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# Fact & Data Book 2020

July, 2020

 **Hitachi Capital Corporation**

# Contents

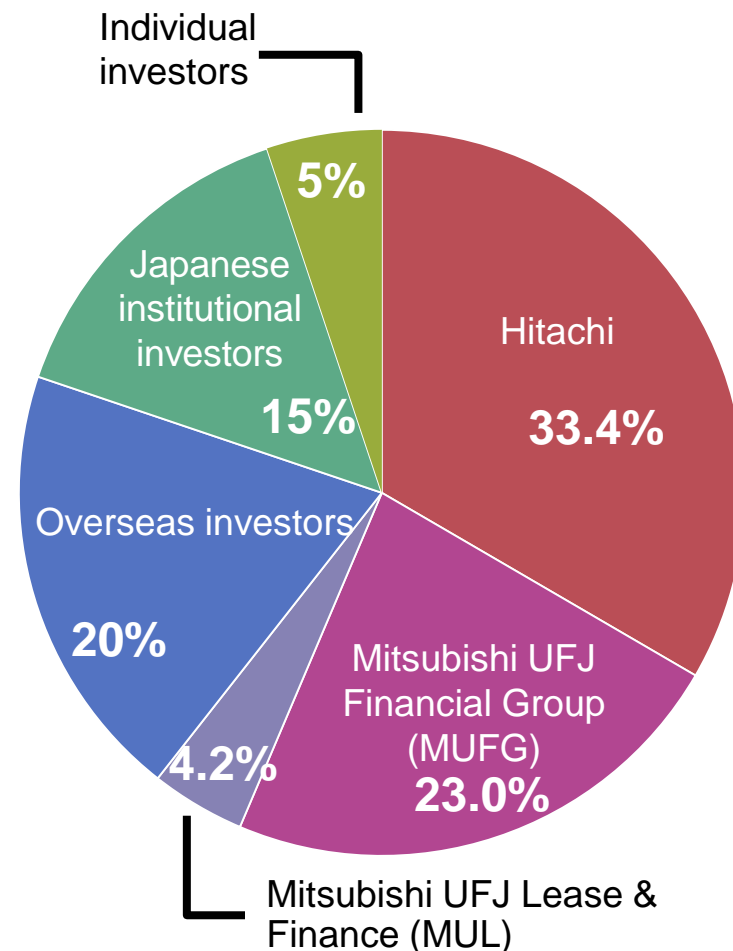
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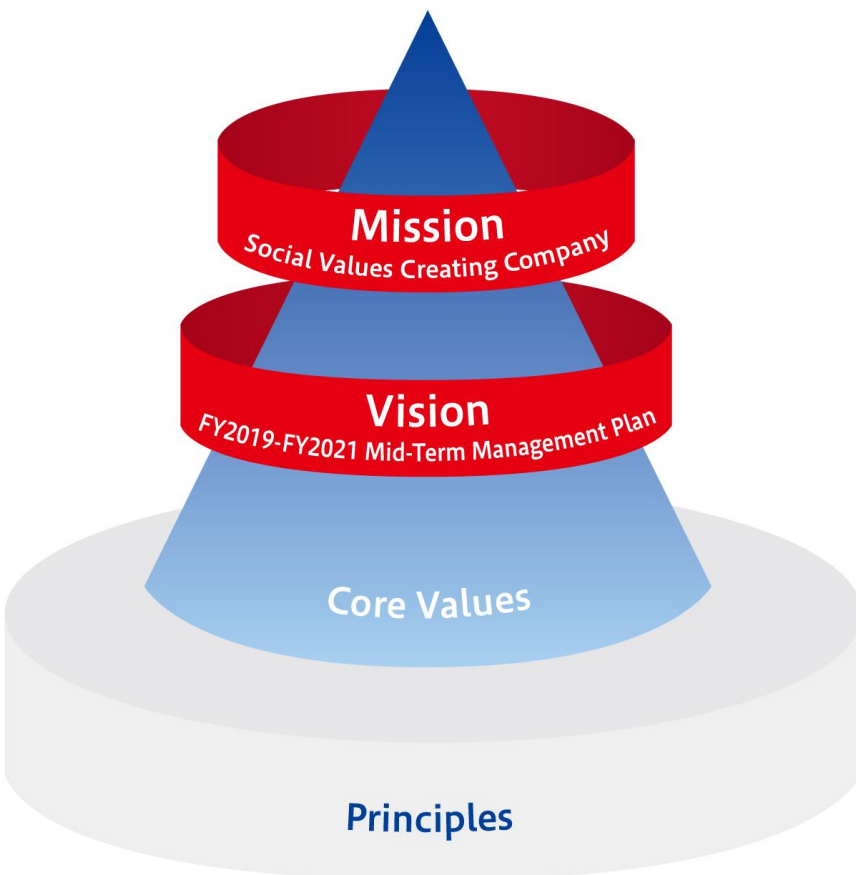
1. Overview of Hitachi Capital
2. Business Profile of Hitachi Capital
3. Return to Shareholders
4. FY2019–FY2021 Mid–Term Management Plan
5. (Reference) Financial Data

# 1-1. Basic Information (As of March 31, 2020)

Company name	Hitachi Capital Corporation	
Representative	Seiji Kawabe, President & CEO	
Founded	September 10, 1957	
Capital	9,983 million yen	
Consolidated results (FY2019) *IFRS	Volume of business	2,186.4 billion yen
	Revenues	464 billion yen
	Profit before tax	42.5 billion yen
Credit ratings	S&P: A- R&I: A+ JCR: AA-	
Consolidated subsidiaries	Japan 27, Overseas 24	
Number of employees	5,643 (including 3,167 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:<br>“The actual place, the actual<br>situation, the actual case” | (8) “Harmony”                 |
|  | (9) “Sincerity”               |
| (4) “Basics and Ethics”  | (10) “Pioneering spirit”      |
| (5) Quality First  |                               |

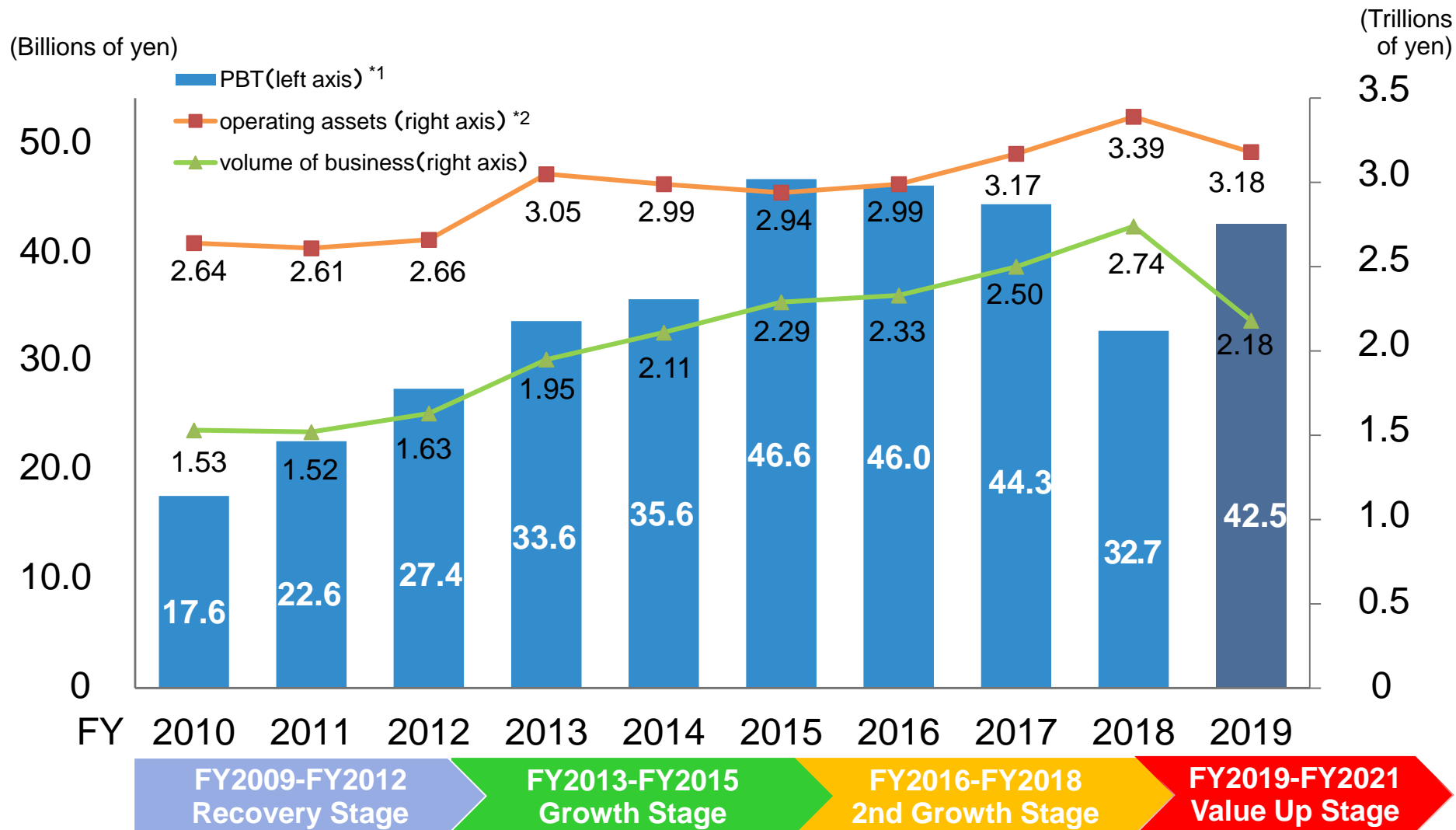
## Principles

- (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)  
• Consolidated Mobilease Belgium NV. (Belgium)
- 2020 • Opened branches in Czech, Slovakia and Hungary.

# 1-4. Performance Trends



\*1 Before FY2013: Ordinary income

\*2 Before FY2013: Total accounts receivable

# 1-5. Major Subsidiaries

## Japan

- Hitachi Capital Auto Lease Corporation
- Sekisui Leasing Co., Ltd.
- Hitachi Capital Insurance Corporation
- Hitachi Capital Community Corporation
- Hitachi Capital Trust Corporation
- Hitachi Green Energy Corporation
- Hitachi Wind Power Ltd.
- Hitachi Sustainable Energy Ltd.
- Hitachi Capital NBL Corporation
- Hitachi Capital Servicer Corporation
- Hitachi Capital Services Co., Ltd.
- Hitachi Triple Win Corp.

## Europe

- Hitachi Capital (UK) PLC (UK)
- Hitachi Capital Polska Sp. z o.o.  
(Poland, Czech, Slovakia, Hungary)
- Hitachi Capital Mobility Holding Netherlands B.V.  
(the Netherlands)
- Hitachi Capital Mobility Netherlands B.V. (the Netherlands)
- Hitachi Capital European Vendor Solutions B.V.  
(the Netherlands)
- Maske Fleet GmbH (Germany)
- Maske Langzeit-Vermietung GmbH (Austria)
- Mobilease Belgium NV (Belgium)

## The Americas

- Hitachi Capital America Corp. (America)
- Hitachi Capital Canada Corp. (Canada)
- CLE Capital Inc.. (Canada)

## China

- Hitachi Capital (Hong Kong) Ltd.
- Hitachi Capital Leasing (China) Co., Ltd.
- Hitachi Capital Factoring (China) Co., Ltd.
- Hitachi Capital Management (China) Ltd.

## ASEAN

- Hitachi Capital Asia Pacific Pte. Ltd. (Singapore)
- Hitachi Capital (Thailand) Co., Ltd. (Thailand)
- Hitachi Capital Malaysia Sdn. Bhd. (Malaysia)
- PT. Arthaasia Finance (Indonesia)
- PT. Hitachi Capital Finance Indonesia (Indonesia)
- PT HCD Properti Indonesia\* (Indonesia)

\* A subsidiary of Hitachi Capital Community Corporation.  
It corresponds to the Japan segment.

# 1-6. Global Network

## The Americas

Covered area: US, Canada  
Number of employees: 392  
Volume of business: ¥332.5 billion

## Europe

Covered area: UK, Poland,  
the Netherlands,  
Germany, Austria  
Belgium, Czech  
Slovakia, Hungary  
Number of employees: 1,713  
Volume of business: ¥651.4 billion

## China

Covered area: Mainland China  
(Beijing, Shenzhen, Shanghai),  
Hong Kong area  
Number of employees: 194  
Volume of business: ¥86.1 billion

## Japan

Number of employees: 2,476  
Volume of business: ¥1,028.6 billion

## ASEAN

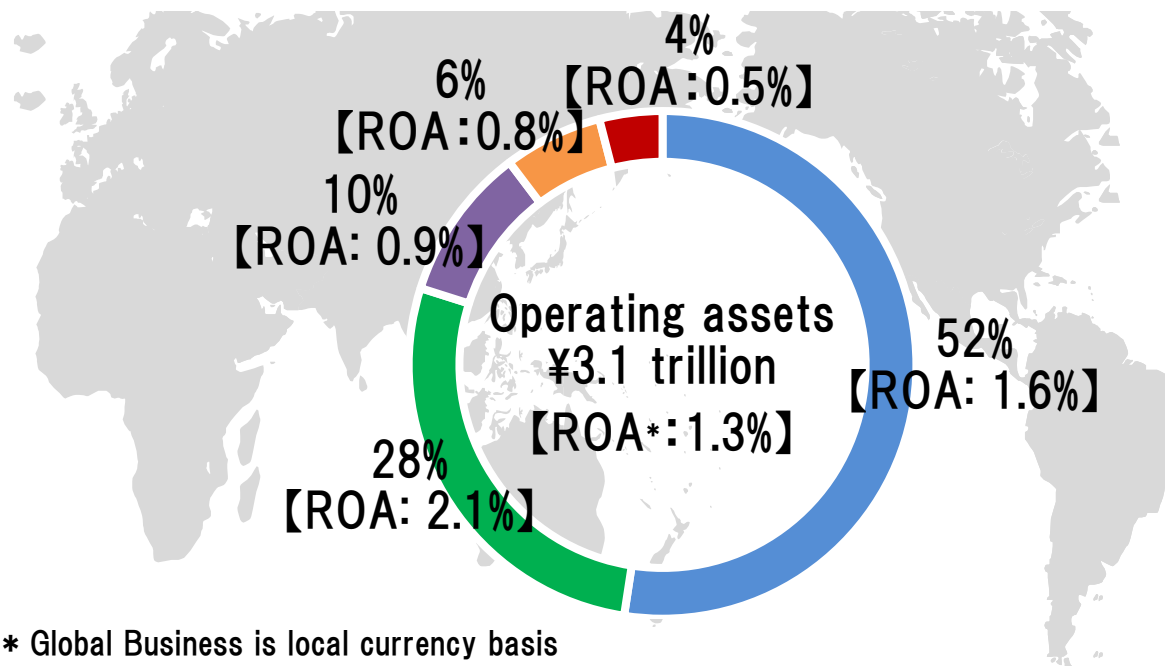
Covered area: Singapore, Thailand,  
Malaysia, Indonesia  
Number of employees: 868  
Volume of business: ¥87.7 billion

## Consolidated

Covered area: 17 countries  
Number of employees: 5,643  
Volume of business: ¥2,186.4 billion

### Composition of operating assets (As of March 31, 2020)

■ Japan ■ Europe ■ The Americas ■ China ■ ASEAN



\* Global Business is local currency basis



# 1-7. Corporate Governance

**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

Independent :3

Audit Committee

Independent :3  
Internal :1

Compensation Committee

Independent :2  
Internal :1

Accounting Auditor

• Report business execution

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

Internal Audit Office

Executive Board

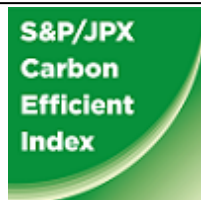
12 executive officers(1 officer is also a director)

# 1-8. External Evaluation

## 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
	MSCI Japan Empowering Women Index
S&P/JPX	S&P/JPX Carbon Efficient Index



**2020** CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX  
MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

## 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.

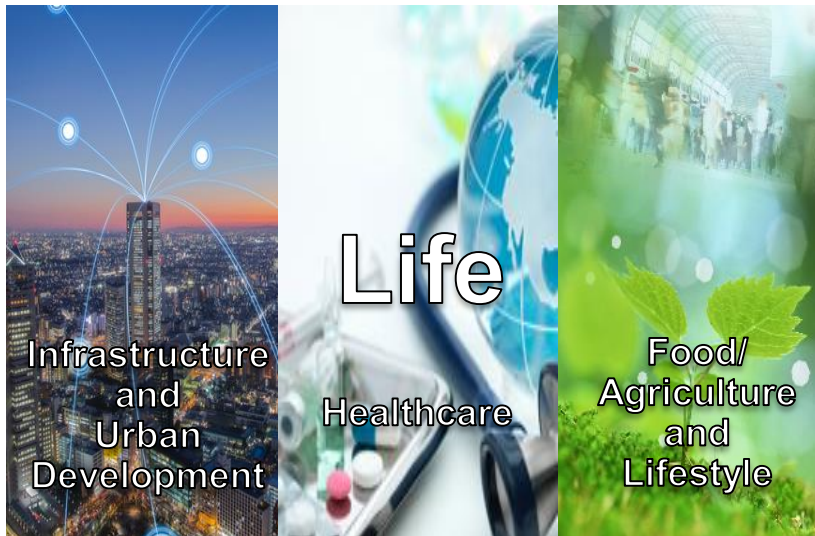
### ■ Bond issuance rating (As of March 2020.)

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

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## 2. Business Profile of Hitachi Capital

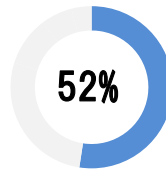
## 2-1. Key Businesses



## 2-2. Japan Business

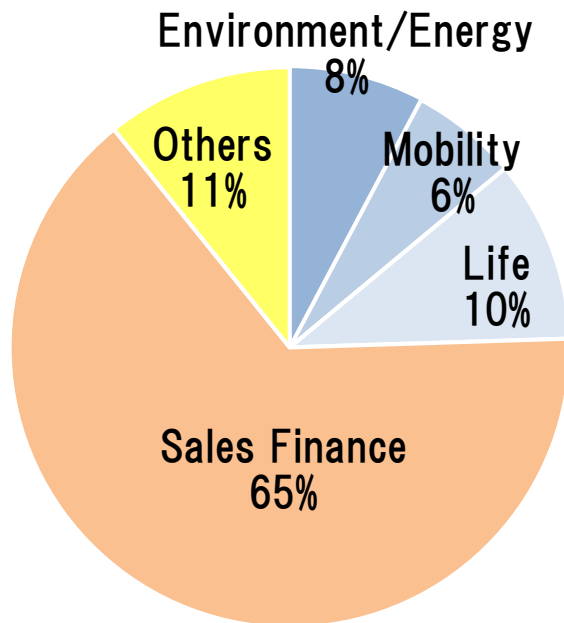


Ratio of Japan Business  
to consolidated  
operating assets



### Breakdown of operating assets

¥1.6 trillion



As of March 31, 2020

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.

### Sales Finance

- Office appliances leasing, etc.



### Others

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

Vendor Solution

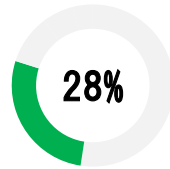
Others



## 2-3. Europe Business

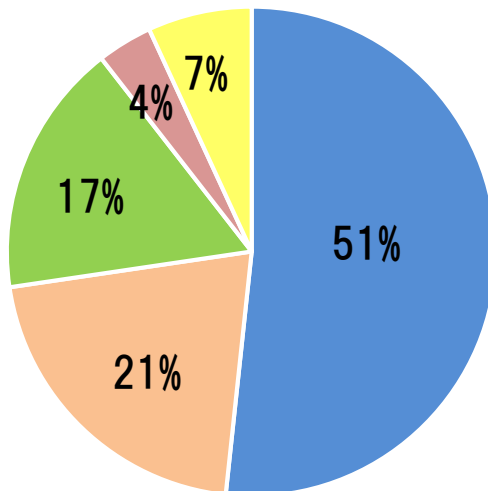


Ratio of Europe Business  
to consolidated  
operating assets



### Breakdown of operating assets

- (UK)Consumer
  - (UK)Business
  - (UK)Mobility
  - (UK・Continental Europe)Vendor Solution
  - (Continental Europe)Mobility
- ¥874.7 billion



As of March 31, 2020

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

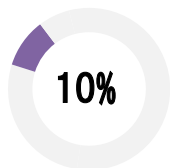
- Auto leasing and accessory services  
(Poland, the Netherlands, Germany, Austria, Belgium, Czech, Slovakia, Hungary )



## 2-4. The Americas Business



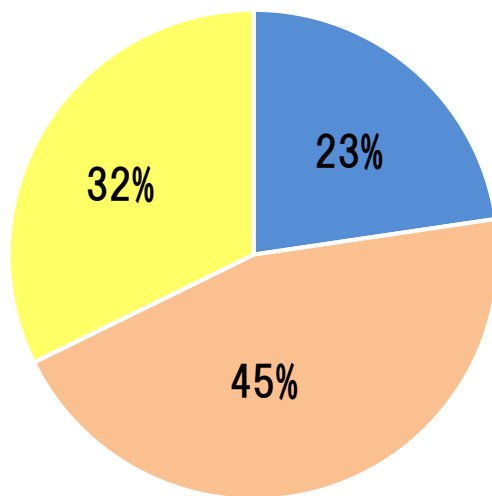
Ratio of the Americas  
Business to consolidated  
operating assets



### Breakdown of operating assets

- (US)Transportation
- (US)Commercial finance
- Canada business

¥312.4 billion



As of March 31, 2020

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

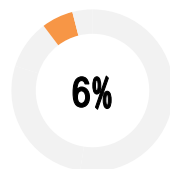
- Truck finance
- Sales Finance for construction machinery, etc.



## 2-5. China Business

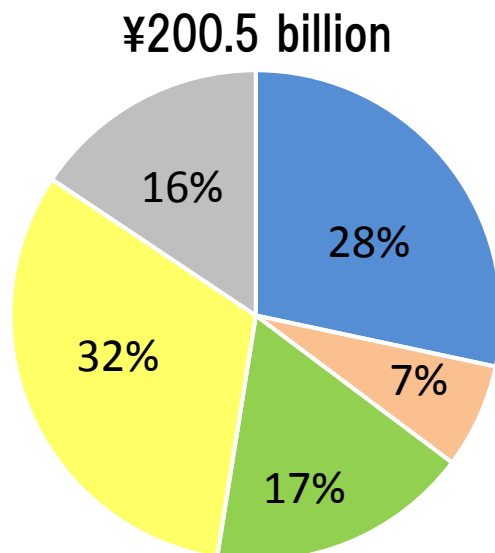


Ratio of China Business  
to consolidated  
operating assets



### Breakdown of operating assets

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



As of March 31, 2020

### 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

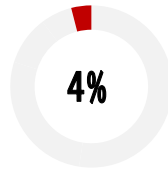
- Closure businesses like large-scale factoring, syndicated loan, etc.



## 2-6. ASEAN Business



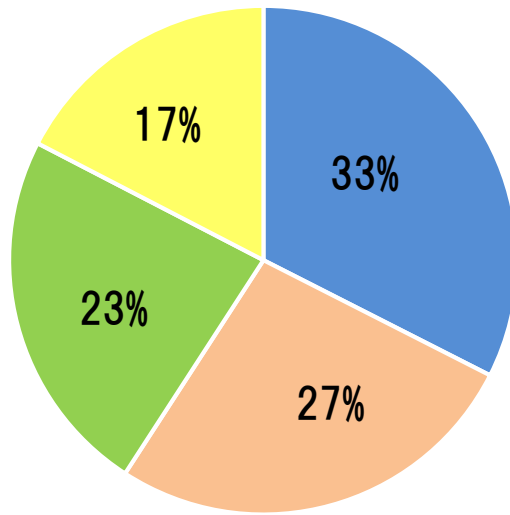
Ratio of ASEAN Business  
to consolidated  
operating assets



### Breakdown of operating assets

- Singapore
- Thailand
- Malaysia
- Indonesia

¥127.6 billion



As of March 31, 2020

### Singapore

- Finance for information equipment and office appliances, etc.
- 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”

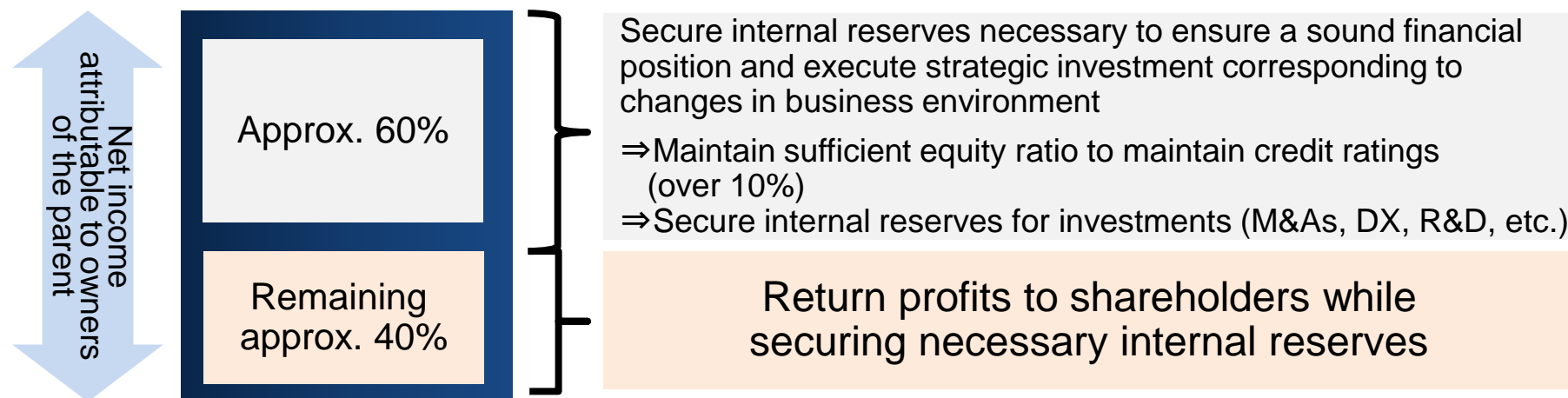
#### (1) Cash dividends:

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.

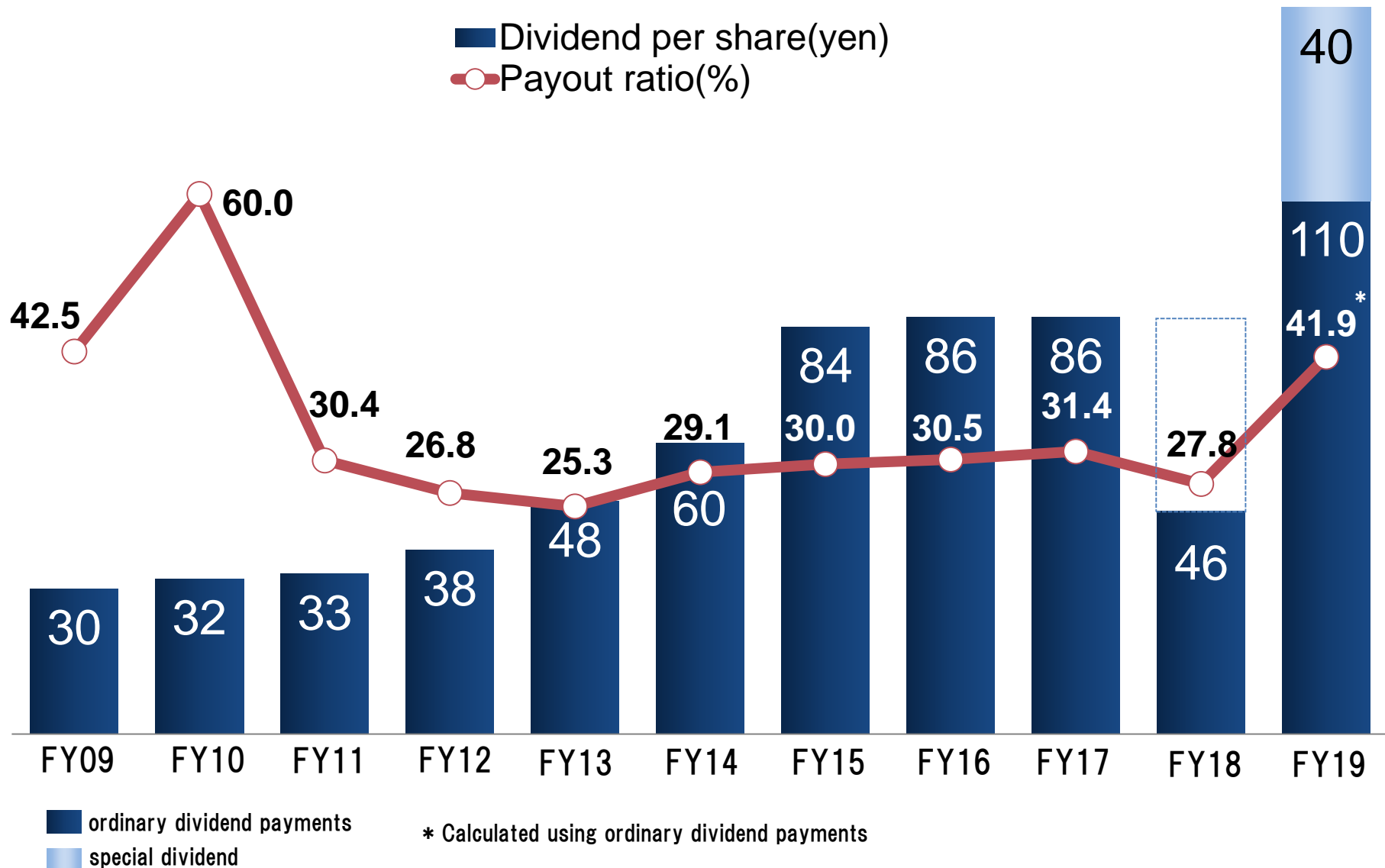
#### (2) Acquisition of treasury stock:


The Company 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

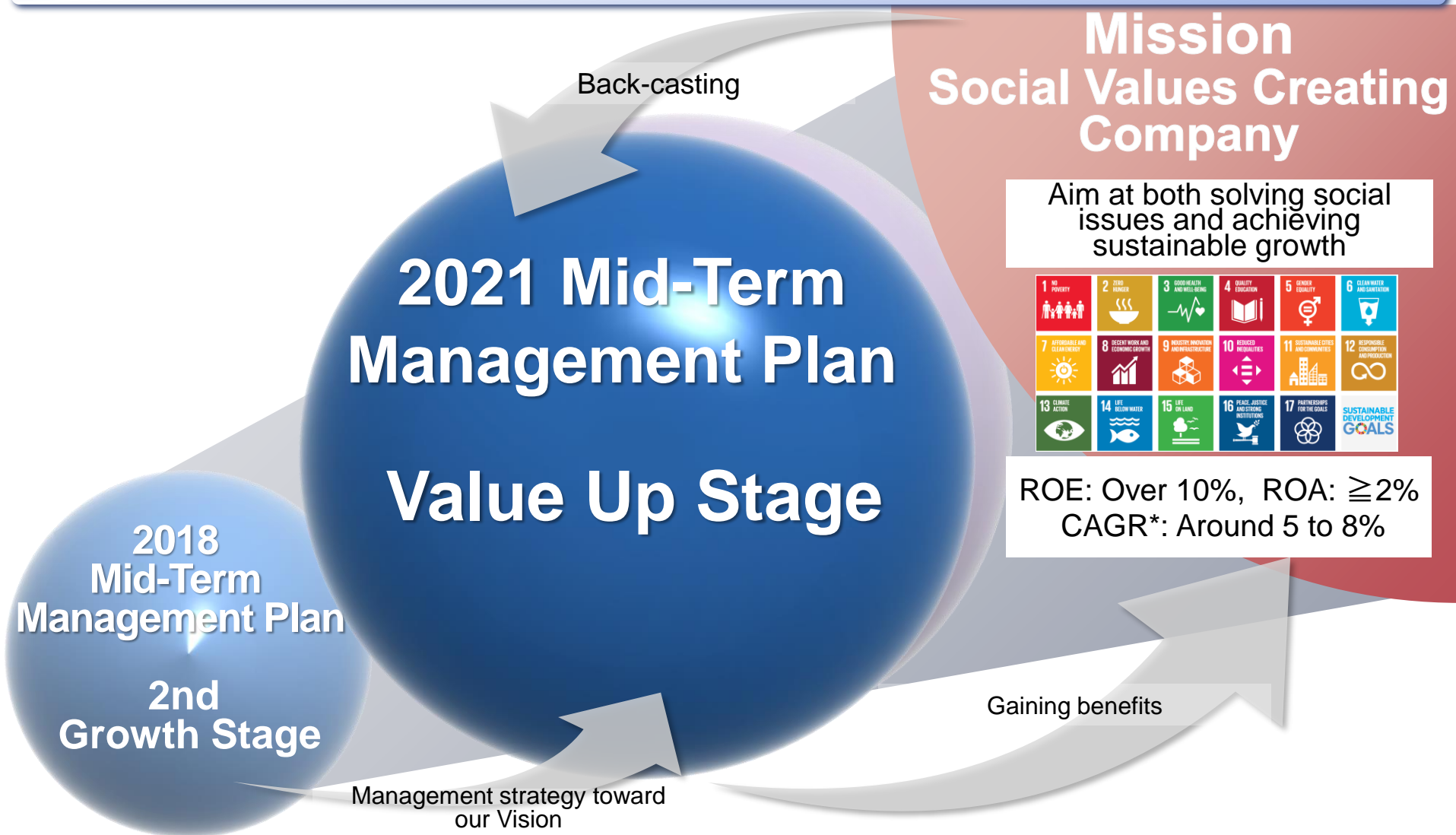




## **4. FY2019–FY2021 Mid–Term Management Plan**

**(Excerpt from 「FY2019–FY2021 Mid–Term Management Plan」  
Announced on October 9, 2019)**

## 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)

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



**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)**

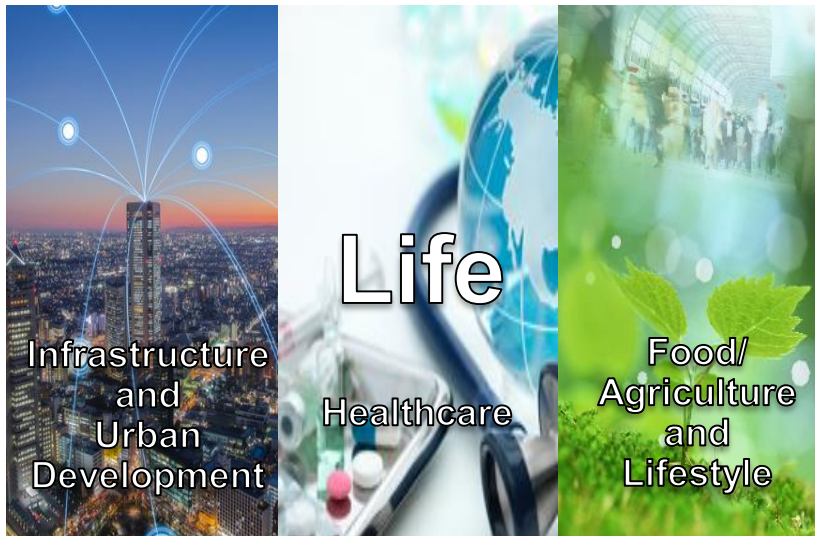
**New service model  
such as sharing**

\*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

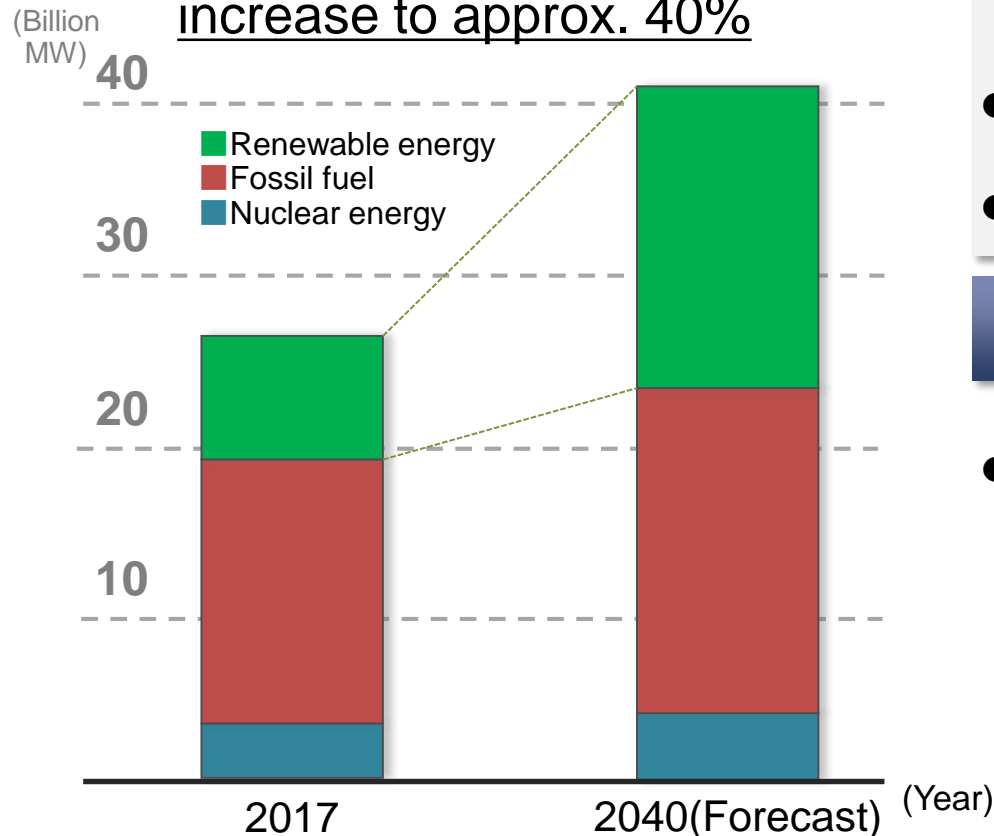


**HITACHI**  
Inspire the Next

**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

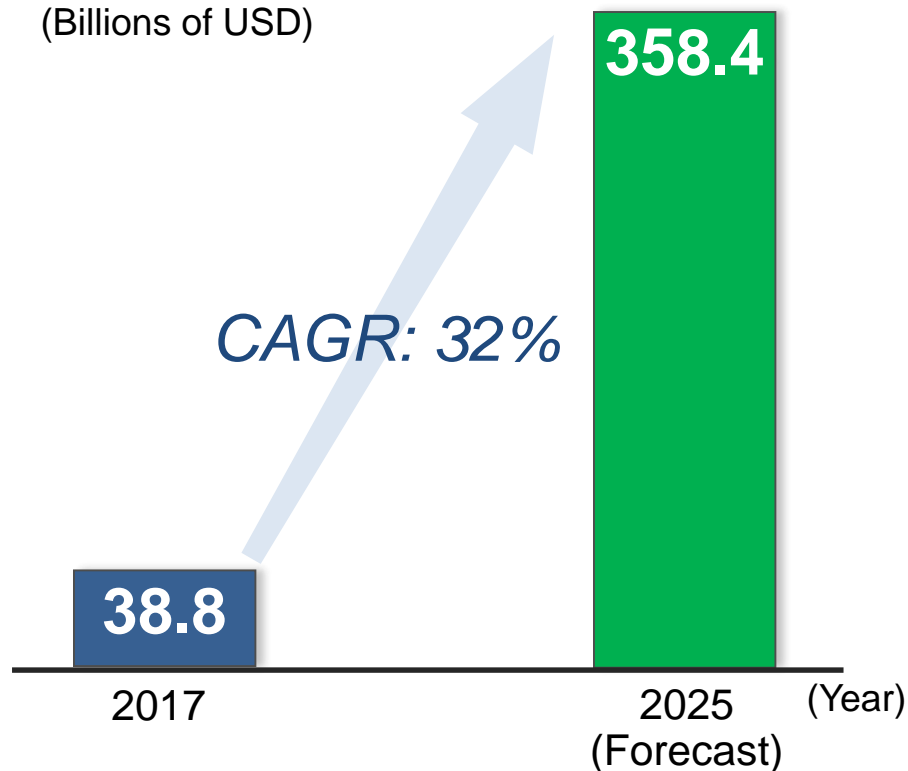


### Evolve into mobility solutions by utilizing data

#### 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

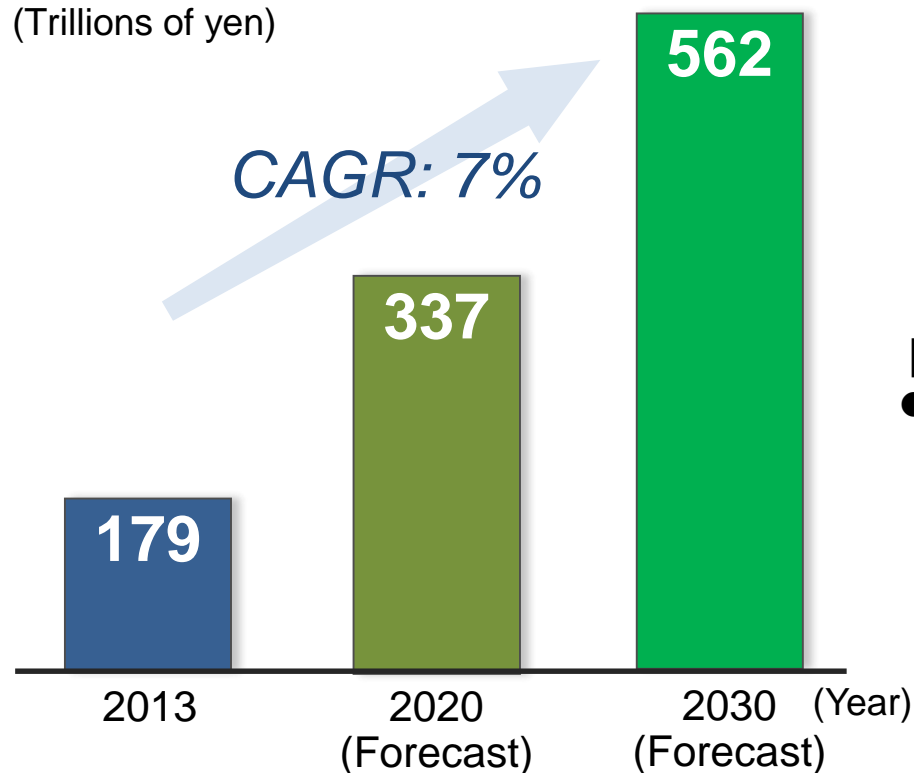


## Strengthen solutions for realization of richer life

### 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

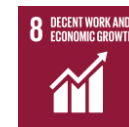
### Advanced initiatives

- [China] Management of diagnostic imaging center
- Participated in management of the healthcare business with local partners





# 4-8. Key Businesses: Sales Finance



## 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

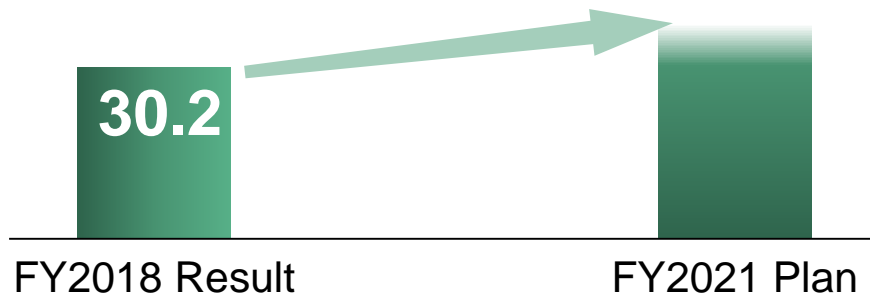
US: Acquisition of a business of Creekridge Capital LLC (CC), and acquisition of Global Technology Finance, LLC (GTF)

## 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)]

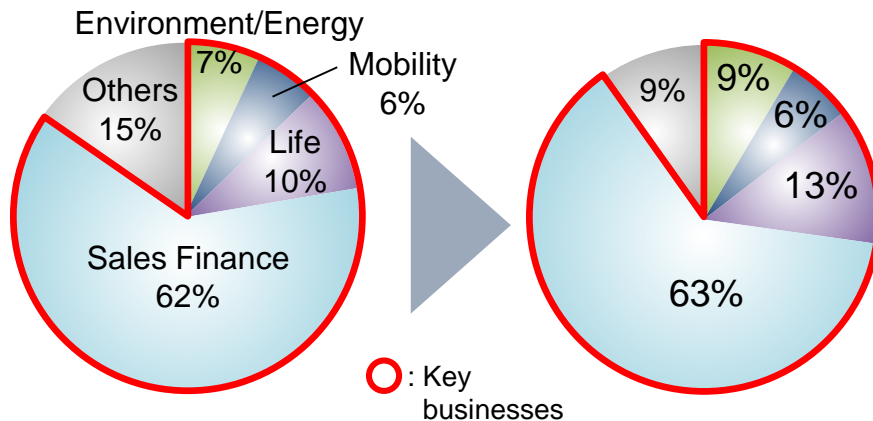
**CAGR:  $\geq 2\%$**



[Operating assets (composition ratio)]

FY2018

FY2021 Plan



### Key businesses

2018 Mid-Term Management Plan  
(Focused Sectors)

2021 Mid-Term Management Plan  
(Key Businesses)

Environment/Energy

Environment/Energy

Vehicle

Mobility

Social Infrastructure

Life

Local governments/public

Sales Finance

### 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

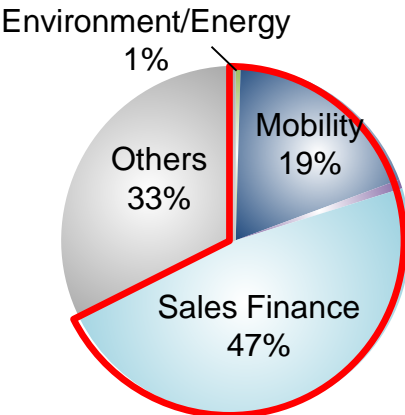
FY2021 Plan

\* CAGR: Assuming constant exchange rates

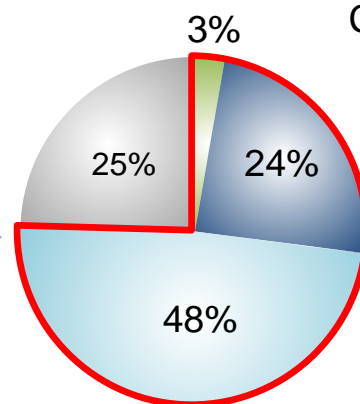
[Operating assets (composition ratio)]

FY2018

FY2021 Plan



○: Key businesses



## UK business

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

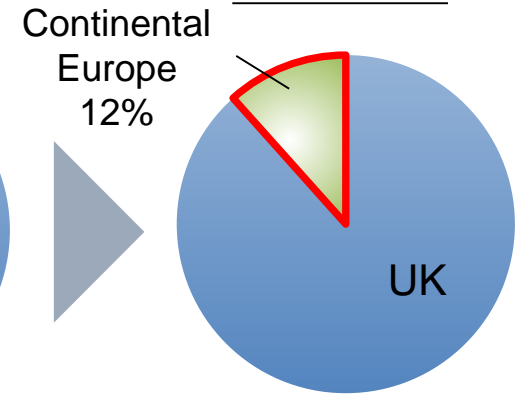
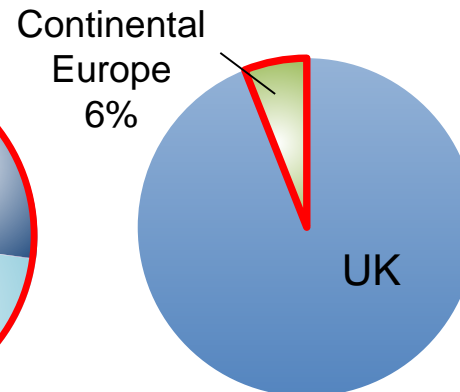
⇒ Profit growth of UK business:  
CAGR of around 6%

## Development in continental Europe

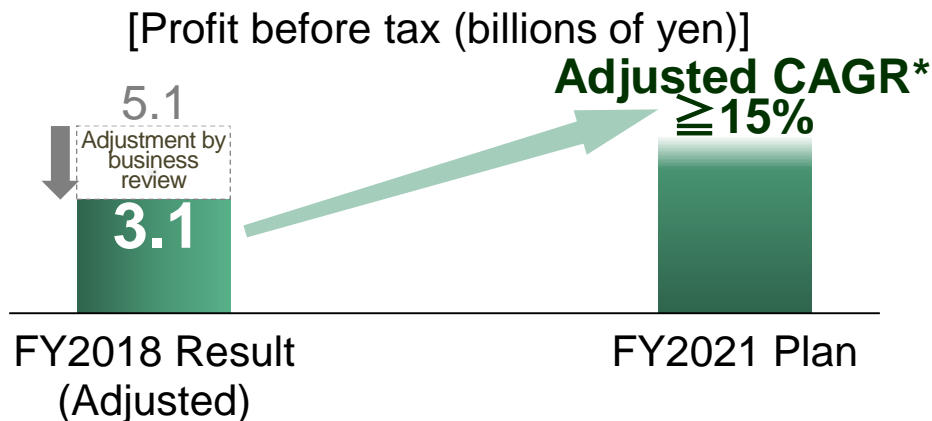
[Operating assets (composition ratio)]

FY2018

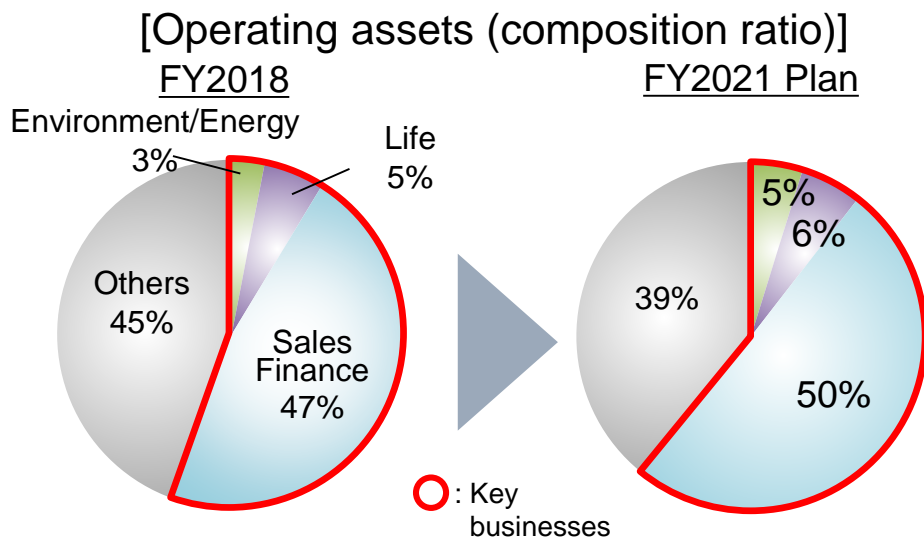
FY2021 Plan



## 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

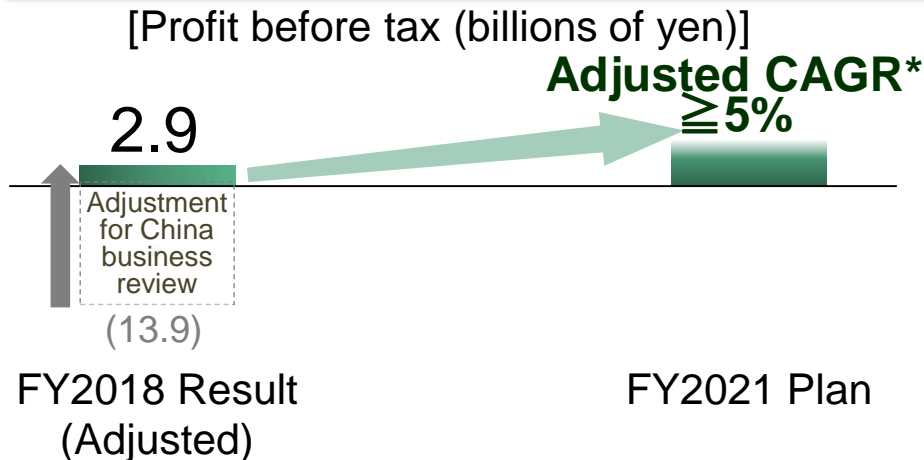
### Canada business

- Maintain stable growth through solution expansion and thorough risk management

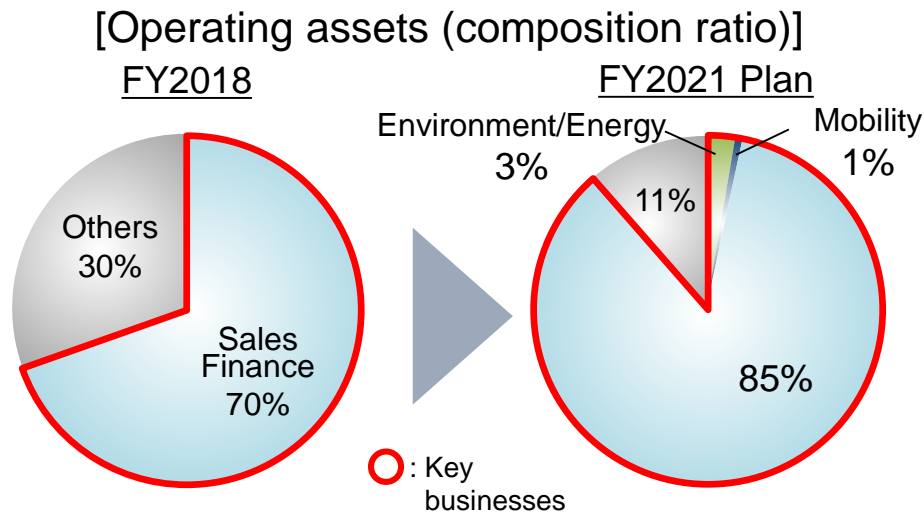


# 4-12. Deepen Regional Strategy: China Business

## 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

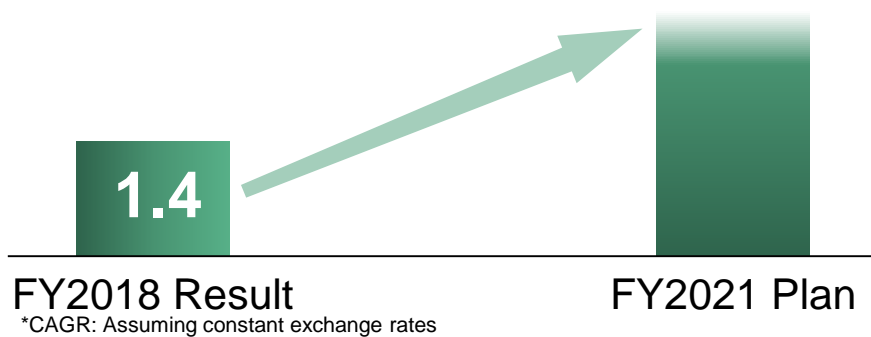
- Selection and concentration taking into account business risks (region, partner, etc.)
- Tighten screening criteria and review processes

# 4-13. Deepen Regional Strategy: ASEAN Business

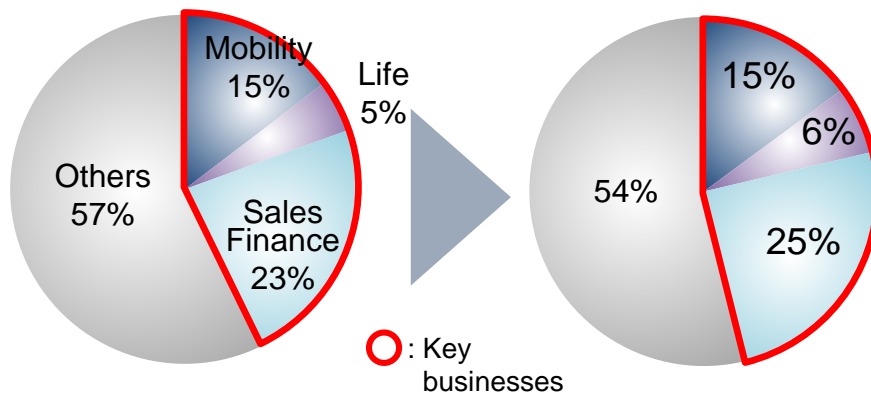
**Promote expansion of business domains and areas in line with regional needs and resources of each company**  
**Seek new business opportunities in key businesses (e.g. Life)**

[Profit before tax (billions of yen)]

**CAGR:  $\geq 20\%$**



[Operating assets (composition ratio)]  
FY2018 FY2021 Plan

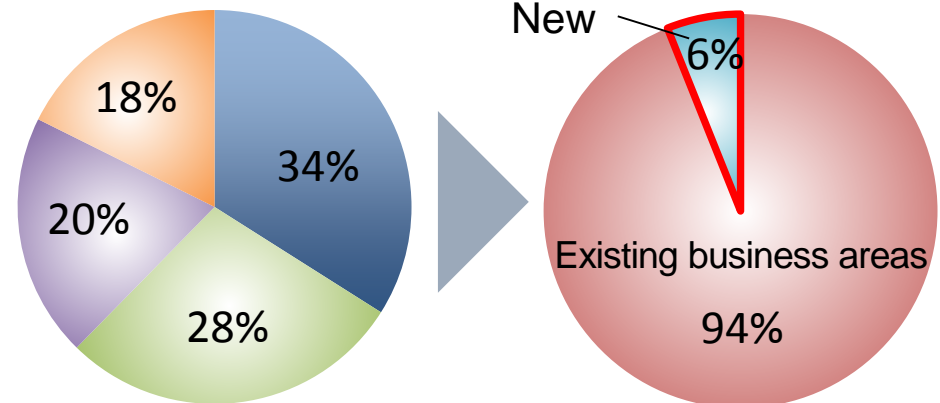


**Business area expansion**

[Operating assets (composition ratio)]

FY2018

FY2021 Plan



**FY2018**

- Singapore
- Malaysia

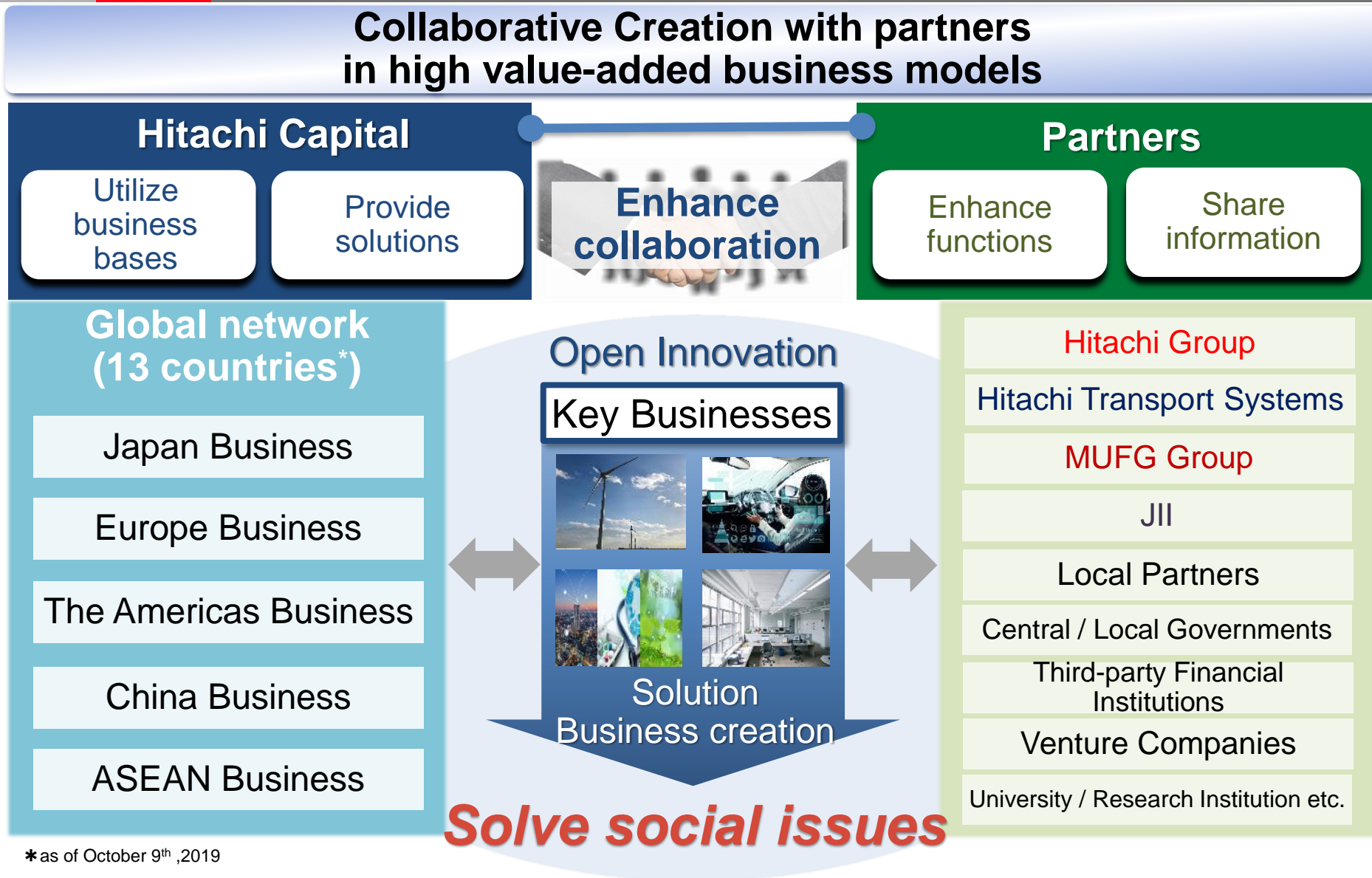
- Thailand
- Indonesia

**FY2021**

- Existing business areas
- New business areas

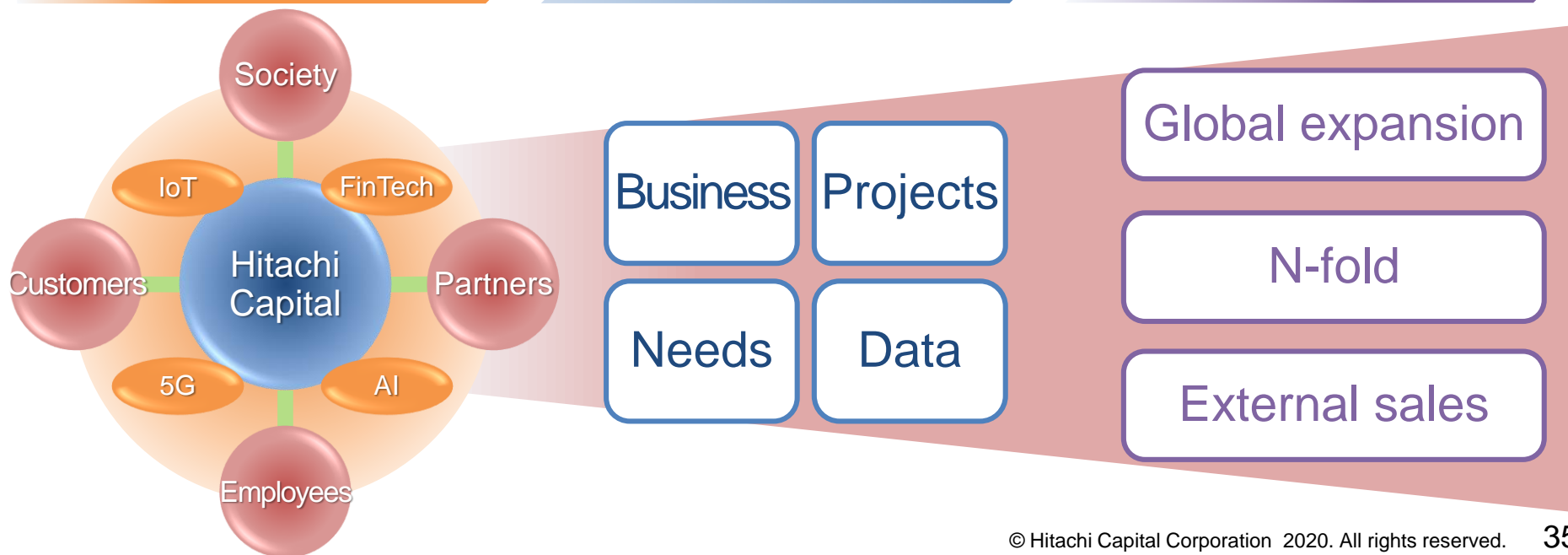
**[Potential business areas]**  
**The Philippines, Australia, etc.**

# 4-14. Increase Added Value: Collaboration with Partners



\*as of October 9<sup>th</sup>, 2019

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



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

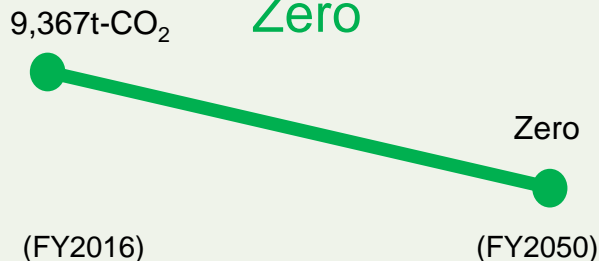
## *Enhancing sustainable corporate values*

### 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

CO<sub>2</sub> emission  
Zero



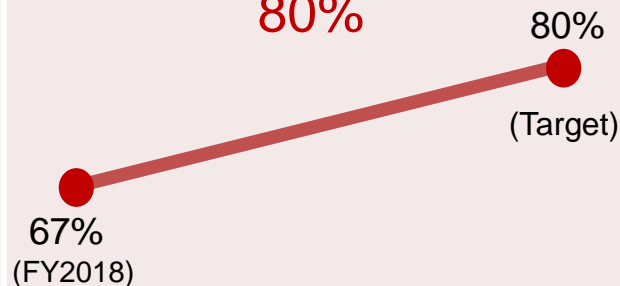
\*TCFD: Task Force on Climate-related Financial Disclosures established by Financial Stability Board (FSB)

### 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)

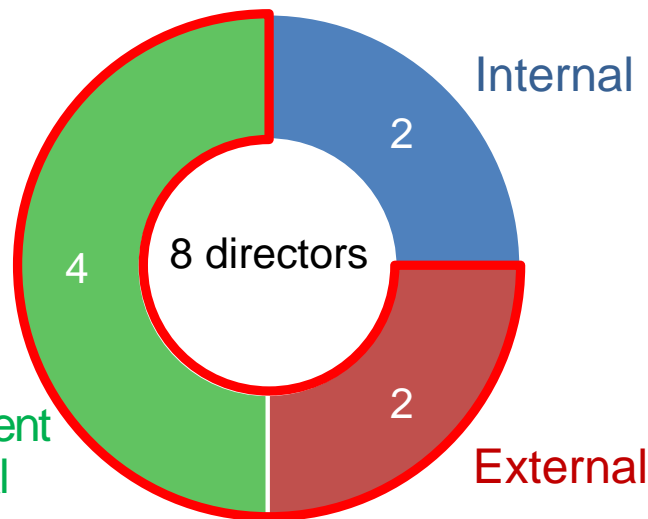
Promote information disclosure to ensure management transparency

\* 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

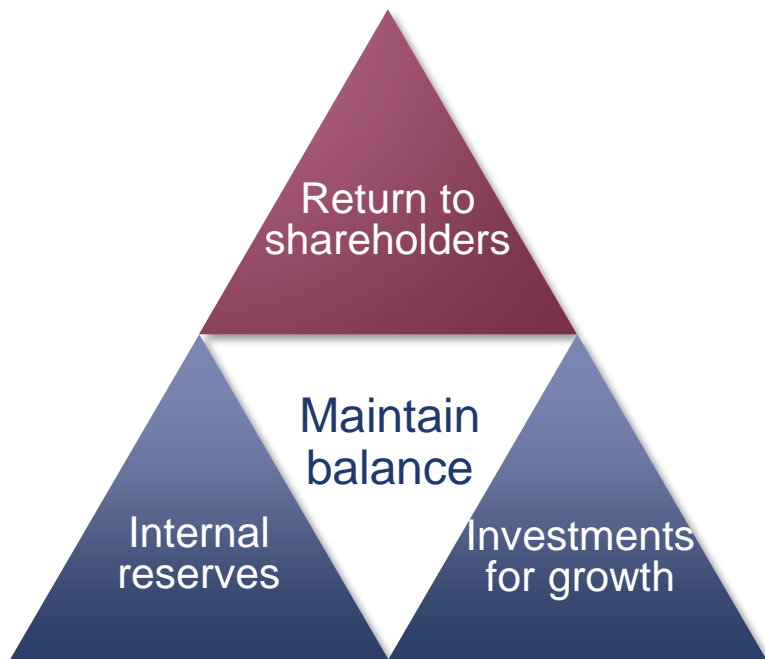
- FY2018
    - Inappropriate factoring deals occurred in China  
(Recorded a large amount of allowance for damages from heinous and artful frauds)
- ▼
- Thorough implementation of recurrence prevention measures
    - Strengthen operational risk management system and fraud risk management
    - Further 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

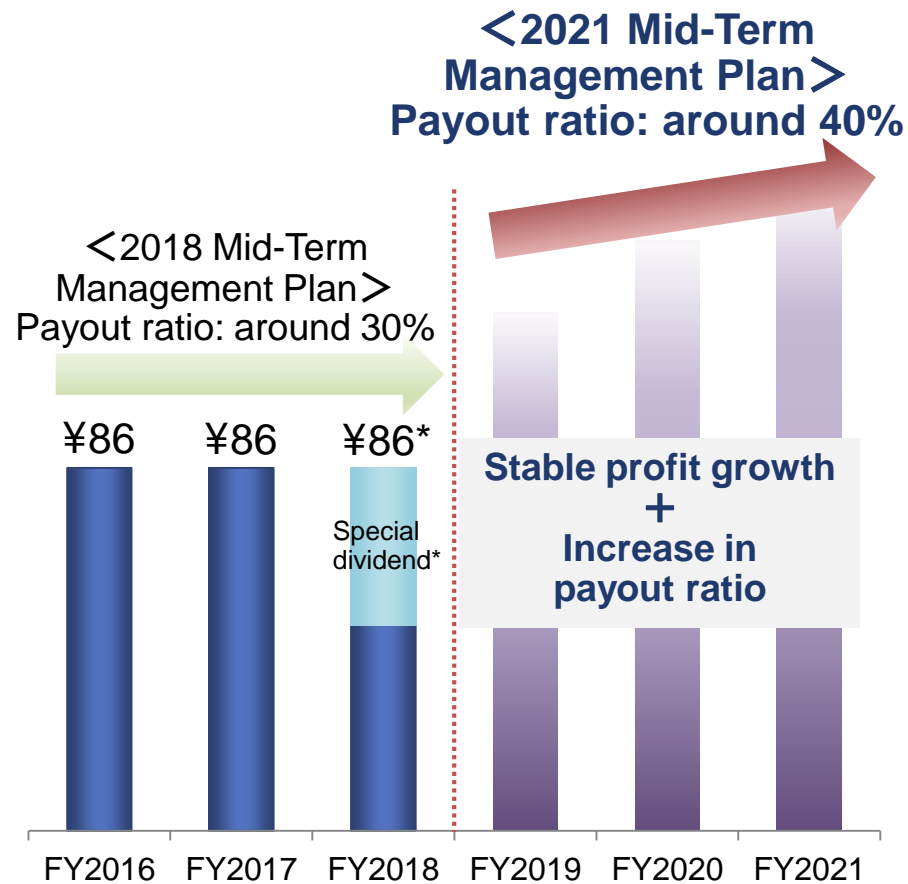
Increase payout ratio to around 40%  
in the 2021 Mid-Term Management Plan  
— Highest level in the leasing industry —



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



## 5. (Reference) Financial Data

# 5-1. Financial highlights (BS index)

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

(millions of yen)

No	Consolidated Statements of Financial Position	FY2015	FY2016	FY2017	FY2018	FY2019
<b>1</b>	<b>Assets</b>					
2	Cash and cash equivalents	157,091	178,081	174,805	219,858	265,463
3	Trade and other receivables	1,358,973	1,288,511	1,385,805	1,517,882	1,279,496
4	Finance lease receivables	1,054,180	1,124,531	1,149,772	1,206,090	1,256,013
5	Other financial assets	61,601	85,834	82,275	91,653	103,494
6	Operating leased assets	341,296	393,328	470,644	503,486	544,434
7	Investments accounted for using the equity meth	20,254	33,059	33,644	36,746	37,623
8	Other property, plant and equipment	20,162	57,249	80,983	93,655	122,071
9	Other intangible assets	12,165	29,495	34,604	41,604	41,306
10	Deferred tax assets	17,950	18,479	15,225	15,167	14,292
11	Other assets	37,524	36,458	40,993	46,640	55,279
<b>12</b>	<b>Total assets</b>	<b>3,081,201</b>	<b>3,245,029</b>	<b>3,468,756</b>	<b>3,772,784</b>	<b>3,719,474</b>
<b>13</b>	<b>Liabilities</b>					
14	Trade and other payables	228,989	175,429	96,308	104,810	87,675
15	Borrowings and bonds	2,341,683	2,546,720	2,812,991	3,118,052	3,081,051
16	Other payables	20,492	13,580	16,034	11,510	12,638
17	Other financial liabilities	58,724	54,477	59,786	58,494	50,610
18	Income tax payable	4,494	5,186	4,280	3,867	3,435
19	Retirement and severance benefits	9,540	9,029	5,851	6,395	7,440
20	Deferred tax liabilities	1,839	2,733	3,740	4,865	5,915
21	Other liabilities	67,878	74,694	76,654	74,368	74,692
<b>22</b>	<b>Total liabilities</b>	<b>2,733,641</b>	<b>2,881,851</b>	<b>3,075,649</b>	<b>3,382,365</b>	<b>3,323,460</b>
<b>23</b>	<b>Equity</b>					
24	Equity attributable to owners of the parent					
25	Common stock	9,983	9,983	9,983	9,983	9,983
26	Capital surplus	45,828	45,600	45,215	45,313	45,029
27	Retained earnings	289,745	312,736	335,085	339,655	359,572
28	Accumulated other comprehensive income	4,280	(4,139)	2,907	(2,968)	(19,231)
29	Treasury stock	(14,334)	(14,335)	(14,336)	(14,425)	(14,626)
<b>30</b>	<b>Total equity attributable to owners of the parent</b>	<b>335,503</b>	<b>349,844</b>	<b>378,855</b>	<b>377,557</b>	<b>380,728</b>
31	Non-controlling interests	12,056	13,333	14,251	12,861	15,285
<b>32</b>	<b>Total equity</b>	<b>347,559</b>	<b>363,178</b>	<b>393,107</b>	<b>390,418</b>	<b>396,013</b>
<b>33</b>	<b>Total liabilities and equity</b>	<b>3,081,201</b>	<b>3,245,029</b>	<b>3,468,756</b>	<b>3,772,784</b>	<b>3,719,474</b>

## 5-2. 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	FY2019
1	Revenues	365,354	370,860	404,124	453,253	464,020
2	Cost of sales	235,340	245,100	272,425	312,859	327,703
3	Gross profit	130,014	125,759	131,698	140,393	136,316
4	Selling, general and administrative expenses	84,783	81,902	86,274	110,997	96,442
5	Other income	82	734	723	1,023	2,078
6	Other expenses	421	345	2,987	714	856
7	Share of profits of investments accounted for using the equity method	1,775	1,787	1,135	3,001	1,430
8	Profit before tax	46,667	46,033	44,295	32,706	42,526
9	Income taxes	13,051	11,803	11,070	14,544	10,541
10	Net income	33,615	34,229	33,224	18,161	31,985
11	Net income attributable to Owners of the parent	32,694	32,926	32,057	19,363	30,693
12	Non-controlling interests	920	1,302	1,167	(1,201)	1,292
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	262.67 yen
14	Volume of business	2,290,156	2,334,252	2,509,327	2,745,094	2,186,490
15	Operating assets	2,947,146	2,994,489	3,179,135	3,392,878	3,185,326
16	Capital adequacy ratio*	10.9%	10.8%	10.9%	10.0%	10.2%
17	ROE	9.9%	9.6%	8.8%	5.1%	8.1%
18	ROA	1.6%	1.5%	1.4%	1.0%	1.3%
19	OHR	59.9%	60.7%	60.9%	59.0%	61.9%

\* Ratio of equity attributable to owners of the parent

## 5-3. Trends in key indicators

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

(millions of yen)

Japan Business	FY2015	FY2016	FY2017	FY2018	FY2019
Volume of business	1,204,565	1,081,481	1,046,650	993,506	1,028,643
Gross profit(*1)	61,480	61,115	62,270	62,857	62,422
Profit before tax(*1)	23,160	24,657	23,903	30,265	26,565
Operating assets	1,680,213	1,644,013	1,623,024	1,624,893	1,669,842
ROA(*2)	1.3%	1.5%	1.5%	1.9%	1.6%

Global Business	FY2015	FY2016	FY2017	FY2018	FY2019
Volume of business	1,085,591	1,252,771	1,462,677	1,751,588	1,157,847
Gross profit(*1)	68,191	63,402	68,681	76,633	72,892
Profit before tax(*1)	28,372	27,850	29,284	10,950	24,405
Operating assets	1,266,933	1,350,475	1,556,110	1,767,985	1,515,483
ROA(*2)	2.2%	2.2%	2.0%	0.6%	1.5%

Europe Business	FY2015	FY2016	FY2017	FY2018	FY2019
Volume of business	528,447	490,826	592,343	662,687	651,404
Gross profit	40,556	35,220	38,384	44,539	45,995
Profit before tax	17,398	15,842	16,907	18,251	18,533
Operating assets	613,822	593,770	763,903	879,725	874,787
ROA(*2)	2.7%	2.8%	2.5%	2.2%	2.1%

The Americas Business	FY2015	FY2016	FY2017	FY2018	FY2019
Volume of business	234,210	465,491	533,212	721,770	332,590
Gross profit	10,348	12,769	14,440	16,385	15,492
Profit before tax	3,534	4,343	3,701	5,100	3,212
Operating assets	231,374	304,183	333,702	426,127	312,498
ROA(*2)	1.7%	1.7%	1.1%	1.3%	0.9%

China Business	FY2015	FY2016	FY2017	FY2018	FY2019
Volume of business	236,482	207,756	235,416	251,027	86,141
Gross profit	11,799	10,422	9,843	9,288	4,802
Profit before tax	7,193	7,429	7,677	(13,895)	1,956
Operating assets	309,083	328,897	325,136	312,594	200,541
ROA(*2)	2.3%	2.4%	2.3%	(4.4%)	0.8%

ASEAN Business	FY2015	FY2016	FY2017	FY2018	FY2019
Volume of business	86,451	88,696	101,704	116,103	87,711
Gross profit	5,486	4,991	6,012	6,419	6,601
Profit before tax	245	235	998	1,493	702
Operating assets	112,652	123,623	133,368	149,537	127,655
ROA(*2)	0.2%	0.2%	0.7%	1.1%	0.5%

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

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