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# Status of FY2016-FY2018 Mid-Term Management Plan

October 31, 2017

 **Hitachi Capital Corporation**

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- 1. Summary of 2018 Mid-Term Management Plan**
- 2. Status of 2018 Mid-Term Management Plan**
- 3. Towards Future Growth**
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# 1. Highlights of 2018 Mid-Term Management Plan

## Global Business: Continue double digit growth

### “Maintain high and systematic growth”

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

## Japan Business: Challenge to achieve 2% ROA

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

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

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

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

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

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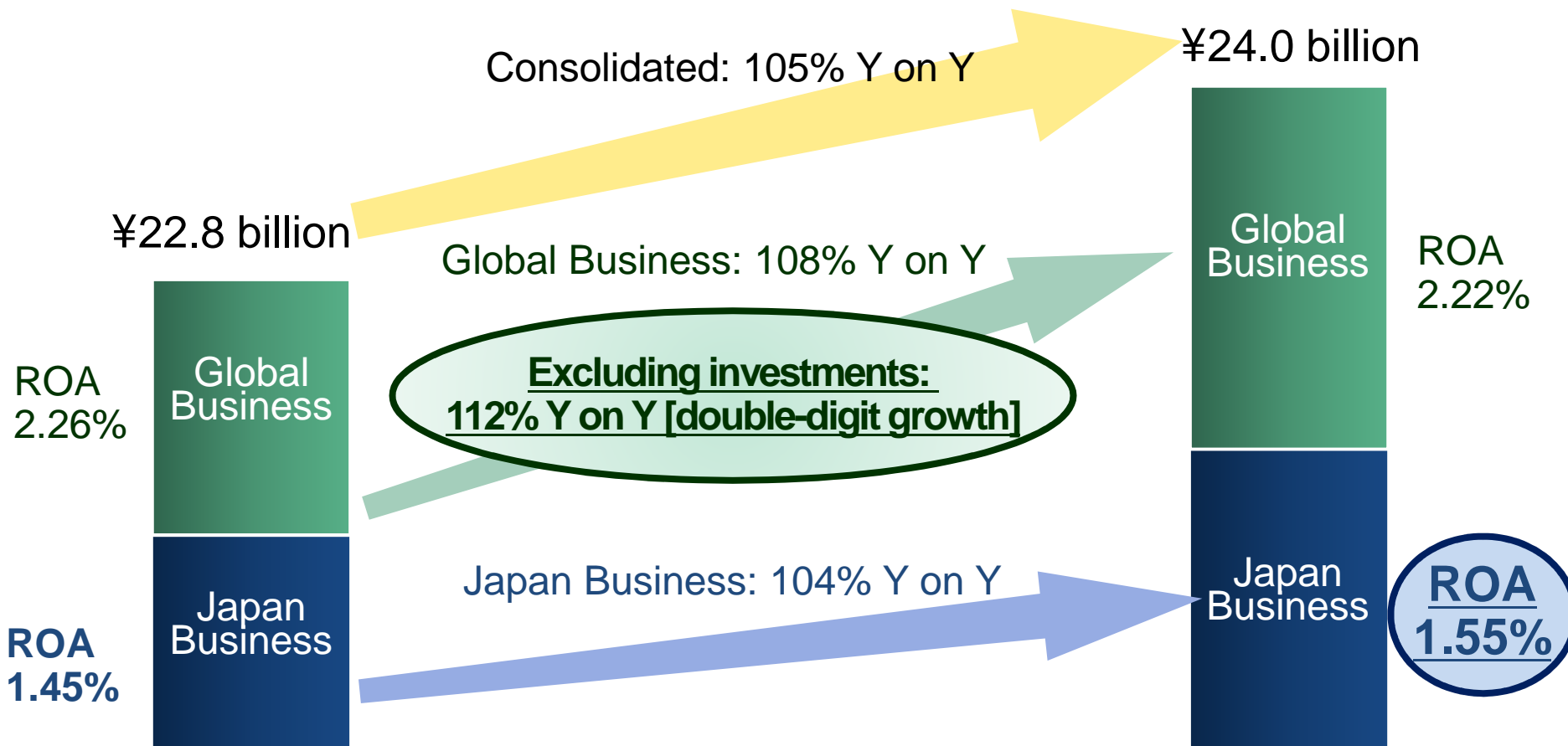
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## 2-1. Summary of Business Results

Global Business continued to grow. Japan Business improved profitability

### Profit before tax



1H of FY2016

\*Global Business: Y on Y growth rate excludes foreign exchange effects.  
ROA excludes foreign exchange effects/investments.

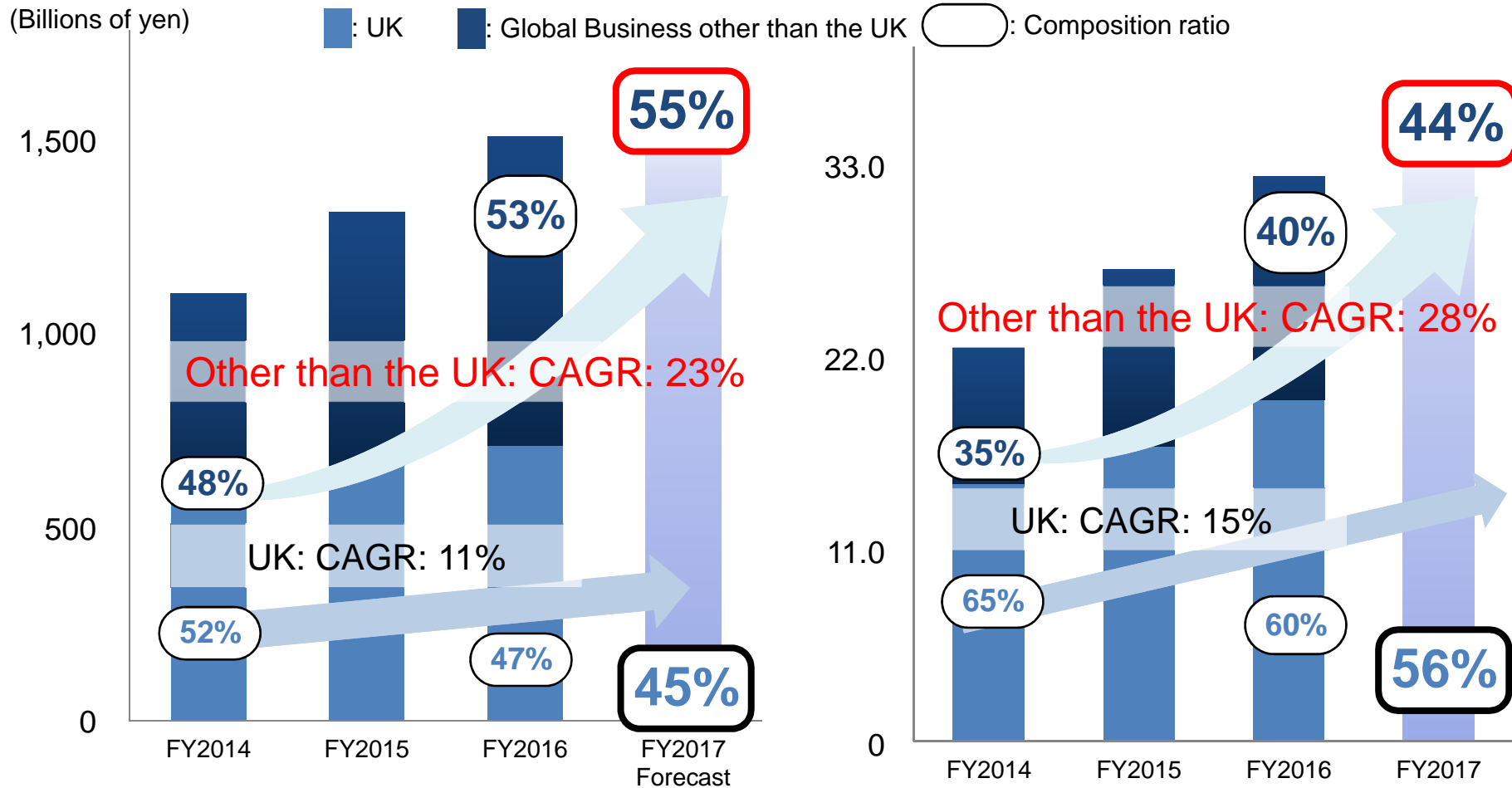
1H of FY2017

# 2-2. Development of Global Business

Stable growth with “continued growth in the UK” and “growth expansion in other areas”

Operating assets of Global Business\*

Profit before tax of Global Business\*



\*Excluding foreign exchange effects

\*CAGR: Average annual growth rate (FY2014-FY2016) © Hitachi Capital Corporation 2017. All rights reserved.

## 2-3. Europe Business

Accelerated development in continental Europe.  
UK business showed a steady growth

### Topics

**【Continental Europe】** Accelerated development in continental Europe aiming for stable business growth in Europe

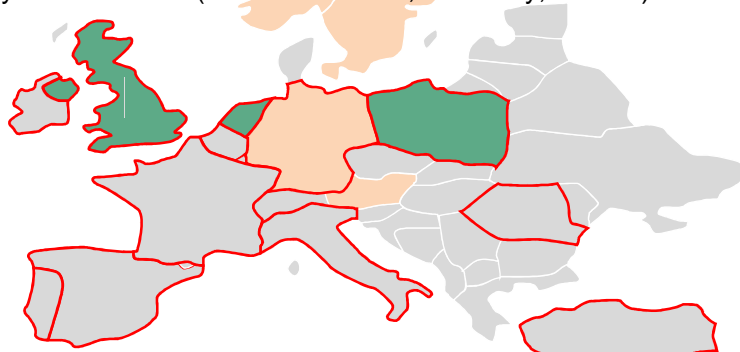
- Expansion of sales finance
  - Opened a sales office in the Netherlands to strengthen sales finance and collaboration with the Hitachi Group (September 2017)
  - Expanded coverage through collaboration with third-party financial institutions  
(As of the end of FY2016: 10 countries ⇒ expanded to 12 countries)
- Consider continuing M&As in Vehicle Solution business (priority area: Nordic countries/Germany/Austria)

**【UK business】** Showed a steady growth with little impact from Brexit decision

- Consumer finance (CF): Steady expansion with a highly competitive business model
- Acquired a permission from the Financial Conduct Authority (FCA) to deal with tightening financial regulations in the UK (October 2017)

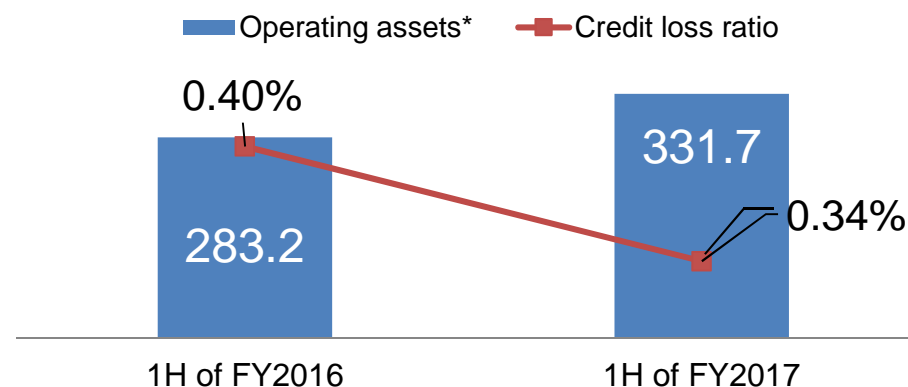
### Covering areas in Europe

- : Covering areas (collaborating with third-party financial institutions)
- : Existing business bases (the UK, Poland, the Netherlands)
- : Priority area for M&A (Nordic countries, Germany, Austria)



### (UK) Business results of consumer finance

(Billions of yen)



\*Excluding foreign exchange effects



## 2-4. The Americas Business

Business expansion through organic growth and M&A.  
Focused on credit cost control

### Topics

【Business expansion】Operating assets increased steadily due to a combination of organic growth and M&A

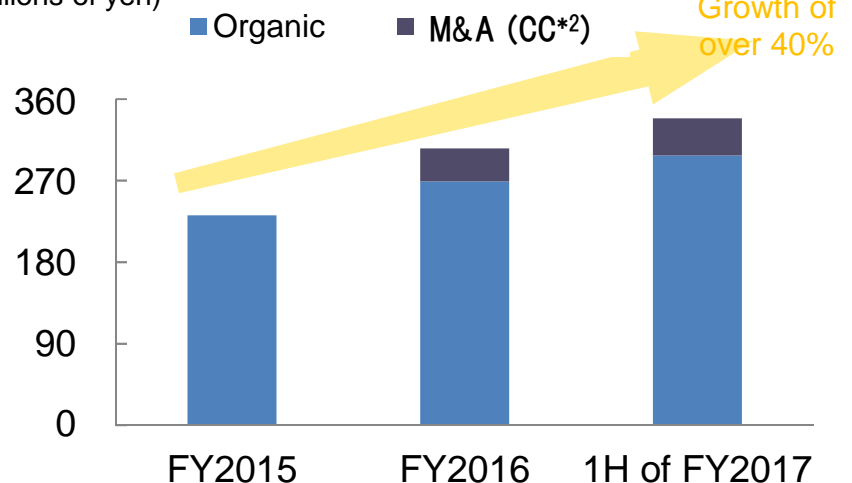
- Organic growth: Factoring business in the US and Canada business showed strong performance
- M&A: IT/healthcare sectors in Creekrige Capital LLC (acquired in FY2016) also showed steady growth

【Credit cost control measures】Have implemented measures to improve quality of receivables in truck finance business which had some deteriorated receivables

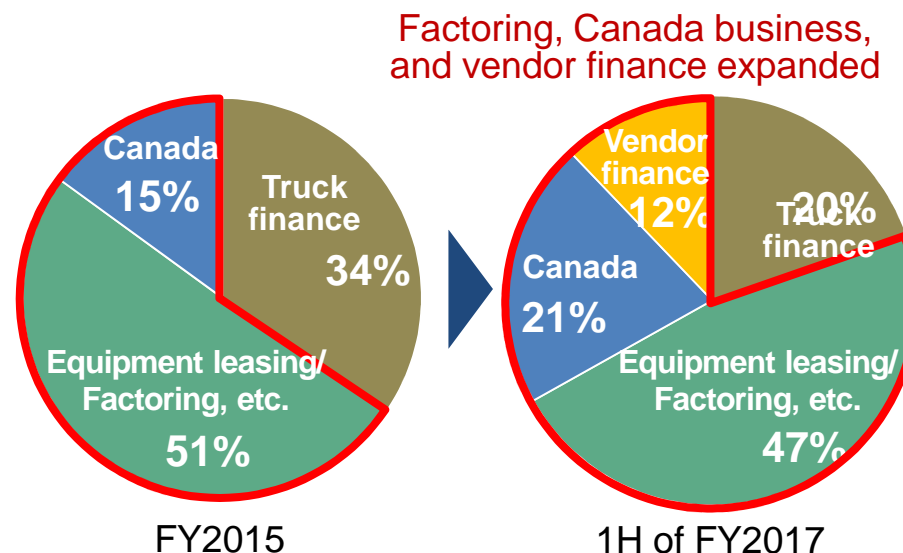
- Tightened screening criteria for handling large trucks (changed back to handling small and mid-size trucks)

### Operating assets\*<sup>1</sup>

(Billions of yen)



### Composition of operating assets



\*1 Excluding foreign exchange effects \*2 Creekrige Capital LLC

## 2-5. China Business

Strengthened the structure of the entire China business/  
business promotion through collaboration with partners

### Topics

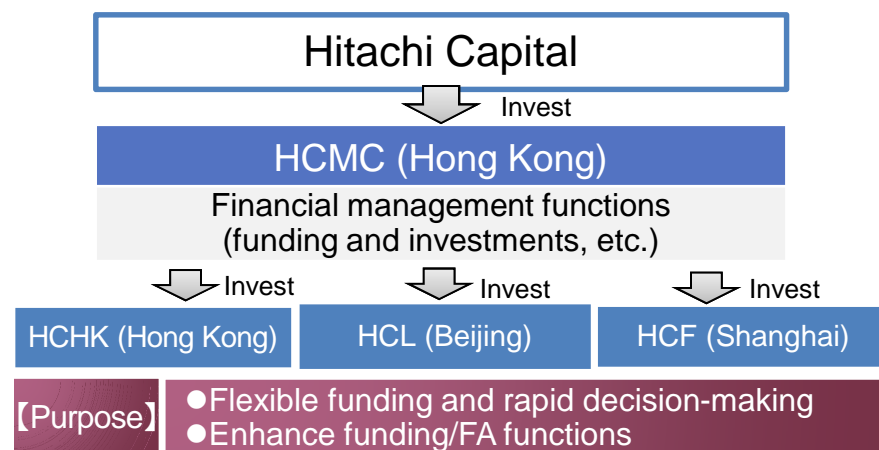
**【Strengthening of the structure】** Enhanced financial management functions of China business

- Make Hitachi Capital Management (China) Ltd. (HCMC) an intermediate holding company (November 2017)

**【Collaboration with partners】** Business promotion in social infrastructure sector (healthcare/subway/water/industry, etc.)

- Provided solutions through collaboration with the Hitachi Group
- Participated in joint investment business with Chinese local partners (Nanjing, Qingdao, Xian)

### New organizational structure (from Nov. 2017)



HCHK: Hitachi Capital (Hong Kong) Ltd.  
HCL: Hitachi Capital Leasing (China) Co., Ltd.  
HCF: Hitachi Capital Factoring (China) Co., Ltd.

### Focused sectors (mainland China)

#### 【Previous Initiatives】

• Second-class hospitals  
• Private companies

Public deals

#### 【Future Initiatives】

• Public deals  
• Collaboration with partners

Expand to growing sectors  
(social infrastructure, vehicle, IT industry, etc.)

## 2-6. ASEAN Business

Strengthened management base/changed business portfolio,  
improved profitability

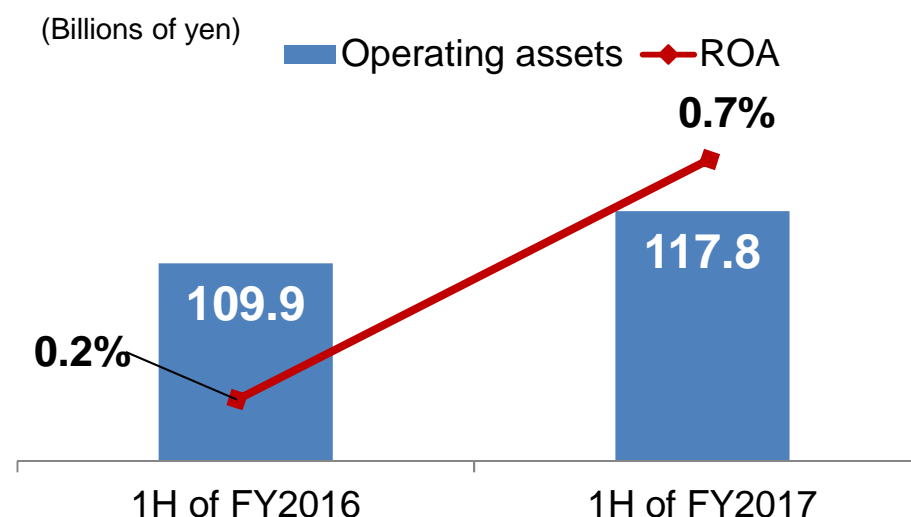
### Topics

- 【Singapore】 Business for Japanese companies expanded (volume of business: 109% Y on Y)
- 【Thailand】 Factoring business mainly for local companies expanded (volume of business: 157% Y on Y)
- 【Malaysia】 Steady growth due to shifting to corporate business through development in Kuala Lumpur and strengthening human resources, etc. (volume of business: 114% Y on Y)
- 【Indonesia】 Reduction in credit loss by thorough credit management utilizing the scoring system

### Strengthened management base

Finance	<ul style="list-style-type: none"> <li>● Executed capital increase to enhance financial base Malaysia: capital ¥0.45 billion⇒¥1.7 billion (May 2017) (1H of FY2017: Equity ratio 10.8%)</li> <li>Thailand: capital ¥0.33 billion⇒¥3.6 billion (August 2017) (1H of FY2017: Equity ratio 10.3%)</li> </ul>
Human resources	<ul style="list-style-type: none"> <li>● Hired human resources with professional skills</li> <li>● Improved education system for local employees</li> </ul>
IT	<ul style="list-style-type: none"> <li>● Improved operational efficiency through investment for core system development</li> <li>● Strengthened credit management using the scoring system</li> </ul>

### Operating assets\*



\*Excluding foreign exchange effects

## 2-7. Japan Business

Increased top line through expansion of focused sectors and promoted structural reform

### Topics

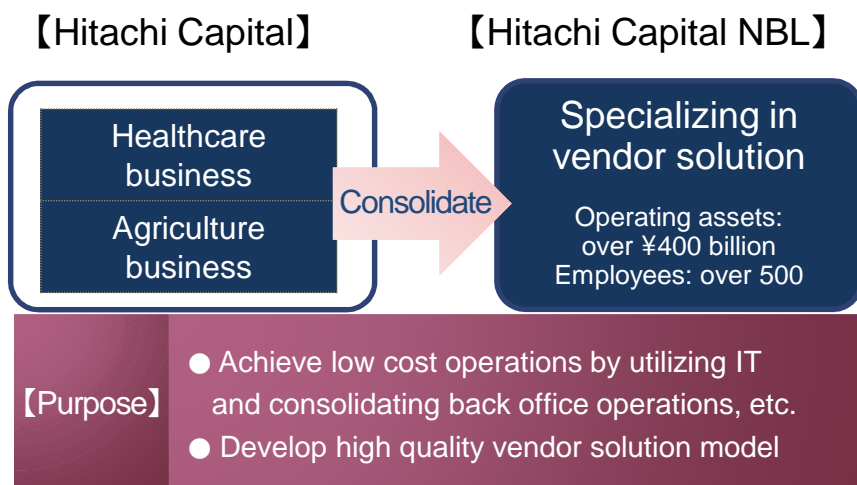
**【Focused sectors】** Increased top line and strengthened business structure (gross profit: 114% Y on Y)

- Increased in the growing sectors such as eco- and energy- related, etc. (accumulated power generation: 368 MW in FY2016 ⇒ 389MW)
- Consolidated real estate solution functions in social infrastructure sector into a subsidiary\* (October 2017) \*Hitachi Capital Community Corporation

**【Structural reform】** Promoted structural reform to achieve low cost operations

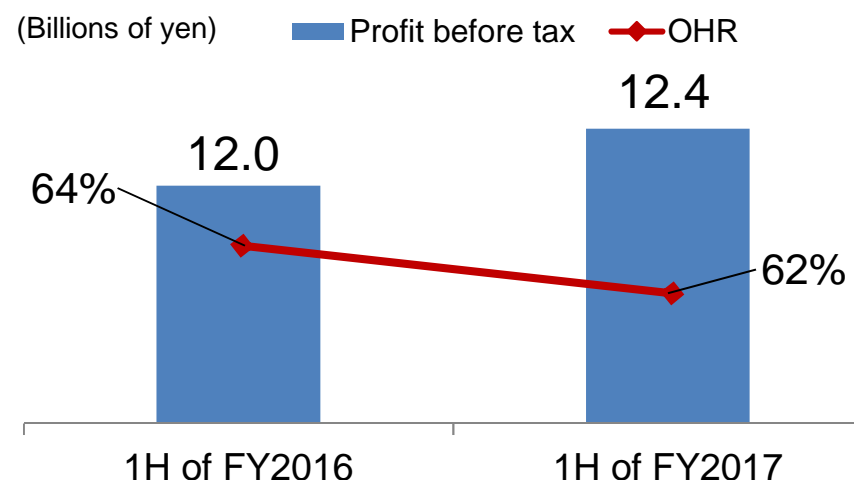
- Consolidated Vendor Solution business to enhance competitiveness  
(October 2017: completed consolidation of front functions. 2H of 2017: start system integration. FY2018: consolidate back office operation)
- Working method transformation: Promoted a project aiming to improve operational efficiency through the pursuit of growth both in individual and the Company

### Consolidate Vendor Solution business



\*Hitachi Capital NBL: Operating assets and employees are forecast for FY2017 (after consolidation)

### Profit before tax/OHR



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## 3. Towards Future Growth

# 3-1. Aggressive Investment

Increase investment in focused sectors for the next growth stage

■ Accumulated results: approximately 120 billion yen

Region	Target	Amount	Schedule
Japan	Acquired wind power generation business	Approx. ¥40 billion	2Q of FY2016
	Invested in Japan Infrastructure Initiative Company Limited (JII)	Approx. ¥10 billion	Jan. 2017
	Invested in Renewable Energy Partners LLC Silent Partnership	Approx. ¥15 billion	Feb. 2017
Europe	Acquired Noordlease Holding B.V. in the Netherlands	Approx. ¥14 billion	Jan. 2017
The Americas	Acquired Creekridge Capital LLC in the US	Approx. ¥30 billion	Jun. 2016
China	Invested in joint companies (Zibo, Nanjing, Qingdao, Xian)	Approx. ¥3 billion	FY2016

■ Focused investment sectors in the future

\*Plan is expressed in asset size, and results are in asset sizes or investment amounts. Accumulated results are calculated based on the exchange rate prevailing at the time 2018 Mid-Term Management Plan was announced.

## [Europe/US] Vehicle Solution

- Plan of 2018 Mid-Term Management Plan: M&As worth ¥150 billion scale
- Considering M&As in the US and Europe (Nordic countries/Germany/Austria)



## [Japan] Eco- and energy-related

- Target of 2018 Mid-Term Management Plan: Total power generation of over 500MW
- Currently profitability is examined in a large project



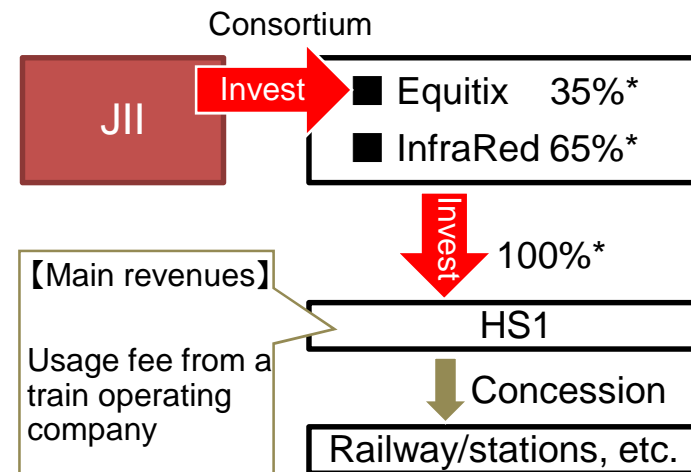
# 3-2. Collaboration with Partners (MUFG/MUL)

## JII\* concluded its first deal

Outline	Investment in the UK rail infrastructure business
Investment target	High Speed 1 (HS1) A concession company to operate the 109km railway connecting London to the Channel Tunnel and four stations
Investment amount	£75 million (approx. ¥10.5 billion *calculated at £1 = ¥140)
Schedule	September 2017

\*Japan Infrastructure Initiative Company Limited

### 【Outline of scheme】



\*Ratio of investment in HS1

St Pancras International Station



Domestic Route



Increase presence within the industry/  
Indirectly support Hitachi's Social Innovation Business

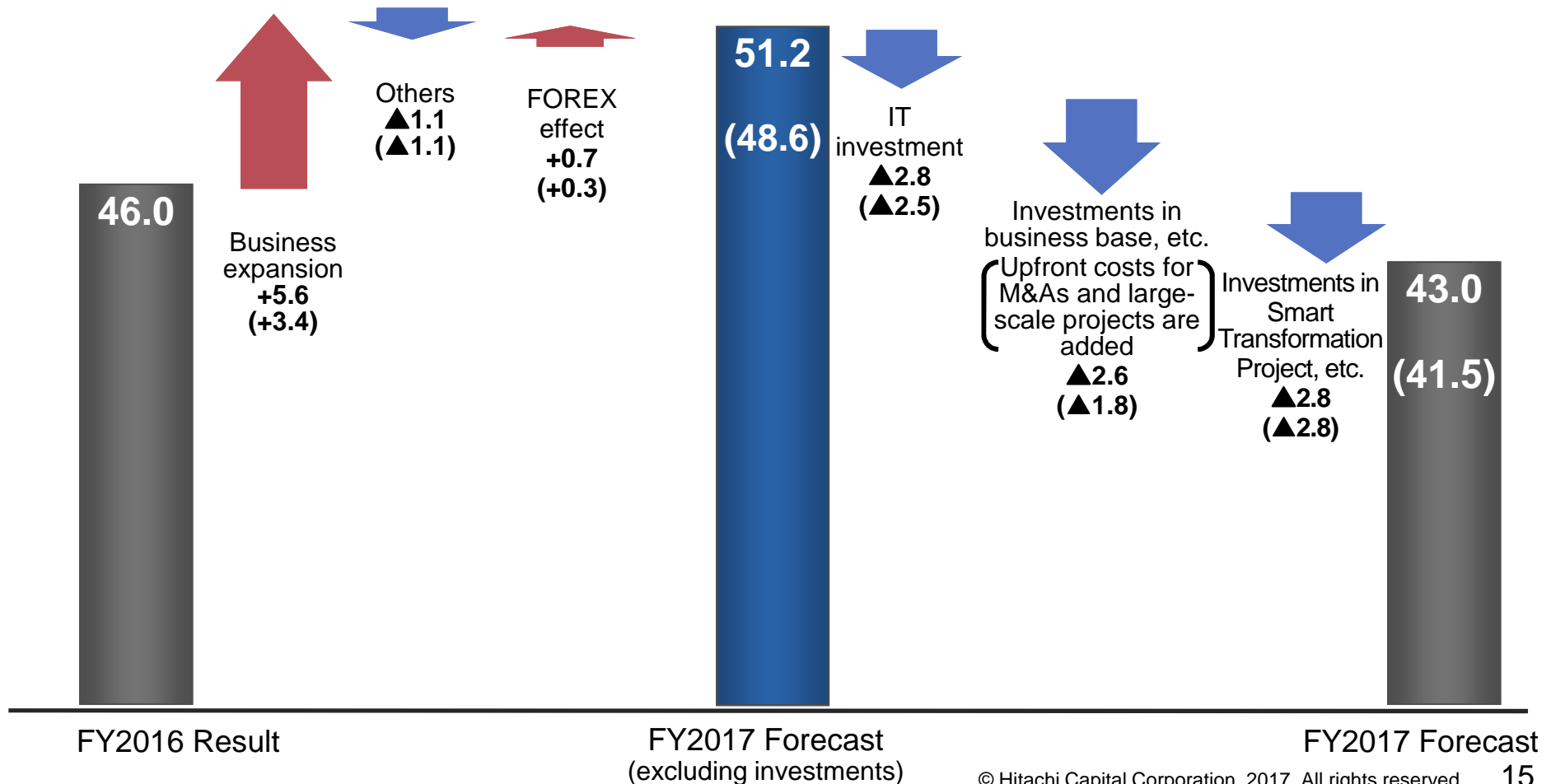
# 3-3. FY2017 Forecasts/Investments

- Steady business expansion (profit before tax of ¥51.2 billion through organic growth (111% Y on Y))
- Make investments after 2H for future growth (initial plan: ¥7.1 billion ⇒ revised plan: ¥8.2 billion)

(Billions of yen)

( ): Initial plan

## Profit before tax








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## 4. Conclusion

	FY2016	FY2017 Forecast	Y on Y
Profit before tax	46.0 billion yen	43.0 billion yen  [Initial plan] 41.5 billion yen	93%
ROE	9.6%	8.6%  [Initial plan] 8.3%	- 1.0%
ROA	1.5%	1.4%	- 0.1%
OHR	60.7%	61.9% Improved  [Initial plan] 62.5%	+ 1.3%
Dividend per share (Payout ratio)	¥86.00 (30.5%)	¥86.00 (33.0%)	(+ 2.4%)

\*[Initial plan]: Plan/Forecasts at the beginning of FY2017

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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.