

# Hitachi Capital Report 2018

Year ended March 31, 2018



## Basic Management Policy

The Basic Management Policy has been created, encompassing three key areas—"Principles," "Mission," and "Core Values". By implementing the Basic Management Policy in business activities, we aim to achieve "the FY2016-FY2018 Mid-Term Management Plan" that is our organizational vision as a "Social Values Creating Company" that contributes to provide richer society.

### Principles

Hitachi Capital advocates the following Principles "to contribute to the creation of a richer society by creating values desired by society and customers".

#### 1. Sustainable Growth

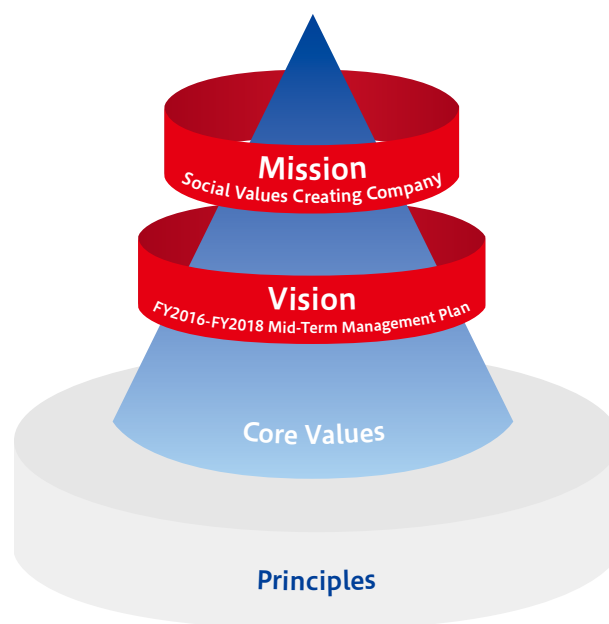
We will achieve sustainable growth backed by high quality management with trust as our first priority.

#### 2. Respect for Human Dignity

We will improve ourselves as disciplined individuals and strive to increase our corporate strengths by treating each other with respect.

#### 3. Implementation of Corporate Ethics

We will voluntarily act in accordance with laws and ethics and contribute to the development of a wholesome society.



### Mission "Social Values Creating Company"

We will be conscientious of the global environment and aim to become a Social Values Creating Company that provides new values to realize social development and richer life for people.

### Core Values

All of Hitachi Capital share and act on the following core values to realize the Mission, "Social Values Creating Company".

(i) <b>Future-focused</b>	Challenges to create a new value not by attaching to past methodology but adapting to changes in the future.
(ii) <b>Customer-oriented</b>	To become a company needed from customers, always pursuing customers' needs, taking actions from customers' perspectives.
(iii) <b>The three actuals: "The actual place, actual situation, and the actual case"</b>	The actual place is where communication with customers taking place. Customers are our priority, conducting business with understandings of actual situation and focusing on the actual case.
(iv) <b>"Basics" and "Ethics"</b>	Adopt the basics. Always need to get back to basics to conduct daily tasks properly and behave appropriately.
(v) <b>Quality First</b>	Always prioritizing quality first, continuing efforts to enhance quality to be a trusted and appreciated company by customers.
(vi) <b>Diversity</b>	Understanding different ideas and ways of working, and creating new values to create a vibrant corporate culture.
(vii) <b>Individual Accountability</b>	Accomplishing own role and responsibilities without relying on others and enhancing own ability and skills.
(viii) <b>Harmony</b>	The willingness to respect the opinions of others and discuss matters in a manner that is thorough and frank, but fair and impartial, and once a conclusion has been reached, to cooperate and work together to achieve a common goal.
(ix) <b>Sincerity</b>	To approach issues openly and honestly, without drawing false distinctions between oneself and others. "Sincerity" is the spirit that inspires the confidence that society has placed in us.
(x) <b>Pioneering Spirit</b>	A purposeful approach to one's work based on individual initiative, to create new business by pursuing novel, new goals. This spirit is manifested in a keen desire to be at the forefront of technology and the top of our chosen fields of expertise. These objectives are achieved by promoting the limitless potential of each individual member.



<http://www.hitachi-capital.co.jp/hcc/english/company/policy.html>

## As a “Social Value Creating Company,” Hitachi Capital aims to meet social expectations and be a truly needed multiple solution provider.

To realize our mission to be a “Social Value Creating Company”, Hitachi Capital is aiming to evolve from a finance company into a versatile partner with the ability to not only discover but also to provide what society really requires based on changing technologies and needs.

As a result, we will make our stakeholders proud as a company that is necessary and vital for society and will continue to grow in the future while constantly changing flexibly with the passing of each era.

Dialogue with stakeholders is essential for us to practice more reliable and high-quality ESG management. As the part of this dialogue, we hope that this integrated Hitachi Capital Report 2018 will help you to understand the Group’s policies and activities, and we welcome any opinions you may have.

President & CEO  
Hitachi Capital Corporation

*Seiji Kawabe*



\*Inscription on background hanging: *Every day is a great day.*

This means that while there are good days and bad days in life, we should treasure every moment and live life to the full, accepting the bad along with the good.

The favorite motto of President & CEO Seiji Kawabe and the title of the President’s Blog on the intranet.

## Company Profile (March 31, 2017)

**Company Name:** Hitachi Capital Corporation

**Description of Business:** Leasing services, installment sales, and other financial services

**Address:** Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan

**Phone:** +81-3-3503-2111

**Management:** Seiji Kawabe, President & CEO

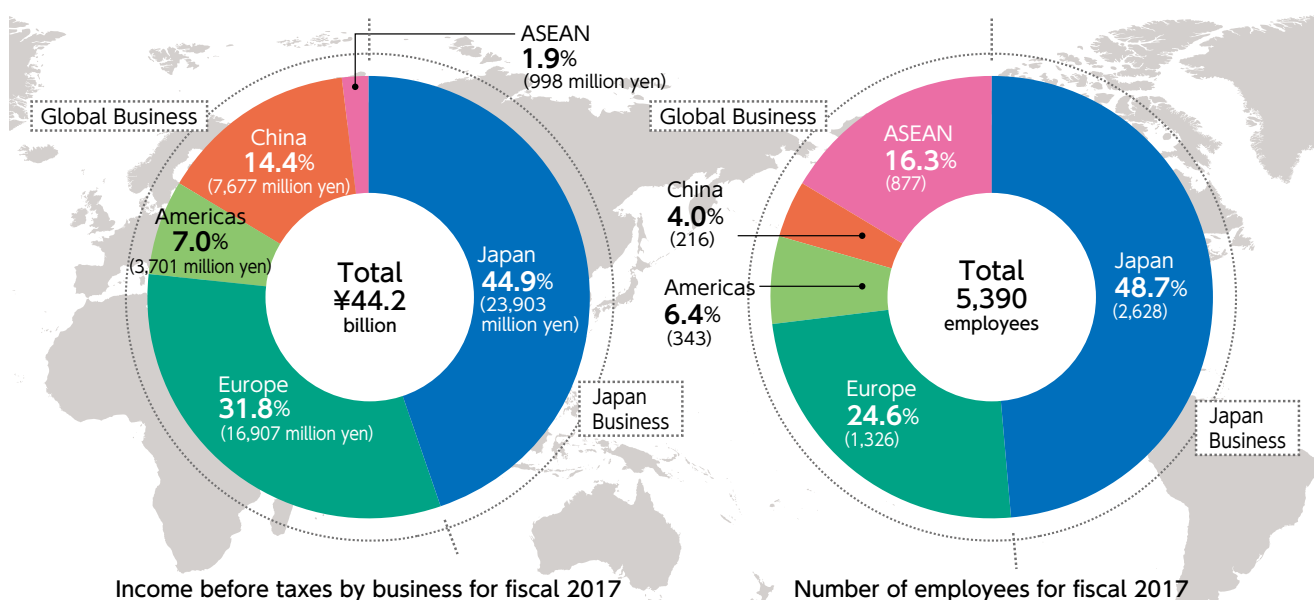
**Founded:** September 10, 1957

**Capital:** 9,983 million yen

**Principal shareholder:** Hitachi Ltd., Mitsubishi UFJ Financial Group, Inc.

**Consolidated volume of business:** 2,509,300 million yen (FY2017)

## Fiscal 2017 Income Before Taxes by Business\* and Number of Employees



\*Excludes adjustments (company-wide expense, etc.) not allocated to income before income taxes for the Japan business and global business.

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## Purpose of Report

Hitachi capital has published this report under the title of Hitachi Capital Report, an integrated report, so that readers can better understand both the financial side and nonfinancial side of Hitachi Capital Group Organized in line with related reporting guidelines, the report covers principles, systems, measures, and indicators in as much detail as possible.

## Scope of the Report

### Organizations covered

Financial information (economic reports): Hitachi Capital Corporation and its consolidated subsidiaries

Non-financial information (social and environmental reports): Hitachi Capital Corporation

### Applicable period

Fiscal 2017 (April 1, 2017 to March 31, 2018)

### Changes during the applicable period of the report

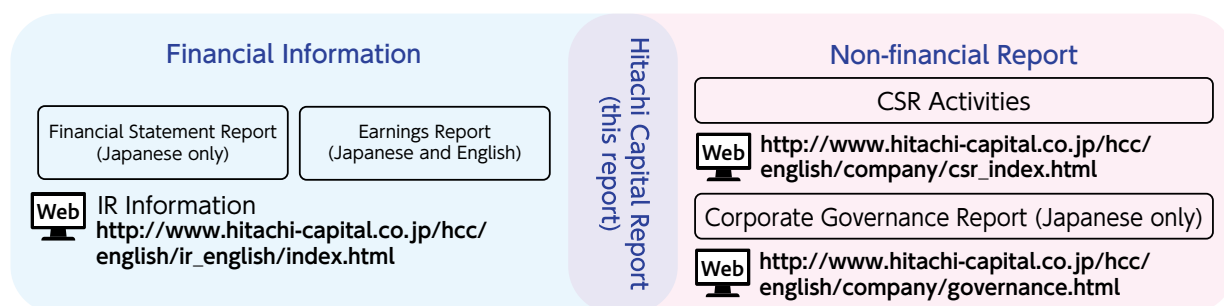
Changes were made to the segment classification for mainly account solutions and vendor solutions with the transfer of part of the healthcare business and the agriculture business to the vendor solutions business from October 1, 2017 (The figures by segment in this report are displayed based on the new classification, and figures for the previous period have also been adjusted retrospectively.)

## Materials Used to Prepare This Report

- The International Integrated Reporting Framework (IIRC (International Integrated Reporting Council)) (December 2013)
- The 4th Edition of GRI Guidelines of GRI (Global Reporting Initiative) (October 2016)
- ISO26000: 2010, International Organization for Standardization

## Cautionary Statement Regarding Information in This Report

- The report has been prepared and updated with information available as of the date of publication.
- The earnings forecasts and other forward-looking statements in this report are made by the Company based on information available at the time of preparation, and include latent risks and uncertainties.



## Our Company's Stakeholders, and Methods Used for Engaging in Dialogue with Stakeholders

Stakeholders	Positioning	Methods Used for Engaging in Dialogue with Stakeholders
Customers	Parties with whom we grow together by solving issues to create a sustainable society and environment	<ul style="list-style-type: none"> <li>● Dissemination of information using our company's website and the Hitachi Capital Report (this report)</li> <li>● Periodic surveys of suppliers and customers</li> <li>● Contact window for inquiries</li> </ul>
Business partners	Suppliers with whom we collaborate to provide optimal solutions to customers	
Shareholders and investors	Essential parties for the enhancement of corporate value	<ul style="list-style-type: none"> <li>● The Annual Meeting of Shareholders</li> <li>● IR meetings</li> <li>● Responding to investors' surveys and ratings</li> <li>● Dissemination of information using our company's website, our annual report, earnings briefings, corporate governance reports, and the Hitachi Capital Report (this report)</li> </ul>
Local communities and environment	A sustainable society and environment are essential for corporate sustainability	<ul style="list-style-type: none"> <li>● Social contribution activities and volunteering activities</li> </ul>
Employees and their families	"Human capitals" and important assets for building trust with stakeholders in society	<ul style="list-style-type: none"> <li>● Holding of corporate communication roadshows (CCRs) for dialogue with managers</li> <li>● Holding of labor-management coordination meetings ("Discussion between the representative employees and the President &amp; CEO")</li> <li>● Implementation of employee satisfaction surveys</li> <li>● Dissemination of information using the company's intranet, the company's website, internal reports, and the Hitachi Capital Report</li> <li>● Employee assistance programs (EAPs)</li> <li>● Employee counseling services</li> </ul>

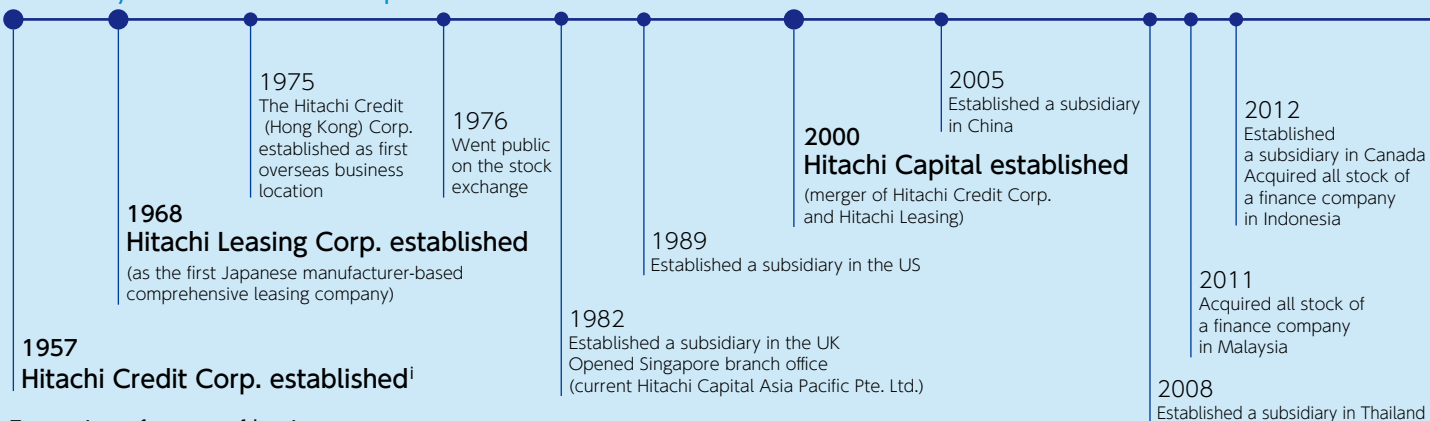
Online questionnaire on CSR website

We will understand the priorities for our group policy and activities through the questionnaire.

# Development of Hitachi Capital

Hitachi Capital has offered financial solutions that support the mutual needs of manufacturers who are sellers and users who are purchasers and has established over its 60-year history based on trust from customers while leveraging the strengths of quality, Hitachi brand, and community-focus.

## History of Hitachi Capital

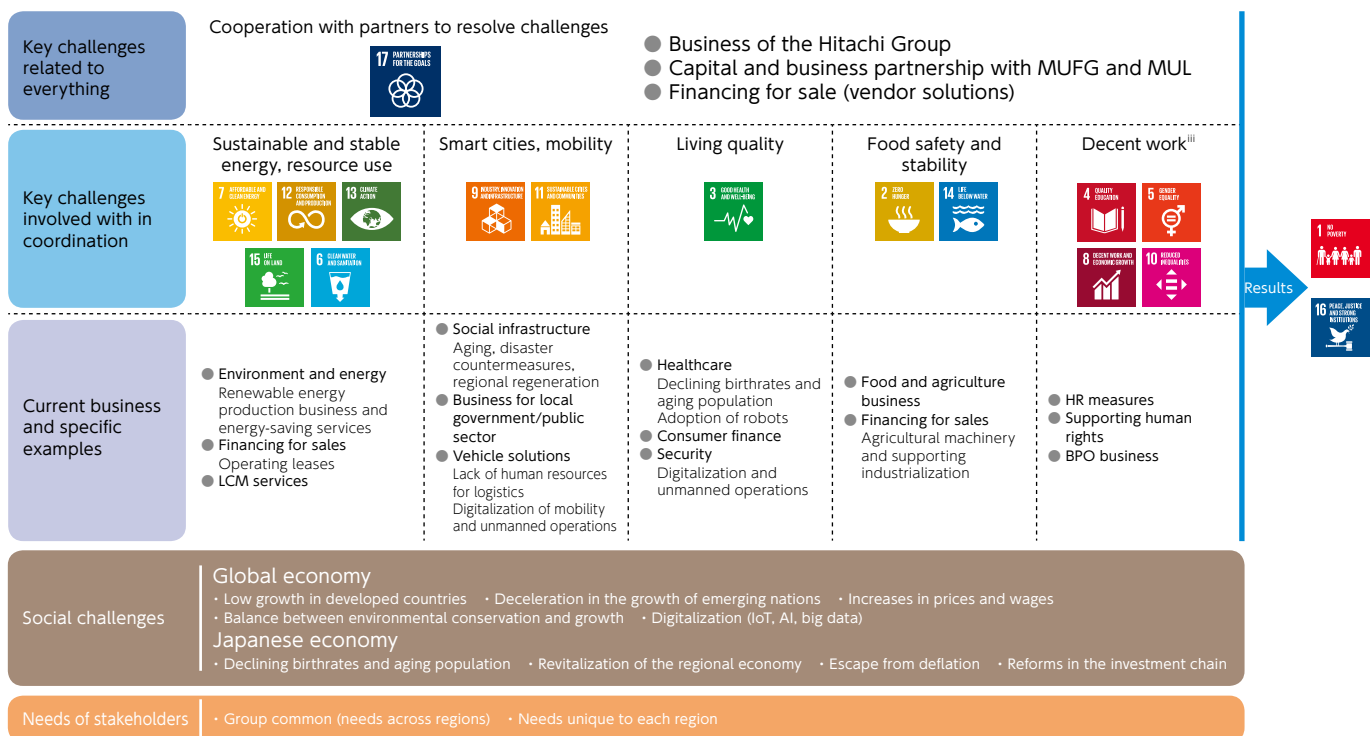


### Expansion of scope of business



## Key Challenges for Hitachi Capital

Hitachi Capital aims to be a Social Values Creating Company that can offer what customers and society really need by sincerely responding to social expectations such as SDGs<sup>ii</sup>, accurately responding to social challenges as its own key challenges, and evolving on its own.



<sup>i</sup> Hitachi Credit Corp.: A merging company; it previously dealt in offering monthly payment plans for home appliances.

<sup>ii</sup> Sustainable Development Goals: The 2030 Agenda for Sustainable Development was adopted at the 2015 United Nations Sustainable Development Summit. This includes a total of 17 goals and 169 targets.

<sup>iii</sup> Decent work: Human working conditions that allow people to carry on human lives



## Strengths of Hitachi Capital

### Quality

Thorough risk management for both management and processes

- Establishment of a management framework in compliance with both the laws and social norms
- Establishment of a risk management system that is not sensitive to changes in the environment

### Hitachi brand

Solid financial base that is based on trust in the Hitachi brand

- Independent management, capital procurement strength and recovery rate cultivated as a listed company
- Brand strength of the Hitachi Group and track record of business partnerships since establishment
- Further strengthening of ability to raise capital through capital and business partnership with the Mitsubishi UFJ Financial Group, Inc. (MUFG) and Mitsubishi UFJ Lease & Finance Company Limited (MUL)

### Community-focus

Global strength through engagement in diverse businesses in line with community-focused local needs on a global level

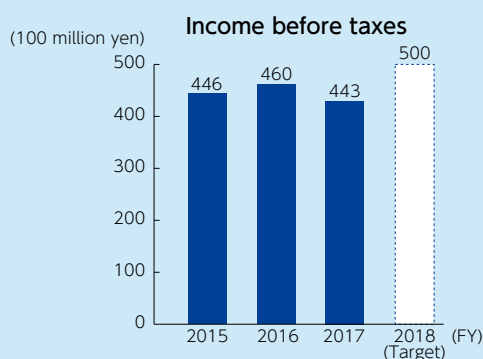
- Diverse products and services
- Diverse customers
- Diverse business areas
- Business foundation firmly rooted in the region

**2014**  
Acquired all stock of a finance company in Canada and a car fleet management company in Poland

**2013**  
Consolidated NBL Co., Ltd. (current Hitachi Capital NBL Corporation)

**2016**  
Share transfer of a portion of common stocks of Hitachi Capital owned by Hitachi, Ltd. was executed to Mitsubishi UFJ Financial Group, Inc., two companies converted into equity method affiliates

**2017**  
Japan Infrastructure Initiative Company Limited was established (joint capital investment of Hitachi Capital, Mitsubishi UFJ Lease & Finance Company Limited, and MUFG Bank, Ltd.)  
Acquired all stock of an auto leasing company in the Netherlands



### Selection Process for Key Challenges

In fiscal 2015, a CSR Promotion Committee composed of managers and above from each department (domestic and international business departments and corporate CSR-related departments) considered key challenges for CSR (materiality) in order to achieve social development and abundant living for people in consideration of the global environment based on international guidelines, challenges as an industry, opinions on the efforts of Hitachi Capital in questionnaires in response to reports, and feedback from external evaluations related to the environment, society, and governance.

First, we identified the risks and opportunities for the Company, compared them with the Group's business strategy and efforts, and clarified the priority order for each challenge (materiality matrix). Based on this, we have put into practice our principles of sustainable growth, respect for human dignity, and implementation of corporate ethics in accordance with our core values through our business after discussions with top management, and positioned the ability to create and provide new social values as a Social Values Creating Company as a key CSR challenge for the Company.

### Risks and opportunities for the Company

● Opportunities ● Risks

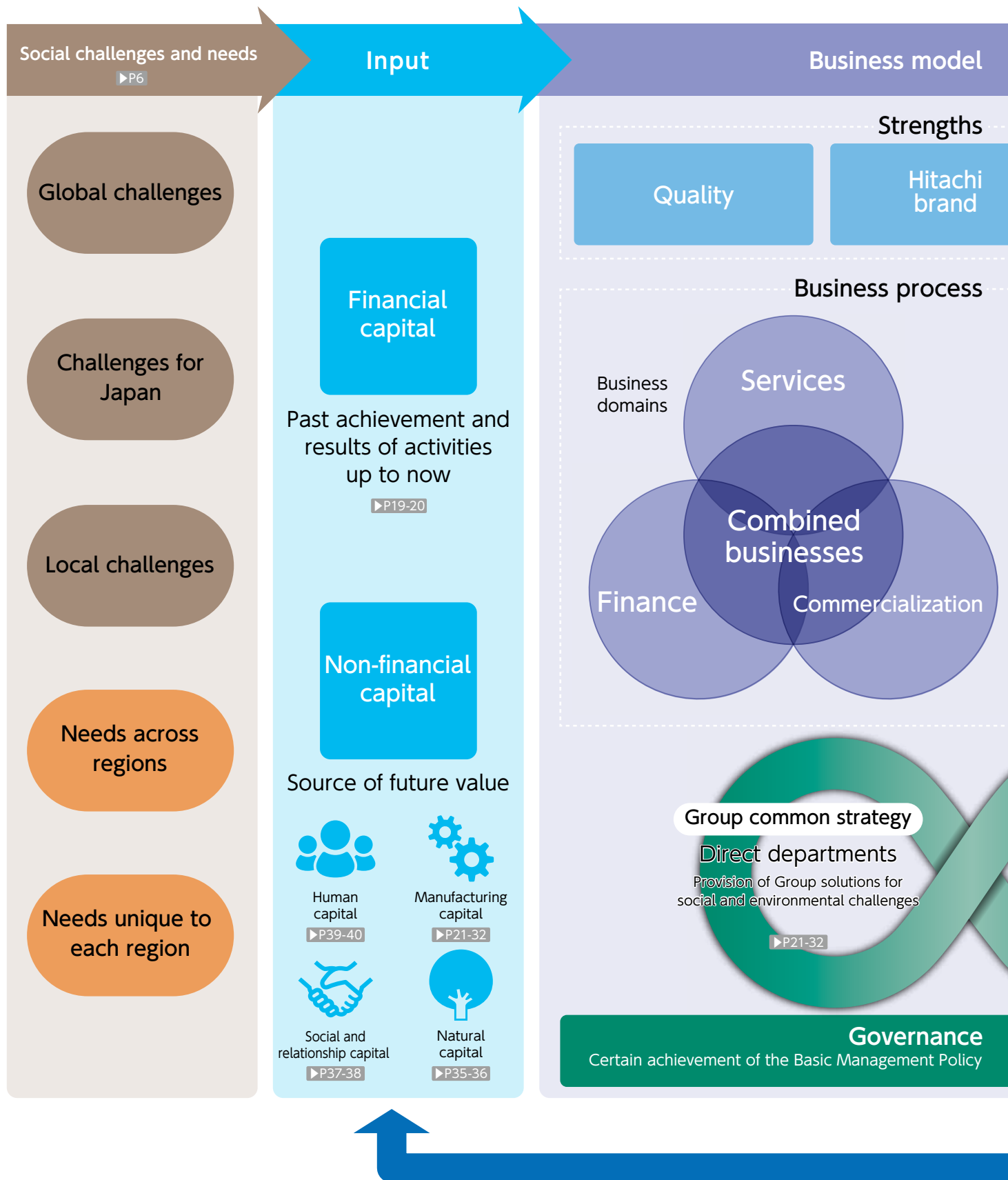
Opportunities	Risks
<b>Opportunities for the Company</b> <ol style="list-style-type: none"> <li>1. Resolution of social issues through businesses (including declining birthrate and aging population and energy and resource issues)</li> <li>2. Advance of globalization (overseas expansion, localization, and expansion of business area at an early stage)</li> </ol>	<b>Risks for the Company</b> <ol style="list-style-type: none"> <li>4. Governance risks</li> <li>5. Strategic risks</li> <li>6. Financial risks</li> <li>7. Operational risks</li> </ol>
<b>Expectations from society</b> <ol style="list-style-type: none"> <li>3. Contribution to local communities and society</li> </ol>	<b>Demands from society</b> <ol style="list-style-type: none"> <li>8. Human rights (various types of harassment)</li> <li>9. Equal education and opportunities (including the diversity of attributes and employment)</li> <li>10. Fair relationships with business partners and governments</li> </ol>

### Materiality matrix

Materiality for stakeholders	Business materiality	
	Low	High
High	<b>Challenges with high needs from stakeholders that have not been sufficiently responded to</b> <ul style="list-style-type: none"> <li>● Assessing and reducing the environmental load through businesses for the entire Group</li> </ul>	<b>Issues that are key challenges for management with high needs from stakeholders as well</b> <ul style="list-style-type: none"> <li>● Development of social innovation business and financial solutions services (resolution of social issues through businesses (including energy-, resource- and water-saving, and CO<sub>2</sub> reduction))</li> <li>● Corporate governance</li> <li>● Observing compliance</li> <li>● Reliability of the commitment and vision of top management</li> <li>● Engagement and establishment of trust relationship with employees</li> </ul>
Medium	<ul style="list-style-type: none"> <li>● Policy for remarks at industry associations and economic organizations</li> <li>● Attention to child labor or forced labor in businesses or at business partners</li> <li>● Political contributions</li> <li>● Consideration to rights of indigenous people in business activities</li> </ul>	<b>Needs that are focused on in management but that have a medium level of needs from stakeholders</b> <ul style="list-style-type: none"> <li>● Social contributions (correcting disparities and resolving challenges for socially vulnerable groups (people in depopulated areas, people with disabilities, etc.) through business)</li> <li>● Accountability of products and services and engagement with stakeholders (including the timely disclosure of information)</li> <li>● Lower birthrates and aging population, diversity</li> <li>● Respect for human rights (including business partners and local residents, not only internally)</li> <li>● Employee safety and risk management (prevention of crime and violence, release from discrimination and persecution)</li> <li>● Relationship with the government (prevention of corruption, anti-competitive behavior, public policy)</li> </ul>
Low		

# Value Creation Process for Hitachi Capital

Hitachi Capital aims to continuously improve the corporate value by capitalizing on our strengths to provide solutions to social challenges and meet our customers' needs as a Social Values Creating Company. This is part of our evolution from a conventional finance company to a multi-solution provider.







# Hitachi Capital's Growth Strategy (Mid-Term Management Plan)

Hitachi Capital announced the FY2016-FY2018 Mid-Term Management Plan ("FY2018 Mid-Term Management Plan") as its vision in June, 2016, and is now embarking on the Second Growth Stage. This calls for the company to evolve from a conventional finance company to a continuously growing multi-solution provider that contributes more to society through responding to social needs for a sustainable society.

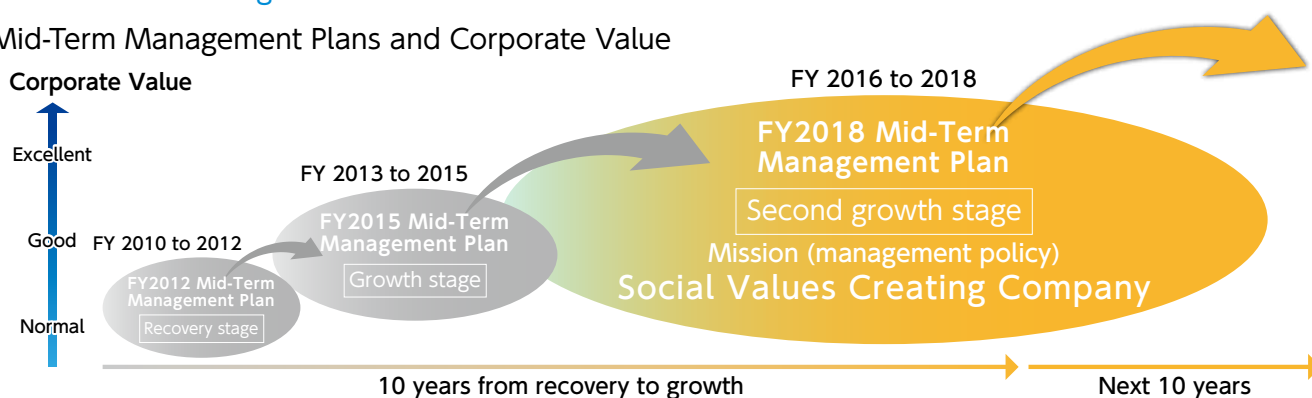
## Position of the FY2018 Mid-Term Management Plan

The FY2010-FY2012 Mid-Term Management Plan ("FY2012 Mid-Term Management Plan") was positioned as a recovery stage, and the FY2013-FY2015 Mid-Term Management Plan ("FY2015 Mid-Term Management Plan") was positioned as a growth stage. Then, under the FY2018 Mid-Term Management Plan, we have worked to accelerate growth as second growth stage. At the same time,

we have conducted measures including upfront investments aimed at long-term growth, offered goods and experiences in response to the needs of society that are transforming along with the changes in the times, and aimed for medium to long-term improvements in corporate value while breaking away from the constraints of a mere finance company.

### ■ Second Growth Stage

#### Mid-Term Management Plans and Corporate Value



#### Highlights

Based on our mission (management policy) as a Social Values Creating Company, we pursue value for society through dialogue with customers and the market, and aim for sustainable growth that will create and provide social values.

##### Global Business

- Continuation of double-digit growth (based on local currency) —Maintaining systematic and high growth potential

- Risk control that is adapted to regional characteristics
- Diversification of portfolio to create operational structures that are not susceptible to external environmental factors
- Overseas business ratio in fiscal 2018: 60% (in terms of income before taxes)

##### Japan Business

- Aiming to achieve 2% ROA—Making the shift to the growth stage through the continuous structural reform of businesses

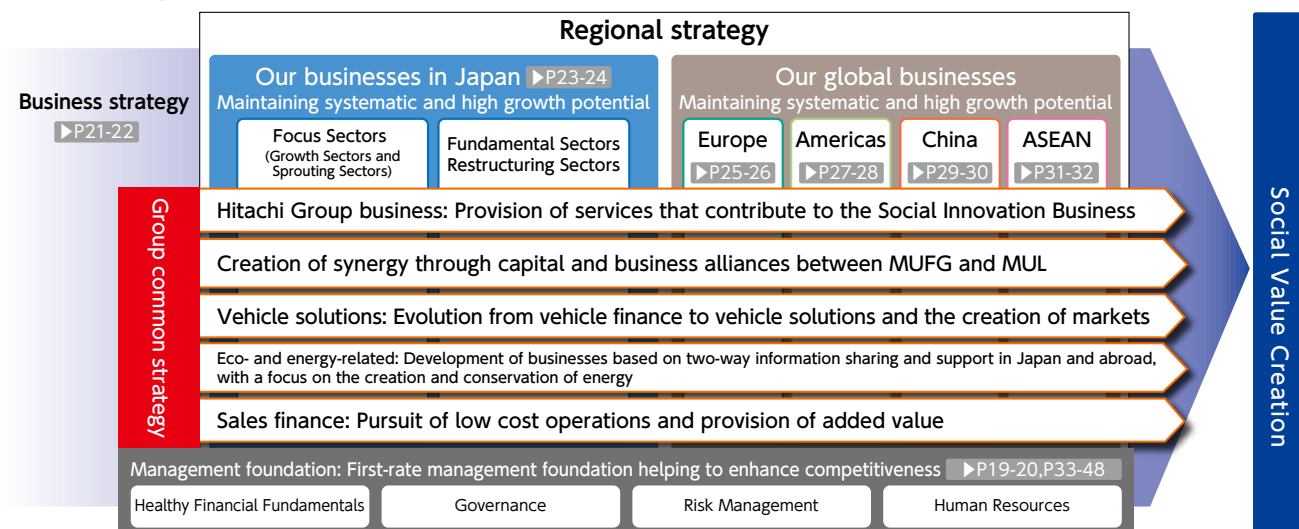
- Improvement in asset efficiency through the redefining of focus areas
- Strengthening of back-office administrative departments that help to improve competitiveness

##### Proactive Investment

- Tie-ups with partners ■ Cultivating sophisticated human resources ■ Proactive IT

- Implementation of strategic investments to support business growth (establishment of business partnership, M&As, and investment in IT and human capital)
- M&A: assets of 300 billion yen
- IT investment: 20 billion yen
- Human resource investment: increase in 200 advanced human resources

#### Business map



# 1 Building Partnerships

## Investments of 125 billion yen including tie-ups with partners

In fiscal 2016, Hitachi Capital agreed a business alliance with the global financial group, Mitsubishi UFJ Financial Group, Inc. (MUFG), and the lease and finance company, Mitsubishi UFJ Lease & Finance Company Limited (MUL), to expand their areas of business both in Japan and overseas, and reinforce their financial functions by combining their respective strengths and expertise. In addition, we will continue to further strengthen business alliances in the social innovation business, etc. with

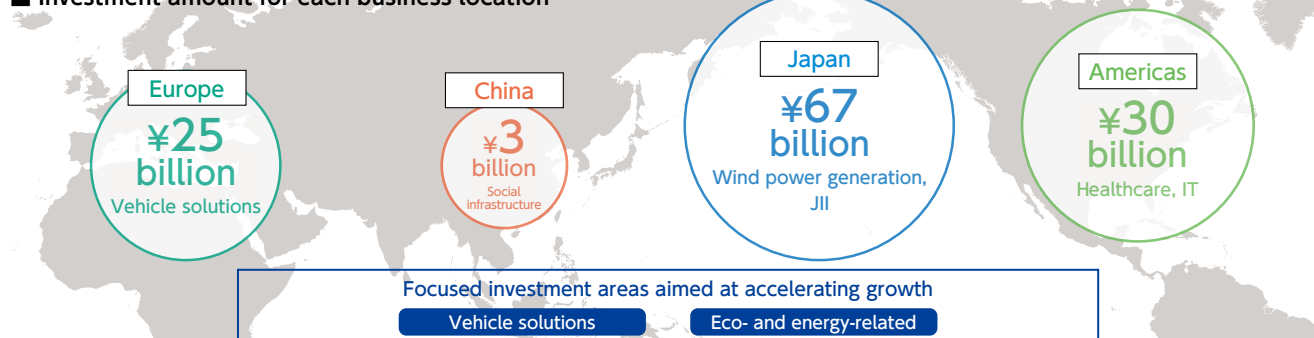
Hitachi, Ltd. ("Hitachi") as an important financial partner of the Hitachi Group.

Moreover, under the FY2018 Mid-Term Management Plan, we invested an amount equivalent to 125 billion yen during fiscal 2016 and 2017 in key areas in each region to strengthen partner tie-ups and M&As. During fiscal 2018, we will pursue M&As in the vehicle solutions and environmental and energy field in particular in an aim to accelerate growth.

### ■ FY2018 Mid-Term Management Plan Partnership and M&A Cases

FY2016	Global	<ul style="list-style-type: none"> <li>● Concluded basic agreements on business alliances between two companies (Hitachi Capital and MUL) and five companies (Hitachi Capital, Hitachi, MUFG, MUFG Bank, and MUL).</li> <li>● Concluded capital alliance between three companies (Hitachi Capital, MUFG and MUL).</li> </ul>
	Japan	<ul style="list-style-type: none"> <li>● Commenced operations of Hitachi Power Solutions Co., Ltd. and Hitachi Sustainable Energy, Ltd.'s wind power generation system.</li> <li>● Constructed a Mega Solar Power Plant in Niimi City, Okayama Prefecture in cooperation with Hitachi, Ltd. and Hitachi Green Energy Corporation.</li> <li>● Concluded agricultural business agreement with Yomitan Village, Okinawa aimed at the realization of next-generation farming and started strawberry production and sales business.</li> <li>● Concluded the University-Industry Collaboration Agreement with Tokyo University of Agriculture (the university and Hitachi Triple Win Corporation obtained the Global GAP certification for their farms).</li> <li>● Hitachi Triple Win Corporation invested in the Kamikawa Taisetsu Sake Brewery participating in the planning of the sake production and sales business.</li> <li>● Established the Renewable Energy Partners LLC Silent Partnership investment fund with MUL to invest in solar, wind, and biomass power.</li> <li>● Hitachi, Ltd., SAIBUGAS Co., Ltd., and Hitachi Wind Power Ltd. completed two 2-MW wind power generation systems for EneSeed Kita-Kyushu Wind Power Plant.</li> </ul>
	Americas	● Acquired entire business of Creekridge Capital LLC. through Hitachi Capital America Corp.
	China	● Hitachi Capital Management(China)Ltd. Invested in Chinese leasing companies in fiscal 2016 and 2017. (See P30)
	ASEAN	● Hitachi Capital (Thailand) Co., Ltd. established partnership with rental service company. (See P32)
FY2017	Global	<ul style="list-style-type: none"> <li>● Established Japan Infrastructure Initiative (JII) as an open financial platform (commenced business in April 2017).</li> <li>● Implemented first financing project by JII (invested £75 million in UK rail infrastructure, High Speed 1).</li> <li>● Finalized Hitachi Construction Machinery Co., Ltd.'s Kazakhstan suppliers credit agreement (First project after announcement of resumption of underwriting for more than two years deferred payment transactions through Nippon Export and Investment Insurance).</li> </ul>
	Japan	<ul style="list-style-type: none"> <li>● Hitachi and Hitachi Capital Auto Lease Corporation started demonstration testing of a new breath alcohol detector with facial recognition.</li> <li>● Hitachi Capital along with Sustainergy Company and Daiwa House Industry Co., Ltd. started solar sharing enabling solar power to be generated alongside farming.</li> <li>● Hitachi Solutions Ltd. and Hitachi Capital started offering the monthly service Workstyle Innovation Solutions Pack complete with access for teleworkers to help workstyle reform.</li> <li>● Daiwa House Industry Co., Ltd., Tokyu Land Corporation, Eco Properties, Corp. and Hitachi Capital Community Corporation established the multi-tenant logistics facility (the Kuwana Project as tentative name) in the Chubu area.</li> </ul>
	Europe	<ul style="list-style-type: none"> <li>● Established Netherlands sales office of Hitachi Capital (UK) PLC., primarily to strengthen partner collaborations with Hitachi Group.</li> <li>● Acquired Dutch auto leasing company (FY 2017) and merged (FY 2018) to provide auto leasing and related comprehensive services and vehicle solutions throughout the Netherlands. (See P26)</li> </ul>
FY 2018	Global	● Implemented second financing project through JII (invested US\$20 million in the submarine optical cable installation project between Japan, Guam, and Australia in installments over the construction period).
	Japan	<ul style="list-style-type: none"> <li>● Concluded a basic agreement on business alliance with Hitachi Transport System, Ltd. to achieve new innovation through "Finance, Commerce, Logistics, and Information". (See P24)</li> <li>● Hitachi Green Energy Corporation invested in JA Yuuki Aomori's yam-based biogas power generation business.</li> </ul>
	Europe	● Hitachi Capital (UK) PLC acquired Franchise Finance Limited, a British franchise advice company, to provide franchise market services.

### ■ Investment amount for each business location



\*Amounts are calculated based on the exchange rate at the time of investment.

\*Size of the circle: Scale of investment amount



## 2 Cultivating Sophisticated Human Resources

Aiming to create a positive cycle for each and every employee to be excited about demonstrating "human capability," thus growing the organization

In order to contribute to the solution of social issues through our business as a Social Value Creating Company, it is essential for each and every employee to work with stakeholders and continue providing solutions that anticipate change. To achieve this, Hitachi Capital requires each employee to be a sophisticated human resource with high market value and expertise. At the same time, we aim to create an open and natural corporate culture that attracts talent with "human capability," which is appeal as a human being that makes stakeholders want to work with the person. Thus, an increase in sophisticated human resources is set out as one of the strategic investments in the FY2018 Mid-Term Management Plan.

### ■ Cumulative total of sophisticated human resources



(Left and right, upper) A "meeting" convened in the office of CFO and Executive Officer Satoshi Inoue on Children Visiting Day held to promote work-life balance. Thirty one children of our employees of elementary school age and younger visited the company to promote interaction in the workplace.

(Right, lower) Selected members were provided with one-on-one lessons at an English language school in the Philippines for two months from the day after arriving in the country until the day before leaving in order to drive a powerful strengthening in English language skills as part of the company-wide program. Manager class and young employees were also included and participated starting in fiscal 2017.

## Cultivating Sophisticated Human Resources

We have accelerated the development of sophisticated human resources in the form of investment in human resources to underpin business growth.

Under the FY2018 Mid-Term Management Plan, we launched the English Language Skills Enhancement Program in order to strengthen Capital Leadership Development (CLD), our plan for the next generation of key strategic management positions (see P42), and global corporate governance as well as the increase in overseas M&As. We have been working to improve English communication skills,

and 32 employees have completed overseas language training detachments since fiscal 2016.

We are also striving to strengthen the management base through investment in human resources in areas such as personnel exchanges that include specialist fields and secondments with partner companies, provision of job grade- and specialty-specific education and training, and encouragement for obtaining qualifications in addition to securing human resources with high levels of expertise such as former employees of banks and trading companies.

## Work Style Reform through SKY Project

Since fiscal 2017, Hitachi Capital in Japan has been implementing the SKY Project to reform working style through the creation of a positive cycle for the growth of every single employee and corporate growth by using the free time created by the improvement in productivity and reduction in overtime through work styles that do not require overtime and the Overtime ZERO initiative for “personal development” (see figure below).

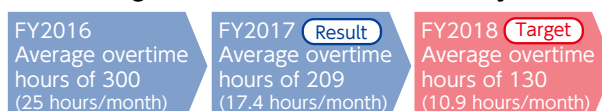
To reduce overtime hours, each department has published work indicators (average overtime hours, the number of paid vacation days taken, flextime utilization) on the intranet, and implemented initiatives with a sense of unity while promoting department-wide cooperation. In addition, measures to foster awareness about the payment of incentives tied to results in reducing overtime allowances have also paid off, and we have achieved the target work indicators to a large degree.

In May 2018, we established a satellite office in addition to the existing telecommuting system with the aim of further reductions in total working hours and improvements in productivity through diverse work styles with the flexibility of not being limited to times and places.

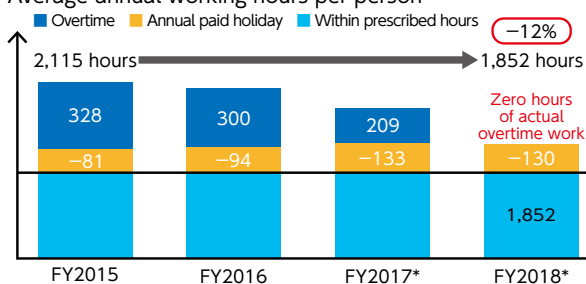
We have also established an extra career system (lifted the

ban on second jobs and spare time jobs) and created an intrapreneurship program to support employees to think, act and take on challenges independently.

### ■ Average overtime hours at Hitachi Capital and target for average overtime hours for the SKY Project



### Average annual working hours per person



Under the project, counting monthly annual paid holidays as -7.75 hours and half-day holidays as -3.88 hours.

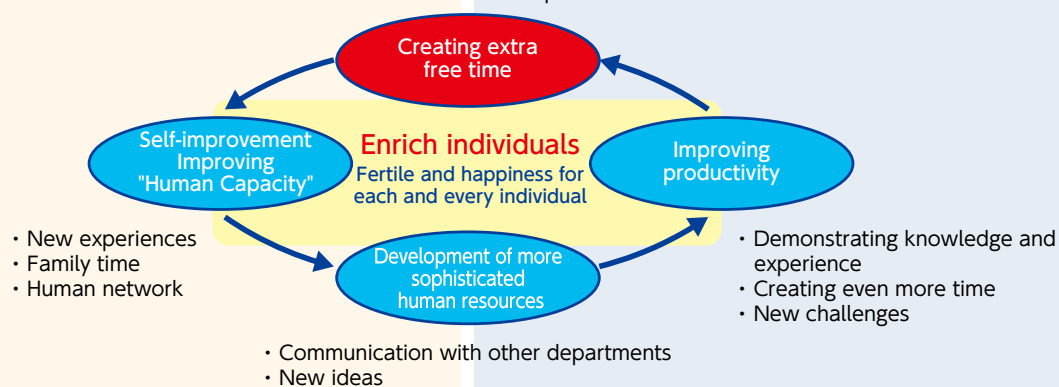
\*Overtime worked in fiscal 2017 and 2018 is the target overtime hours based on the Company's definition as outlined above.

### ■ The SKY Project, working style reforms, aiming to create a positive cycle of individual and corporate growth

**Sophisticated “Human Capability”** which has the attractive points as to supposed to work together by stakeholders

**Work-styles that improve productivity and do not require overtime = overtime ZERO**

Achieving the budget is an “obvious”  
Each and every employee contributes to increased earnings as a professional



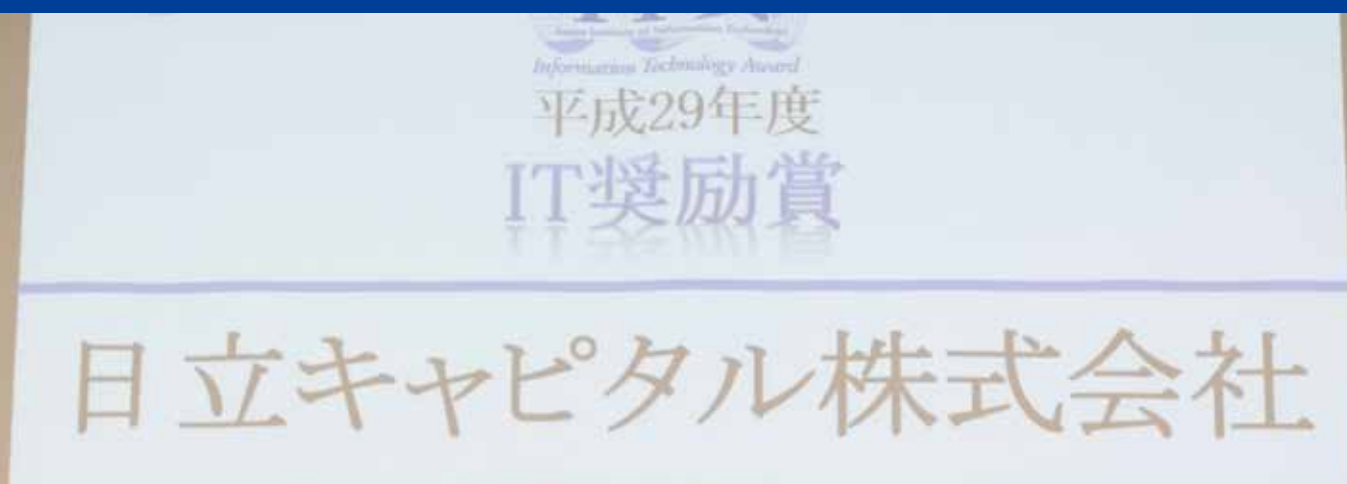


## 3 Proactive IT

From business and cost structure reform (smart transformation) to utilizing advanced IT to enhance quality and efficiency (digital transformation)

Under the FY2018 Mid-Term Management Plan, Hitachi Capital has been working to enhance business and cost quality and efficiency aiming for a high quality management base that contributes to strengthening competitiveness inside and outside Japan. In back office corporate departments that support front office operations, we have been promoting "proactive IT" consisting of IT infrastructure development that includes automating administrative work and utilizing more advanced IT, such as RPA and AI, going beyond system integration, abolition and amalgamation and updating. We have been moving away from operations based on the traditional intuition, fighting spirit, and grit to promote speedier information utilization and strengthen the capabilities to plan and propose the creative solutions that can only be done by a human beings.

### ■ Cumulative IT investment



Hitachi Capital received its first IT Encouragement Awards at the 35th IT Awards of the Japan Institute of Information Technology in February 2018 for construction of an efficient administrative system through system optimization (integration), in recognition of future potential and development possibilities. In May 2018, we received high acclaim, being selected under the 2018 Noteworthy IT Companies program of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.



## Automating administrative work

As a result of repeated business selection to match the management environment and the systemization carried out each time, Hitachi Capital has four core systems, which has complicated administrative work and sub-systems, and running costs have increased.

To address this situation, under the FY2018 Mid-Term Management Plan, we are promoting (i) automation of administration to review back office and operational processes that support front office operations; and (ii) system integration for the optimal arrangement and consolidation of each system. Automation of administration means that we will review the operational flow including processes and procedure manuals to promote standardization so that outcomes are the same regardless of who does the work, achieving multi-skilled human

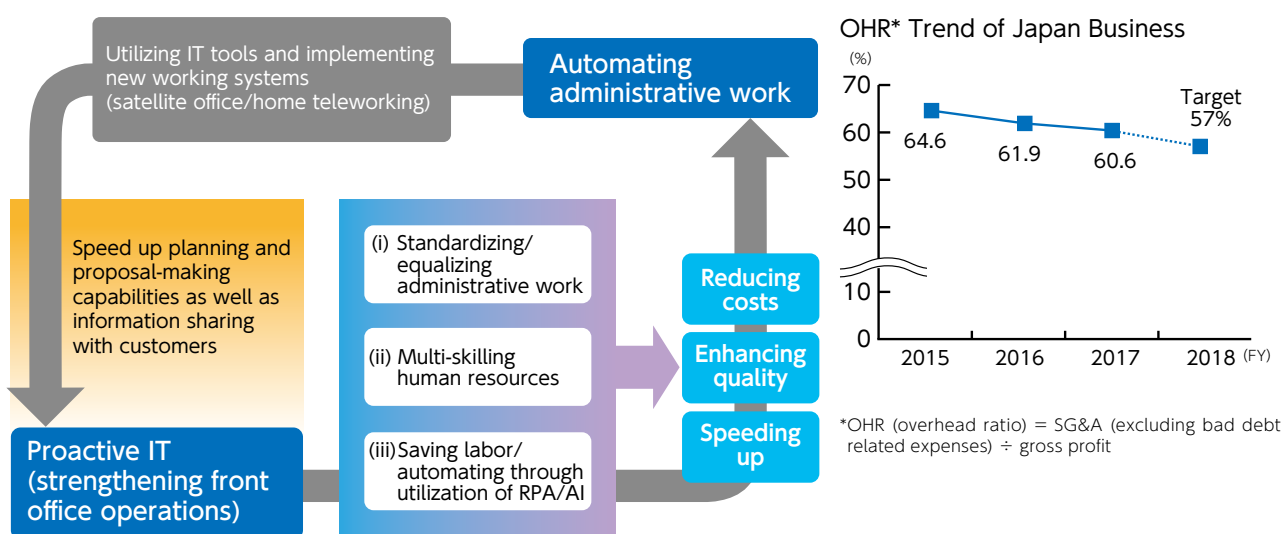
resources. In addition, we will leverage the operational flow created through the automation of administration to consolidate the two core systems for each business segment (Vendor Solution<sup>ii</sup> and Account Solution<sup>iii</sup>, etc.), reducing sub-systems by approximately 40% to achieve system integration with the optimal arrangement. As a result of the initiatives, the overhead ratio (OHR) in the Japan business has improved significantly. Moreover, a similar initiatives have also been implemented at Hitachi Capital Asia Pacific Pte. Ltd., and measures such as ensuring the preparation of business procedure manuals and linked system manuals to greatly improve operational efficiency such as preventing input errors and checking data inconsistencies have been contributing to low cost operations.

## Utilizing advanced IT

At Hitachi Capital Group, we have been installing many advanced IT technologies and improving business efficiency. Not only have we clarified business processes by standardizing operations, we are also utilizing IT tools such as RPA and Groupware with the target of reducing total business hours across Group companies in Japan by 100,000 hours during the FY2018 Mid-Term Management Plan. For example, Hitachi Capital NBL Corporation has introduced a sales activities support system and smart phones to achieve speedy in-house collaboration and budget management that is not constrained by time or location. This has helped to improve performance including an approximate 18% year over year increase in contracts concluded despite a reduction of around 23% in overtime hours. In addition, we are also introducing work systems company-wide in line with the evolution in IT technologies, such as the introduction of the home teleworking system in FY 2017 and the satellite office in May 2018. Furthermore, the Mito Operation Center of the BPO Division at Hitachi Triple Win Corporation, which engages in payroll agency

and other business, faced challenges that included large volumes of revision tasks and irregular actions, requiring business hours. However, introducing RPA has not only increased accuracy of work but also significantly reduced checking and reworking. In addition, operators can perform other tasks during RPA operations, yielding effective utilization of time as a secondary effect. Outside Japan, the Business Finance Department at Hitachi Capital (UK) PLC has introduced a rapid automatic credit system that is integrated with credit from employees. Rather than being completely automated, it coexists with customer satisfaction as it is also possible to make inquiries with a human operator, and has achieved rapid response times of about 30 minutes at the longest for even complex inquiries that accompany consultation with a human operator. Going forward, we will strengthen capabilities for planning and proposing the creative solutions that only a human being can do through digital transformation to promote the introduction of these kinds of advanced IT technologies, including in corporate departments.

### ■ Automation of administrative work



i RPA (Robotic Process Automation): Automating the PC processes that implement operations with robots using software.

ii Vendor Solution: Financial services that provide the Group's leasing and instalment solutions for needs such as the sales promotion of partner vendors. System requirements are characterized by a large volume of transactions depending on factors such as various amounts and risks but with no major differences in the content of transactions according to the partner vendor.

iii Account Solution: Provision of solutions through a combination of the Group's finance, service and commercialization solutions and partner collaborations, particularly the Hitachi Group. System requirements are characterized by the need for detailed information customized for each customer.

Hitachi Capital aims to be a “Social Value Creating Company”, using the SDGs as the base to meet social challenges and the needs of customers as a truly needed multiple solution provider.

Aiming to be a “Social Value Creating Company”  
—Hitachi Capital’s Mission and Value Creating Foundations

The Hitachi Capital Group is moving away from being a conventional finance company to be a socially necessary multiple solution provider that anticipates and provides what society really requires to achieve our mission to be a “Social Value Creating Company”. Amidst an ever-changing world and technical innovation, it is essential to anticipate social and market information to discover and provide for social challenges and customer needs. We go beyond providing customers with financial solutions to truly meet social challenges and customer needs through partnerships in which we link diverse industries with relationships that start in the upstream of the supply chain and leverage mutual strengths, and commercialization in which we enter businesses ourselves.

The Hitachi Capital Group engages in finance, services and commercialization as well as combined businesses in five regions consisting of the Japan Business and the Global Business, which consists of the four regions of Europe, the Americas, China and ASEAN. In both the Japan Business and the Global Business, we promote strategies specific to each region based on our concept of “community-focus” while managing governance from head office business divisions and corporate divisions as we do in the Japan Business. In particular, we have created structures that can promote growth through close communication with our local business sites. For businesses in which we engage in extensively within

the Group, we also bring together people responsible for each business in Japan and overseas to share their know-how to form a common group strategy so that we can promote business development that is optimal for the entire group, rather than optimal for individual companies.

Moreover, in order to become a “Social Value Creating Company”, it is essential for employees to work with stakeholders having diverse values with the “human capabilities” that enable them to propose solutions that anticipate change. To achieve this, we require each and every employee to be a human resource with high market value and expertise; that is to be a sophisticated human resource, and Hitachi Capital initiated the SKY Project<sup>1</sup> to bring about working style reform in 2017. Through the SKY Project, we are striving to create personal time for employees as well as foster the liberal arts and human capabilities to develop human resources that other people want to work with. We are also working to create a free and open-minded corporate culture that enables energetic human resources to work with purpose.

Since the founding of Hitachi Capital, we have engaged in business collaboration with Hitachi Group companies in the area of finance, including Hitachi, Ltd. (“Hitachi”) as a member of the Hitachi Group. In May 2016, we concluded a capital and business alliance agreement with Mitsubishi UFJ Financial Group, Inc. and Mitsubishi UFJ Lease & Finance Company Limited. Ten months after this agreement, a transfer of shares from Hitachi to the two companies was executed, and we began traveling a new road as an equity method associate of both Hitachi and Mitsubishi UFJ Financial Group while retaining the strong Hitachi brand.



Representative Executive Officer,  
President & CEO  
Hitachi Capital Corporation

*Seiji Kawabe*



### Progress and evaluation of the FY2016-FY2018 Mid-Term Management Plan

In fiscal 2017, in order to increase ROE by improving ROA, we maintained systematic and high growth potential in the Global Business and concentrated on high profit sectors and improving profitability through streamlining administration in the Japan Business.

Consolidated net sales for the fiscal year under review increased 9.0% year on year. The Global Business maintained its overall strong performance. In addition, the Japan Business expanded focus sectors (social infrastructure, eco and energy, vehicles, and local government/public)<sup>ii</sup>, such as social infrastructure (building leases) and eco and energy, and grew startup sectors (food, security and BPO)<sup>iii</sup>. In the Global Business, in the Europe business, the UK gave formal notice of its withdrawal from the EU in March 2017, but there was no major change in the business environment, and the UK business performed steadily. Nevertheless, we established a new business office in Amsterdam in the Netherlands in September 2017 as a branch of Hitachi Capital (UK) PLC aiming for growth in continental Europe as well, and we also promoted M&As in the Netherlands and Poland as part of our reinforcement of vehicle solutions. In the China business, we conducted a structural reorganization to make Hitachi Capital Management (China) Ltd., our Hong Kong subsidiary, into an intermediate holding company in November 2017 in order to further strengthen functions for flexible fund procurement in the Chinese market, investment in infrastructure projects, and finance arrangement. In December 2017, we issued the first foreign currency denominated green bonds as a Japanese company in Asia. In the Americas business,

we maintained robust performance in the commercial finance and Canada businesses, achieving double-digit top-line growth. In the ASEAN business, the results from reinforcement of the management base have appeared, and we will expand our business areas and the countries in which we operate going forward.

With regard to partnerships, we are building an unprecedented collaboration style and strong relationships between finance and manufacturers that leverages Hitachi Capital's finance functions to the full as Hitachi's important financial partner with a focus on Hitachi's social innovation business. Moreover, Japan Infrastructure Initiative Company Limited ("JII") established under the five-company business alliance with Hitachi, Mitsubishi UFJ Financial Group, Inc., MUFG Bank, Ltd., and Mitsubishi UFJ Lease & Finance Company, Ltd., started operations in April 2017, and has been serving as an open finance platform with two investment agreements already concluded, supporting exportation of Japanese infrastructures. In a further partnership, we concluded a basic agreement with Hitachi Transport System, Ltd. ("Hitachi Transport System") on a business alliance aimed at realizing new innovation through "Finance, Commerce, Logistics, and Information" in March 2018. Through this alliance with Hitachi Transport System, we will commence joint development aimed at the realization of an accident-free society and also discuss and consider capital participation in Hitachi Auto Service Co., Ltd., a wholly owned subsidiary of Hitachi Transport System. These initiatives will be social contributions as solutions for driver safety, which is one of the social challenges in the distribution industry, and are also expected to expand profit in business related to distribution.

In addition to the effect of increased sales, we have also promoted cost reductions through automation of administration in the Japan Business. We implemented business restructuring and structural reform in the foundation and restructuring sectors (vendor solutions, healthcare and agriculture), and we consolidated the front office functions for the vendor solution business into Hitachi Capital NBL Corporation<sup>iv</sup> in October 2017. Meanwhile, however, as a result of conducting strategic investment targeting partnerships (M&As), human resources, and IT for growth in and beyond fiscal 2018, the second year of the Mid-Term Management Plan, profit attributable to owners of the parent declined 2.6% year on year to 32,057 million yen. By visualizing operations through the automation of administration<sup>v</sup>, going forward, we aim to reinforce the management base and strengthen competitiveness by promoting

proactive IT<sup>vi</sup>, increasing business efficiency through the introduction of advanced IT technology (digitalization) such as RPA and the SKY Project, integrating core systems and other measures.

## Directions for the next mid-term plan

### —Using SDGs as the base for business activities aimed at being a Social Value Creating Company

Under the FY2019–FY2021 Mid-term Management Plan, which is our next mid-term plan, we hope to utilize the SDGs as the base for the concept of our business activities so that we can contribute to a sustainable society aiming for our Mission to be a “Social Value Creating Company”. We have adopted a full-scale ESG perspective, which includes responding to environmental issues and social challenges and creating appropriate corporate governance structures, and we will continue working on business activities using SDGs as the base for going forward.

As part of our response to social challenges, we have already been pursuing activities and partnerships in accordance with the SDGs. In conjunction with this, we will also strengthen our accumulation of intellectual capital related to patents and engineering as non-financial capital and promote appreciation of social value creation at the Hitachi Capital Group more among stakeholders.

Moreover, Hitachi Capital has grown in the past with quality, the Hitachi brand, and community-focus mindset as our strengths. However, in addition to digitalization as our strength going forward, we will increase the utilization of data in financial services and commercialization to further raise the value of the solutions we provide. With the trend toward the sharing economy, a shift from the ownership to use of assets is underway. We will aim for digital transformation by proposing cost reductions and quality improvements through digitalization with the capture and analysis of data on assets such as equipment and better ways for customers to use them.

## Corporate governance and communication

At Hitachi Capital, we treat corporate governance as an absolutely essential structure for identifying future risks and opportunities and realizing medium-to-long term sustainable growth. We have aimed to

establish the optimal management system to comply with laws and social norms and to contribute to the enhancement of corporate value.

In order to separate supervising functions and business execution functions, identify business risks and opportunities, and balance speedy and appropriate solution of management issues with management transparency, we have employed the company with Nominating Committee, etc. structure since 2003 with reference to the corporate governance system at Hitachi, our parent company at the time. We also continuously work to improve effectiveness with repeated PDCA cycles which involve an annual evaluation of effectiveness followed by action and verification through evaluation of the issues that were identified the following year to improve the effectiveness of the Board of Directors aimed at sustainable growth and enhancement of corporate value over the medium-to-long term. In fiscal 2017, we held off-site meetings between the Independent Outside Directors and the President & CEO in order to conduct broad-ranging discussion outside of the framework of the Board of Directors. We have further deepened effective discussion in terms of more diverse perspectives, including the appointment of a female Director in June 2018. We will also pursue stronger monitoring and timely and appropriate management decisions in the area of governance in order to gain the trust of stakeholders with diverse values.

Furthermore, we are endeavoring to promote as much disclosure as possible in order to gain trust, taking into consideration active and open dialogue with investors, based on the belief that adequate disclosure of information is essential for investment decisions.

The Hitachi Capital Group will aim to realize our mission to be a “Social Value Creating Company” and gain the trust of all of our stakeholders as a company that is necessary and vital for society. We are committed to maintaining our growth in the future as an increasingly exciting company while constantly changing flexibly in line with the times.

- i SKY Project: Feature Article 2, Mid-term Highlights, “Cultivating Sophisticated Human Resources” (See P12).
- ii and iii Focus sectors and startup sectors: Refers to the positioning of growing sectors and startup sectors (newly incubating sectors) as focus areas under the 2018 Mid-term Plan (See P23).
- iv Hitachi Capital NBL Corporation: a consolidated subsidiary that engages in the vendor solution business that provides financial services offering Hitachi Capital Group leases and installments in response to the sale promotion needs of alliance vendors.
- v and vi Automation of administration and proactive IT: Feature Article 3, Mid-term Highlights, “Proactive IT” (See P13–14).





Financial Strategy Aimed at  
Ensuring Sustainable Creditworthiness and  
Recurring Growth to be a  
“Social Value Creating Company”

Satoshi Inoue

Executive Officer  
Head of Finance

## Hitachi Capital Group's focus in financial strategy

As the Chief Financial Officer, my main focus is on strengthening the financial base of each company in the Hitachi Capital Group and ensuring stable procurement of funds.

Firstly, in addition to strengthening the financial base of each company and increasing the creditworthiness of the Group, there is a focus on enabling all Group companies to procure funds on the same level. Overseas subsidiaries in the Hitachi Capital Group procure funds independently through local financial markets. Therefore, if creditworthiness varies depending on the region, it is important that this does not impact on fund procurement costs.

Secondly, there is a focus on the construction of a safety net to provide overseas sites and subsidiaries with support from head office in emergencies in order to ensure stable procurement of funds. Specifically, I acknowledge that it is my role to make preparations for whatever happens, including securing commitment lines<sup>i</sup> from banks and arranging parent-subsidiary loan mechanisms.

I check on the financial position of overseas Group companies, including ALM<sup>ii</sup>, regularly and share the information with the Board of Directors and the Executive Board. The Hitachi Capital Group owns approximately 3 trillion yen in assets, about half in Japan and half overseas. We manage procurement and investment through ALM and other means in our efforts to stabilize the financial base, which

includes checking on the capital, financial soundness and quality of financial management at each Group company, including overseas subsidiaries. In addition, in the Hitachi Capital Group's business, the majority of the liabilities on the balance sheet are external borrowings, and I believe it is also important to diversify fund procurement.

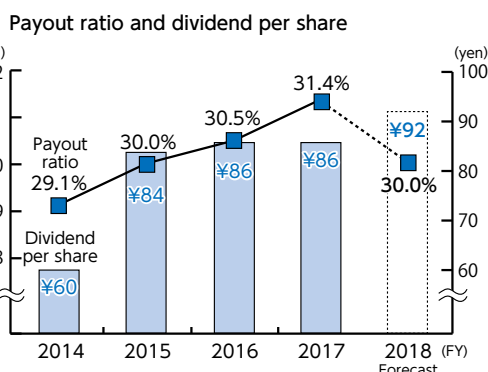
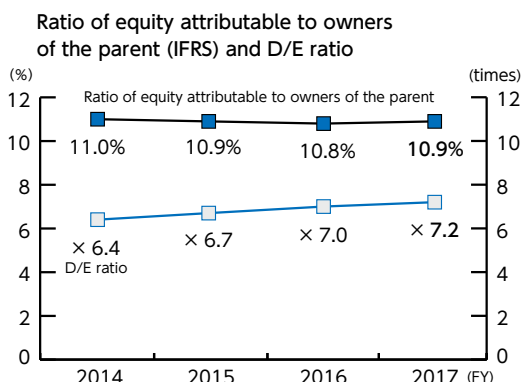
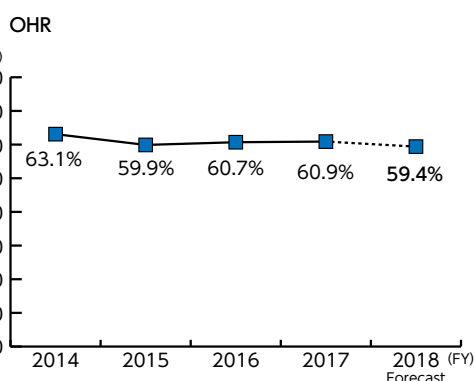
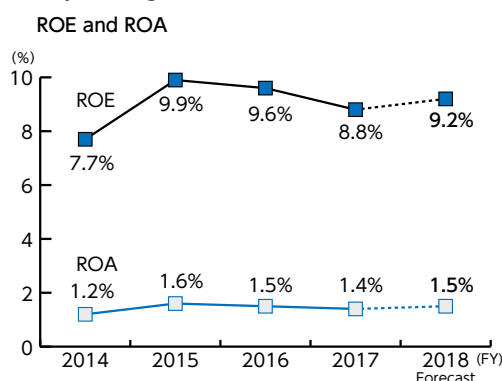
## Importance of financial strategy that responds to changes in business

At present, the Hitachi Capital Group's business is moving from providing conventional finance and increasingly concerns projects with direct involvement in commercialization and projects to provide solutions that do not require assets. In such a business environment, we believe that responding to changes in risks in line with assets is also an important role for a finance department. Taking risks is also important for increasing profitability, and as a result the asset portfolio will change. An appropriate diversification of the portfolio is important because the Company's positives could be undermined if we take too many risks in search of profits.

In addition, the business portfolio has become more complex because the project length and cash flow are different for each project, and this also makes financial management difficult. There is a need to accommodate cash flow situations that differ from those in the past as in renewable energy generation projects in which there are long lead times from



## Key Management Indicators



capital expenditure until generation of profit, for example. Therefore, in our finance departments, we emphasize not only leverage<sup>iii</sup> management but also ALM tailored to asset portfolios that vary on the length and type of project.

## Hitachi Capital Group's financial policy and KPIs

At present, the KPIs in the FY2018 Mid-Term Management Plan currently underway are generally progressing in line with plans. In fiscal 2017, we implemented significant investment in streamlining with the aim of further increasing OHR<sup>iv</sup>. We expect that the effects will appear continuously in fiscal 2018 and beyond.

In our financial strategy, we put an emphasis on the ratio of equity attributable to owners of the parent<sup>v</sup> and the D/E ratio<sup>vi</sup>, which indicate financial soundness. In particular, rating agencies focus on ratio of equity attributable to owners of the parent, which is directly related to fund procurement costs. Therefore, the Company avoids excessive leverage, and operates with a ratio of equity attributable to owners of the parent in excess of 10% with a target debt/equity ratio of around 7 times. Aligning efficient fund procurement with the Company's business characteristics, it is essential to maintain a balance sheet taking into account not only capital efficiency but also financial soundness.

## Enhancement of corporate value and shareholder returns

It is vital to secure the internal reserves that are

required to maintain the financial structure and a high credit rating as well as for strategic investment in order to enhance corporate value and achieve sustainable growth at the Hitachi Capital Group. Based on that, we determine the dividend from surplus, which is positioned as a key measure.

This is because we believe that a strong financial structure and boosting procurement capabilities through the enhancement of owned capital are extremely important due to the nature of our business. We are committed to rewarding shareholders and investors with both capital gain<sup>vii</sup> from sustained growth in addition to income gain<sup>viii</sup>. I focus on appropriate financial management with the medium-to-long term growth cycle of the entire Group in mind.

- i Commitment line: Also referred to as a "line of credit from a bank", a commitment line is an agreement under which a bank pledges (commits) to provide credit on request from the customer within the scope of the period and credit limit determined in advance between the bank and the customer (company, etc.). The objectives include ensuring stable working capital and securing the means to respond to unforeseen market circumstances.
- ii Asset liability management: Refers to the comprehensive management of assets and liabilities, which is one of the risk management methods used by financial institutions. In a narrow sense, it refers to risk management of the fluctuation in assets and liabilities in relation to market interest rates.
- iii Leverage: In economic activities, refers to increasing return on equity by utilizing borrowed capital and the multiple of the increase.
- iv Overhead ratio: SG&A (excluding bad debt related expenses) as a proportion of gross profit.
- v Ratio of equity attributable to owners of the parent: IFRS standard. Referred to as equity ratio under JGAAP.
- vi Debt/equity ratio: Indicates interest-bearing debt as a multiple of equity to measure the soundness of corporate finances.
- vii Capital gain: Refers to income obtained from increases in the price of assets. Specifically, it refers to gain on increases in the price of shares, bonds and securities investment trusts.
- viii Income gain: Refers to income obtained through the ownership of assets. Specifically, it refers to dividends from shares, interest and gains from redemption from bonds, and income distributions from securities investment trusts.

# Business Areas of Hitachi Capital

Hitachi Capital will continue to refine its functions as a core business and will continue to provide solutions with higher added value through combining core businesses in its idea of "combined business".

## Functions as core businesses



Finance

### Sales finance

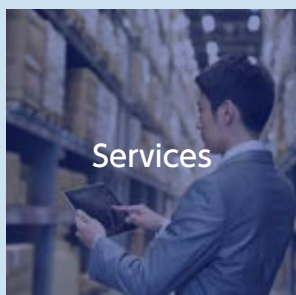
- Financial services for backing up sales activities and service provision (installment payments, leases, etc.)
- Global expansion as a core business since the establishment of the Company

### Financing for business

- Various forms of financial support including leases for capital investments by customers

### Insurance

- Provision of solutions for the risk of unexpected events
- Provision of group long-term disability income protection insurance and long-term occupational disability income protection insurance



Services

### Settlement

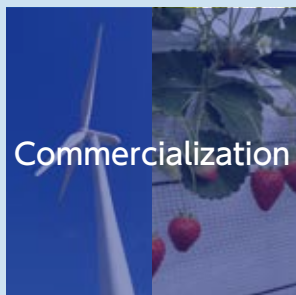
- Support through a global factoring system
- Provision of service in accordance with sales routes including trade finance

### BPO

- Conducting billing, collection, and administrative work on the behalf of customers
- One-stop contracting of work processes from re-design to operation

### Facility management

- Ownership, operation, and maintenance support for commercial real estate
- Supporting a wide range of real estate from logistics centers to commercial facilities



Commercialization

### Renewable energy

- Full support for the businesses of customers from business planning to the launch of operations and maintenance services
  - Provision of finance plans corresponding to a wide range of needs
- Power generation business

### Food and agriculture business

- Production and sales of high value-added agricultural products
- J-GAP (Good Agricultural Practice) and Global GAP certification

## Message from the CSR Director

To strengthen the business of the Hitachi Capital Group and capture new business opportunities, the Company needs to be aware of the changes taking place and react accordingly in these times of change in the international community. Hitachi Capital will establish a global network, and promote dialogue and collaboration with its partners and strive to find new business opportunities. Riding society and industry's digital wave, we will combine "finance", "service" and "commercialization" to provide our customers with solutions that give added value.



**Chihiro Shirai**  
Senior Vice President and Executive Officer,  
Head of Corporate Sales & Marketing

## Combined business solutions

### Finance + Service

#### Vehicle solutions

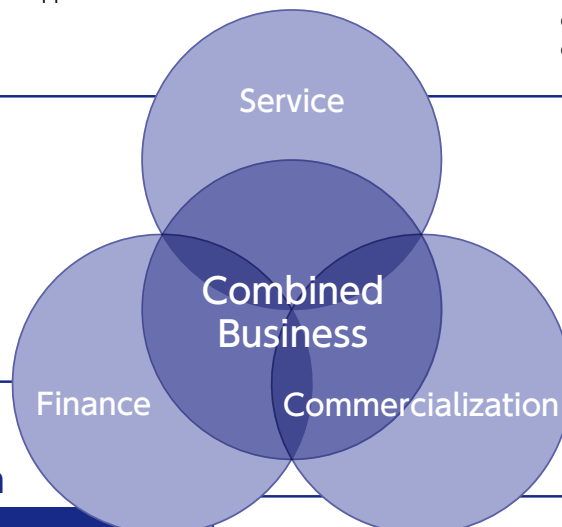


- Provision of total services related to vehicle leasing and management operations
- Provision of high-quality solutions including insurance, maintenance, technical support, and environmental support

#### Rental



- Provision of rental services including information equipment, measuring equipment, scientific equipment, and medical equipment
- Contributing to cost reductions and cash flow improvements, procurement of the latest equipment, and reductions in maintenance and disposal man-hours



### Finance + Commercialization

#### Project finance



- Conducting PFI projects in social infrastructure, local government, and public welfare areas
- Long-term support for a wide range of functions including business profit plan development and administrative contracting in addition to fund procurement and financing

### Finance + Service + Commercialization

#### Multifunctional logistics centers, commercial facilities, etc.



- Focus on the provision of building leases including logistics centers and data centers
- Provision of building lease systems in line with the needs of customers through use of land leaseholds

Japan

Europe

Americas

China

ASEAN



**Kazumi Anei**

Vice President and Executive Officer  
Co-Head of Corporate Sales & Marketing  
Chief Executive for Japan,  
Corporate Sales & Marketing  
Head of Environment and Energy Business

Japan Business  
Main Country and Region



Japan

## 2018 Mid-Term Management Plan Basic Policy: Improve Profitability

We will be working to improve profitability by continuing to implement business structural reform and by expanding our focus sectors, including business expansion that contributes to regional revitalization. We are also promoting the Food, Security, and BPO business as a newly incubating sector. In addition, we will be aiming to strengthen our competitiveness through "proactive IT" measures and through the "implementation of business operations along factory process lines."

### Results in Fiscal 2017

- Focus Sectors<sup>(1)</sup>: Steady operating assets balance for social infrastructure, eco and energy
- Improved OHR through structural reform
  - Business restructuring to bolster competitiveness
  - Launch and promotion of work-style innovation project and the SKY Project ▶P11-12

#### Strengths (Feature)

- Wide range of customer base and strong partnership with Hitachi Groups, etc.
- Effective promotion of the commercialization of a diversified range of financial functions and services that adapt to the change of the business circumstances and various customer needs

#### Issues (Direction)

- Improving top-line by expanding the focus area
- Promoting Low Cost Operation through IT investment to develop "factory-style" back-office operations, etc.
- Promoting Work Life Innovation to enhance effective business utilization

(1) Focus Sectors: For the 2018 Mid-term Management Plan, focus sectors include growth areas such as social infrastructure, eco-energy, vehicle business, and business for local governments/public sector, as well as sprout sectors (areas of business in the nurturing stage), such as food, security and business processing outsourcing (BPO). Fundamental sectors include wholesaling and healthcare, etc. Restructuring sectors include vendor financing and agriculture.

Focus Sectors	Growth Sectors (rapidly growing sectors)	<ul style="list-style-type: none"> <li>• Social infrastructure</li> <li>• Eco-energy</li> <li>• Vehicle business</li> <li>• Local government/public sector</li> </ul>
	Sprout Sectors (nurturing areas of business)	<ul style="list-style-type: none"> <li>• Food</li> <li>• Security</li> <li>• BPO</li> </ul>
Fundamental Sectors	<ul style="list-style-type: none"> <li>• Wholesale</li> <li>• Healthcare, etc.</li> </ul>	
Restructuring Sectors	<ul style="list-style-type: none"> <li>• Vendor finance</li> <li>• Agriculture</li> </ul>	
Closure Sectors	<ul style="list-style-type: none"> <li>• Consumer business</li> <li>• Factoring</li> </ul>	

## Business Results in Fiscal 2017

### Results 1 Eco- and energy-related business

Through close collaboration with partner organizations including the Hitachi Group, Hitachi Capital develops its renewable energy business (such as wind power and solar, etc.) to contribute towards the realization of a low-carbon society. Hitachi Capital has set itself the target of generating a cumulative capacity of over 500 MW from renewable energy sources by March 2019.

In fiscal 2017 two wind power plants were completed; the Hibaritaira Wind Power Plant (max. rated output 32.2 MW) in Yokohama Town, Aomori Prefecture in February 2018, and the Manyo-no-Sato Wind Power Plant (max. rated output 9.4 MW) in Minamisoma City, Fukushima Prefecture in March 2018.

Minamisoma City aims to supply all the city's electricity needs through renewable energy sources by 2030 and aims to contribute to the reconstruction of affected areas resulting from the Great East Japan Earthquake of 2011 through energy derived from its wind power plants.



Completion of Manyo-no-Sato Wind Power Plant (Minamisoma City, Fukushima)

As of the end of fiscal 2017, we operate 32 wind power generation plants (cumulative power generation capacity: 263 MW) and 29 photovoltaic power plants (176 MW), contributing to the reduction of approximately 380 thousand tons of CO<sub>2</sub> emissions (equivalent to approximately 160 thousand households).

## Results 2 Business for local government/public sector

In April 2018, the consortium for which Hitachi Capital serves as financial advisory was elected to act as a top negotiator for the project to install air conditioning in 21 municipal kindergartens, elementary and junior high schools in Kizugawa City. This is a PFI<sup>(2)</sup> project that utilizes private funds and know-how and one in which Hitachi Capital has worked together with the Hitachi Group to utilize private funds for the improvement of public facilities. Hitachi Capital has previously participated in projects to install air conditioning notably in elementary schools in Kobe City in 2014 and in elementary and junior high schools in Matsuyama City, Ehime Prefecture, in 2016. Moving forwards Hitachi Capital will continue to develop its business rooted in local communities. In the social infrastructure sector, Hitachi Capital consolidated the front office function of its building lease business with Hitachi Capital Community Corporation in October 2017, thereby creating a structure that can offer real estate solutions covering everything from building leases to facility development, operation and management.

(2) PFI: An abbreviation for private finance initiative. Consisting of the utilization of private sector capital, management and technical capabilities for the construction, maintenance, or operation of public facilities.

## Results 3 Vehicle solutions

In March 2018, with the aim of expanding collaborative innovation across industries and businesses, Hitachi Capital concluded a basic agreement on business alliance with Hitachi Transport System, Ltd. ("Hitachi Transport System") to realize new innovation through finance, commerce, logistics, and information. As part of the alliance, Hitachi Capital is also discussing and considering a partial transfer of shares from Hitachi Auto Service Co., Ltd., a wholly owned subsidiary of Hitachi Transport System, to further expand business by strengthening cooperation between the Vehicle Solution business promoted by Hitachi Capital.

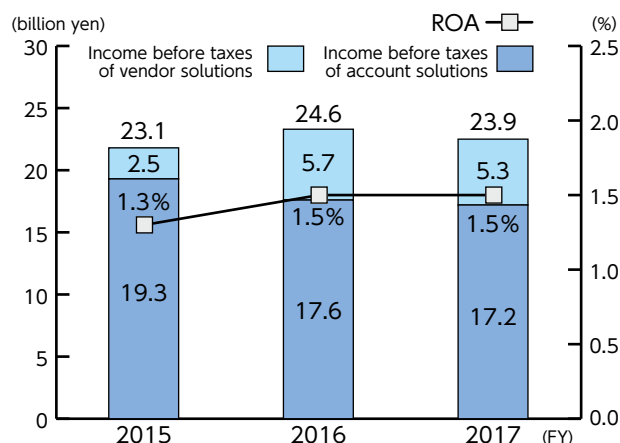
Furthermore, Hitachi Capital has started collaborative research on a smart safety navigation management system with the aim of achieving a car accident-free society, a social challenge for the logistics industry with a serious shortage of manpower. In April 2018 Hitachi Capital Auto Lease Corporation made clear the relationship between fatigue and accident risk for truck drivers and started collaborative research with Hitachi, Hitachi Transport System, the Institute of Physical and Chemical Research (RIKEN), and Kansai University of Welfare Sciences with regards to ways to predict the risk of accident supported by a driver safety control system which utilizes IoT.

## Hitachi Capital's Japan Business – Key Data and Future Strategy

### Future Strategy

- Expand business in focus sectors
- Continue structural reforms to improve OHR
  - Complete integration of backbone systems
  - Accelerate work-style innovation project and the SKY Project

### ROA and income before taxes



Japan

Europe

Americas

China

ASEAN



**Yoshikazu Ohashi**  
Vice President and Executive Officer  
Chief Executive for Europe,  
Corporate Sales & Marketing  
Head of Human Capital, Management

Europe Business  
Main Country and Region



UK, Poland, the Netherlands

## 2018 Mid-Term Management Plan Basic Policy: Building Foundations for Steady Growth

Hitachi Capital aims to build a balanced portfolio by expanding consumer and corporate business in the UK, realizing stable growth by providing high quality services with high-level risk management, and accelerating expansion of vehicle solutions to continental Europe.

### Results in Fiscal 2017

- Continued steady growth of UK business
  - Stable growth centered on consumer finance (CF)
  - Strengthened internal control through FCA\* certification
- Accelerated expansion to continental Europe
  - Vehicle solutions M&A (throughout the Netherlands and strengthening of Polish business)
  - Opened sales office in the Netherlands

### Strengths (Feature)

- Good risk control from throughout risk management
- Effective use of investment in IT to enhance operational efficiency and provide high-level services that contribute to enhance customer services

### Issues (Direction)

- Uncertainty caused by Brexit and the economic slowdown
- Build a balanced portfolio by accelerating expansion to continental Europe

## Breakdown of European business

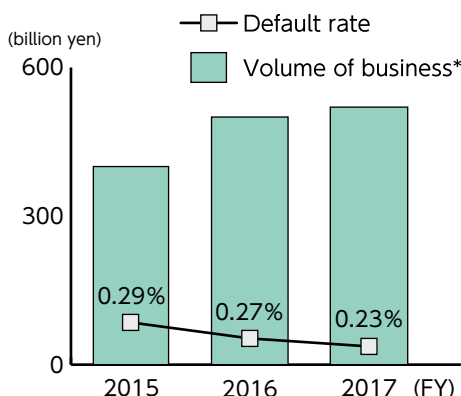
Business Sector	Business Content	Main Target Regions
Consumer Finance (CF)	Sales finance (sectors: furniture, house remodeling, major high street retailers), as well as consumer and motor loans.	UK
Vehicle Solutions (VS)	Provide comprehensive vehicle solutions including corporate cars and commercial vehicles, and vehicle management support.	UK Poland The Netherlands
Business Financing (BF)	Asset financing and invoice financing for corporate customers, covering sectors from agriculture to manufacturing.	UK The Netherlands
European Business Development (EVS) and other	Sales financing for Hitachi Group companies and their distributors, and key accounts.	Europe

## Business Results in Fiscal 2017

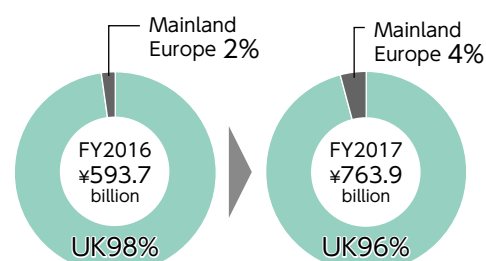
### Results 1 Strong performance in UK business

The UK business has not yet been affected by Brexit and is currently performing very well. The default rate is lower than before and growth is progressing very steadily. Furthermore, we were able to obtain a license from the Financial Conduct Authority (FCA) in 2017, further strengthening our internal business.

### UK Business



### Operating assets balance\*



\* Rate calculated at each year-end



## Results 2 Accelerated expansion to continental Europe

Hitachi Capital is working towards a more balanced business by looking outside of the UK market towards mainland Europe. In September 2017, Hitachi Capital (UK) PLC, a British subsidiary, opened a sales office in Amsterdam, the Netherlands. The sales office provides vendor solutions to Japanese partners including the Hitachi Group for construction machinery thereby contributing to further product sales. In our European business, we offer financial services in 14 countries<sup>(1)</sup> in partnership with other financial institutions.

Also in November 2017, our Dutch auto leasing subsidiary Noordlease Holding B.V. made Lease Visie B.V., a company in the western part of the Netherlands, a subsidiary, thus enabling the expansion of vehicle solutions<sup>(2)</sup> across the Netherlands. In the mid- to long-term, we are considering expanding business to neighboring Belgium and Luxembourg with the aim of accelerating market development in continental Europe.



The opening of the Amsterdam sales office in the Netherlands

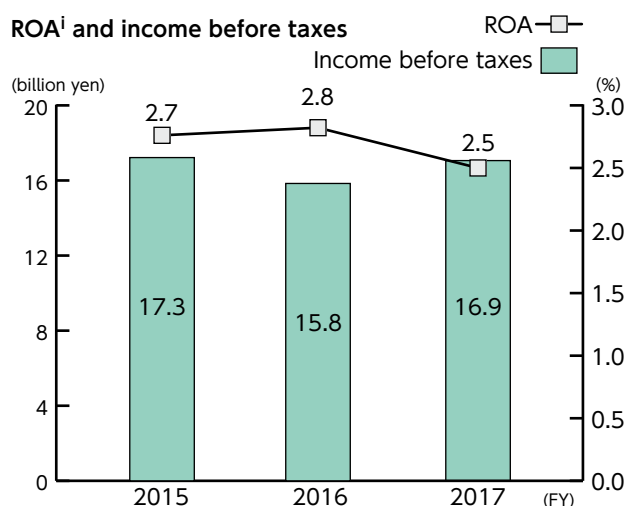
(1) As of March 31, 2018

(2) Vehicle Solutions:  
Comprehensive automobile service combining various services such as maintenance and insurance for auto leasing

## Hitachi Capital's Europe Business – Key Data and Future Strategy

### Future Strategy

- Accelerate the expansion into continental Europe
  - M&A in vehicle solutions
  - Expand sales finance
    - ▶ Utilize the business foundation of the Dutch sales office
    - ▶ Strengthen ties with Japanese manufacturers



<sup>i</sup> ROA is calculated excluding the impact of exchange rates.

Japan

Europe

Americas

China

ASEAN



**Akihiko Sugawara**

Senior Vice President and Executive Officer  
Chief Executive for the Americas,  
Corporate Sales & Marketing  
Chairman & CEO, Hitachi Capital  
America Corp.

Americas Business  
Main Country and Region



America, Canada

## 2018 Mid-Term Management Plan Basic Policy: Growth Drivers

We are working to expand the breadth and volume of our business to drive growth for the Hitachi Capital Group by strengthening the commercial finance business, the transportation business, and business in Canada in addition to truck financing such as inventory finance, and factoring.

### Results in Fiscal 2017

- Commercial finance business and Canadian business performed well
  - Commercial finance business in Healthcare and IT sectors performed well
- Implemented measures to improve quality of loans in the transportation business
  - Reduced handling of large, resource-heavy trucks
  - Inventory sale of used vehicles carried forward ahead of schedule

### Strengths (Feature)

- Financial sector deregulation and increased infrastructure spending in the U.S.
- Financial business diversification through acquisitions and smooth post-merger integration (PMI)
- Assignment of personnel with a high level of professional expertise and their own extensive networks of business contacts

### Issues (Direction)

- Concern of acceleration in the pace at which the Federal Reserve Board (FRB) is raising benchmark interest rates and adapting to the U.S. administration's policy
- M&A in commercial finance business

## Breakdown of the Americas business

Commercial Finance Business	<ul style="list-style-type: none"> <li>• Equipment leasing and factoring, etc.</li> <li>• Vendor finance focused on Healthcare and IT</li> </ul>
Transportation Business	Truck financing
Canadian Business	Vendor finance focused on truck financing and construction machinery

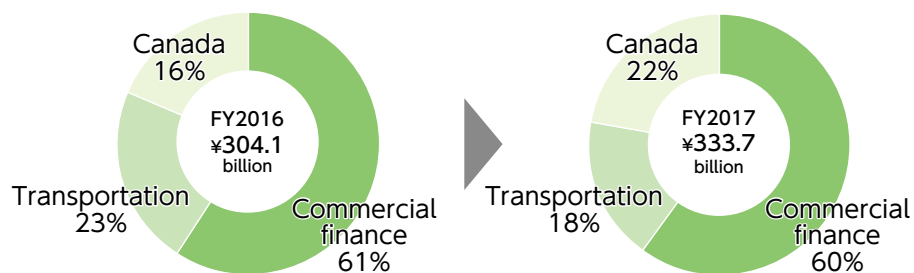
## Business Results in Fiscal 2017

### Results 1 Strong commercial finance business and Canadian business

In the Americas, we are working to build on our operating assets with a focus on the commercial finance business and Canadian business as growth drivers for the FY 2018 Mid-Term Management Plan. In particular, the vendor financing business which focuses on healthcare and IT is performing well, and we are strengthening our efforts in the medical field such as by partnering with medical imaging equipment (such as MRI) vendors in February 2018.

In Canada, Hitachi Capital Canada Corp. is expanding its vendor financing for new trucks and

### Operating assets balance\*



\* Rate calculated at each year-end

factoring through tie-ups with commercial Japanese truck manufacturers. Meanwhile CLE Capital Inc. is diversifying its business to accelerate growth by providing vendor financing for trucks and construction machinery as well as other financing solutions for various forms of equipment. Thanks to the partnership between Hitachi Capital Canada Corp. and CLE Capital Inc., the company is aware of its competitive edge over major banks in Canada.



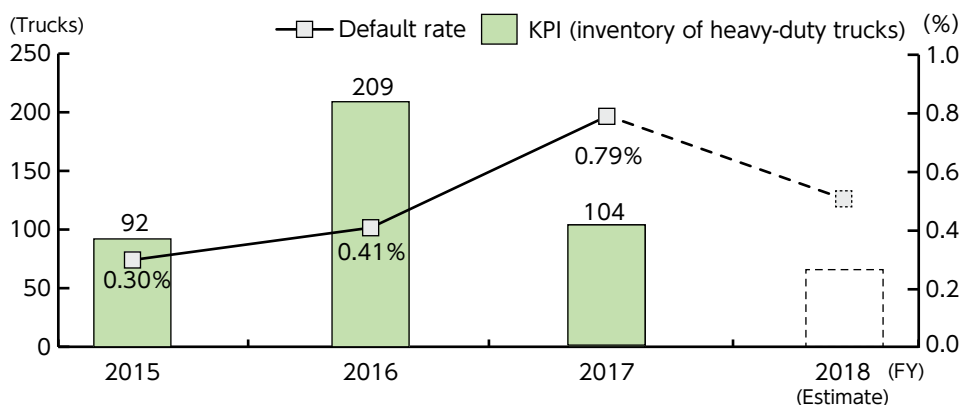
Hitachi Capital Canada Corp. celebrating its 5th anniversary

## Results 2 Implemented measures to improve quality of loans in transportation business

Meanwhile in our transportation business, some loans on heavy-duty trucks have deteriorated and we have improved the quality of credit by shifting our focus towards medium-duty trucks which are more stable in the marketplace.

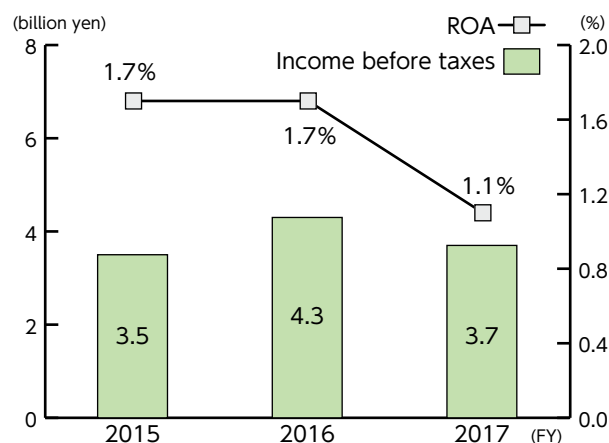
Due to the substantial sale of used truck inventory, the bad debt rate of the Americas business in 2017 rose; however the inventory decreased to about half of that in fiscal 2016. In fiscal 2018, we are working to further diversify our credit through developing new customer bases etc.

### Default rate and KPI



## Hitachi Capital's Americas Business – Key Data and Future Strategy

### ROA<sup>i</sup> and income before taxes



### Future Strategy

- Expansion of sales financing business through M&A in commercial finance business
- Diversified expansion in Canadian business

<sup>i</sup> ROA is calculated excluding the impact of exchange rates.

Japan

Europe

Americas

**China**

ASEAN



**Ryoji Satoh**

Executive Officer  
Chief Executive for China,  
Corporate Sales & Marketing  
Chairman, Hitachi Capital Leasing (China) Co., Ltd.  
Chairman, Hitachi Capital Factoring (China) Co., Ltd.  
Chairman, Hitachi Capital (Hong Kong) Ltd.  
Managing Director, Hitachi Capital Management (China) Ltd.

China Business  
Main Country and Region



China, Hong Kong

### 2018 Mid-Term Management Plan Basic Policy: Strengthening Risk Management

We are working to build up a high-quality portfolio through strategic partnerships, and aiming at stable operation and a further strengthening of risk management.

#### Results in Fiscal 2017

- Strengthened financial management function through the Hong Kong subsidiary intermediary holding company
- Strengthened partnerships with Chinese companies and Hitachi Group
- Built up operating assets in non-public sectors

#### Strengths (Feature)

- Collaborating with the Hitachi Group's China Business (social innovation business)
- Business organization that clarifies the positioning based on its functional role (loan syndication, leasing, factoring, etc.)
- Establishment of Hitachi Capital Management (China) Ltd., which has mainland China targeted financing and investing functions in Hong Kong, a major financial hub which is also the world's largest Renminbi (RMB) offshore financial center<sup>(1)</sup>

#### Issues (Direction)

- Flexibly adopting to the regulatory environment and business circumstances and risk control

(1) An offshore financial center is an international financial base that allows relatively easy financial transactions across markets (such as raising funds and business operations) by separating regulations and taxation schemes from the domestic market.

(2) Green bonds are financial instruments whose funds are limited to businesses which contribute to climate change solutions.

## Business Results in Fiscal 2017

### Results 1 Strengthened financial management function - Issued green bonds<sup>(2)</sup>

In order to expand its business in China, Hitachi Capital restructured in November 2017 with Hitachi Capital Management (China) Ltd. (HCMC), a subsidiary in Hong Kong, as a financial holding company. This realignment will further strengthen the flexible fund raising, investment and financial arrangement functions in the region. By enhancing the financing function, we aim to expand business in an integrated way with the Hitachi Group's Chinese business.

As a part of this, in December of the same year, HCMC issued the first foreign currency denominated green bonds in Asia as a Japanese affiliated company in accordance with the "Green Bond Principles" formulated by the International Capital Market Association. The US\$100 million raised will be used for loans in mainland China to fund environmentally friendly projects such as; 1. Renewable energy, 2. Circular economies, and 3. Sustainable water infrastructure, with the aim to contribute to sustainable development of the area and improve people's lives. We will continue to expand business in response to the social and economic environment in both Hong Kong and mainland China.

## Results 2 Strengthened partner tie-ups (Chinese companies and Hitachi Group)

We have strengthened our partnership with Chinese companies and the Hitachi Group in mainland China, and we have created joint ventures with companies in Nanjing, Qingdao, and Xian to date.

### Business operations in China

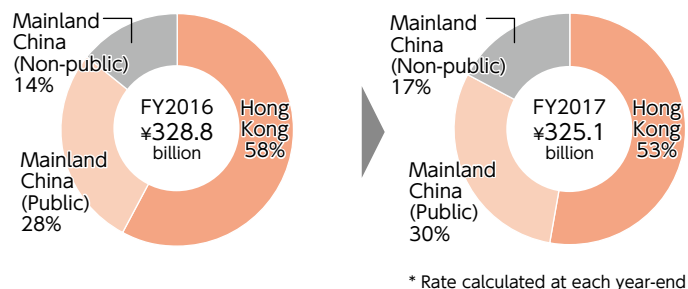
Equity investments  
in Chinese leasing companies

Date	Area
April 2016	Nanjing
October 2016	Qingdao
February 2017	Xian



As a part of these efforts in China we have built up a very large portfolio in the public sector; however, recently we have accumulated operating assets in the non-public sector and so we are making efforts to correct the public sector part of our portfolio.

### Operating assets balance\*

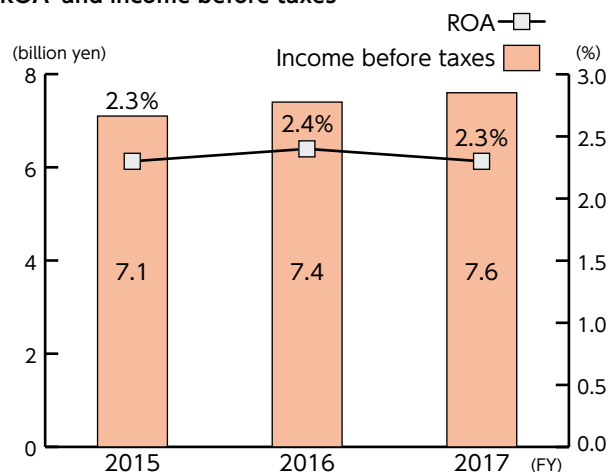


## Hitachi Capital's China Business – Key Data and Future Strategy

### Future Strategy

- Accelerate shift to non-public sector
  - Focus on growth sectors in the automobile and IT industries
- New partner tie-ups (financial institutions)
  - Syndicated loans, etc.

### ROA<sup>i</sup> and income before taxes



<sup>i</sup> ROA is calculated excluding the impact of exchange rates.

Japan

Europe

Americas

China

ASEAN



**Masashi Takeda**

Executive Officer  
Chief Executive for ASEAN Region  
Corporate Sales & Marketing  
CEO & Managing Director, Hitachi  
Capital Asia Pacific Pte. Ltd.

ASEAN Business  
Main Country and Region



Singapore, Thailand,



Malaysia, Indonesia

## 2018 Mid-Term Management Plan Basic Policy: Focusing on the Management Framework

Looking towards medium- and long-term growth, we will focus on expanding the business of each of our overseas affiliates that develop business in Singapore, Thailand, Malaysia and Indonesia, and we will work to strengthen our business base by establishing and improving the management framework and IT systems that underpin these businesses.

### Results in Fiscal 2017

- Increased sales revenue in the ASEAN region by building operating assets balance
- Reduced bad debt ratio due to improved credit risk management through the introduction of scoring system and model rating system
- Increased income before taxes at all ASEAN subsidiaries in four countries

#### Strengths (Feature)

- Sales network that develops business bases in Singapore, Thailand, Malaysia and Indonesia
- Business development based on community-based sales rooted in locally-integrated finance

#### Issues (Direction)

- Make work efficiencies through investment in IT and reduce OHR
- Expand areas for business development and business bases
- Provide high value added services through investment in human resources

## Business Results in Fiscal 2017

### Results 1 Strengthened management base

In order to stabilize fund procurement and reduce financial costs Hitachi Capital Malaysia Sdn. Bhd. (Malaysia) increased and strengthened its capital in May 2017 with Hitachi Capital (Thailand) Co., Ltd. following suit in September of the same year.

Furthermore, Hitachi Capital Asia Pacific Pte. Ltd. (Singapore), PT. Arthaasia Finance and PT. Hitachi Capital Finance Indonesia (both in Indonesia), have been strengthening their human resources by scouting for highly skilled people with professional qualifications in law and accounting.

#### Measures for strengthening management base in ASEAN

Finance	<ul style="list-style-type: none"> <li>● Capital increases to strengthen financial base Hitachi Capital Malaysia Sdn. Bhd and Hitachi Capital (Thailand) Co., Ltd.</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>● Hired professional expertise</li> <li>● Improved training for local employees</li> </ul>
IT	<ul style="list-style-type: none"> <li>● Enhanced operational efficiency by developing core systems</li> <li>● Strengthened credit control with scoring system</li> </ul>

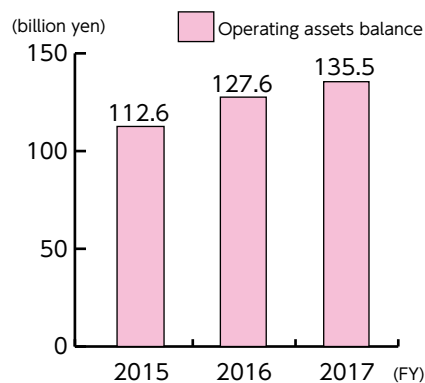


## Results 2 Achieved profit increases in all regions

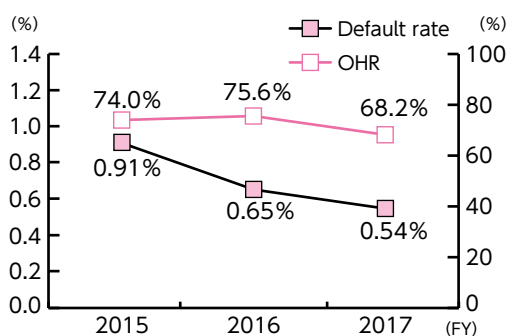
In fiscal 2017 the ASEAN businesses achieved sales revenue growth, lower credit loss ratio and reduced OHR through building up their operating assets balances, and all the overseas affiliates in the four countries were able to achieve higher revenue and earnings.

The management base that we have been working on has gradually begun to emerge with the improvement of risk management systems, IT investment in core systems and the scoring system, and investment in human capital such as the employment of staff with professional expertise and improved education in human capital.

### Operating assets balance\*



### Default rate and OHR



\* OHR (overhead ratio) =  
Sales and admin costs (excluding expenses related to bad debt) ÷  
Net sales profit

## Results 3 Rental service partnerships

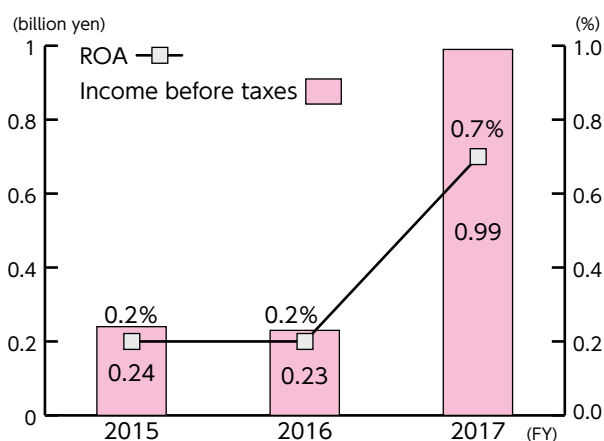
In April 2016, Hitachi Capital (Thailand) Co., Ltd. jointly invested with Thailand's Mitsubishi forklift distributor, United Motor Works (Siam) Public Company Limited, and established United Capital Equipment Co., Ltd. (UCE) to provide forklift rental services. Through this joint investment, Hitachi Capital (Thailand) will promote the forklift service business utilizing UCE's maintenance services. Additionally, new business opportunities will be created in the rapidly growing CLM (Cambodia, Laos, Myanmar) region, the home of UCE.

## Hitachi Capital's ASEAN Business – Key Data and Future Strategy

### Future Strategy

- Further strengthen sales finance and trade finance businesses
- Consider service business in the healthcare and eco-energy sectors
- Consider expansion into under-developed regions

### ROA<sup>i</sup> and income before taxes



<sup>i</sup> ROA is calculated excluding the impact of exchange rates.

# Non-financial Highlights

Regardless of the country and region, companies are currently expected to take on the added responsibility of dealing with social issues, such as social stability and environmental sustainability, by operating in a manner that helps to solve these issues.

Hitachi Capital Group is dealing with this added responsibility by establishing policies and carrying out initiatives related to the environment, society, and governance.

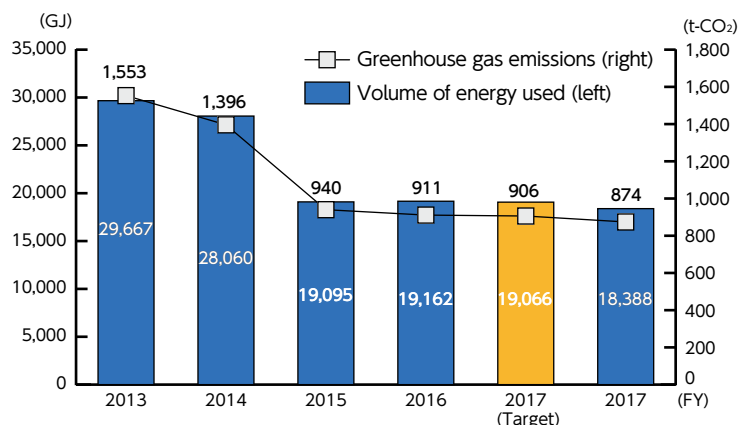
**WEB▶** For more detailed information, please refer to the CSR Activities page on our website.  
[http://www.hitachi-capital.co.jp/hcc/english/company/csr\\_index.html](http://www.hitachi-capital.co.jp/hcc/english/company/csr_index.html)

## Environment

Together with our stakeholders the Hitachi Capital Group is implementing various initiatives to contribute to environmental conservation and which provide environmentally-friendly products and services. In particular, we consider climate change to be a major issue for which we provide comprehensive energy solutions. Hitachi Capital is actively promoting its eco-energy business, positioned as a shared business across the Group in line with the Mid-term Management Plan in a bid to realize a carbon-free society, aiming to generate over 500 MW of energy through renewable energy sources such as wind power and solar.

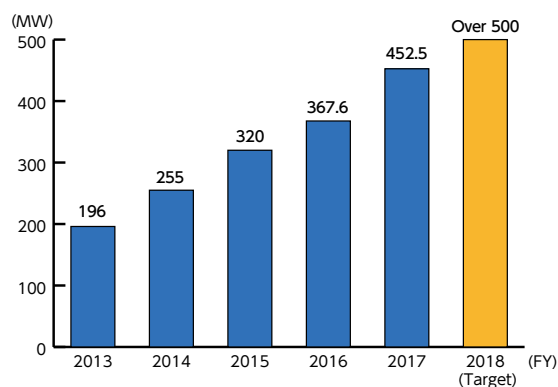
**WEB▶** <http://www.hitachi-capital.co.jp/hcc/english/company/environment.html>

### ■ Reduction in the volume of energy used and CO<sub>2</sub> emissions

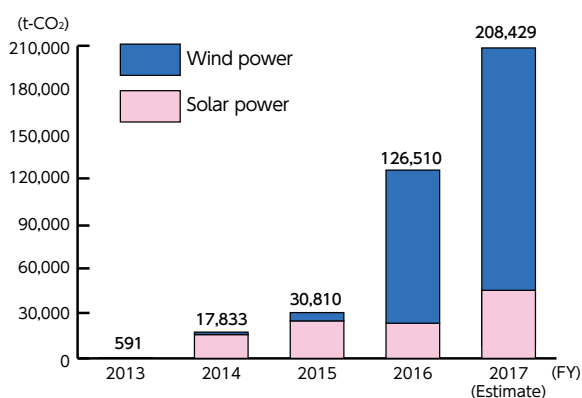


\*Scope is Hitachi Capital Corporation head office, each of its business sites, and Group companies located on the same sites (See the company website for detailed energy scope and conversion factors.).

### ■ Total volume of renewable energy generated since FY2003



### ■ Amount of reduced CO<sub>2</sub> emissions from renewable energy sources



\*Calculations for the amount of power generated from the renewable energy business are based on the Act on Promotion of Global Warming Countermeasures.

## Message from the CSR Director

In an aim to become a "Social Values Creating Company" as the Mission of Hitachi Capital, the achievement of our Principles (Basic Management Policy) is positioned as our CSR (corporate social responsibility).

Hitachi Capital aims to be a leading company in ESG (environment, social, and governance) management through the company's SDGs as a starting point. We will hold dialogue with all of our stakeholders in order to gain an understanding of issues and summarize the various policies related to ESG on a global level as we work to resolve these issues and strengthen our management base.



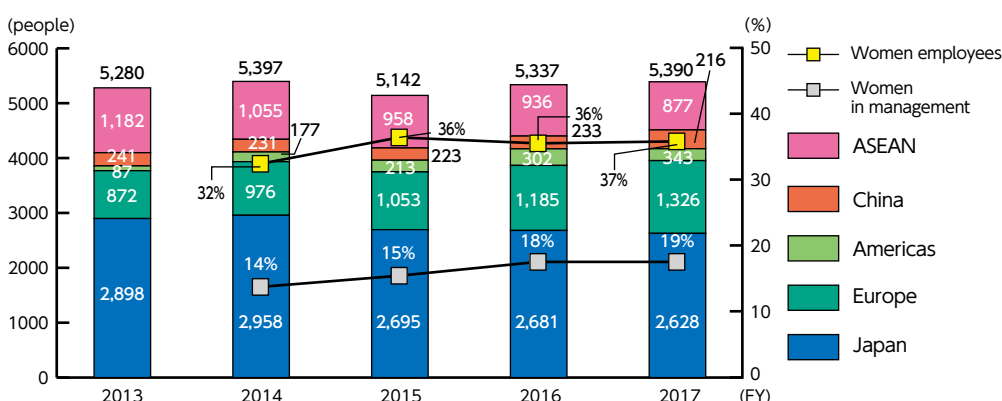
**Seichiro Kishino**  
Representative Executive Officer,  
Executive Vice President and Executive Officer,  
Head of Management Bases Initiatives

## Society

To achieve "Respect for Human Dignity", which is one of our Management Philosophy, we regard our employees as important management assets, and we work to provide them with better opportunities. Hitachi Capital believes that, regardless of gender or nationality, allowing employees to express their individuality and capabilities to the maximum degree is a source of innovation, and thus strives to carry out diverse HR activities and support better work-life balance.

**WEB** <http://www.hitachi-capital.co.jp/hcc/english/company/society.html>

■ Consolidated number of employees, percentage of women employees, percentage of women in management positions



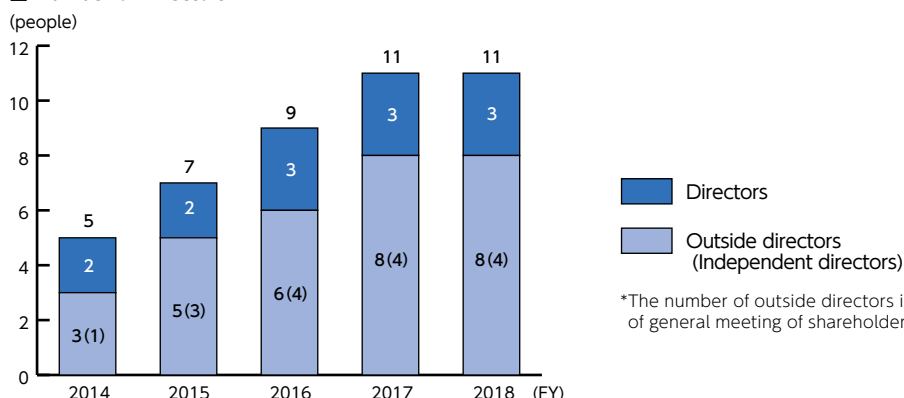
\*The percentage of women employees and percentage of women in management positions on a consolidated basis have been calculated since fiscal 2014.

## Governance

In order to identify medium- to long-term risks and opportunities of the Hitachi Capital Group and to realize sustainable growth, we aim to establish an efficient management structure that contributes to the enhancement of corporate value while complying with relevant laws and social norms with corporate governance as the essential framework. Hitachi Capital adopted the committee governance structure in June 2003 in order to separate our management supervisory and business execution functions, and to allow for a speedy and appropriate resolution of management issues with transparency of management.

**WEB** <http://www.hitachi-capital.co.jp/hcc/english/company/governance.html>

■ Number of Directors



\*The number of outside directors is as of the end of general meeting of shareholders.

# Environment

## Environmental Beliefs

We believe that creating a sustainable society and environment is a necessary pre-requisite for corporate sustainability. We therefore not only seek to reduce environmental burden but provide solutions to the users of our services to reduce their burden.

**WEB▶** Please refer to the following website for the details of our environmental activities and developments over the years.  
<http://www.hitachi-capital.co.jp/hcc/english/company/environment.html>

## Environmental Policy

Consideration for the environment is a social need. Based on this concept, we formulated an environmental policy to realize our Principles that emphasizes helping to create a more prosperous society. We have been promoting initiatives to address environmental issues in accordance with the environmental policy.

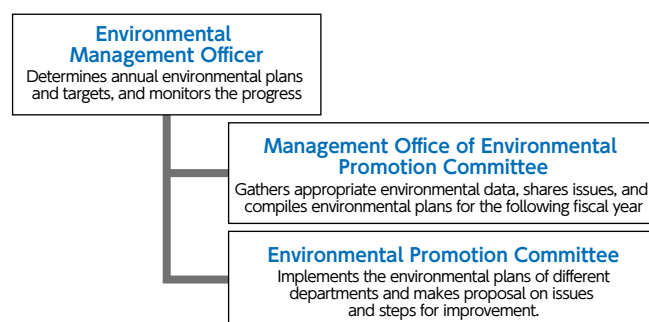
Please refer to the website for the environmental regulations and policies.

**WEB▶** <http://www.hitachi-capital.co.jp/hcc/english/company/environment.html>

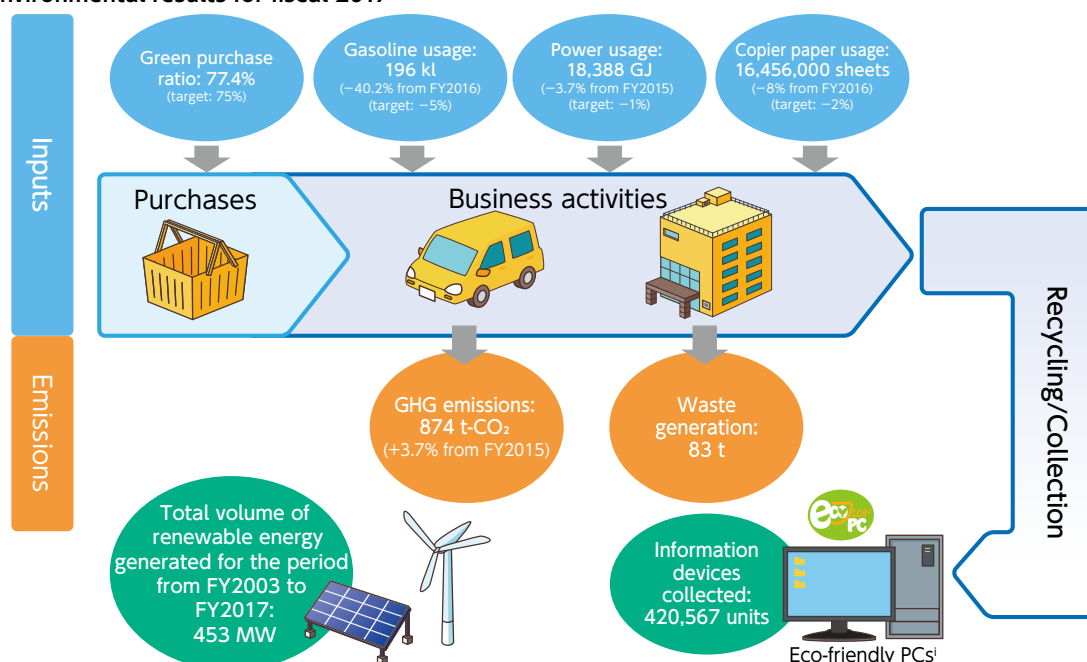
## Environmental Management System (EMS)

We have an Environmental Promotion Committee that consists of members from different departments, with an Executive Officer who is involved with environmental businesses acting as an Environmental Management Officer, to establish an environment management system. The Committee formulates and promotes an environmental action plan for each fiscal year.

### ■ Environmental management system organization



### ■ Main environmental results for fiscal 2017



i Eco-friendly PCs: Hitachi Capital Services Co., Ltd. engages in the sale of high-quality refurbished PCs that clear the company's own standards. These PCs are sold to companies and individuals as "eco-friendly PCs." This initiative aims to reuse and recycle assets that customers no longer need.

#### Scope of compilation

\* Energy input, gasoline usage volume and greenhouse gas emissions cover only Hitachi Capital Corporation (including its headquarters and sales facilities, as well as the headquarters and sales offices of the Group companies located at these facilities for targeted fiscal years). The volume of energy used is calculated based solely on electric power input (Scope 2 which covers indirect emissions). Greenhouse gas emission levels were calculated based on the emission coefficients established by power suppliers as of June 2016.

\* The waste generation volume: Hitachi Capital Corporation (including its headquarters and sales facilities, as well as the headquarters and sales offices of the Group companies located at these facilities). However, the waste generation volume for fiscal 2015 after the month of September is estimated based on the ratio of the Company's space to the total floor of the corresponding premises.

\* Copier paper usage volume and green purchasing ratio cover only Hitachi Capital Corporation.

## Reducing the Environmental Burden of Our Business Activities

Hitachi Capital not only aims to grasp and set goals to reduce the burden that our own business activities put on the environment, but also to reduce the burden placed on it by the activities of any group company as well. One particularly important environmental theme for us is attaining a better understanding of the CO<sub>2</sub> emissions that our group activities put out, including our supply chain, so that we may meet the targets set forth by the Paris Agreement and help to realize a carbonless society. In 2017, we took part in the planning of a project sponsored by the Ministry of the Environment that aims to determine corporate Science-Based Targets and to calculate supply chain emission levels.

Furthermore, in an effort to cooperate with the CDP<sup>ii</sup> initiative, we disclosed the risks our company faces, the opportunities that we could gain from, and our strategies and organization in terms of climate change, as well as the amount of greenhouse gas emissions that our activities account for.

## CO<sub>2</sub> Emissions by Hitachi Capital Group in Fiscal 2017

### ■ Supply chain emission category

Details	CO <sub>2</sub> emissions in fiscal 2017	Emission ratio
Scope1 total	2,660	3.0%
Scope2 total	5,920	6.6%
Scope3 Category1 Purchased goods and services	312	0.3%
Scope3 Category2 Capital goods	78,273	87.3%
Scope3 Category3 Energy-related activities	275	0.3%
Scope3 Category5 Waste from business operations	33	0.04%
Scope3 Category6 Business travel	701	0.8%
Scope3 Category7 Employee commuting	1,497	1.7%
Scope3 total	81,091	90.4%
Total	89,671	100.0%

## Future Environmental Measures

Under the FY2018 Mid-Term Management Plan, we will (1) take the initiative in the environmental business as a group common strategy and (2) expand the scope of the environmental management system (EMS) for quantitative and qualitative management to include the scope of consolidation in order to advance with the development of an EMS framework for the entire Group and achieve both the establishment of a system that is fully accountable and a reduction in the environmental burden.

Environmental results and check for fiscal 2017 (○: Results exceeding targets, △: Targets achieved, ×: Targets not achieved)

Activity items	Fiscal year target/Plan *Prorated from fiscal 2018	Fiscal 2017 results/Do	Check
Management	Establishment of EMS framework worthy of trust on a global level	• Underwent a preaudit • Participated in the SBT Initiatives and the Supply Chain Emission project by the Ministry of the Environment.	△
Service	Promotion of the environmental energy business as one of the Group's common strategies	• Expand the broad areas of environmental energy business (promote annually 5% expansion)	○
Office	Prevention of global warming	• Reduction in the volume of energy used and CO <sub>2</sub> emissions: - Reduce by 0.5% on annual average in FY2015 and thereafter (per floor area in the headquarters)	○
		• Reduction in transportation energy: - Reduction in gasoline usage volume: 5% annually	○
	Effective use of resources	• Reduction in the volume of paper used: Reduction by 2% from the previous year	△
	Chemical substance and biodiversity	Survey on the current status of business workload and compliance with independent law and regulation systems	△
Collaboration with stakeholders	Social contribution activities / Dissemination of information	• Establish Social Initiative Policies Community Clean-Up Activities: Collaboration with Nippon Suisan Kaisha, Ltd. e-Learning Attendance Rate: 99.5% • Green Purchasing Rate: 77.4%	△

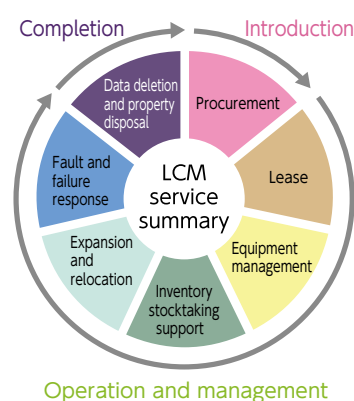
## Environmentally Friendly Products and Services

In addition to a conventional lease business, we seek to conduct various initiatives to provide environmentally friendly products and services to contribute to environmental conservation.

- Expansion of environment/energy projects (See P23 and 33)
- First issuance of foreign currency denominated green bonds (environmentally friendly bonds) in Asia as a Japanese company (See P29)

## LCM (Life Cycle Management) Service

We provide a comprehensive BPO service covering all issues of operation and management throughout the life cycle of IT devices, from introduction to disposal. Through the efficient management of IT devices, we work to help create a resource-recycling society.



ii CDP, previously the Carbon Disclosure Project, is a London-based NPO that works in coordination with institutional investors to submit requests to companies for the disclosure of environmental strategies and greenhouse gas emissions, then analyzes and evaluates the answers provided before releasing their findings to investors.



## Social Reporting Respect for Human Rights

The Hitachi Capital Group aims to fulfill our responsibilities in regard to respecting/protecting the human rights of all those affected by our business activities and/or services, and thus, we established our Human Rights Policy that strives to tackle human rights issues in all the regions we operate in.

**WEB▶** <http://www.hitachi-capital.co.jp/hcc/english/company/community.html>

### Policy

The Hitachi Capital Group seeks to protect human rights, and regards the human rights set forth in the "International Bill of Human Rights" and the "International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work" as the absolute minimum level of rights that must not be violated.

In our code of conduct, we respect every person's character and individuality in the recruitment and treatment, the conduct of commercial transactions, and all other company activities, and not engage in any acts that impair individual dignity or discriminate on the basis of gender, sexual orientation, age, nationality, race, ethnicity, ideology, belief, religion, social status, family origin, disease, disability, etc.

Please refer to the following website for our Human Rights Policy and Code of Conduct.

**WEB▶** <http://www.hitachi-capital.co.jp/hcc/english/company/community.html>

#### ■ Initiatives in Japan

We set "Human Rights Promotion Committee" (chaired by CHRO) and the Committee reports plan and its status to Executive Board annually, aims to extract the group current status and issues and improve the actions based on Plan-Do-Check-Act Cycle.

As a specific means of understanding human rights, and to particularly strengthen sexual and power harassment countermeasures, we have implemented the following: (1) executive targeted education, (2) Human Rights education for all employees, (3) "Human Rights Lectures" in their respective fields, (4) Manager training to prevent Harassment in working place and (5) Manager training for diversity and inclusion. Additionally, we also join the external initiatives as "Tokyo Human Rights Enlightenment Liaison Meeting" to understand practically the latest information related to Human Rights and utilize internal enlightenment activities. Person in charge of Human Rights also check the Group PR materials as leaflet and advertisements to avoid using expression related to any discriminations and receive the claims of harassment.

Through these activities, we promote Human Rights Due Diligence<sup>i</sup> based on the United Nations' Guiding Principles on Business and Human Rights, and carry out discussions and interactions with concerned external stakeholders regarding either potential and actual impacts on human rights, starting with respecting human rights internally. We also promote ways to prevent our customers and partners from committing any human rights violations, so not as to become complicit in any ourselves.

#### ■ Efforts in United Kingdom

##### Business and Human Rights — Anti-Slavery and Human Trafficking

In the past financial year, Hitachi Capital (UK) PLC (HCUK) have taken action with the aim of ensuring that the risk of slavery and human trafficking taking place in any part of our business or our supply chains is mitigated. This has included the following:

1. The initiation of a risk assessment framework to identify areas of potential risk in relation to slavery or human trafficking with new suppliers, as well as existing ones. This will, in time, address high risk supply chains beyond the initial supplier;
2. Our standard terms and conditions of employment (including the terms on which contractors and sub-contractors are engaged) continue to be reviewed annually, ensuring that the relationship between employees and the business remains fair;
3. Mandatory online training on the Hitachi Group Codes of Conduct, and classroom-based human rights training, to members of the company's Executive Committee, with a view to exploring rollout of training and continuous awareness initiatives to all staff in the year ahead;
4. An updated procurement policy in relation to our suppliers and business introducers.

<sup>i</sup> Human Rights Due Diligence: Addressing the negative impact on human rights that may arise in businesses and transactions.

## For the Customers and Partners

Hitachi Capital considers customers and business associates to be partners to resolve the issues to realize a sustainable society and environment, and attain growth together. We adhere to "Basics and Ethics" in our Core Values and objectively prioritize people's rights and interests of customers and business partners.

**WEB▶** <http://www.hitachi-capital.co.jp/hcc/english/company/supplychain.html>

### For the Customers

We are working to maintain our high- quality management organization and enhance customer satisfaction to provide reliable services and product that meet customer needs.

#### ■ Enhancing Customer Satisfaction

We view feedback from customers fairly and seriously, and respond sincerely to customers in a timely manner. To more quickly address customer requests, we have made changes to our corporate website so as to reduce inconvenience for customers.

Specifically, we have set up a dedicated inquiries page linked to our top page. The inquiries page contains an FAQ page ("Contact Us" and a page with information on various procedures where customers can download various documents, including for making changes to their contract information. In the same time, under our "Inquiries/ Complaints Handling Policy for Customer's Satisfaction," we treat all of this feedback as opportunities for making continuous improvement in our products and services. Since December, 2015, we have redesigned and released the system for feedback from customers (alarm system), can respond to requests for consultation, complaints, and inquiries organizationally.

In regards to requests for consultation, complaints, and inquiries from customers, we not only check the number of times we have been contacted. To solve the issues, we also make sure that (1) these complaints are recognized by responsible departments as complaints, that (2) they are addressed properly, and that (3) they are reported as information related to accidents. The results are shared throughout the entire company in the form of New Customer Reports on a monthly basis. Through these efforts, we work together as an organization to address complaints accurately and prevent their recurrence.

#### ■ Trend of the number of complaints, inquiries, and requests for consultation

	FY2015	FY2016	FY2017
Complaints	67	27	13
Inquiries	96,579	49,487	25,401
Requests for consultation	214,451	231,778	181,110
Total number of contacts	311,097	281,292	206,524

Please refer to our Quality Policy and Inquiries/Complaints Handling Policy for Customer's Satisfaction as follows:

**WEB▶** <http://www.hitachi-capital.co.jp/hcc/english/company/supplychain.html>

### For Partners (suppliers and partner vendors)

We esteem highly in mutual understanding and reliability relations to establish good partnership between the partners (suppliers and vendors) when we purchase the goods and services.

We position our partners as associates who work with us to provide our customers with optimum solutions. We act on the purchasing rules that clarify the procedures for carrying out purchasing operations, while working on the internal control<sup>i</sup> of purchasing operations and implementation of corporate ethics in those operations.

#### ■ Basic Stance toward Purchasing

We conduct purchasing activities for all goods and services proactively and rationally, taking into account our management policies and the global environment, thereby contributing to the realization of our management targets. We always act with an awareness of costs and based on the idea that our business partners are also stakeholders. At the same time, we strive to act with dignity in observing social justice and corporate ethics in a way that is consistent with our Principles. We also strive to prevent damage attributable to "antisocial forces" by implementing initial and regular (half a year) survey (including as needed) for all customers and suppliers.

#### ■ Regular survey for customers and suppliers (Unit: cases)

	FY2016	FY2017
Customers (Customers/ Users), Suppliers	1,244,418	1,060,594

\*Scope: Total number of the regular survey of Hitachi Capital Corporation that include the number of the group companies in Japan asked to research to Hitachi Capital Corporation

#### ■ Internal Controls for Purchasing Operations

Purchase request, order (contract) and inspection processes are all considered independent of one another to facilitate internal control with the purpose of preventing fraud or mistakes. We also take steps to ensure that no single person has the authority to undertake two or more of these processes.



<sup>i</sup> internal control: internal systems that use an appropriate division of responsibility to prevent internal misconduct and errors from occurring, and which ensure that they are discovered rapidly in the event that they do occur.

## For Employees and their Families

To achieve “Respect for Human Dignity”, which is one of our Management Philosophy, we regard our employees as important management assets, and we work to provide them with better opportunities. We aim to create a broadminded work environment where resourceful, energetic, healthy and high-spirited individuals can come together.

**WEB** ▶ <http://www.hitachi-capital.co.jp/hcc/english/company/humanresource.html>

## Policy

We are constantly improving the systems and rules for employment and labor based on our “Working Environment Policy.”

In order to become a “Social Value Creating Company”, as outlined in our Mission statement, facing our stakeholders and presenting them with creative solutions that embrace change, as an organization, is indispensable. That is why we are planning projects like our SKY Project in the FY2018 Mid-term Management Plan, which aims to generate cycles that foster both individual and organizational growth, by creating a comfortable workplace where anyone can work actively and peace of mind. (See P11-12)

Please refer to the following website for our Human Rights Policy and Work Environment Policy.

**WEB** ▶ <http://www.hitachi-capital.co.jp/hcc/english/company/humanresource.html>

## Dialogue between the Management and Employees

The “Communication Roadshow” is held to provide a direct forum for communication between the management, including the president, and employees to discuss things like Mid-Term Management Plans and budgeting policies. In fiscal 2017, the roadshow was held 24 times in seven countries, Japan, UK, Poland, the Netherlands, U.S.A., Canada and China.

In addition, Nationwide Employee Representative Round-table Meetings are held twice a year as a forum for sharing management challenges with employees.

Moreover, an employee survey is conducted once per year in order to assess the awareness of employees towards the company and organization and challenges in an effort to revise systems and organizations accordingly.

### ■ Breakdown of employees at Hitachi Capital Group in fiscal 2017

(unit: people)

Item	Japan	Europe	Americas	China	ASEAN
Total number of workers	2,628	1,326	343	216	877
Men	1,884	663	193	92	572
Women	744	663	150	124	305
Part-time	728	120	28	11	—

\*The total number of workers includes those who are transferred to the Company Group from outside the Group and part-time workers. It excludes those who are transferred from the Company Group to outside the Group.

\*The figure given for the number of part-time workers is the annual average number.

## Promotion of Diversity

The Hitachi Capital Group has been working actively to promote diversity in line with the Core Values of the Basic Management Policies, which call for greater diversity. To develop businesses on a global scale and create new forms of innovation, it is important to establish an environment in which a diverse range of “human capital” (individuals)—regardless their gender, sexual orientation, nationality, age, job history, or disability—can exercise their capabilities to the fullest. Today the working population is shrinking as birthrates fall and the average age grows older. At the same time, business environments and customer needs are constantly changing and becoming more diverse. In light of these trends, we recognize various ways of thinking and working, aim to generate new forms of value, and seek to create a vital company.

We were certified as the Company of Support Raising the next-generations Children by the Ministry of Health, Labour and Welfare in June 2016 as a

company taking steps in line with the Act on Advancement of Measures to Support Raising Next-Generation Children, and received the corresponding certification label (Kurumin Mark<sup>®</sup>). Moreover, we have been holding management sensitivity training for all of our managers, including executives, to foster an awareness to help their subordinates to take childcare leaves, and women’s activities promotion seminars for our female employees. We have been promoting diversity awareness via messages from our president and lectures from third-party experts.

Also, the Company urges paternity leave in fiscal 2017, and 24 employees took the leave.

### ■ Numbers of managers at Hitachi Capital Group in fiscal 2017

(unit: people)

Item	Japan	Europe	Americas	China	ASEAN
Total number of managers	864	418	80	35	168
Men	799	282	51	17	124
Women	65	136	29	18	44

### ■ Employment of challenged people by Hitachi Capital Corporation

Item	FY2015	FY2016	FY2017
Number of applicable persons	74	72.5	69
Employment rate(%)	2.38	2.38	2.31



i Kurumin mark: This certificate is given to companies that satisfy specified requirements and make an active effort to improve the work environment to ensure that their employees can balance work and child care. We have been evaluated for promoting following activities and efforts: male employees taking childbirth leave; enhancing the ratio of childbirth ratio for women; practicing and urging the understanding of diversity management through specialized lectures for executives; installing a system that realize to work in the morning as a trial; and establishing the regular event to return home at the same time without no overtime work at the whole company.

## For communities and societies

We established a Social Contribution Activity Policy in October 2017. Focusing on the environment, people building, welfare and health, safe and secure, and regional contribution based on the Social Contribution Activity Policy, the Hitachi Capital Group continues to make contributions to communities as a corporate citizen. In addition, we endeavor to develop human resources capable of facing challenges in society and acting on their own through these activities.

**WEB** <http://www.hitachi-capital.co.jp/hcc/english/company/community.html>

## Social Contribution Activities in Each Region (Excerpts)

The Hitachi Capital Group actively participates in charity and volunteer activities around the world.

In fiscal 2017, a total of 35.51 million yen was spent as costs related to social contribution activities. We will continue to engage activities going forward, contributing to society as a “Social Value Creating Company” outside of the business side of our operations.

### Japan

#### Hitachi Capital Corporation

##### Welfare and health



The Hitachi Capital offers Hitachi Capital Special Awards as a cosponsor of the Artibility Awards to support challenged artists since 1998. The award-winning work is shown in many of the Company's publications including the cover of our calendar.

### Europe

#### Hitachi Capital (UK) PLC (UK)

##### Environment



Employees contribute as volunteers for a foodbank that provides foods to people in need that can still be eaten that would otherwise go to waste.

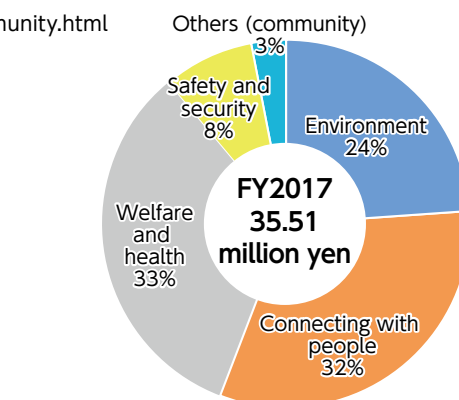
### ASEAN

#### Hitachi Capital (Thailand) Co., Ltd. (Thailand)

##### Connecting with people



Fourteen employees visited an orphanage that supports the life, studies, and treatment of HIV orphans and donated gifts including sweets and other goods. The children were very pleased to receive the cookies and snacks.



### China

#### Hitachi Capital (Hong Kong) Ltd. (Hong Kong)

##### Welfare and health



Employees and their family members visited nursing homes to celebrate the Mid-Autumn Festival together with elderly people and make donations. They made lanterns and enjoyed interacting with elderly people at

these facilities. Furthermore, thanks to initiatives like this, we were selected as a “Caring Company”<sup>i</sup> by a Hong Kong-based social welfare organization in March 2018.

### Americas

#### Hitachi Capital America Corp. (U.S.A.)

#### CLE Capital Inc. /Hitachi Capital Canada Corp. (Canada)

##### Welfare and health



We participated in the Turkey Trot charity race and donated a total of C\$1,605 to an organizations that helps children in need of food.

#### Hitachi Capital Malaysia Sdn.Bhd. (Malaysia)

##### Welfare and health



Eight employees participated in the “Earth Ethical Eating Walkathon” held in November 2017 that aims to raise awareness on ethical eating, and participation fees were donated to a charity fund of a charity organization.

<sup>i</sup> Caring Company: This is a certification system carried out by the Hong Kong Council of Social Service (HKCSS). This certification is only given to companies that were nominated by an NGO for their proactive efforts in implementing activities that place careful consideration on their employees, the environment, and the local area.



## Corporate Governance

To realize medium- and long-term sustainable growth, we treat corporate governance as a mandatory system; we aim to establish an optimal management structure for increasing corporate value while complying with relevant laws and social norms.

**WEB▶** <http://www.hitachi-capital.co.jp/hcc/english/company/governance.html>

## Corporate Governance

### ■ Basic Ideas and Measures

We established the Corporate Governance Standards to define our basic and mandatory concept on the establishment of an optimum corporate governance system such as internal controlling system. This system serves as the basis for implementing our Principles of "Sustainable Growth," "Respect for Human Dignity," and "Implementation of Corporate Ethics," and realizing the growth on a mid- to long-term basis.

The Company will contribute to the creation of a more abundant society by appropriately cooperating with a variety of shareholders in the operating environment including shareholders, investors, customers, business partners, employees, creditors, and the local community while constantly seeking the optimal corporate governance structure and creating value sought by society and customers.

### ■ Corporate Governance System

By separating supervising functions and business execution functions in our management, we aim to bring about a speedy and appropriate resolution of management issues we may face, now or in the future. We employ the company with Nominating Committee, etc. to form a part of management structure to enhance management transparency. We have established the following system in order to realize this objective.

#### a. Delegation of decisions on business execution and establishment of the Executive Board

In order to enable prompt decisions on business execution and to maximize the allocation of the finite resources of the Board of Directors to oversight of business execution and the other unique functions of the Board of Directors, the Company efficiently delegates authority and delegates authority related to decisions on business execution to the extent permitted under the Companies Act to Executive Officers. In addition, the Executive Board has been established as an advisory organ for decision making by the President and Chief Executive Officer, and it is held two times a month as a general rule for the purpose of sufficient consideration and deliberations on matters related to business execution (25 times in fiscal 2017). The result of the deliberations of the Executive Board are reported to the Board of Directors depending on the nature of the proposals.

#### b. Management of the Board of Directors and content of deliberations

In order for the Board of Directors to operate effectively, it is managed with a focus on the deliberation of important management issues such as management policy, management strategy, and the internal controlling system in addition to overseeing business execution.

When meetings of the Board of Directors are held, efforts are made to provide materials related to proposals in advance to Outside Directors as early as possible to enable more substantial deliberations, and if necessary provide relevant materials that contribute to explanation and deliberation of proposals.

#### c. Organization of Committees

Members of the three committees consisting of the Nominating Committee, Audit Committee, and Remuneration Committee should basically be Outside Directors (Independent Outside Directors) who fulfill the independence judgment criteria specified by the Company.

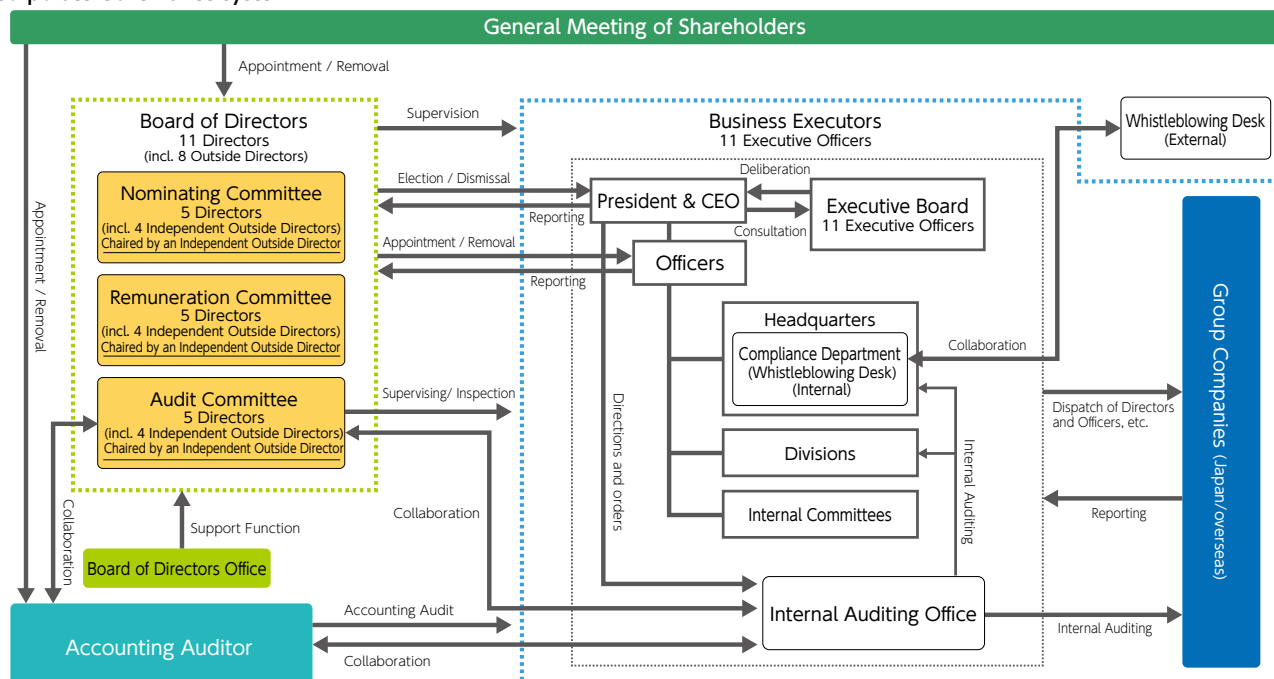
In order to ensure the independence of decisions by the Committees from employees who execute business, an Independent Outside Director is appointed to chair each Committee. However, sometimes Internal Directors, who are familiar with the unique circumstances at the Company, may serve as members to enhance the effectiveness of the Committees in discharging their duties.

The Audit Committee has been established as a standing Audit Committee for the purpose of developing an audit structure that ensures the adequacy of the audit environment, collects company information, and the appropriateness of business and to monitor and verify the status of operations constantly.

#### d. Audit by the Audit Committee

The Audit Committee meets once a month as a rule, and performs systematic and periodic audits of the Company and Hitachi Capital Group companies in accordance with the prescribed audit plan. The Audit Committee members can also attend the meetings of the Executive Board for the purpose of auditing and overseeing business execution. In fiscal 2017, the Audit Committee met 12 times, and the Audit Committee members conducted site visits at 17 subsidiaries.

### ■ Corporate Governance System





## Message from an Outside Director

Hitachi Capital adopted the company with a nominating committee, etc. structure as the form of its corporation organization from an early stage and has been striving for corporate governance. The division of functions under which execution of business is delegated to the Executive Officers and the Board of Directors oversees and guides the status of business execution eliminates management that is biased towards the interests of particular stakeholders and serves to guide corporate management in a desirable direction. In order to carry through these functions, Independent Outside Directors, who possess independence and objectivity, account for a majority of the members of the Nominating Committee, Remuneration Committee, and Audit Committee, which have been established beneath the Board of Directors. We have been steadily making improvements. For example, last fiscal year, we appointed an Independent Outside Director to chair each of the three committees and in fiscal 2018 we have welcomed a female Independent Outside Director. We have also been evaluating the effectiveness of the Board of Directors and disclosing the results of our evaluations.



**Koichiro Hiraiwa**  
Independent Outside Director  
Nominating Committee Chairman,  
Audit Committee Chairman,  
Remuneration Committee member

### ■ Activity Status of the Board of Directors and Evaluation of Effectiveness

In fiscal 2017, the Board of Directors met 14 times. In addition, a self-evaluation of effectiveness is conducted at least once a year as a part of the Board of Directors' activities with the aim of sustainable growth and medium-to-long term enhancement of corporate value. Specifically, there are repeated PDCA cycles aimed at continually improving effectiveness. This involves evaluating the effectiveness of the Board of Directors in March based on written questionnaires of all the Directors and an interview with the Company's Chairman, who chairs the Board. The Board of Directors acts on any observations, and this action is verified in the evaluation of the following year.

### ■ Initiatives and challenges in fiscal 2017

Challenges in fiscal 2016	Initiatives in fiscal 2017	Future challenges
Enhance discussion of human resources succession plan for next-generation executive candidates	<ul style="list-style-type: none"> <li>Initiative in response to challenge) Following discussion in Nominating Committee, enhance discussion through reporting to Board of Directors</li> <li>(New initiative) Off-site meetings between Independent Outside Directors and President &amp; CEO</li> </ul>	<ul style="list-style-type: none"> <li>More discussion and understanding of medium-to-long term challenges contributing to enhancement of corporate value</li> <li>Confirmation of importance of further strengthening of oversight function</li> </ul>

### ■ Directors Selection Criteria and Independence of Outside Directors

The Directors Selection Criteria have been established as criteria for judging the appropriateness of all Directors and the independence of Outside Directors. The Nominating Committee selects candidates for Directors based on the Directors Selection Criteria.

In addition, with regards to the composition of the Board of Directors including the Outside Directors, the Directors are expected to act in accordance with their respective attributes, aiming for the realization of an effective Board of Directors.

### ■ Composition of the Board of Directors

Independent Outside Directors 4 <b>Independent</b>	The main role is to oversee business execution objectively from an independent perspective. The Company submitted the notification for independent officers specified by the Tokyo Stock Exchange for all Directors.
Outside Directors 4 <b>Outside</b>	The main roles are to oversee business execution and provide advice that contributes to specific business objectives. Directors include officers, etc. from the Company's main shareholders.
Internal Directors 3 <b>Internal</b>	The main roles are to oversee effective business execution based on experience of business execution at the Company and to provide information to the Independent Outside Directors and the Outside Directors on the Company's specific circumstances. Directors who serve concurrently as Representative Executive Officers have a role in enhancing the effectiveness of the Board of Directors by providing fresh information to the Board of Directors as the representatives of employees who execute business in addition to communicating the ideas of the Board of Directors directly to employee who execute business to realize speedy management.

### ■ Fostering the Next Generation of Management (CLD)

At Hitachi Capital Group, we have established Capital Leadership Development (CLD) as a policy that aims to foster the next generation of key strategic management positions from a continued business growth standpoint. Under CLD, we have established the key positions for the achievement of our growth strategies in three to five years from now. We select and assess candidates for these positions and formulate a development plan, reporting periodically to the Executive Board and the Board of Directors.

### ■ Remuneration for Executives

Under the Company's policy in accordance with the stipulations of the Companies Act regarding a company with a nominating committee, etc., the Remuneration Committee decides on the amount of remuneration for Directors and Executive Officers for each individual. The basic policy is to realize enhancement in the Company's corporate value and management that contributes to the interests of stakeholders, including shareholders by enabling Directors to leverage their expected capabilities appropriately and Executive Officers to determine management policy not only in the short term but also from a medium-to-long term perspective and to plan and implement medium-term management plans and annual business budgets.

In addition, the meeting of the Remuneration Committee held on May 9, 2018 introduced performance-linked share-based remuneration into the remuneration for Executive Officers starting from fiscal 2018 with the objective of promoting management based on an awareness of financial performance and corporate value from a medium-to-long term perspective by increasing the motivation to contribute to improving financial performance and enhancing corporate value over the medium-to-long term and sharing the interests of shareholders.

### ■ Total amount of remuneration for Directors and Executive Officers

Executive category	Number of employees	Type of remuneration		Total remuneration, etc. (million yen)
		Monthly remuneration (million yen)	End-of-the-year bonus and remuneration linked with achievements (million yen)	
Directors *(of which, Outside Directors)	13 (9)	130 (55)	16 (4)	147 (60)
Executive Officer	10	274	106	381
Total	23	405	123	528

\*The number of Directors includes one Director who serves concurrently as an Executive Officer.

\*The amount of remuneration for Directors includes monthly remuneration from April until the time of retirement and year-end bonus for three Directors who retired at the conclusion of the 60th General Meeting of Shareholders held on June 23, 2017.

### ■ Governance System in Each Global Geographic Area

As part of our locally-minded business expansion based on the unique characteristics of each global geographic area, we encourage local individuals be hired as CEO, COO, and other senior management positions at our subsidiaries.

In terms of governance, executive officers are assigned to be in charge of individual regions including Europe, the Americas, China and ASEAN. At our subsidiaries in the United Kingdom, a majority of the board of directors is comprised of outside directors, and we have established a regional headquarters for ASEAN in Singapore. In this manner, we have established an effective governance system based on the unique characteristics of each region and business.

## Board of Directors



From back left: (6), (5), (11), (7), (8)  
From front left: (3), (1), (9), (10), (2), (4)

<b>(1) Koichiro Hiraiwa</b> (68 years old)		
Position: Director <span>Independent</span> <span>Outside</span>		
Title: Nominating Committee Chairman Audit Committee Chairman Remuneration Committee member	Term of office held: 3 years	Common shares held: 700

### ● Career summary

April 1974 Joined Bank of Japan  
 May 1997 General Manager of Okayama Branch, Bank of Japan  
 January 2002 General Manager of Kyoto Branch, Bank of Japan  
 April 2004 Head of Business Planning Department, Financial Business Division, NTT DATA Corporation  
 June 2005 Head of Financial Strategy Business Promoting Office, Financial Business Division, NTT DATA Corporation  
 July 2008 Head of Financial Business Planning Office, Financial Business Planning and Administration Department, NTT DATA Corporation  
 March 2009 President & Representative Director of the Kyoto Hotel, Ltd.  
 March 2015 Outside Director of Allied Telesis Holdings K.K. (present)  
 March 2015 Representative Director of Apua Consulting Inc.  
 June 2015 Director of the Company (present)  
 December 2017 Representative Director of Dream Estate Tokyo Inc. (present)  
 April 2018 Director of Apua Consulting Inc. (present)

### ● Reason for nomination as a Director

Mr. Koichiro Hiraiwa has high-level insight in overall management and deep specialized knowledge of finance based on his extensive experience in management. The Company expects that he will leverage his capabilities to make management decisions and supervise management based on this background to oversee business operation from an independent and objective standpoint, and strengthen the functioning of the Board of Directors.

● Attendance at the Board of Directors' meetings: 14 of 14 meetings (100%)

<b>(3) Takashi Nakamura</b> (62 years old)		
Position: Director <span>Independent</span> <span>Outside</span>		
Title: Nominating Committee member Audit Committee member Remuneration Committee member	Term of office held: 1 year	Common shares held: 100

### ● Career summary

April 1978 Joined Nippon Reizo K.K. (current Nichirei Corporation)  
 June 2007 Executive Officer and Group Leader of Financial Group, Nichirei Corporation  
 June 2010 Director, Executive Officer in charge of Legal Affairs, Intellectual Property Management, Corporate Internal Audit, Corporate Supervise, Human Resources Strategy & General Affairs, and Public & Investor Relations, General Manager of Internal Control Operations, and General Manager of Finance & Accounting, Nichirei Corporation  
 March 2011 Outside Statutory Auditor of The Kyoto Hotel, Ltd.  
 April 2012 Director, Executive Officer of Nichirei Corporation  
 June 2012 Representative Director, President of Nichirei Biosciences Inc.  
 April 2016 Director, Chairman of Nichirei Biosciences Inc.  
 June 2017 Director of the Company (present)  
 April 2018 Director of Nichirei Biosciences Inc. (present)

### ● Reason for nomination as a Director

Mr. Takashi Nakamura has extensive experience and high-level insight in overall management based on his management experience at global major companies, as well as deep specialized knowledge of finance and accounting. The Company expects that he will leverage his capabilities to make management decisions and supervise management based on this background to oversee business operation from an independent and objective standpoint, and strengthen the functioning of the Board of Directors.

● Attendance at the Board of Directors' meetings: 12 of 12 meetings (100%)

<b>(2) Wataru Sueyoshi</b> (61 years old)		
Position: Director <span>Independent</span> <span>Outside</span>		
Title: Nominating Committee member Audit Committee member Remuneration Committee Chairman	Term of office held: 2 years	Common shares held: 200

### ● Career summary

April 1983 Registered as an attorney Joined Mori Sogo Law Offices  
 April 2007 Established Sueyoshi Sogo Law Offices (current STW & Partners) Partner of STW & Partners (present)  
 July 2014 Member of Subdivision on Copyrights of the Agency for Cultural Affairs organized by the Ministry of Education, Culture, Sports, Science and Technology (present)  
 June 2016 Director of the Company (present)

### ● Reason for nomination as a Director

Mr. Wataru Sueyoshi has extensive experience as a lawyer at law firms and a high-level of specialized knowledge of corporate law and intellectual property. The Company expects that he will leverage his knowledge based on this background to oversee business operation from an independent and objective standpoint, and strengthen the functioning of the Board of Directors.

● Attendance at the Board of Directors' meetings: 14 of 14 meetings (100%)

<b>(4) Yuri Sasaki</b> (51 years old)		
Position: Director <span>Independent</span> <span>Outside</span>		
Title: Nominating Committee member Audit Committee member Remuneration Committee member	Term of office held: —	Common shares held: —

### ● Career summary

April 1995 Assistant of Hitotsubashi University (Faculty of Commerce and Management)  
 April 1998 Assistant Professor of Faculty of Commerce, Takachiho University of Commerce (current Takachiho University)  
 April 2001 Assistant Professor of Faculty of Economics, Meiji Gakuin University  
 April 2006 Visiting Scholar of University of Washington  
 April 2007 Professor of Faculty of Economics, Meiji Gakuin University (present)  
 June 2014 Director of JBA TIBOR Administration (present)  
 January 2015 Expert Committee Member of Financial System Council of Financial Services Agency (present)  
 November 2015 Visiting Scholar of University of Washington  
 June 2018 Director of the Company (present)

### ● Reason for nomination as a Director

Ms. Yuri Sasaki has a wealth of expertise in international finance and high-level insight developed through her career as a university professor, along with a broad range of experience as a member of the Financial System Council of Financial Services Agency, and as Director of the Japanese Bankers Association. The Company expects that she will leverage her insight based on this background to oversee business execution from an independent and objective standpoint, and strengthen the functioning of the Board of Directors by providing the Board of Directors with the latest insights in the areas of international finance from an academic perspective.

● Attendance at the Board of Directors' meetings: —

(5) Shinichiro Omori (62 years old)	Position: Director <a href="#">Outside</a>
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	Term of office held: 1 year	Common shares held: 300
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#### ● Career summary

April 1978 Joined Hitachi, Ltd.  
 September 2008 General Manager of Corporate Procurement Division, Hitachi, Ltd.  
 April 2012 Vice President and Executive Officer, and General Manager of Corporate Procurement Division, Hitachi, Ltd.  
 April 2016 Senior Vice President and Executive Officer, CIO, CTrO, General Manager of Smart Transformation Project Initiatives Division, and General Manager of Smart Life & Ecofriendly Systems Division, Hitachi, Ltd.  
 April 2017 Senior Vice President and Executive Officer, CIO, CTrO, General Manager of Smart Transformation Project Initiatives Division, and Head of MONOZUKURI Strategy Division & Corporate Quality Assurance Division, Hitachi, Ltd.  
 June 2017 Director of the Company (present)  
 June 2017 Director of Hitachi Chemical Company, Ltd. (present)  
 April 2018 Senior Vice President and Executive Officer, CIO, and General Manager of Smart Transformation Project Initiatives Division, Hitachi, Ltd. (present)

#### ● Reason for nomination as a Director

Mr. Shinichiro Omori has extensive experience as a corporate manager of Hitachi, Ltd. and the Hitachi Group and deep specialized knowledge of business areas at Hitachi, Ltd. The Company expects that he will leverage his capabilities to make management decisions and supervise management, based in particular on his current experience as Senior Vice President and Executive Officer of Hitachi, Ltd., to oversee business operation from an objective standpoint, and strengthen the functioning of the Board of Directors.

● Attendance at the Board of Directors' meetings: 12 of 12 meetings (100%)

(7) Makoto Kobayashi (56 years old)	Position: Director <a href="#">Outside</a>
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	Term of office held: 1 year	Common shares held: 100
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#### ● Career summary

April 1985 Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)  
 May 2010 Manager of Strategic Alliance Office, Corporate Planning Division, General Manager (in charge of special mission) of Corporate Planning Division, Deputy General Manager (in charge of special mission) of CIB Planning Division, and Deputy General Manager (in charge of special mission) of Global Planning Division, Mitsubishi UFJ Financial Group, Inc.  
 September 2010 General Manager of Syndication Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)  
 June 2011 Executive Officer and General Manager of Structured Finance Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
 May 2015 Managing Executive Officer and Group Head of Financial Solutions Group, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present)  
 July 2015 Executive Officer in charge of Financial Solutions Unit of Mitsubishi UFJ Financial Group, Inc. (present)  
 June 2017 Director of the Company (present)

#### ● Reason for nomination as a Director

Mr. Makoto Kobayashi was recommended as a candidate for Director by Mitsubishi UFJ Financial Group, Inc. (MUFG) based on the strategic capital alliance with five companies including the Company, MUFG and Mitsubishi UFJ Lease & Finance Company Limited. The Company judges that Mr. Kobayashi will be a valuable addition for achieving the goals of the alliance by reflecting in the Company's management his knowledge from his current key position at MUFG for driving forward the alliance. He also has extensive practical experience, including key roles in global major banks, as well as a broad range of expertise in financial operations both in Japan and internationally. The Company expects that he will leverage his knowledge based on this background to objectively oversee business operation and strengthen the functioning of the Board of Directors.

● Attendance at the Board of Directors' meetings: 12 of 12 meetings (100%)

(9) Kazuya Miura (65 years old)	Position: Chairman of the Board <a href="#">Internal</a>
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Title: Nominating Committee member	Term of office held: 11 years	Common shares held: 20,000
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#### ● Career summary

April 1976 Joined the Company  
 April 2003 Senior Manager of Business Equipment Development Department, Retail Division of the Company  
 September 2003 Vice President and Executive Officer of the Company  
 April 2005 Executive Vice President and Executive Officer of the Company  
 February 2007 Head of Corporate Sales & Marketing Division of the Company  
 April 2007 Representative Executive Officer, Executive Vice President and Executive Officer of the Company  
 June 2007 Representative Executive Officer, Executive Vice President and Executive Officer and Director of the Company  
 April 2009 Representative Executive Officer, President and Chief Executive Officer and Director of the Company  
 April 2016 Director of the Company  
 June 2016 Director, Chairman of the Board of the Company (present)

#### ● Reason for nomination as a Director

Mr. Kazuya Miura served as Representative Executive Officer, President and Chief Executive Officer and Director of the Company for seven years since 2009. The Company expects that he will oversee business operation from a high-level and effective standpoint, based on his experience and the unique situation of the Company, and enhance the effectiveness of the oversight functioning of the Board of Directors. In addition, the Company also expects that he will contribute to the activation of the Board of Directors by facilitating the proceeding of its meetings as Chairman of the Board.

● Attendance at the Board of Directors' meetings: 14 of 14 meetings (100%)

(10) Seiji Kawabe (62 years old)	Position: Director <a href="#">Internal</a>
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Title: Remuneration Committee member	Term of office held: 2 years	Common shares held: 8,900
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#### ● Career summary

April 1980 Joined the Company  
 April 2003 Head of Sales Division I of the Company  
 September 2007 Co-head of Corporate Sales & Marketing Division of the Company  
 April 2008 Vice President and Executive Officer of the Company  
 April 2012 Senior Vice President and Executive Officer of the Company  
 April 2016 Representative Executive Officer, President and Chief Executive Officer of the Company (present)  
 June 2016 Director of the Company (present)

#### ● Reason for nomination as a Director

The Company expects that since he is currently serving as Representative Executive Officer, President and Chief Executive Officer, Mr. Seiji Kawabe will, as a representative of the Executive Officers, provide the latest information to the Board of Directors to help enhance its effectiveness and communicate the intentions of the Board of Directors directly to the Executive Officers to facilitate speedy management.

● Attendance at the Board of Directors' meetings: 14 of 14 meetings (100%)

(6) Yoshitaka Tsuda (62 years old)	Position: Director <a href="#">Outside</a>
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	Term of office held: —	Common shares held: —
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#### ● Career summary

April 1979 Joined Hitachi, Ltd.  
 April 2002 General Manager of Government & Public Corporation Information Systems 2nd Sales Division, Government & Public Corporation Information Systems Sales Management Division, Information & Telecommunication Systems Group, Hitachi, Ltd.  
 April 2006 General Manager of Government & Public Corporation Information Systems Sales Management Division, Information & Telecommunication Systems Group, Hitachi, Ltd.  
 April 2009 General Manager of Kyushu Area Operation of Hitachi, Ltd.  
 April 2012 Chief Marketing Officer of Information & Telecommunication Systems Company, Information & Telecommunication Systems Group, and General Manager of Sales Management Division, Hitachi, Ltd.  
 April 2014 Vice President and Executive Officer, Chief Marketing Officer of Information & Telecommunication Systems Company, Information & Telecommunication Systems Group, General Manager of Information Sales Management Division, and Deputy General Manager of Sales Management Division, Hitachi, Ltd.  
 April 2017 Senior Vice President and Executive Officer, General Manager of Sales Management Division, and General Manager of Social Innovation Business Division, Hitachi, Ltd.  
 April 2018 Representative Executive Officer, Senior Vice President and Executive Officer, Chief Marketing Officer, General Manager of Sales Management Division, Deputy in Charge of Social Innovation Business, and General Manager of Social Innovation Business Division, Hitachi, Ltd. (present)  
 June 2018 Director of the Company (present)

#### ● Reason for nomination as a Director

Mr. Yoshitaka Tsuda has extensive experience as a corporate manager of Hitachi, Ltd. and deep specialized knowledge of business areas at Hitachi, Ltd. The Company expects that he will leverage his high-level capabilities to make management decisions and supervise management, based in particular on his current experience as Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd., to oversee business operation from an objective standpoint, and strengthen the functioning of the Board of Directors.

● Attendance at the Board of Directors' meetings: —

(8) Tsuyoshi Nonoguchi (57 years old)	Position: Director <a href="#">Outside</a>
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	Term of office held: —	Common shares held: —
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#### ● Career summary

April 1984 Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)  
 October 2009 General Manager (in charge of special mission) of Human Resources Division, The Mitsubishi Bank, Ltd.  
 May 2010 General Manager of Shinjuku Corporate Banking Division, Corporate Banking Group No.2, The Mitsubishi Bank, Ltd.  
 June 2011 Executive Officer and General Manager of Corporate Banking Business Division, The Mitsubishi Bank, Ltd.  
 June 2012 Managing Executive Officer and General Manager of Examination No. 1 Division, Mitsubishi UFJ Lease & Finance Company Limited  
 May 2013 Managing Executive Officer and in charge of Corporate Center, Mitsubishi UFJ Lease & Finance Company Limited  
 June 2013 Managing Director, Executive Officer and in charge of Corporate Center, Mitsubishi UFJ Lease & Finance Company Limited  
 June 2016 Senior Managing Director, Executive Officer and in charge of Corporate Center, Mitsubishi UFJ Lease & Finance Company Limited (present)  
 June 2018 Director of the Company (present)

#### ● Reason for nomination as a Director

Mr. Tsuyoshi Nonoguchi was recommended as a candidate for Director by Mitsubishi UFJ Lease & Finance Company Limited (MUL) based on the capital alliance with five companies including the Company, Mitsubishi UFJ Financial Group, Inc. and MUL. The Company judges that Mr. Nonoguchi will be a valuable addition for achieving the goals of the alliance by reflecting in the Company's management his knowledge from his current position at MUL in which he manages corporate divisions including planning divisions. He also has extensive practical experience in global major banks, as well as experience as an officer at MUL. The Company expects that he will leverage his capabilities to make management decisions and supervise management based on this background to objectively oversee business operation and strengthen the functioning of the Board of Directors.

● Attendance at the Board of Directors' meetings: —

(11) Kiyoshi Kojima (59 years old)	Position: Director <a href="#">Internal</a>
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Title: Audit Committee member	Term of office held: 1 year	Common shares held: 14,900
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#### ● Career summary

April 1983 Joined the Company  
 November 1998 Board Director of Hitachi Capital Securities Co., Ltd. (current DBJ Securities Co. Ltd.)  
 June 2001 Managing Director of Hitachi Capital Securities Co., Ltd.  
 April 2005 Director, Representative Executive Officer, and President and Chief Executive Officer of Hitachi Capital Trust Corporation  
 June 2006 Representative Director and President of Hitachi Capital Trust Corporation  
 April 2009 Vice President and Executive Officer of the Company  
 April 2012 Senior Vice President and Executive Officer of the Company  
 April 2014 Senior Vice President and Executive Officer of the Company, and President of Regional Headquarters of Asia-Pacific (current Hitachi Capital Asia Pacific Pte. Ltd.)  
 April 2015 Senior Vice President and Executive Officer of the Company, and Managing Director of Hitachi Capital Asia Pacific Pte. Ltd.  
 June 2017 Director of the Company (present)  
 June 2017 Director of Mitsubishi UFJ Lease & Finance Company Limited (present)

#### ● Reason for nomination as a Director

Mr. Kiyoshi Kojima has served as Executive Officer of the Company for many years, as well as a representative of overseas Group companies, and has deep understanding of the Group's management status and its practical operations. The Company expects that he will oversee business operation from a high-level standpoint effectively, and strengthen the functioning of the Board of Directors.

● Attendance at the Board of Directors' meetings: 12 of 12 meetings (100%)

Total common shares held: 45,200

\*Term of office of directors: The term of office of directors is from their appointment at the 61st Ordinary General Meeting of Shareholders scheduled on June 21, 2018 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2019.

\*The Company is a company with Nominating Committees, etc.

\*The numbers of meetings of the Board of Directors held under Attendance at the Board of Directors' meetings differ between the Board of Directors because of the timing of appointment.

## Executive Officers



From back left: (10), (8), (6), (5), (7), (9), (11)  
From front left: (3), (1), (2), (4)

<b>(1) Seiji Kawabe</b> (62 years old)	Position: Representative Executive Officer, President & CEO
Title: —	Common shares held: 8,900

● Career summary

April 1980 Joined the Company  
 April 2003 Head of Sales Division I of the Company  
 September 2007 Co-head of Corporate Sales & Marketing Division of the Company  
 April 2008 Vice President and Executive Officer of the Company  
 April 2012 Senior Vice President and Executive Officer of the Company  
 April 2016 Representative Executive Officer, President and Chief Executive Officer of the Company (present)  
 June 2016 Director of the Company (present)

<b>(2) Seiichiro Kishino</b> (62 years old)	Position: Representative Executive Officer, Executive Vice President and Executive Officer
Title: Head of Management Bases Initiatives	Common shares held: 10,300

● Career summary

April 1978 Joined Hitachi, Ltd.  
 June 2000 Co-Director of Finance Dept.  
 Power & Industrial Systems Group, Hitachi, Ltd.  
 June 2004 Director of Finance & Accounting Controls Dept. Information & Telecommunication Systems Company, Financial Information Systems Division, Hitachi, Ltd.  
 April 2007 General Manager of Financial Planning & Treasury Dep. Finance Group, Hitachi, Ltd.  
 April 2010 Corporate Officer, General Manager of Financial Planning & Treasury Dep. Finance Group, Hitachi, Ltd.  
 April 2013 Senior Vice President and Executive Officer of the Company  
 April 2016 Representative Executive Officer, Executive Vice President and Executive Officer of the Company (present)

<b>(3) Chihiro Shirai</b> (59 years old)	Position: Senior Vice President and Executive Officer
Title: Head of Corporate Sales & Marketing	Common shares held: 5,500

● Career summary

April 1982 Joined the Company  
 September 2005 Manager of Overseas Business Group, Corporate Planning Department of the Company  
 June 2006 Managing Director, Hitachi Capital Singapore Pte. Ltd.  
 June 2010 CEO, Hitachi Capital (UK) PLC  
 April 2014 Executive Officer of the Company  
 April 2015 Chairman & CEO, Hitachi Capital America Corp.  
 April 2016 Vice President and Executive Officer of the Company  
 April 2017 Senior Vice President and Executive Officer of the Company (present)

<b>(4) Akihiko Sugawara</b> (60 years old)	Position: Senior Vice President and Executive Officer
Title: Chief Executive for the Americas, Corporate Sales & Marketing	Common shares held: 2,000

● Career summary

April 1980 Joined Hitachi, Ltd.  
 April 2003 Senior Manager of Global Human Resources Department, Human Capital Office, Hitachi, Ltd.  
 October 2004 Senior Manager of Corporate Planning & Development Office, Hitachi Group Headquarters, Hitachi Group Corporate Strategy, Hitachi, Ltd.  
 July 2007 Deputy General Manager of Information & Telecommunication Systems, Financial Information Systems Sales Management Division, Hitachi, Ltd.  
 April 2010 Deputy General Manager of Human Capital Development Dept, Human Capital Group, Head of Hitachi Training Center, Hitachi, Ltd.  
 July 2011 Deputy General Manager of Global Human Capital Division, Human Capital Group, Hitachi, General Manager of Business Partnering Division, Ltd.  
 April 2013 Director, Senior General Manager, China and Asia Pacific Human Capital Headquarters, Hitachi China, Ltd.  
 April 2014 Vice President and Executive Officer of the Company  
 April 2016 Senior Vice President and Executive Officer of the Company (present)  
 April 2016 Chairman & CEO, Hitachi Capital America Corp. (present)

<b>(5) Masao Nishida</b> (57 years old)	Position: Vice President and Executive Officer
Title: Head of Risk Management Head of Smart Transformation	Common shares held: 13,200

● Career summary

April 1983 Joined the Company  
 May 2000 Director of Finance Department of the Company  
 October 2000 Director of 2nd Finance Department of the Company  
 October 2003 Director of 5th Sales Department of the Company  
 September 2005 General Manager of Finance Department of the Company  
 April 2010 Senior Managing Officer, General Manager of Finance Department of the Company  
 April 2012 Executive Officer of the Company  
 April 2014 Vice President and Executive Officer of the Company (present)

<b>(6) Yoshikazu Ohashi</b> (56 years old)	Position: Vice President and Executive Officer
Title: Head of Human Capital Chief Executive for Europe, Corporate Sales & Marketing	Common shares held: 1,700

● Career summary

April 1985 Joined the Company  
 April 2006 General Manager, Finance and Accounting Department, Finance and Accounting Business Dept., Hitachi Triple Win Corp.  
 December 2006 General Manager of Finance and Accounting Business, Hitachi Triple Win Corp.  
 December 2006 General Manager of Internal Control, Accounting Department of the Company  
 June 2010 Director, Hitachi Capital (UK) PLC  
 October 2012 Managing Director, Hitachi Capital (Thailand) Co., Ltd.  
 April 2015 Executive Officer of the Company  
 April 2017 Vice President and Executive Officer of the Company (present)



(7) Kazumi Anei (57 years old)		Position: Executive Officer
Title: Co-Head of Corporate Sales & Marketing Chief Executive for Japan, Corporate Sales & Marketing Head of Environment and Energy Business		Common shares held: 1,300

#### ● Career summary

April	1985	Joined the Company
April	2010	Chief Director of Kanagawa Sales of the Company
April	2011	Chief Director of Tokyo 3rd Sales in Main Corporate Business Unit of the Company
October	2011	Deputy Chief Director of Corporate Business, Chief Director of Social & Industrial Sales of the Company
May	2014	Deputy Chief Director of Account Sales Promotion and Chief Director of Corporate Business of the Company
April	2016	Executive Officer of the Company
April	2018	Vice President and Executive Officer of the Company (present)

(8) Masao Takemoto (58 years old)		Position: Executive Officer
Title: Head of Hitachi Group Business, Corporate Sales & Marketing Head of Smart Transportation		Common shares held: 800

#### ● Career summary

April	1983	Joined Hitachi, Ltd.
August	2001	General Manager, Sales Promotion Division, Financial Systems Sales Management Division, System Solutions Group, Hitachi, Ltd.
June	2002	General Manager, Sales Promotion Division, Financial Information Systems Sales Management Division, Information & Telecommunication Systems Group, Manager of Multipayment Solutions Project, Financial Solutions Systems Division, Hitachi, Ltd.
April	2003	General Manager, Marketing Division 1, Financial Solutions Division, Information & Telecommunication Systems Group, Hitachi, Ltd.
April	2004	General Manager, Financial Information Systems, Kanto Area Operation, Hitachi, Ltd.
April	2007	Vice President, Kanto Area Operation, Hitachi, Ltd.
October	2011	Senior Manager, Financial Information Systems Sales Management Division, Information & Telecommunication Systems Company, General Manager, Financial Information Systems Division, Information & Telecommunication Systems Company, Hitachi, Ltd.
April	2014	General Manager, Financial Information Systems Sales Management Division, Sales Management & Accounting Division Group, Information & Telecommunication Systems Company, Hitachi, Ltd.
April	2015	General Manager, Financial Information Systems Sales Management Division, Information & Telecommunication Systems Company, Hitachi, Ltd.
April	2016	General Manager, Corporate Sales & Marketing Group, Financial Information Systems Sales Management Division, Financial Institutions Business Unit, Hitachi, Ltd.
April	2017	Executive Officer of the Company (present)

(9) Ryoji Satoh (58 years old)		Position: Executive Officer
Title: Chief Executive for China, Corporate Sales & Marketing		Common shares held: 9,100

#### ● Career summary

April	1982	Joined the Company
April	1997	Senior Manager, President's Office of the Company
June	2001	President, Hitachi Capital Securities Co., Ltd. (Current DBJ Securities Co. Ltd)
September	2005	Corporate Officer, General Manager, President's Office of the Company
August	2006	Corporate Officer, General Manager, Legal Dept. of the Company
April	2008	President, Hitachi Capital Insurance Corporation
April	2012	Chairman, Hitachi Capital Leasing (China) Co., Ltd. (present)
August	2013	Chairman, Hitachi Capital Factoring (China) Co., Ltd. (present)
April	2016	Management Responsible in China, Corporate Sales & Marketing Division (present)
April	2017	Executive Officer of the Company (present)

(10) Satoshi Inoue (59 years old)		Position: Executive Officer
Title: Head of Finance		Common shares held: 1,000

#### ● Career summary

April	1983	Joined The Bank of Tokyo, Ltd. (Currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May	2009	General Manager, 5th Sales Division, Corporate Business Group 2, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May	2012	Deputy Director-General, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
April	2013	Senior Manager, Research Planning Group, Finance Dept., Finance Division of Hitachi Capital Corporation of the Company
April	2014	Corporate Officer, Co-Head of Finance Group of the Company
April	2016	Corporate Officer, Co-Head of Finance Division, Management Bases Initiatives Group and General Manager, Finance Dept., Finance Division of the Company
April	2017	Executive Officer of the Company (present)

(11) Masashi Takeda (54 years old)		Position: Executive Officer
Title: Chief Executive for ASEAN Region, Corporate Sales & Marketing		Common shares held: 500

#### ● Career summary

April	1986	Joined the Company
July	2001	Senior Manager, Securitization Business Development Dept. of the Company
January	2004	Senior Manager, Insurance business Dept., Fifth Sales Division at the Head Office of the Company, Director, Unum Japan Accident Insurance Co. Ltd.
July	2006	Head of Business Strategy of Hitachi Capital Insurance Corporation
June	2008	Director of Hitachi Capital Insurance Corporation
October	2012	Managing Director, Hitachi Capital (Hong Kong) Ltd.
June	2016	Managing Director, Hitachi Capital Management (China) Ltd.
April	2018	Executive Officer of the Company (present)
		CEO and Managing Director, Hitachi Capital Asia Pacific Pte. Ltd. (present)

Total common shares held: 54,300

Title	Name	Description
Representative Executive Officer, President	Seiji Kawabe	Overseeing all operations and business activities
Representative Executive Officer, Executive Vice President and Executive Officer	Seiichiro Kishino	Head of Management Bases Initiatives Export Controlling Committee
Senior Vice President and Executive Officer	Chihiro Shirai	Head of Corporate Sales & Marketing Planning Division, Vehicle Solution Strategy
Senior Vice President and Executive Officer	Akihiko Sugawara	Chief Executive for the Americas, Corporate Sales & Marketing Chairman & CEO of Hitachi Capital America Corp.
Vice President and Executive Officer	Masao Nishida	Head of Risk Management Crisis Management Committee, ERM Committee, J-SOX Committee, Investment and Marketing Planning Promotion Committee
Vice President and Executive Officer	Yoshikazu Ohashi	Head of Human Capital Chief Executive for Europe, Corporate Sales & Marketing, Rewards and Punishments Committee, Human Rights Promotion Committee, Human Capital and Education Committee

Title	Name	Description
Vice President and Executive Officer	Kazumi Anei	Chief Executive for Japan, Co-head of Corporate Sales & Marketing Head of Environment and Energy Business Environmental Promotion Committee
Executive Officer	Masao Takemoto	Head of Hitachi Group Business, Corporate Sales & Marketing Head of Smart Transportation, Management Bases Initiatives
Executive Officer	Ryoji Satoh	Chief Executive for China, Corporate Sales & Marketing Chairman, Hitachi Capital Leasing (China) Co., Ltd., Chairman, Hitachi Capital Factoring (China) Co., Ltd.
Executive Officer	Satoshi Inoue	Head of Finance Pension Committee
Executive Officer	Masashi Takeda	Chief Executive for ASEAN Region, Corporate Sales & Marketing, CEO & Managing Director of Hitachi Capital Asia Pacific Pte. Ltd.



## Risk Management and Compliance

Hitachi Capital engages in appropriate business activities with a high sense of integrity in accordance with "Implementation of corporate ethics" in our Principles and "Basics and Ethics" in our Core Values to obtain the trust of society at large.

Moreover, in order to realize sustainable growth, we recognize the importance and necessity of controlling risk in accordance with regional characteristics and creating a high quality management base that will help to strengthen competitiveness, and we are working to further enhance our risk management stance.

## Risk Management Structure

The Group has formulated the Risk Management Policy to clarify basic management policies and methods for addressing risks. In order to realize sustainable growth, we recognize the importance and necessity of having a true and accurate grasp of risks affecting our business and addressing these risks appropriately. Based on this understanding, we have set up the Risk Management Department in the headquarters to further enhance our risk management stance. The department is intended to comprehensively address the Group's risks including the Business Continuity Plan (BCP) as well as various risks such as business risk, credit risk, and compliance risk.

### Business and Other Risks (excerpt)

The following represents the main potential risk factors facing the Group's businesses and other operations.

- Internal control-related risk
- Interest rate risk
- Credit risk
- Residual value risk
- Risks associated with business structure reform

Details:

**WEB▶** <http://www.hitachi-capital.co.jp/hcc/english/company/governance.html>

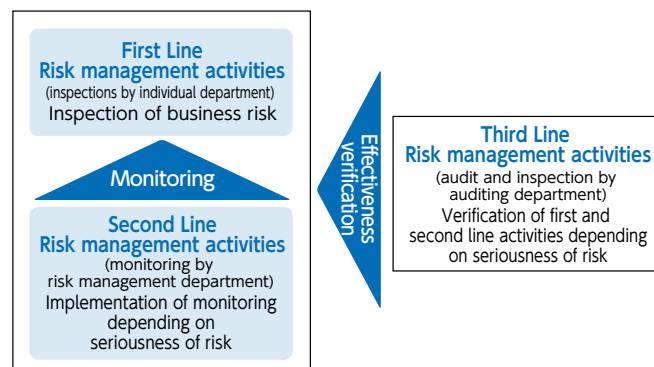
The Hitachi Capital Group Head of Risk Management (CRO) is Hitachi Capital's Chief Risk Management and Compliance Officer and is responsible for detecting identifying and preventing potential misconduct and noncompliance with applicable rules and regulations throughout the Group. The CRO reports directly to the Board of Directors and the Chief Executive Officer. The CRO also liaises with Group risk management and compliance functions and provides the necessary instructions and guidance to the Risk Management Department, which is responsible for Hitachi Capital's overall risk management and compliance programs.

In October 2017, we enhanced our stance on information security management, and assigned a CISO (Chief Information Security Officer) as the manager responsible for handling information security risk, particularly that due to cyber terrorism and other similar risks.

We also have the Enterprise Risk Management (ERM) Committee as a core organization responsible for overseeing risk management in business activities in order to establish a common understanding and share information among the Executive Board, divisions, and operations, thereby improving the effectiveness of our risk management. The ERM Committee revised the risk map as an important tool in upgrading risk management in fiscal 2016, and it has been implementing risk management on a consolidated,

global basis with a risk-based approach using the revised risk map since fiscal 2017. Specifically, the ERM Committee meets each month to share information and discuss countermeasures on a companywide basis, conduct effective risk impact assessments, and review the priority of risks. Its discussions include (1) operation of a risk map, (2) registration of accident information in Japan and abroad and operations of the accident investigation committee, (3) informationsecurity related issues and activities, (4) customer inquiries and complaints, (5) points raised through internal audits, (6) responses to inspections conducted by government authorities and external institutions, and (7) trends of laws and regulations and compliance activities. Additionally, to discover risk and take countermeasures, we implement "3 Lines of Defense" with inspections and monitoring by 3 "lines" which consist of the individual, risk management, and supervising department.

### ■ 3 lines of defense



### ■ Compliance Structure

In terms of its most fundamental stance on compliance, the Hitachi Capital Group has formulated a Compliance Policy, and the Compliance Department handles the information gathering and the planning, proposal-making, and facilitation of compliance systems. In addition, the Group systematically provides basic legal education, employee grade-specific education, and education on specialized knowledge for officers and employees in accordance with the education plans formulated by departments with responsibility for personnel education.

In fiscal 2016, the Hitachi Capital Group developed the Hitachi Capital Global Compliance Program (HCGCP) as regulations in response to areas such as preventing corruption, complying with competition laws, excluding antisocial forces, and money laundering to ensure the effective implementation of compliance while respecting social norms that include laws and regulations relevant to the Group. Under the HCGCP, the Anti-Corruption Regulations, the Regulations to Comply with Competition Laws, and the Regulations for the Prevention of Anti-Social Transactions are the core compliance policies for the promotion of initiatives.

We also act on a Policy against Antisocial Forces (groups and individuals who pursue economic gain through violence, force, and fraud), thereby seeking to avoid disrupting the social order while gaining public confidence. The policy sets out management systems to reject and completely eliminate any relationship with antisocial forces, and stipulates how to respond to improper demands from antisocial forces.

The Group has also put in place an Information Security Policy and a Personal Information Protection Policy based on which it diligently manages information, and it has acquired the Privacy Mark.

Here it is worth pointing out that during fiscal 2017 there was neither a serious violation of legislation by any company or employee in our Group, nor a business-related incident leading to criminal charges.

#### ■ Compliance Initiatives in Fiscal 2017

In fiscal 2017, in order to ensure the effectiveness of group-wide compliance on a global scale, we established regulations related to anti-social transactions, prevention of corruption, entertainment, donations, compliance with competition laws, the employment of current and former public servants and employee due diligence. These regulations include Detailed Rule for Third-Party Due Diligence and the Procedure Manual for Third-Party Due Diligence relating to compliance screening of suppliers (including payees such as agencies and partners).

#### ■ Whistleblowing

Given that other companies have detected irregularities through internal reporting over recent years, the Group worked on measures to effectively utilize its whistleblowing system in fiscal 2017, and the number of whistleblowing cases increased as a result.

The whistleblowing system is aimed at discovering and resolving internal issues as quickly as possible by putting a system in place for receiving whistleblowing (organizational development) through dedicated contact points inside and outside of the company, and nurturing an awareness that illegal and improper conduct must not be overlooked (attitude building). The system allows all Group employees and officers (not only fulltime employees currently working but those who have already left the company in addition to part-time employees, contract employees, and temporary employees as well as the officers and employees of suppliers) to report any illegal activities or improper conduct that has occurred or is occurring in the Group to either an internal contact point or external legal counsel based on Japan's Whistleblower Protection Act and resolutions on internal control, and demands for further improvements are mounting.

#### ■ Number of whistleblowing cases (Hitachi Capital Corporation on a non-consolidated basis)

FY2013	FY2014	FY2015	FY2016	FY2017
2	2	1	2	10

#### ■ Number of whistleblowing cases (Hitachi Capital Group on a consolidated basis)\*

FY2013	FY2014	FY2015	FY2016	FY2017
3	3	4	9	24

\*Calculated for companies to which the person who used the whistleblowing system belongs to (including former affiliation). However, if a whistleblowing report is received from a business partner, it is included in the number of whistleblowing cases for Hitachi Capital Corporation on a non-consolidated basis.

\*The figures for Hitachi Capital Corporation on a non-consolidated basis are also included in Hitachi Capital Group on a consolidated basis, as well as the cases of whistleblowing to Hitachi, Ltd. from fiscal 2013 to fiscal 2016 and those of whistleblowing overseas from fiscal 2015.

#### ■ Improvement of Compliance

In order to improve group-wide compliance, we periodically implement compliance surveys, compliance training, and compliance awareness questionnaires.

We conduct compliance surveys twice a year for all Group companies and departments on the current state of compliance activities. The content of the surveys is analyzed, and the results are reported to the Enterprise Risk Management (ERM) Committee, the Audit Committee, and the Executive Board with feedback being provided for each Group company and department.

For compliance training, in addition to employee grade-specific education and specialized education for the compliance leaders assigned to each workplace, Hitachi Capital has designated October as Corporate Ethics Month for all employees (officers, employees and contract employees). We disseminate messages from the President & CEO and Hitachi Capital Group's Head of Risk Management (CRO) and provide education on compliance with regulations related to the Code of Conduct, preventing corruption, compliance with competition laws and anti-social transactions through e-learning. Beginning in fiscal 2017, we strived for constant awareness of compliance in business operations with the release of a quarterly message on compliance from the President & CEO.

Please refer to the website for the following regulations and policies.

**WEB** ▶ <http://www.hitachi-capital.co.jp/hcc/english/company/governance.html>

- Hitachi Capital Global Compliance Program (HCGCP) Framework Policy
- Compliance Policy · Policy against Antisocial Forces
- Information Security Policy
- Personal Information Protection Policy
- Risk Management Policy
- Credit Risk Policy

# Financial Information (excerpt)

For the latest and more detailed financial information, please check the IR information on our website, as well as the “Securities Report” (Japanese) and “Financial Information Details” (English).

**WEB▶** [http://www.hitachi-capital.co.jp/hcc/english/ir\\_english/index.html](http://www.hitachi-capital.co.jp/hcc/english/ir_english/index.html)

Accounting Standards		IFRS			
Item	Period	FY2014	FY2015	FY2016	FY2017
Financial results (million yen)					
Revenue		356,291	365,354	370,860	404,124
Income before income taxes		35,598	46,667	46,033	44,295
Net income attributable to owners of the parent		24,140	32,694	32,926	32,057
Volume of business		2,118,850	2,290,156	2,334,252	2,509,327
Year-end financial position (million yen)					
Total assets		2,952,471	3,081,201	3,245,029	3,468,756
Total liabilities		2,615,641	2,733,641	2,881,851	3,075,649
Total equities		336,830	347,559	363,178	393,107
Cash flows (million yen)					
Cash flows from operating activities		-241,846	-206,372	-142,653	-219,623
Cash flows from investing activities		-3,443	-6,408	-52,388	-36,681
Cash flows from financing activities		210,858	252,425	216,105	253,577
Corporate management indices					
ROE (Return on equity /Profit to equity attributable to owners of parent ratio)		7.7%	9.9%	9.6%	8.8%
ROA (Return on assets /Profit before tax to total assets ratio)		1.3%	1.5%	1.5%	1.4%
OHR (Overhead Ratio)		63.1%	59.9%	60.7%	60.9%
Equity ratio/Equity attributable to owners of the parent ratio		11.0 %	10.9 %	10.8%	10.9%
Per share information, etc. (yen)					
Equity per share attributable to equity owners of the parent		2,782.37	2,870.33	2,993.03	3,241.24
Net income attributable to owners of the parent per share		206.53	279.71	281.69	274.26
Dividends per share		60	84	86	86
Payout ratio		29.1%	30.0%	30.5%	31.4%

## Share price trend over the past 5 years

Term	57	58	59	60	61
Settlement date	March 2014	March 2015	March 2016	March 2017	March 2018
Max. (yen)	3,160	2,942	3,570	3,050	3,245
Min. (yen)	1,817	2,175	2,189	1,725	2,444

\*Share price as of April 1, 2012. Created by Hitachi Capital based on Nikkei Value Search using the Nikkei Stock Average as index value of 0.0.

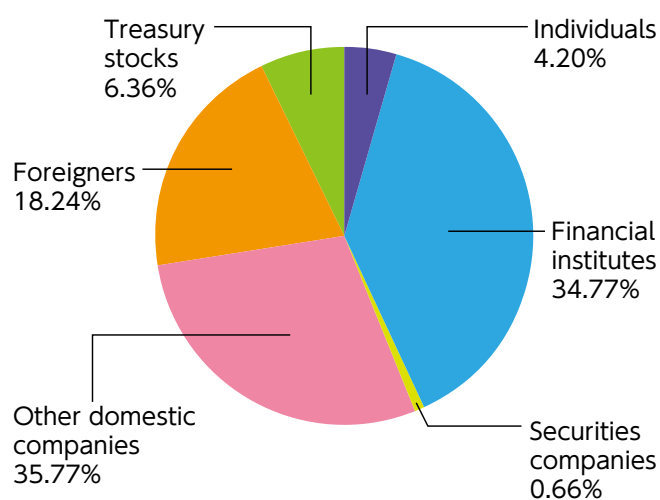
## Share status (as of March 31, 2018)

Total number of authorized shares: 270,000,000

Total number of issued shares: 124,826,552

Number of shareholders: 7,305

One *tangen* (unit stock): 100 shares



### Major shareholders (top 10)

Shareholder Name	Shares Held	Shareholding Ownership Ratio (%)
Hitachi, Ltd.	39,031,800	33.39
Mitsubishi UFJ Financial Group, Inc.	26,884,484	23.00
Mitsubishi UFJ Lease & Finance Company Limited	4,909,340	4.20
Japan Trustee Services Bank, Ltd. (Trust Account)	4,150,400	3.55
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,310,100	1.98
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,878,400	1.61
JP MORGAN CHASE BANK 380684	1,574,700	1.35
STATE STREET BANK AND TRUST COMPANY 505001	1,476,854	1.26
GOVERNMENT OF NORWAY	1,438,900	1.23
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,036,700	0.89

\*Our 7,940.5 thousand treasury shares are excluded from the above list of major shareholders.

\*The shareholding ownership ratio shown above were calculated without these treasury shares.

## ■ Dividend policy

### (1) Distribution of dividends from surplus

To enhance corporate value and realize sustainable growth, we secure necessary inner reservation to implement strategic investments which corresponds to solid financial position and business circumstances change. The distribution of dividends is positioned as one of our most important management measures with respect to shareholders, and we will continue to implement dividend distribution in an ongoing, steady manner.

### (2) Acquisition of treasury shares

We acquire treasury shares as a complementary measure to the distribution of dividends in returning profit to shareholders to the extent that is in line with our dividend policy, while considering the capital required for maintaining our financial position and capital demand carrying out business plans, and market environments

## ■ Policy on information disclosure

We disclose information in a timely and appropriate manner, in line with "Policy on Information Disclosure and Dialogue with Shareholders", beyond the scope prescribed by laws and regulations relating to information disclosure, thereby helping people to better understand our management policy and businesses.

### Policy on Information Disclosure and Dialogue with Shareholders

#### 1. Basic Policy

Based on our management philosophy of "Sustainable Growth", "Respect for Human Dignity", and "Implementation of Corporate Ethics", Hitachi Capital Corporation (the "Company") will develop and maintain relationships of trust with our shareholders, investors, and all other various stakeholders supporting the Company and, in promoting constructive dialogue, will disclose information in an impartial and highly transparent manner and respond fairly and responsibly to our stakeholders through a variety of communication activities.

#### 2. Disclosure of Material Information

The Company will disclose any information for which disclosure is required under relevant laws, ordinances, regulations, and the like through an appropriate and timely manner and will also announce such disclosed information promptly thereafter on the Company's website.

The Company will strictly control insider information, prevent information leaks, and preserve the fairness of disclosure. Additionally, the Company will, for a certain period of time before the announcements of financial results are made, refrain from responding to inquiries on the details of the content of such announcement.

#### 3. Voluntary Information Disclosure

The Company will actively disclose not only the information prescribed in law, ordinance, disclosure-related regulations, and the like, but also management policies, business strategies, finance-related information, and non-financial information related to such issues as the environment and society as well, recognizing that these matters are material information necessary for the accurate understanding and judgment of the stakeholders of the Company.

To achieve the sustainable growth and enhance corporate value of the Company, the executive officers and directors will, to the reasonable and necessary extent, engage in dialogue with stakeholders at individual meetings, briefings, and other such manners.

## 4. Development of Internal Systems

With the executive officer and department in charge of investor relations taking the lead role, the Company will strive for interactive cooperation among all the relevant departments and work towards the optimization of the Company's internal systems so that the above policies and information disclosure can be appropriately carried out.

To the extent necessary, the Company will share and discuss views learned through shareholder dialogue that contribute to enhance corporate value with the Executive Officers Committee and the Board of Directors.

## 5. Revision and Abolition of this Policy

This Policy may be revised or abolished through a resolution of the Board of Directors.

## ■ Directors selection criteria

In selecting candidates for the directors, the Nominating Committee shall take into consideration the factors listed in (1) below in order to ensure the appropriateness as the director of the Company. Candidates for Independent Outside Directors must also satisfy the conditions regarding independence specified in (2) below.

### (1) Eligibility Criteria

- ① Candidates must have superior character and insight
- ② Candidates must have served in a leadership role in the fields of the corporate management or legal profession, administration, accounting, finance, or other related fields, or have equivalent experience.
- ③ Candidates must not concurrently serve as a director, accounting advisor, corporate auditor, executive officer, accounting auditor, or commissioner of more than four companies other than the Company. Further, in the event that the candidate holds concurrent positions at more than four companies other than the Company, the Nominating Committee must have recognized the candidate's appropriateness after comprehensively considering the circumstances of the concurrent posts.

### (2) Independence Criteria

The Nominating Committee will nominate a candidate to whom none of the following items applies and who is determined to be capable of acting as an independent outside director.

- ① The outside director currently serves or previously served as an executive director, executive officer, or employee of the Company, or a subsidiary or major shareholder<sup>i</sup> of the Company, or a subsidiary or affiliated company<sup>ii</sup> of a major shareholder.
- ② A company for which the outside director currently serves as an executive director, executive officer, or employee has received payments from the Company or made payments to the Company as compensation for the provision of products or services exceeding 2% of either company's consolidated sales from the previous three fiscal years.
- ③ The outside director has directly received more than 10 million yen in compensation from the Company as a specialist or consultant in the fields of accounting, taxation, or legal affairs in any of the past three fiscal years (excluding compensation for service as a director of the Company).
- ④ The outside director serves as an executive officer of a non-profit organization that has received more than 10 million yen in donations from the Company in any of the past three fiscal years, which exceed 2% of the total revenue and ordinary revenue of the organization in question.
- ⑤ The Nominating Committee determines that particular circumstances (including, without limitation, terms of office and concurrent situations) that may cause a conflict of interest with general shareholders otherwise exist.

<sup>i</sup> This refers to shareholders that hold at least 10% of total voting shares.

<sup>ii</sup> The meaning of "subsidiary" and "affiliated company" is defined in Article 8, Paragraph 3 and 5 of the "Regulation for Terminology, Forms and Preparation of Financial Statements."



## ■ Status of the Group's financing and capital investment (as of March 31, 2018)

The balance of the Group's financing through borrowing from financial institutions, the sales of corporate bonds on the capital market, etc. was 2,812,991 million yen as of the end of the current period. The financial institutions used totaled approximately 100 companies, including major banks, regional banks, foreign banks, insurance companies, and so on. Our financing on the capital market is comprised of straight bonds (SB), commercial paper (CP), medium-term notes (MTN), payables due to liquidation of receivables, and so on. In the future we will continue to procure a stable funding by utilizing various means of financing.

Further, the major capital investments made in this period were 203,230 million yen for the acquisition of operating lease assets and 23,194 million yen for the acquisition of other tangible fixed assets (assets related to solar and wind energy businesses).

## ■ External evaluations

Hitachi Capital has received the following evaluations from external Parties.

Going forward, the Group will seek to fulfill our social responsibilities and achieve sustainable growth in society.

### ● Bond issue ratings (as of March 2016)

Rating agency	Rating
Standard & Poor's (S&P)	A <sup>-</sup>
Japan Credit Rating (JCR)	AA <sup>-</sup>
Rating and Investment Information (R&I)	A <sup>+</sup>

### ● We have been selected for inclusion in the JPX-Nikkei Index 400.

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



### ● Hitachi Capital Leasing (China) Co., Ltd. received Triple-A Credit Rating from Beijing Enterprise Credit Information Network (July 2018)



## ■ Major lenders and outstanding debts (as of March 31, 2018)

The Group's major lenders as of the end of the current period are as follows.





Lender	Outstanding Debt (Unit: millions of yen)
Bank of Tokyo-Mitsubishi UFJ, Ltd.	336,721
Mizuho Bank, Ltd.	231,826
Sumitomo Mitsui Banking Corporation	145,776
Mitsubishi UFJ Trust and Banking Corporation	84,771
Sumitomo Mitsui Trust Bank Limited	77,513

\*The outstanding debts listed here include borrowing from the overseas subsidiaries of the lenders.

\*Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. on April 1, 2018.

## ● Selected representative ESG (Environment, Social and 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  FTSE4Good
	FTSE Blossom Japan Index  FTSE Blossom Japan
MSCI	MSCI Japan ESG Select Leaders Index  2017 Constituent MSCI Japan ESG Select Leaders Index
Morningstar	Morningstar Socially Responsible Investment Index (selected on January 4, 2018) 

## Business Segments of Hitachi Capital

### ■ Japan business

Account solutions	Offers solutions through the combination of the Group's finance, services, and commercialization businesses and coordination with partners including the Hitachi Group in response to the various needs of customers.		
	Significant consolidated subsidiaries		
	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. 12 other companies
Vendor solutions	Offers financial services including the Group's leases and installment sales in response to the sales promotion needs of partner vendors, etc.		
	Consolidated subsidiaries that conduct this business		
	Hitachi Capital NBL Corporation		

### ■ Status of significant subsidiaries (Japan)

Company name	Location	Capital	Holding/held ratio of voting rights (%)*	Business segment	Description of operations
(Consolidated subsidiary) Hitachi Capital Servicer Corporation	Minato-ku, Tokyo	¥500 million	(Ownership) 100.00	Other	Collection and management of receivables
Hitachi Capital Services Co., Ltd.	Minato-ku, Tokyo	¥130 million	100.00	Other	Stocking and selling of used vehicles
■ Hitachi Capital Auto Lease Corporation	Minato-ku, Tokyo	¥300 million	51.00	Account solutions	Auto leasing business
Hitachi Triple Win Corp.	Minato-ku, Tokyo	¥50 million	100.00	Other	Outsourcing business, and food, beverage, and agricultural business
■ Sekisui Leasing Co., Ltd.	Chuo-ku, Osaka	¥100 million	90.00	Account solutions	Leasing business and financing business
■ Hitachi Capital Insurance Corporation	Chiyoda-ku, Tokyo	¥6,200 million	79.36	Account solutions	Non-life insurance business
■ Hitachi Capital Community Corporation	Minato-ku, Tokyo	¥80 million	100.00	Account solutions	Development, operation, and management of commercial facilities management and residential facilities, etc.
■ Hitachi Capital Trust Corporation	Minato-ku, Tokyo	¥1,000 million	100.00	Account solutions	Trust business
■ Hitachi Capital NBL Corporation	Minato-ku, Tokyo	¥10,000 million	100.00	Vendor solutions	Leasing business
■ Hitachi Green Energy Corporation	Minato-ku, Tokyo	¥3 million	100.00	Account solutions	Power generation business
■ Hitachi Wind Power Ltd.	Minato-ku, Tokyo	¥50 million	85.10	Account solutions	Power generation business
■ Hitachi Sustainable Energy Ltd.	Hitachi City, Ibaraki	¥50 million	85.10	Account solutions	Power generation business

\*Figures in the parentheses in the column for the holding/held ratio of voting rights represents percentage of indirectly holding votes.

■ **Global business** Offers a broad range of financial services and financial services in coordination with the Hitachi Group in response to the needs of customers and vendors in each region.

	Significant consolidated subsidiaries		
Europe	Hitachi Capital (UK) PLC Hitachi Capital Polska Sp. z o.o.	Noordlease Holding B.V. Noordlease B.V.	Lease Visie B.V. 2 other companies
Americas	Hitachi Capital America Corp.	Hitachi Capital Canada Corp.	CLE Capital Inc. 1 other company
China	Hitachi Capital (Hong Kong) Ltd. Hitachi Capital Management (China) Ltd.	Hitachi Capital Leasing (China) Co., Ltd. Hitachi Capital Factoring (China) Co., Ltd.	
ASEAN	Hitachi Capital Asia Pacific Pte.Ltd. Hitachi Capital (Thailand) Co.,Ltd.	Hitachi Capital Malaysia Sdn.Bhd. PT. Arthaasia Finance	PT. Hitachi Capital Finance Indonesia 1 other company

### ■ Status of significant subsidiaries (global)

Company name	Location	Capital	Holding/held ratio of voting rights (%)	Business segment	Description of operations
Hitachi Capital (UK) PLC	Surrey, UK	110,668 thousand GBP	100.00	Europe	Leasing business and financing business
Hitachi Capital Polska Sp. z o.o.	Warsaw, Poland	50 thousand PLN	100.00	Europe	Auto leasing business
Noordlease Holding B.V.	Groningen Province, the Netherlands	800 thousand EUR	96.70	Europe	Financial holding company
Noordlease B.V.	Groningen Province, the Netherlands	45 thousand EUR	100.00 (100.00)	Europe	Auto leasing business
Lease Visie B.V.	North Holland, the Netherlands	18 thousand EUR	100.00 (100.00)	Europe	Auto leasing business
Hitachi Capital America Corp.	Connecticut, U.S.A.	180,000 thousand USD	100.00	Americas	Leasing business and financing business
Hitachi Capital Canada Corp.	Ontario, Canada	61,000 thousand CAD	100.00 (100.00)	Americas	Leasing business and financing business
CLE Capital Inc.	Quebec, Canada	10,126 thousand CAD	100.00 (100.00)	Americas	Leasing business and financing business
Hitachi Capital Management (China) Ltd.	Hong Kong, China	1,548,752 thousand HKD	100.00	China	Financial holding company
Hitachi Capital (Hong Kong) Ltd.	Hong Kong, China	310,000 thousand HKD	100.00 (100.00)	China	Leasing business and financing business
Hitachi Capital Leasing (China) Co., Ltd.	Beijing, China	100,000 thousand USD	90.00 (90.00)	China	Leasing business and financing business
Hitachi Capital Factoring (China) Co., Ltd.	Shanghai, China	306,570 thousand RMB	100.00 (100.00)	China	Factoring business
Hitachi Capital Asia Pacific Pte. Ltd.	Singapore	126,400 thousand SGD	100.00	ASEAN	Leasing business and financing business
Hitachi Capital (Thailand) Co., Ltd.	Bangkok, Thailand	1,100,000 thousand THB	100.00 (100.00)	ASEAN	Leasing business and financing business
Hitachi Capital Malaysia Sdn. Bhd.	Pinang, Malaysia	65,000 thousand MYR	100.00 (100.00)	ASEAN	Leasing business and financing business
PT. Arthaasia Finance	Jakarta, Indonesia	116,500 million IDR	84.98 (84.98)	ASEAN	Leasing business and financing business
PT. Hitachi Capital Finance Indonesia	Jakarta, -Indonesia	100,000 million IDR	70.00 (70.00)	ASEAN	Leasing business and financing business

Other consolidated subsidiaries: 17  
Other equity method affiliates: 12

### "Kurumin Mark"

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We acquired the accreditation mark "Kurumin" after being certified by the Ministry of Health, Labour and Welfare (Japan) as a general business owner that meets the standards based on the Act on Advancement of Measures to Support Raising Next-Generation Children in Japan in June, 2016.



Contact us here with your opinions and impressions about Hitachi Capital's activities

## **Hitachi Capital Corporation**

Corporate Planning Department and CSR Promotion Department

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