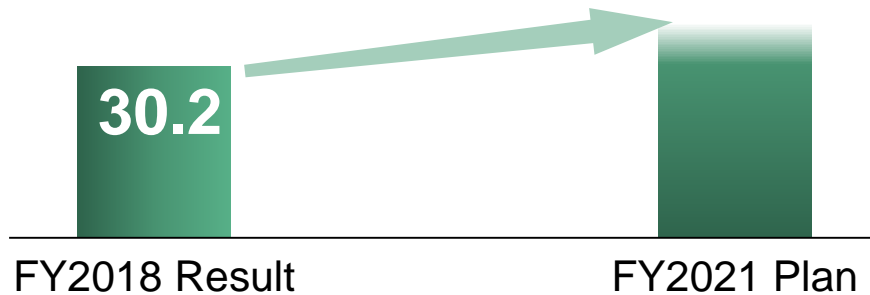
US: Acquisition of a business of Creekridge Capital LLC (CC), and acquisition of Global Technology Finance, LLC (GTF)

4-9. Deepen Regional Strategy: Japan Business

Aim at further improvement of profitability through continuing cost structure reform in addition to the shift to key businesses such as environment/energy and life

[Profit before tax (billions of yen)]

CAGR: $\geq 2\%$



Key businesses

2018 Mid-Term Management Plan
(Focused Sectors)

Environment/Energy

Vehicle

Social Infrastructure

Local governments/public

2021 Mid-Term Management Plan
(Key Businesses)

Environment/Energy

Mobility

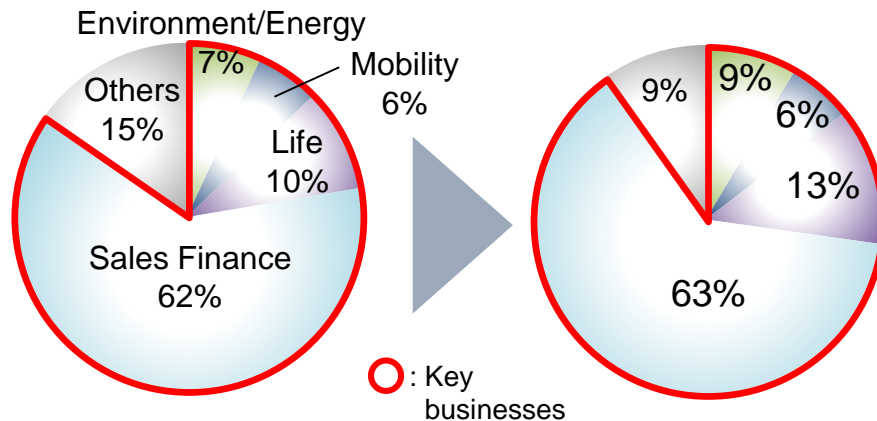
Life

Sales Finance

[Operating assets (composition ratio)]

FY2018

FY2021 Plan



Cost structure reform

- Digital Transformation
- Working method transformation
- Reduce process operations

\Rightarrow ROA target: $\geq 2\%$

4-10. Deepen Regional Strategy: Europe Business

Pursue growth unaffected by external environment through stable growth in UK business and acceleration of the development in continental Europe (mobility and sales finance)

[Profit before tax (billions of yen)]

CAGR: $\geq 8\%$

18.2

FY2018 Result

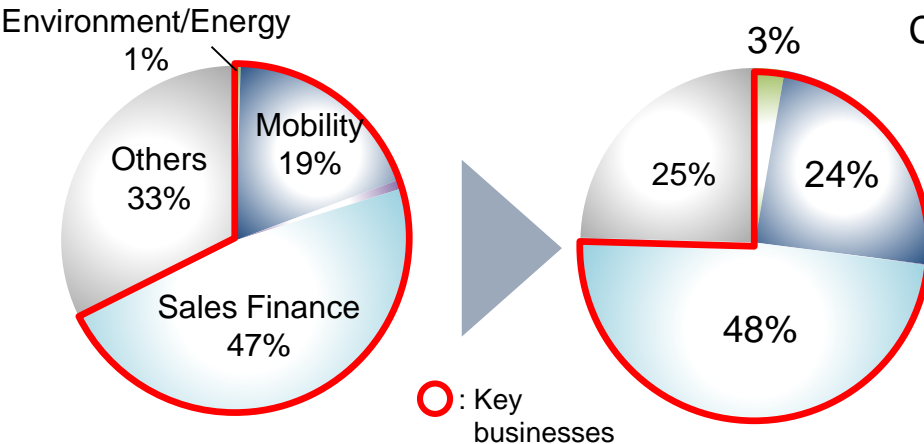
FY2021 Plan

* CAGR: Assuming constant exchange rates

[Operating assets (composition ratio)]

FY2018

FY2021 Plan



UK business

- Strategic IT investments to enhance competitiveness (Innovation of core systems)
- Demonstration testing to prepare for a shift to EV

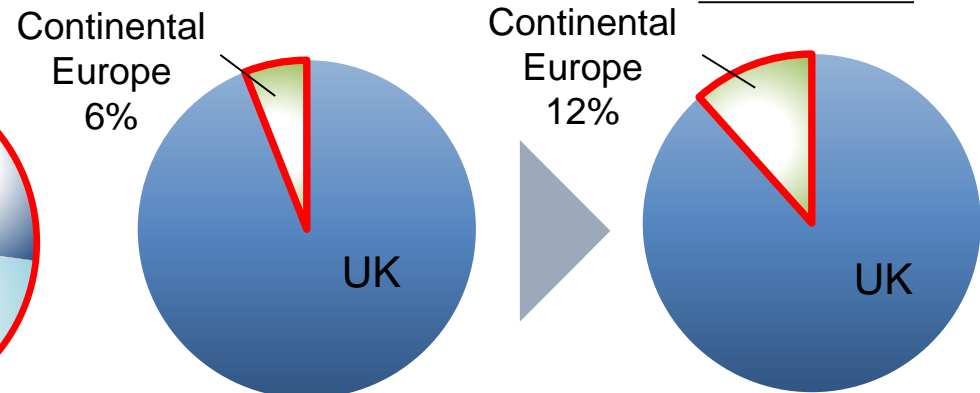
⇒ Profit growth of UK business:
CAGR of around 6%

Development in continental Europe

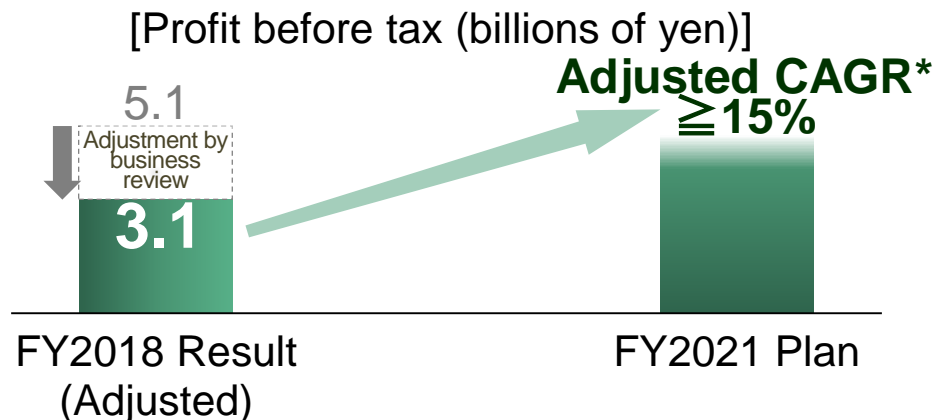
[Operating assets (composition ratio)]

FY2018

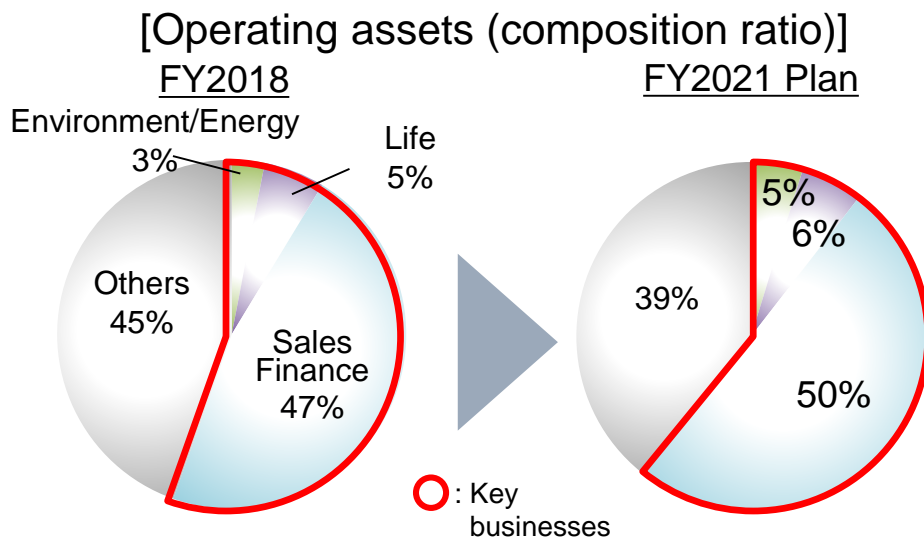
FY2021 Plan



Regrowth by building new core businesses Focus on sales finance and environment/energy



*Adjusted CAGR: Calculated by incorporating the impact of business review (termination of large factoring business, etc.) assuming constant exchange rates



US business

- Develop sales finance through expansion of supply chain finance
(In February 2019, acquired Global Technology Finance, LLC which provides services to VAR*)
- Enter into subscription-type energy saving business through collaboration with partners

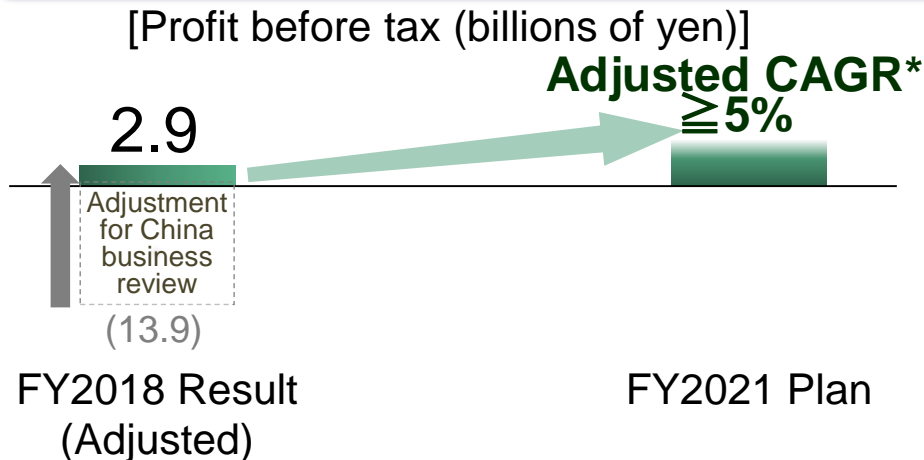
* Value Added Resellers: Business operators who add multiple functions as additional value to existing hardware and software to resell them

Canada business

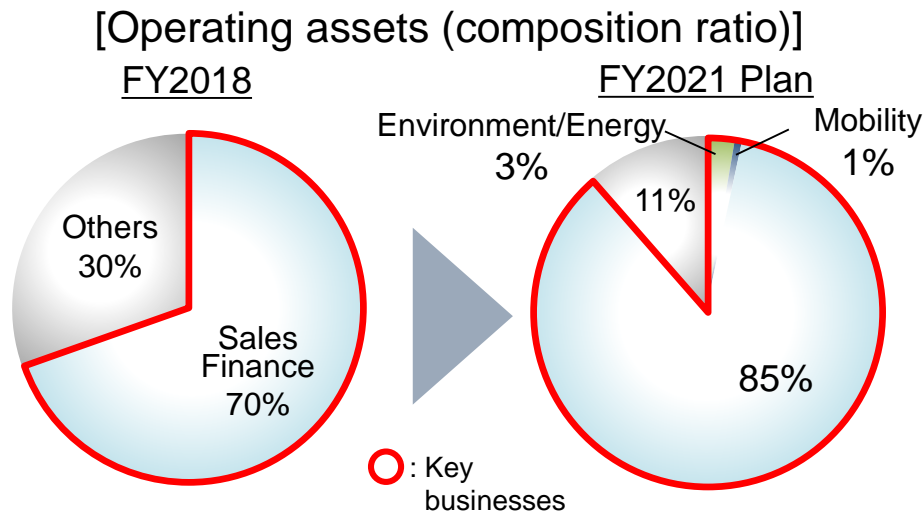
- Maintain stable growth through solution expansion and thorough risk management

4-12. Deepen Regional Strategy: China Business

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



*Adjusted CAGR: Calculated by incorporating the impact of business review (termination of large factoring business, etc.) assuming constant exchange rates



Business strategy review

[Termination]

- Terminate large factoring and syndicate loans, etc.

[Restructuring]

- Focus on sales finance (return to a diversified model)
- Build new business in key businesses (Environment/Energy, Life, etc.)
- Enhance collaboration with partners (Including existing investees)

Thorough risk management

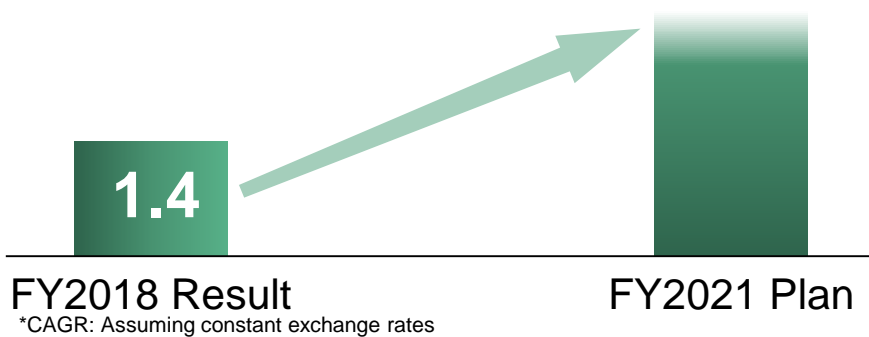
- Selection and concentration taking into account business risks (region, partner, etc.)
- Tighten screening criteria and review processes

4-13. Deepen Regional Strategy: ASEAN Business

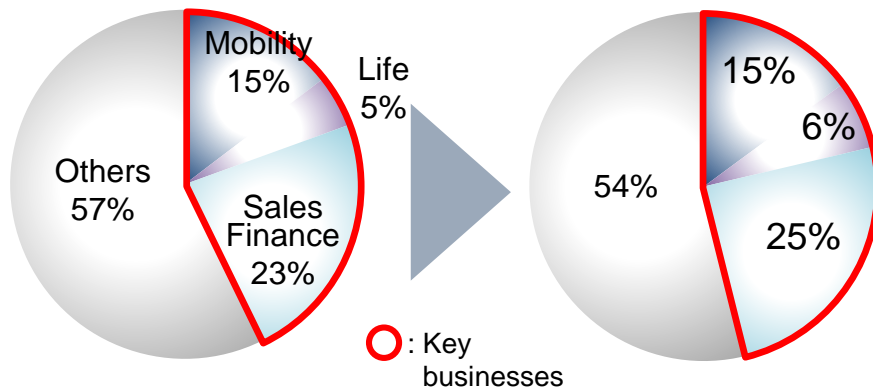
Promote expansion of business domains and areas in line with regional needs and resources of each company
Seek new business opportunities in key businesses (e.g. Life)

[Profit before tax (billions of yen)]

CAGR: $\geq 20\%$



[Operating assets (composition ratio)]
FY2018 FY2021 Plan

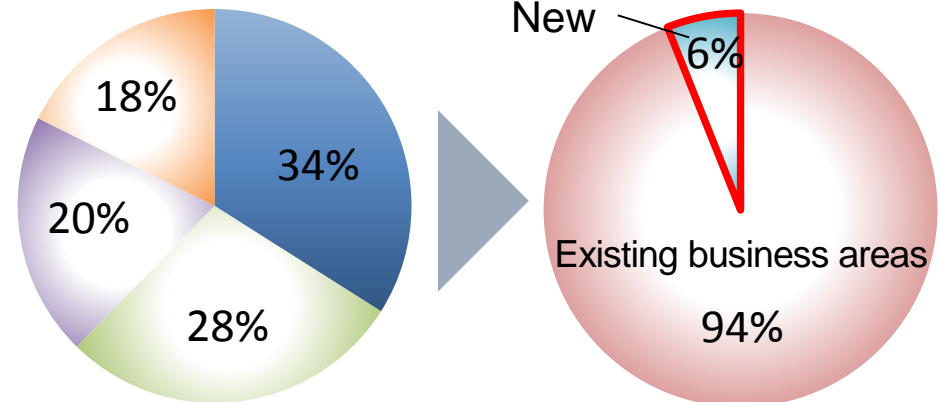


Business area expansion

[Operating assets (composition ratio)]

FY2018

FY2021 Plan



FY2018

- Singapore
- Malaysia

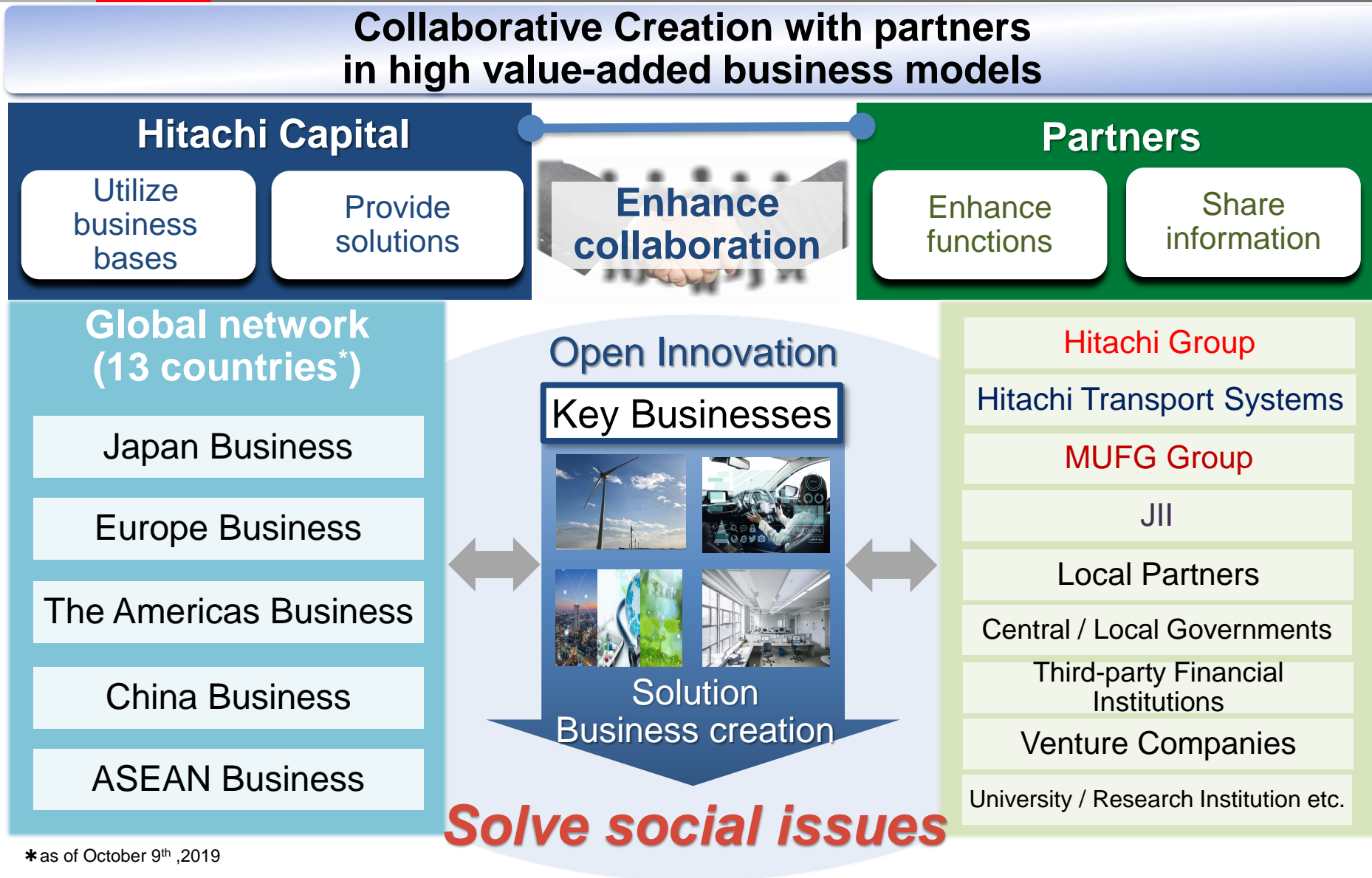
- Thailand
- Indonesia

FY2021

- Existing business areas
- New business areas

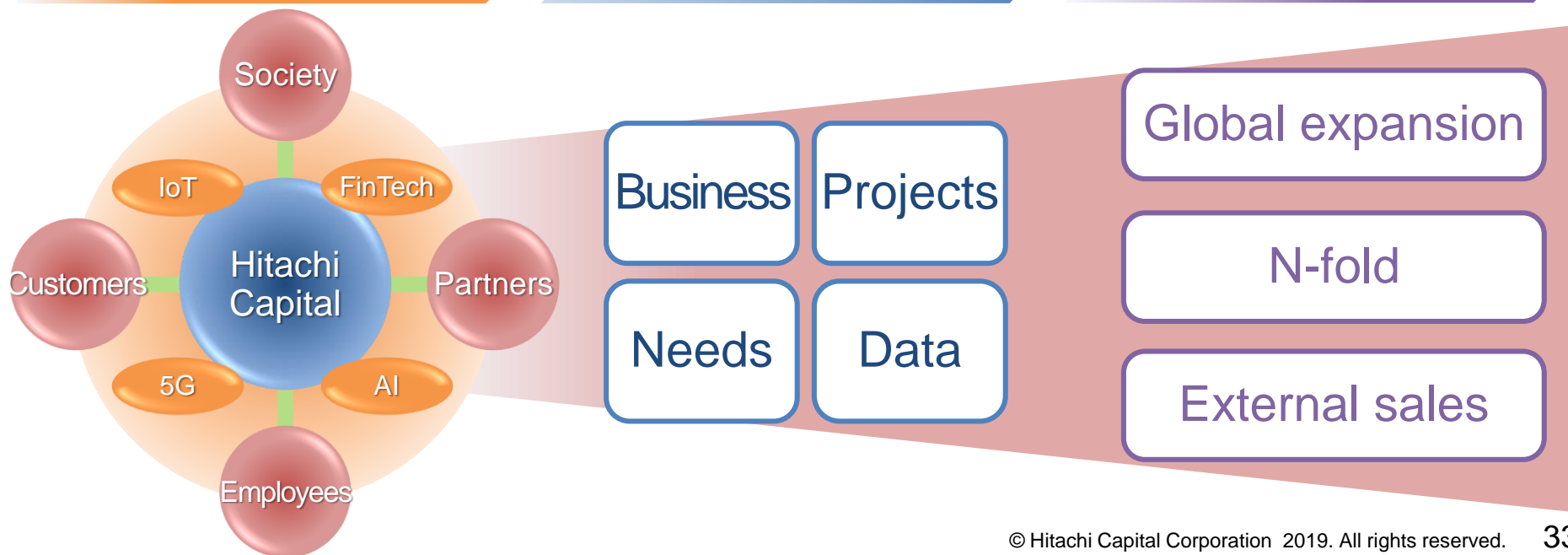
[Potential business areas]
The Philippines, Australia, etc.

4-14. Increase Added Value: Collaboration with Partners



*as of October 9th, 2019

4-15. Increase Added Value: Shift of Business Model



4-16. Increase Added Value: Business Enhancement

Focused investment of management resources

Achievement of Value Up Stage

Management resources (people, products, money)

Enhance functions
Acquire human
resources

M&A

Create
new businesses

R&D

Streamline process
operation
Improve top line
Enhance governance

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)

Careful investment in M&A with consideration given to external environment and
active R&D investments to create new businesses

4-17. Strengthen Non-Financial Capital: Management Base

Strengthen management base that supports our sustainable growth



- Enhance funding capacity for foreign currencies with diversified funding sources and methods
- Maintain solid financial base and high credit ratings
- Thorough ALM on a global basis



- Enhance resistance against cyberattacks
- Innovative business reform through DX
- Proactive IT use in front, middle, and back offices



- Provide growth opportunities suitable for individual career development
- Establish competitive compensation system

Implement Mission, Principles, and Core Values

4-18. Strengthen Non-Financial Capital: ESG Management

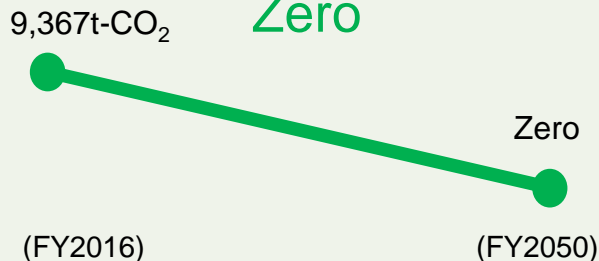
Enhancing sustainable corporate values

Environment

Earth-friendly

- Commit to support recommendations issued by the TCFD* and promote information disclosure
- Promote environment/energy business
- Promote energy-saving activities in the Group

CO₂ emission
Zero



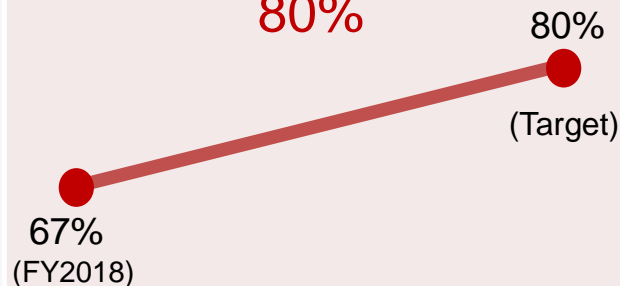
*TCFD: Task Force on Climate-related Financial Disclosures established by Financial Stability Board (FSB)

Society

Respecting employees

- Diversity & inclusion
- Create rewarding and attractive work places
- Promote flourish various human resources in the workplace

Employee engagement
80%



Governance

Fair management

- Maintain directors' independence
- Strengthen risk management globally in the Group
- Further strengthen three lines of defense*
(Enhance the 2nd line, monitoring function)

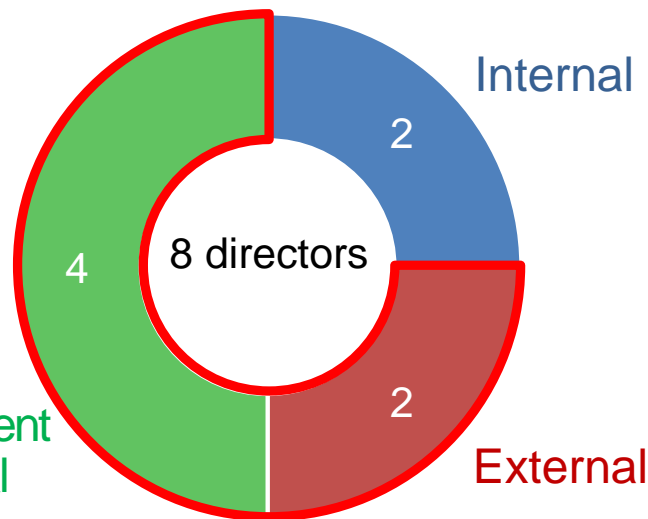
Promote information disclosure to ensure management transparency

* Three lines of defense: An approach to perform internal control by dividing an organization into three categories of (1) business operation, (2) administration, and (3) internal audit, with each category assuming one of the three roles of risk management (defense lines)

4-19. Strengthen Non-Financial Capital: Enhance Corporate Governance

Corporate Governance

- Maintain independence
 - External directors account for a majority of the Board
 - An independent external director chairs the Board
- Protect minority shareholders' interests
 - Business management ensuring interests of all shareholders



Ratio of external directors: 75%
(Ratio of independent external directors: 50%)

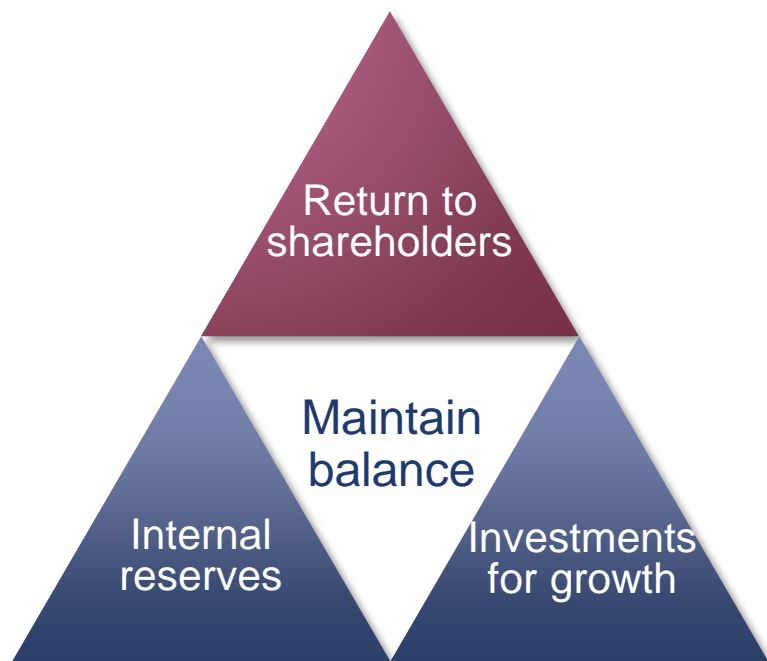
Risk Management

- FY2018
 - Inappropriate factoring deals occurred in China
(Recorded a large amount of allowance for damages from heinous and artful frauds)
- ▼
- Thorough implementation of recurrence prevention measures
 - Strengthen operational risk management system and fraud risk management
 - Further strengthen three lines of defense
(Enhance the 2nd line, monitoring function)
 - Drastic business review
(Terminate large factoring and syndicate loans, etc.)

4-20. Enhance Return to Shareholders

Improve shareholder value

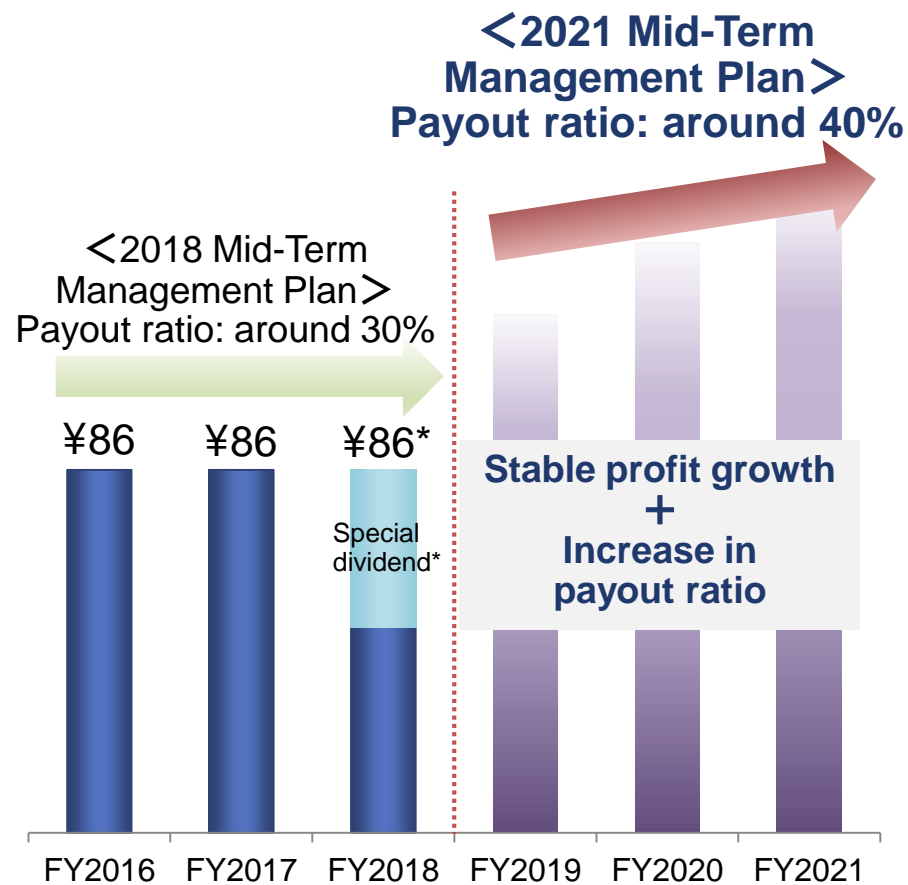
Increase payout ratio to around 40%
in the 2021 Mid-Term Management Plan
— Highest level in the leasing industry —



Maintain solid financial position required to maintain high credit ratings
- RAC ratio of 10% or higher -
(Risk-adjusted capital ratio)

Implement necessary investments for future growth and enhancement of business

[Dividend per share]



* Including special dividend of ¥40 per share (record date: August 14, 2019)

4-21. Financial Targets

	[FY2018]	[FY2021 Target]	[Vision]
Profit before tax	¥32.7 billion	¥55.0 billion	Stable growth (CAGR: Around 5 to 8%)
Asset efficiency (ROA)	1.0%	1.7%	$\geq 2\%$
Capital efficiency (ROE)	5.1%	9%	Over 10%

* Exchange rate: £1 = ¥145, \$1 = ¥110 for FY2018
£1 = ¥135, \$1 = ¥108 for FY2021



Appendix

Each committee consists mainly of independent external directors to enhance supervising functions

Board of Directors(8 directors)

Independent

4 independent external directors
(Including 1 female)

External

2 external directors

Internal

2 internal directors

Committees

(Every chairman is independent external directors)

Nominating Committee

Audit Committee

Compensation Committee

Independent : 4

Independent : 4

Internal : 1

Independent : 4

Accounting Auditor

• Report business execution

• Election/Dismissal
• Delegate business decision
• Supervise business execution

Internal Audit Office

Executive Board

11 executive officers(1 officer is also a director)

Appendix. Environmental, Social and Governance (ESG) Initiatives

Environment

- Eco- and energy-related business: Developing renewable energy power generation business as well as equipment lease for solar and wind power generation
- Consolidated aggregation system of CO2 emissions across the entire supply chain
- Issued the first foreign currency denominated green bonds in Asia as a Japanese Company (Approximately ¥11.2 billion)
- “DBJ Environmental Ratings”*: Obtained the highest rating for six years in a row

Society

- Contribution to the local community
 - Wide range of business operations, from sales finance to social infrastructure, to address issues in the local community
 - Promoting localization of the management of overseas offices and business structure led by local employees
- Provide opportunities for employees to grow
 - Promoting working method transformation with the aim to pursue growth of both the Company and employees
 - Fostering corporate culture and employees through direct and interactive communication between the management and employees (communication road show (CCR) by the management)

Governance

- Enhancement of governance system and functions
 - Enhancement of the management supervising function as a company with Nominating Committee, etc. (separation of supervision and execution)
 - Chairmen of each committee are independent external directors
- Enhancement of risk management system
 - Control of significant risks (e.g. credit and financial risks) with ERM Committee and the risk map
 - Appointment of independent external directors in a UK subsidiary
- Introduction of a remuneration system from shareholders' perspective (related to sustainable corporate value improvement)

See Hitachi Capital Report for details. https://www.hitachi-capital.co.jp/hcc/english/company/csr_download.html

*The Development Bank of Japan (DBJ) evaluates the environmental management level of companies and selects companies that have undertaken excellent initiatives, using DBJ's unique evaluation method. It then sets applicable interest rates at three levels based on these ratings. The system is the world's first financing tool applying special methods for environmental ratings.

Selected Representative ESG (Environment, Society, Governance) indices

We have been adopted the following indices that reflect the highly evaluated in ESG performance of the Company.

FTSE Russell	FTSE4Good Index Series
	FTSE Blossom Japan Index
MSCI	MSCI Japan ESG Select Leaders Index
S&P/JPX	S&P/JPX Carbon Efficient Index



FTSE4Good



FTSE Blossom Japan

MSCI

MSCI Japan ESG Select Leaders Index



Obtained the highest rating in the “DBJ Environmental Ratings”

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



Maintain high rating on corporate bond issue rating

Maintaining high ratings since acquiring the bond issuance rating “AA” for the first time in the leasing and credit industry from S&P and R&I in 1989.

■ Bond issuance rating (As of March 2019.)

Rating agency	Rating
Standard&Poor's (S&P)	A-
Japan Credit Rating Agency, Ltd. (JCR)	AA-
Rating & Investment Information, Inc. (R&I)	A+

【Summary】

- Inappropriate deals occurred in China factoring transactions
(Damage by sophisticated and malicious frauds, etc.)
⇒FY2018:A allowance of approx. ¥20.6 billion was recorded

【Measures to prevent recurrence】

- Enhancing the operational risk management framework and the risk management for Frauds
- Further strengthen three lines of defense
- Drastic business review (Terminate large factoring and syndicate loans, etc.)
- Ensuring thorough practice of Mission, Principles and Core Values again

【Related News Release】

#	Date	Title	Link
1	May 10, 2019	Notice Regarding Postponement of the Announcement for Consolidated Earnings Report for the Year Ended March 31, 2019	https://www.hitachi-capital.co.jp/hcc/english/newsrelease/2019/20190510_01_english.pdf
2	June 6, 2019	Notice Regarding Progress of Internal Investigation Committee for Inappropriate Deals	https://www.hitachi-capital.co.jp/hcc/english/newsrelease/2019/20190606_english.pdf
3	June 17, 2019	Notice Regarding Establishment of the Special Investigation Committee	https://www.hitachi-capital.co.jp/hcc/english/newsrelease/2019/20190617_english.pdf
4	July 25, 2019	Notice Regarding the Receipt and Publication of the Special Investigation Committee's Investigation Report	https://www.hitachi-capital.co.jp/hcc/english/newsrelease/2019/20190725_2_english.pdf
5	August 5, 2019	Notice Regarding Disciplinary Measures for Executives	https://www.hitachi-capital.co.jp/hcc/english/newsrelease/2019/20190805e.pdf

Appendix. Selection and Concentration of China Business

Mainland China

Hong Kong area

Focus

- Expand business in regions with high affinity to Hitachi and MUFG while watching regional finance
- Expand business using balance sheet of existing investments
- Focus on Hitachi Group and Japanese companies

- Maintain high market share in sales finance (office automation equipment, vehicle finance)
- Participate in environment/energy by collaboration with partners

Termination

- Large factoring, etc.

- Syndicated loans

Risk management

- Thorough implementation of recurrence prevention measures
- Enhance checking function of internal control/audit
- Restructure internal approval and credit monitoring rule
- Thorough monitoring of existing investments

** "Mainland China" and "Hong Kong area" are classified by the location of our subsidiary

Appendix. Financial highlights (BS index)

[Click here to download the Excel file](#)

(millions of yen)

No	Consolidated Statements of Financial Position	FY2015	FY2016	FY2017	FY2018
1	Assets				
2	Cash and cash equivalents	157,091	178,081	174,805	219,858
3	Trade and other receivables	1,358,973	1,288,511	1,385,805	1,517,882
4	Finance lease receivables	1,054,180	1,124,531	1,149,772	1,206,090
5	Other financial assets	61,601	85,834	82,275	91,653
6	Operating leased assets	341,296	393,328	470,644	503,486
7	Investments accounted for using the equity meth	20,254	33,059	33,644	36,746
8	Other property, plant and equipment	20,162	57,249	80,983	93,655
9	Other intangible assets	12,165	29,495	34,604	41,604
10	Deferred tax assets	17,950	18,479	15,225	15,167
11	Other assets	37,524	36,458	40,993	46,640
12	Total assets	3,081,201	3,245,029	3,468,756	3,772,784
13	Liabilities				
14	Trade and other payables	228,989	175,429	96,308	104,810
15	Borrowings and bonds	2,341,683	2,546,720	2,812,991	3,118,052
16	Other payables	20,492	13,580	16,034	11,510
17	Other financial liabilities	58,724	54,477	59,786	58,494
18	Income tax payable	4,494	5,186	4,280	3,867
19	Retirement and severance benefits	9,540	9,029	5,851	6,395
20	Deferred tax liabilities	1,839	2,733	3,740	4,865
21	Other liabilities	67,878	74,694	76,654	74,368
22	Total liabilities	2,733,641	2,881,851	3,075,649	3,382,365
23	Equity				
24	Equity attributable to owners of the parent				
25	Common stock	9,983	9,983	9,983	9,983
26	Capital surplus	45,828	45,600	45,215	45,313
27	Retained earnings	289,745	312,736	335,085	339,655
28	Accumulated other comprehensive income	4,280	(4,139)	2,907	(2,968)
29	Treasury stock	(14,334)	(14,335)	(14,336)	(14,425)
30	Total equity attributable to owners of the parent	335,503	349,844	378,855	377,557
31	Non-controlling interests	12,056	13,333	14,251	12,861
32	Total equity	347,559	363,178	393,107	390,418

Appendix. Financial highlights (PL index)

[Click here to download the Excel file](#)

(millions of yen)

No	Consolidated Statements of Profit or Loss	FY2015	FY2016	FY2017	FY2018
1	Revenues	365,354	370,860	404,124	453,253
2	Cost of sales	235,340	245,100	272,425	312,859
3	Gross profit	130,014	125,759	131,698	140,393
4	Selling, general and administrative expenses	84,783	81,902	86,274	110,997
5	Other income	82	734	723	1,023
6	Other expenses	421	345	2,987	714
7	Share of profits of investments accounted for using the equity method	1,775	1,787	1,135	3,001
8	Profit before tax	46,667	46,033	44,295	32,706
9	Income taxes	13,051	11,803	11,070	14,544
10	Net income	33,615	34,229	33,224	18,161
11	Net income attributable to Owners of the parent	32,694	32,926	32,057	19,363
12	Non-controlling interests	920	1,302	1,167	(1,201)
13	Earnings per share attributable to owners of the parent (basic and diluted)	279.71 yen	281.69 yen	274.26 yen	165.69 yen
14	Volume of business	2,290,156	2,334,252	2,509,327	2,745,094
15	Operating assets	2,947,146	2,994,489	3,179,135	3,392,878
16	Capital adequacy ratio*	10.9%	10.8%	10.9%	10.0%
17	ROE	9.9%	9.6%	8.8%	5.1%
18	ROA	1.6%	1.5%	1.4%	1.0%
19	OHR	59.9%	60.7%	60.9%	59.0%

* Ratio of equity attributable to owners of the parent

Appendix. Trends in key indicators

[Click here to download the Excel file](#)

(millions of yen)

Japan Business	FY2015	FY2016	FY2017	FY2018
Volume of business	1,204,565	1,081,481	1,046,650	993,506
Gross profit(*1)	61,480	61,115	62,270	62,857
Profit before tax(*1)	23,160	24,657	23,903	30,265
Operating assets	1,680,213	1,644,013	1,623,024	1,624,893
ROA	1.3%	1.5%	1.5%	1.9%

Global Business	FY2015	FY2016	FY2017	FY2018
Volume of business	1,085,591	1,252,771	1,462,677	1,751,588
Gross profit(*1)	68,191	63,402	68,681	76,633
Profit before tax(*1)	28,372	27,850	29,284	10,950
Operating assets	1,266,933	1,350,475	1,556,110	1,767,985
ROA(*2)	2.2%	2.2%	2.0%	0.6%

Europe Business	FY2015	FY2016	FY2017	FY2018
Volume of business	528,447	490,826	592,343	662,687
Gross profit(*1)	40,556	35,220	38,384	44,539
Profit before tax(*1)	17,398	15,842	16,907	18,251
Operating assets	613,822	593,770	763,903	879,725
ROA(*2)	2.7%	2.8%	2.5%	2.2%

The Americas Business	FY2015	FY2016	FY2017	FY2018
Volume of business	234,210	465,491	533,212	721,770
Gross profit(*1)	10,348	12,769	14,440	16,385
Profit before tax(*1)	3,534	4,343	3,701	5,100
Operating assets	231,374	304,183	333,702	426,127
ROA(*2)	1.7%	1.7%	1.1%	1.3%

China Business	FY2015	FY2016	FY2017	FY2018
Volume of business	236,482	207,756	235,416	251,027
Gross profit(*1)	11,799	10,422	9,843	9,288
Profit before tax(*1)	7,193	7,429	7,677	(13,895)
Operating assets	309,083	328,897	325,136	312,594
ROA(*2)	2.3%	2.4%	2.3%	(4.4%)

ASEAN Business	FY2015	FY2016	FY2017	FY2018
Volume of business	86,451	88,696	101,704	116,103
Gross profit(*1)	5,486	4,991	6,012	6,419
Profit before tax(*1)	245	235	998	1,493
Operating assets	112,652	123,623	133,368	149,537
ROA(*2)	0.2%	0.2%	0.7%	1.1%

(*1)Adjustments (company-wide expense) are not allocated. (*2)Local currency basis

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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.