

Hitachi Capital Report 2019

Year ended March 31, 2019



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 "FY2019-FY2021 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

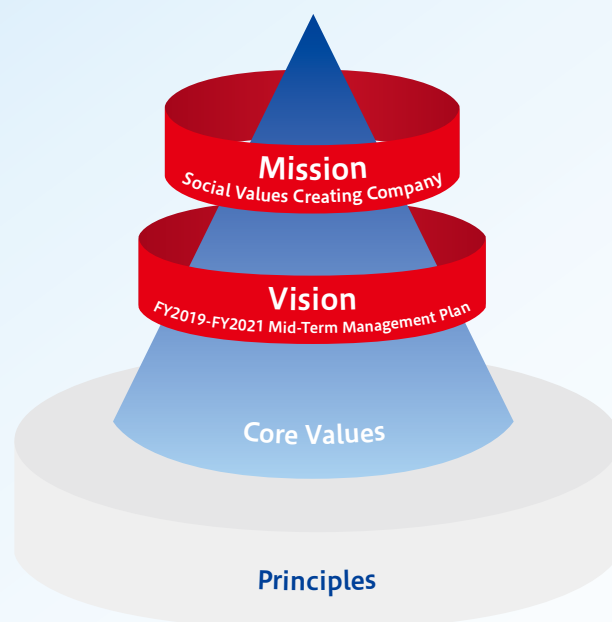
We will achieve sustainable growth backed by high quality management with trust as our first priority.

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) Future-focused | Challenges to create a new value not by attaching to past methodology but adapting to changes in the future. |
| (ii) Customer-oriented | To become a company needed from customers, always pursuing customers' needs, taking actions from customers' perspectives. |
| (iii) The three actuals: "The actual place, actual situation, and the actual case" | 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) "Basics" and "Ethics" | Adopt the basics. Always need to get back to basics to conduct daily tasks properly and behave appropriately. |
| (v) Quality First | Always prioritizing quality first, continuing efforts to enhance quality to be a trusted and appreciated company by customers. |
| (vi) Diversity | Understanding different ideas and ways of working, and creating new values to create a vibrant corporate culture. |
| (vii) Individual Accountability | Accomplishing own role and responsibilities without relying on others and enhancing own ability and skills. |
| (viii) Harmony | 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) Sincerity | 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) Pioneering Spirit | 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. |

Company Profile (March 31, 2019)

Company Name: Hitachi Capital Corporation

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

Management: Seiji Kawabe, President & CEO

Founded: September 10, 1957

Capital: 9,983 million yen

Consolidated number of employees: 5,558

Consolidated volume of business: 2,745,000 million yen (FY2018)

Consolidated total assets: 3,772,700 million yen

Consolidated total equity: 390,400 million yen

Listed Stock Exchanges: First Section of the Tokyo Stock Exchange, Inc.

Business Field

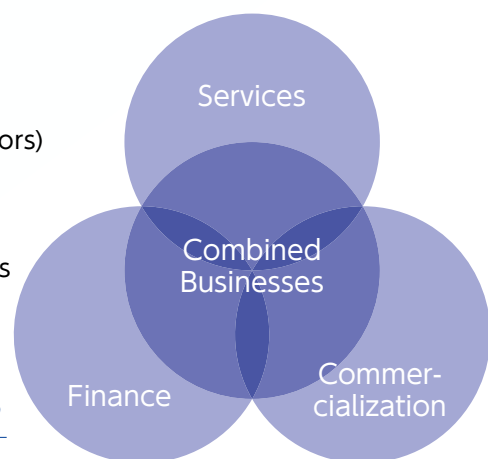
Finance: Leasing services, installment sales, sales finance (for vendors)

Services: BPO (Business Process Outsourcing),

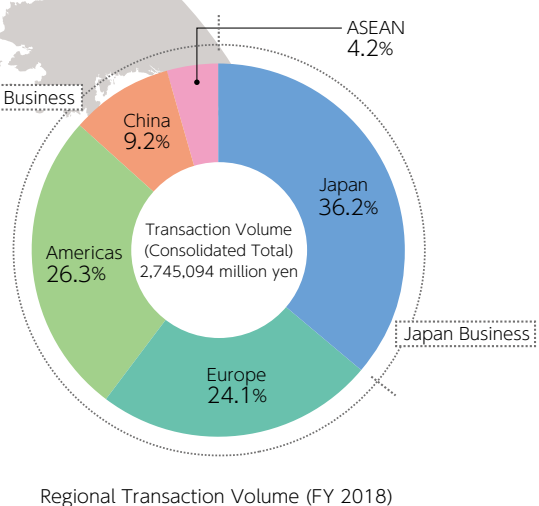
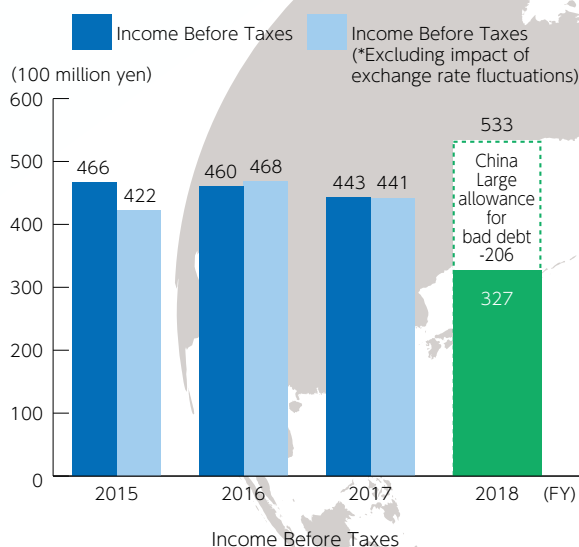
Risk Management, Facility Management

Commercialization: Renewable Energy Business, Used Sales Business

Combined Businesses: Finance × Services × Commercialization



Performance Trend and Regional Transaction Volume Ratios



*Excluding impact of exchange rate fluctuations: FY2018 exchange rate calculated (1 GBP: 145 JPY, 1 USD: 110 JPY)

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Who We Are

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Who We Are

Starting with basic management policy as well as group history and Materiality for Hitachi Capital Group, a full picture of our group is introduced.

Our Vision

| | |
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Our Vision

Our vision is introduced in the message from our president and Mid-Term Management Plan.

Our Values

| | | |
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Our Values

As with our values, our efforts in our businesses are introduced based on dialogue with the stakeholders and specialists.

Corporate Data

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Purpose of Report

Hitachi Capital has published this report under the title of Hitachi Capital Report, an integrated report, for better understanding to the readers both the financial side and nonfinancial side of Hitachi Capital Group. With 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

Hitachi Capital Corporation and its consolidated subsidiaries

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

Applicable period

FY2018 (April 1, 2018 to March 31, 2019)

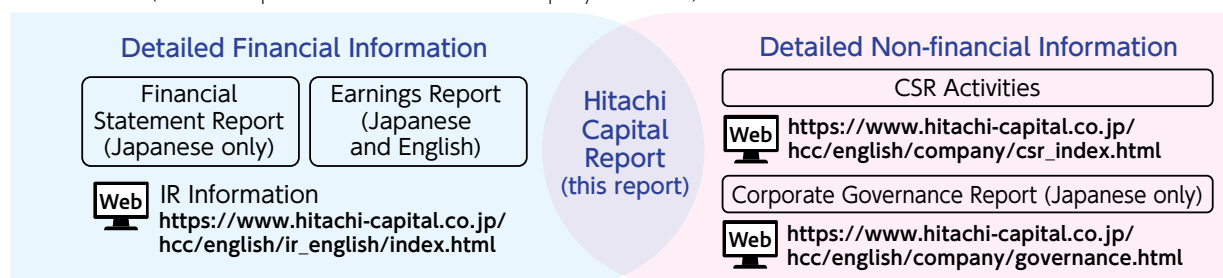
Cautionary Statement Regarding Information in This Report

- 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.

Group Reports

Report position

The Hitachi Capital Report is a communication tool put together in order to allow all of our stakeholders to gain an overall understanding of the Group's past, present, and future, in terms of both the Group's financial and non-financial policies, strategies, and initiatives. (Detailed reports are available on the company's website.)



Dialogue with Stakeholders

It is necessary to hold dialogue with all of the stakeholders to verify whether the business of the Hitachi Capital, whose Mission (management policies) is to solve social issues and achieve sustainable growth as a "Social Values Creating Company", satisfied the social demands or not. Windows of each department seize any opportunity to explain the Company's current status and to conduct interactive dialogue with stakeholders. Through these dialogues, each and every executive is able to grasp the social expectations and demands on the Company, which they can then use to evolve the Group by adapting to environmental changes in the market, thereby

allowing the Company to contribute to the realization of a sustainable society through its business activities.

ESG dialogues

In this report, we think that carrying out dialogues with stakeholders is essential. Therefore, we carried out dialogue between stakeholders and the board members, executive officers, and specialists on the topic of where the Company is heading in terms of implementing ESG management. (For details, please see Environment: P.27-28, Society: P.33-34, and Governance: P.39-42)

| 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"> ● Dissemination of information using our company's website and the Hitachi Capital Report (this report) ● Periodic surveys of suppliers and customers ● Contact window for inquiries |
| Business partners | Suppliers and vendors with whom we collaborate to provide optimal solutions to various customers | |
| Shareholders and investors | Essential parties for the enhancement of corporate value | <ul style="list-style-type: none"> ● The Annual Meeting of Shareholders ● IR meetings ● Responding to investors' surveys and ratings ● Dissemination of information using our company's website, our annual report, earnings briefings, corporate governance reports, and the Hitachi Capital Report (this report) |
| Local communities and environment | A sustainable society and environment are essential for corporate sustainability | <ul style="list-style-type: none"> ● Social contribution activities and volunteering activities |
| Employees and their families | "Human capitals" and important assets for building trust with stakeholders in society | <ul style="list-style-type: none"> ● Holding of corporate communication roadshows (CCRs) for dialogue with managers ● Holding of labor-management coordination meetings ("Discussion between the representative employees and the President & CEO") ● Implementation of employee satisfaction surveys ● Dissemination of information using the company's intranet, the company's website, internal reports, and the Hitachi Capital Report ● Employee Assistance Programs (EAPs) ● Employee counseling services |
| Request to take online survey | In order to improve how we transmit information, we have put together an online survey. We humbly request that you take some time to provide us with your valuable opinion. CSR Policies/Activities: https://www.hitachi-capital.co.jp/hcc/english/company/csr_index.html Click on the link at the bottom of the page. | |

Development of Hitachi Capital

Hitachi Capital offers financial solutions in the form of “sales finance” that meets the needs of both manufacturers (sellers) and customers (buyers) alike, which have earned the trust of all of our clients over the course of our 60-year history. Under our mission to become a “Social Values Creating Company,” Hitachi Capital aims at both solving global social challenges and sustainable growth, with a view to creating social values based on SDGs¹. To this end, we position “FY2019-FY2021 Mid-Term Management Plan (2021 Mid-Term Management Plan)” as “Value Up Stage.”

As a multi-solution provider shifted from a conventional finance company, Hitachi Capital aims to continuously provide solutions that meet social needs, contribute to the realization of social development and richer life for people while sustaining continuous growth.

2010s to Present

14 countries

Changed accounting standards for leases, survived the Lehman collapse, and expanded overseas. 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, and growth was accelerated.

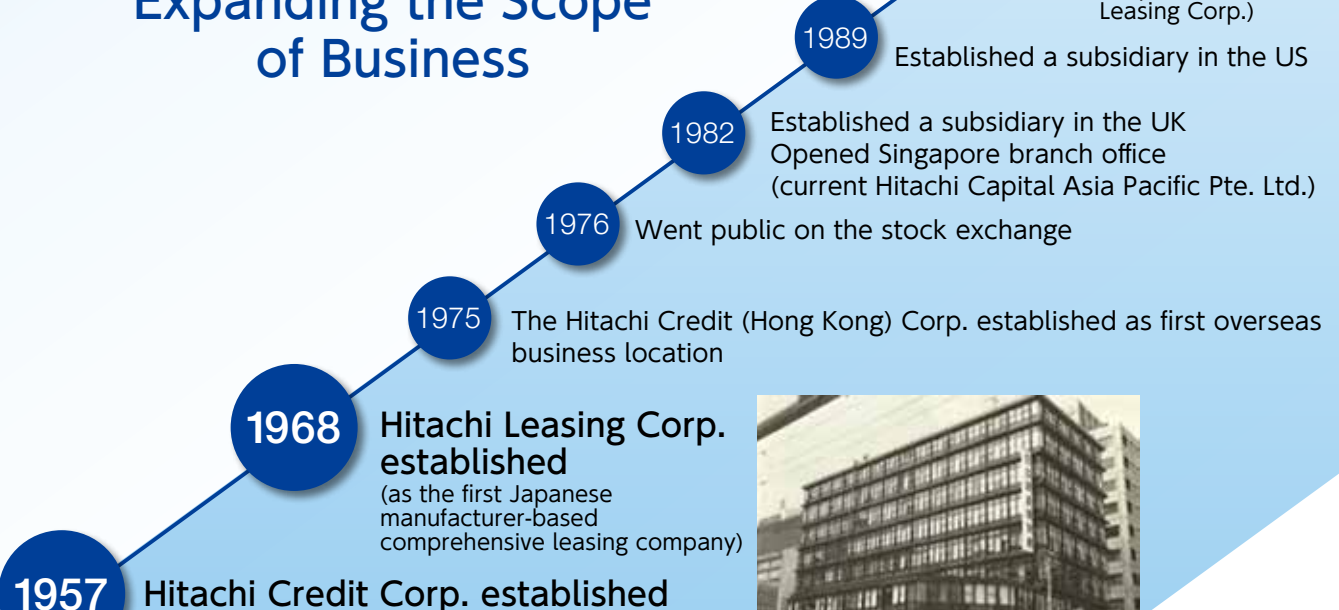
2000s 7 countries

Hitachi Credit Corp. and Hitachi Leasing Corp. merged in 2000. Expanded into China and Thailand where growth is rapid.

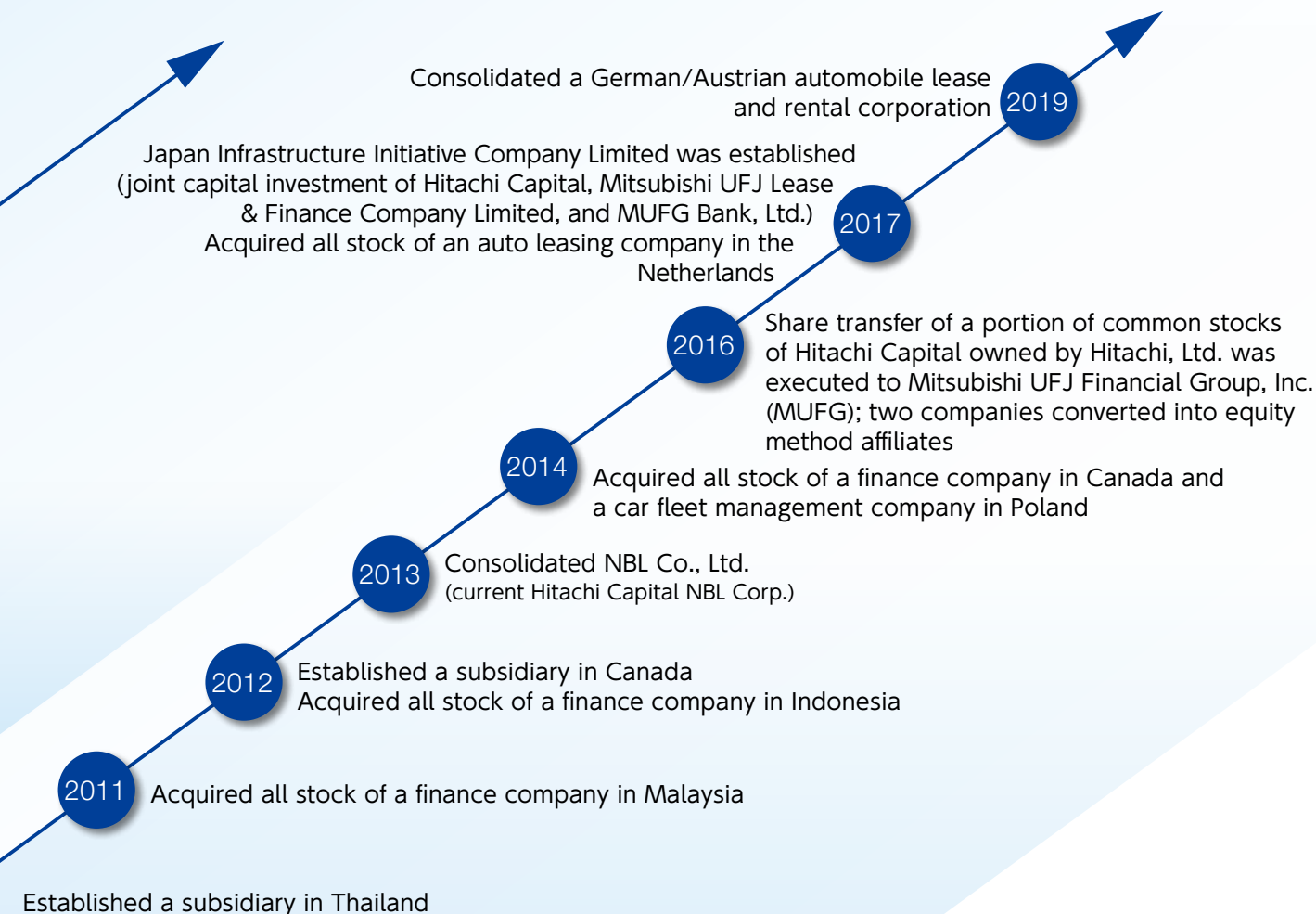
Up to 2000s 5 countries

Established as a home appliances installment sales company (later Hitachi Credit Corp.) in 1957. Hitachi Leasing Corp. established as the first Japanese manufacturer-based comprehensive leasing company in 1968. Hong Kong subsidiary established in 1975 to expand the business.

Expanding the Scope of Business



History of Hitachi Capital



Creating Social Values based on SDGsⁱ



ⁱ SDGs: Sustainable Development Goals

Action plan adopted by the United Nations covering global issues to be achieved by 2030, consisting of 17 Sustainable Development Goals and 169 specific targets

Materiality for Hitachi Capital

Hitachi Capital aims to fulfill its mission of being a “Social Values Creating Company” through business activities based on SDGs. We have ascertained materiality based on ever rapidly changing politics, economies, and social issues, as well as the current state of the Company, and incorporated them into our 2021 Mid-Term Management Plan.

The Strengths and the Challenges of Hitachi Capital

Hitachi Capital has achieved its growth based on its strengths of its “Quality,” “the Hitachi brand,” and being “Community-focus,” as well as having the trust of all our stakeholders.

However, as the market continues to change due to new technologies and innovations including globalization,

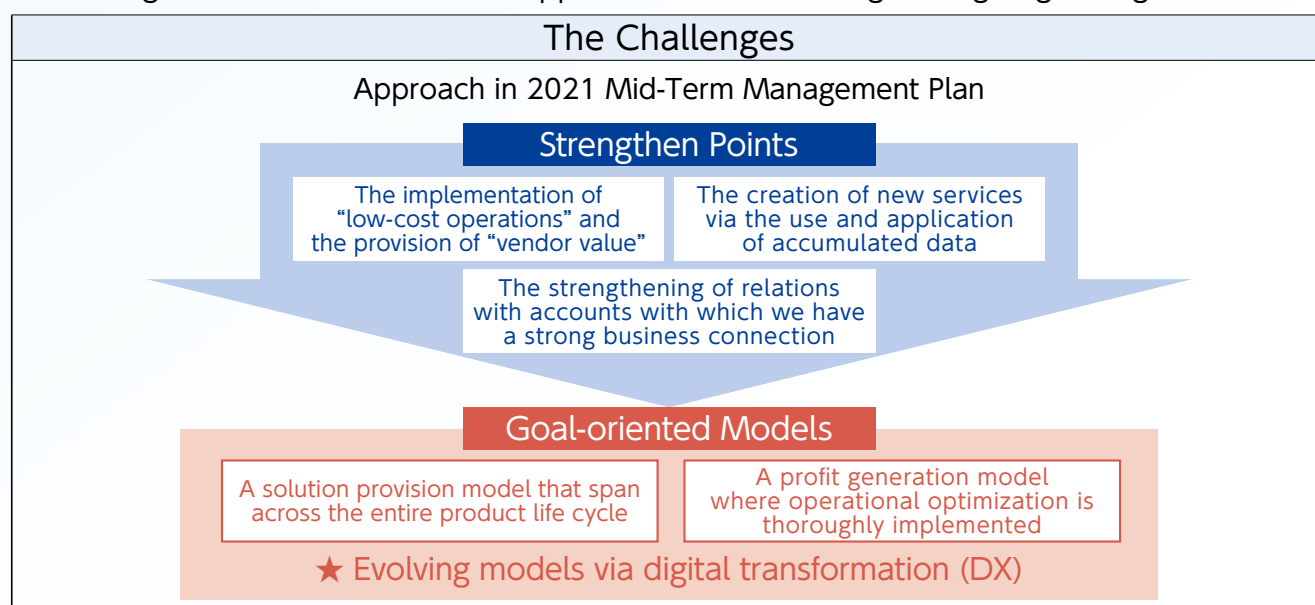
smartification such as the use and application of data and digital technology, and the emergence of new service models like sharing, low-cost operations and enhanced global corporate governance, supported by talented personnel and technological innovations, are becoming necessary.

The Strengths of Hitachi Capital: “Quality,” “the Hitachi brand,” and being “Community-focus”

| The Strengths of Hitachi Capital | | |
|--|--|--|
| <p>Quality</p> <p>Thorough risk management for both management and processes</p> <ul style="list-style-type: none"> ■ 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 | <p>Hitachi brand</p> <p>Solid financial base that is based on trust in the Hitachi brand</p> <ul style="list-style-type: none"> ■ 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) | <p>Community-focus</p> <p>Global strength through engagement in diverse businesses in line with community-focused local needs on a global level</p> <ul style="list-style-type: none"> ■ Diverse products and services ■ Diverse customers ■ Diverse business areas ■ Business foundation firmly rooted in the region |

The Challenges of Hitachi Capital:

- Costs are high compared to competitors
- Lack of global collaboration (both opportunities/risk); strengthening of global governance



Hitachi Capital Business Opportunities and 2021 Mid-Term Management Plan Materiality



| | | | | | |
|------------------------|--|--|--|---|--|
| Mega trends | <div>Energy</div> <div>Mobility (transportation)</div> <div>Urbanization</div> <div>Healthcare</div> <div>Population growth</div> | | | | |
| | <div>Smartification</div> <div>Innovation</div> <div>Technological developments (digital technology and data utilization)</div> <div>New services models such as sharing</div> | | | | |
| Business opportunities | Materiality | <div>■ Operations that play a part in social challenges and the business solutions of clients and partners</div> <div>■ Operations that allow us to control credit risk like small-exposure diversification</div> <div>■ Operations that exists between things and allow us to maintain the Three-Actual Principle</div> <div><Extend Operations: Key Businesses></div> | | | |
| | | <div>Environment/Energy</div> <div>Expanding business globally via wind generation/energy conservations services</div> <div><div>7</div><div>Sustainable Energy</div></div> <div><div>12</div><div>Responsible Consumption and Production</div></div> <div><div>13</div><div>Climate Action</div></div> | | <div>Mobility</div> <div>Evolving mobility solutions such as vehicle finance via the use and application of data</div> <div><div>3</div><div>Good Health and Well-being</div></div> <div><div>9</div><div>Industry, Innovation and Infrastructure</div></div> <div><div>11</div><div>Sustainable Cities and Communities</div></div> | |
| | | <div>Life (infrastructure and urban development, healthcare, food, agriculture and lifestyle)</div> <div>Strengthening of solutions aimed at better quality of life</div> <div><div>2</div><div>Zero Hunger</div></div> <div><div>3</div><div>Good Health and Well-being</div></div> <div><div>9</div><div>Industry, Innovation and Infrastructure</div></div> <div><div>11</div><div>Sustainable Cities and Communities</div></div> <div><div>15</div><div>Life on Land</div></div> | | <div>Sales Finance</div> <div>Strengthening competitive edge via the pursuit of vendor user-friendliness</div> <div><div>8</div><div>Decent Work and Economic Growth</div></div> | |
| | <div>2021 Mid-Term Management Plan approach</div> <div><div>17</div><div>Partnerships for the Goals</div></div> | <div>■ Current Goal Achievement Position: Acquiring new growth opportunities via open innovation that “connects,” “get together,” and “bears fruits” between stakeholders and technology</div> <div>■ Business Strengthening Measures: Investing in M&A, R&D, and DX that provide focused business resources (people, things, money)</div> | | | |
| Management foundation | Materiality | Finance | <div>A risk management system that does not crack under pressure from changes to the business environment</div> <div>■ Strengthening foreign currency procurement capabilities by diversifying fund procurement sources and methods</div> <div>■ Maintain a solid financial base and high credit ratings</div> <div>■ Thorough ALM on a global basis</div> | | |
| | | IT | <div>Strengthening global corporate governance</div> <div>■ Enhance resistance against cyberattacks</div> <div>■ Innovative business reform through DX</div> <div>■ Proactive IT use in front, middle, and back offices</div> | | |
| | | Human Capital | <div>Putting focused business resources (personnel) into place for business strengthening strategies and implementing business operations with high added value</div> <div>■ Providing growth opportunities that match each and every employee’s career path</div> <div>■ Establish competitive compensation system</div> | | |
| | <div>2021 Mid-Term Management Plan approach</div> | <div>■ Practice ESG management based on the Basic Management Policy (Mission, Principles, Core Values)</div> | | | |

Materiality for Hitachi Capital

Priorities of Materiality (Materiality Matrix)

When we set our 2021 Mid-Term Management Plan, the SDGs workshop was carried out by the nonprofit corporation Imacocollabo in August 2018 for all executives and directors, as well as for the presidents of all 37 domestic group companies, and then again in March 2019 for the presidents of 33 overseas group companies. Based

on the knowledge shared during these workshops, an order of priority regarding materiality for the 2021 Mid-Term Management Plan was established in March 2019, at the corporate PDCA meetings, where departments concerned with the business foundation of the Group gather to hold cross-sectional discussions on management issues.

| Discussions at SDGs workshops | | Priorities of materiality (Materiality matrix) | | | |
|---|--|--|----------------------|--|---|
|  | | Materiality for stakeholders | High | Challenges with high needs from stakeholders that have not been sufficiently responded <ul style="list-style-type: none">•Taking the environments and human rights (child labor, forced labor) at customers and partners into consideration | Management issues with high needs from stakeholders as well <ul style="list-style-type: none">●Developing business activities based on SDGs•Corporate governance•Observing compliance (especially the prevention of the big three risks of organized crime/money laundering, bribery/corruption, and anticompetitive practices)•Risk management (especially information security (cyberattacks, confidential/personal information leaks) and BCP)•Engagement and establishment of trust relationships with employees (improvement of empowerment/engagement) |
|  | | | Medium | <ul style="list-style-type: none">•Appropriate understanding and continuous reduction of environmental burdens•Political contributions•Consideration to rights of indigenous people in business activities•Risks related to employee labor and human resource management● Opportunities•Risks | Challenges that are important to business but do not have needs that are as important as those mentioned above <ul style="list-style-type: none">●Building trust via dialogue with stakeholders through business activities (including timely release of information)●Social contributions (knowing the “actual place” of social challenges, in order to connect them to the resolutions through business activities)•Other Risks•Respect for human rights within the Company (dealing with in-house harassment) |
| | | | Low | | |
| | | | Low | Medium | High |
| | | | Business materiality | | |

Risk Management Structure

Hitachi Capital has formulated the Risk Management Policy and Credit 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.

We have established the role of chief risk officer (CRO) to oversee all matters related to Hitachi Capital's risk management and compliance. Moreover, we have strengthened our stance towards information security

management by creating the role of chief information security officer (CISO), who will oversee all matters related to information security risks. Lastly, we have established an enterprise risk management (ERM) committee to serve as the nucleus for the implementation of risk management throughout the Group's business activities, in order to improve the effectiveness of the Group's risk management efforts and as means of better sharing information between the executing board, the Group, and throughout the organization.

Since FY2017, we have adopted a revised risk map that promotes risk management on a consolidated/global basis, via a risk base and approach. Furthermore, we have introduced the "Three Lines of Defense" based on the COSO framework and implemented a checking and monitoring system that is carried out by respective departments on themselves, as well as by the risk management and auditing departments.

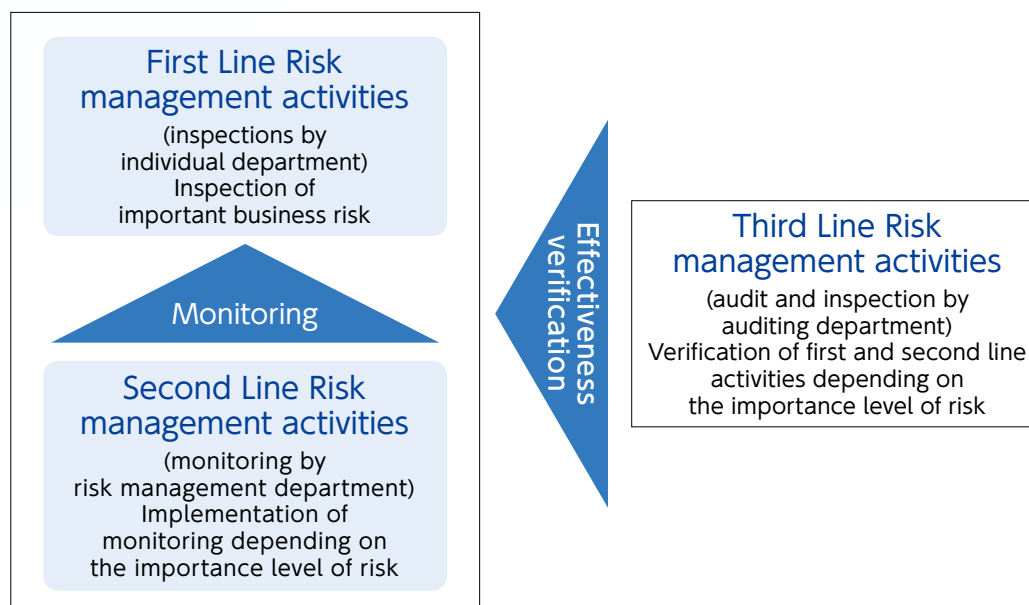
* A generally accepted framework for evaluating internal controls created by the American Committee of Sponsoring Organization of the Treadway Commission in 1992

Hitachi Capital Risk Map (as of March 2019)

| Degree of occurrence frequency | High | <ul style="list-style-type: none">● Interest rate risk● Internal control-related risk | <ul style="list-style-type: none">● Cyberattack/confidential information leakage risk |
|--------------------------------|--------|--|--|
| | Medium | <ul style="list-style-type: none">● System/administrative risk● Liquidity risk● Global business-related risk● Large-scale disaster (natural disaster including climate changes)/Pandemic risk● Regulatory/organizational change risk | <ul style="list-style-type: none">● Human resources-related risk● Business partner-related risk● Compliance risk● Credit risk |
| | Low | <ul style="list-style-type: none">● Residual value risk | |
| | | Low | Medium |

Degree of influence (All high-risk risk map values are calculated into income before taxes and proportionally distributed)

3 lines of defense



Please refer to "Risk Management" page for details and the latest information.

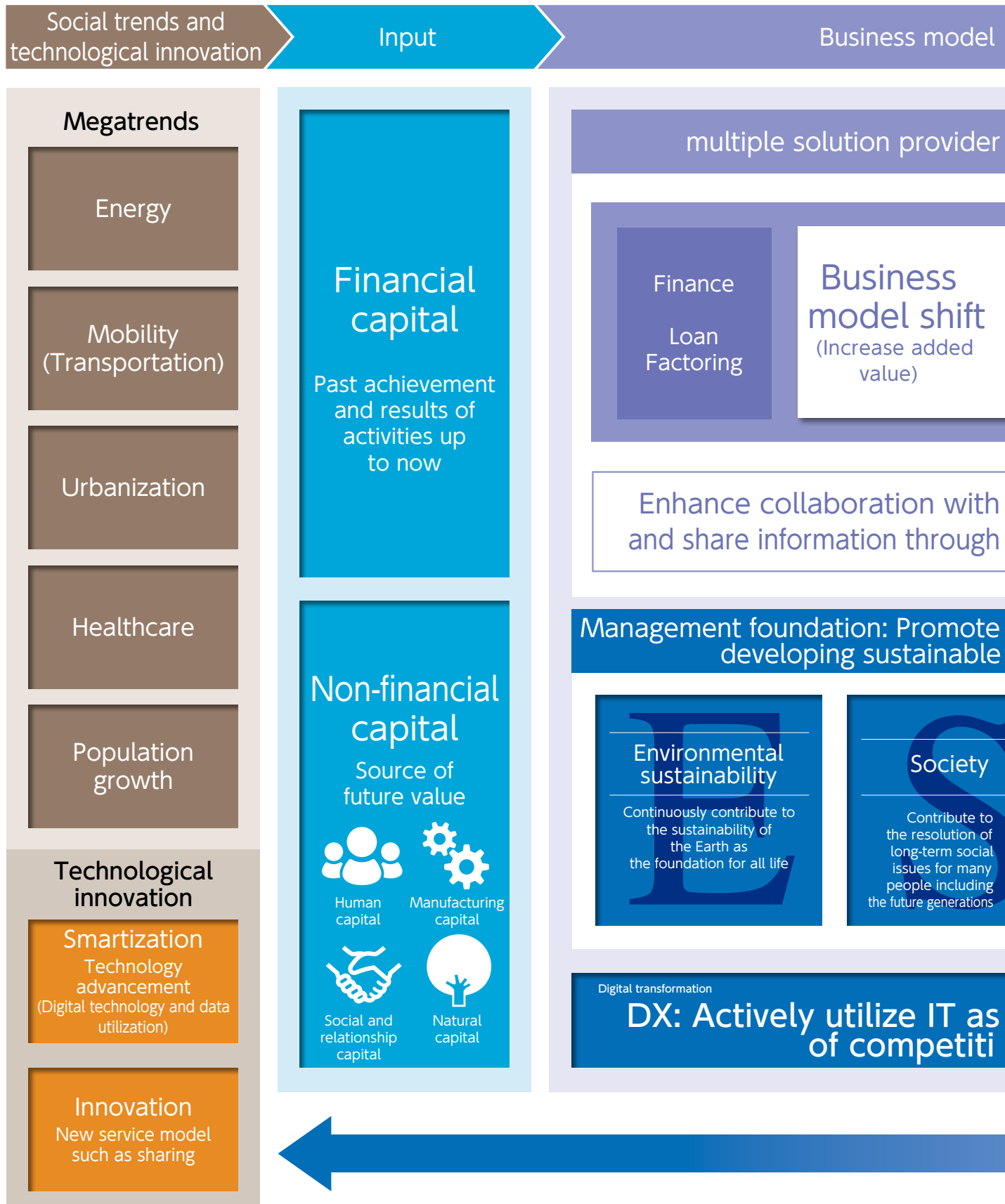
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Please refer to "Compliance" page for details and the latest information.

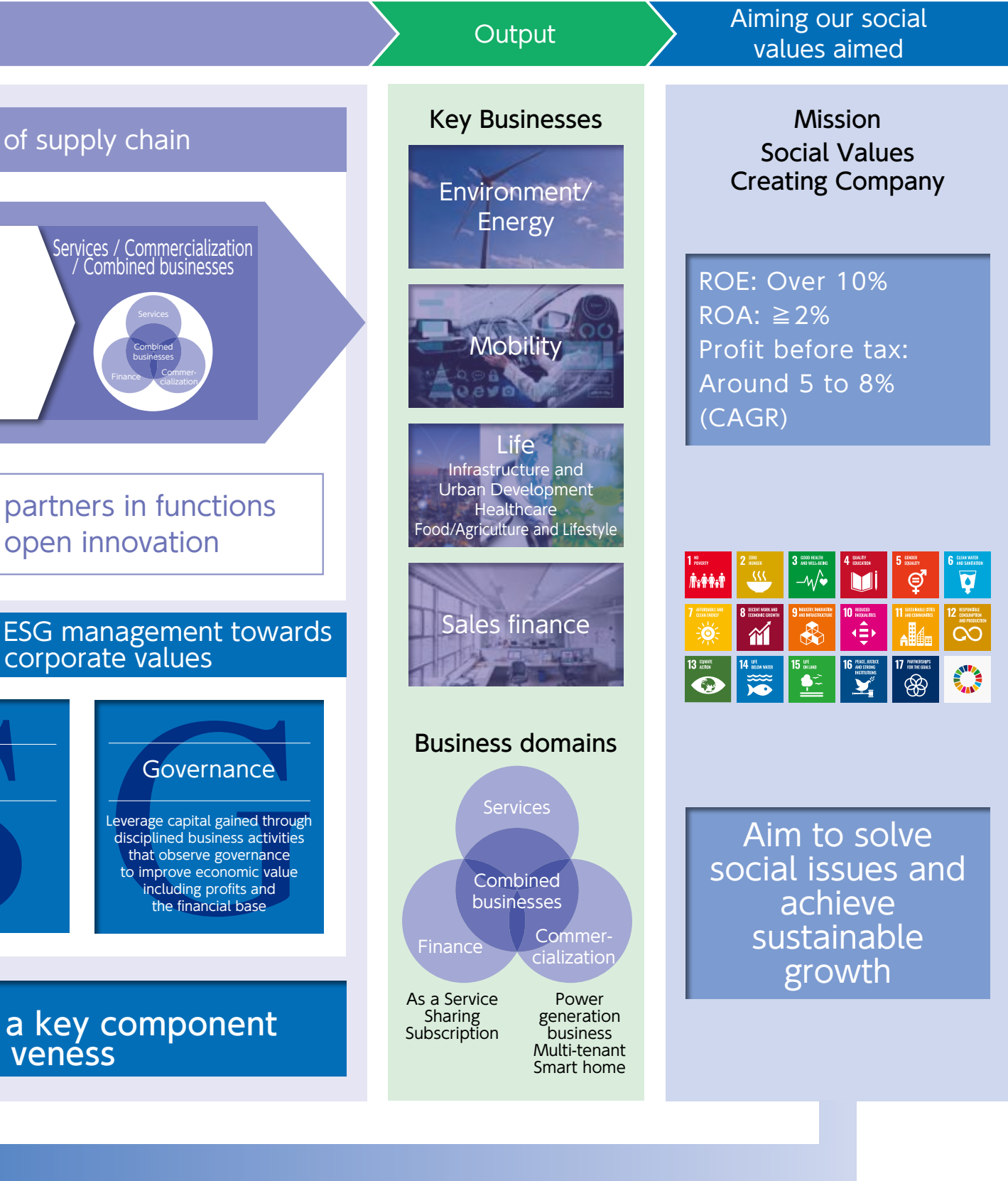
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Value Creation Process for Hitachi Capital



Hitachi Capital is evolving from a conventional finance company to a multi-solution provider that includes services and businesses as a “Social Values Creating Company” that balances sustainable growth with finding solutions to social issues. We will provide solutions and enhance corporate value continuously as a multi-solution provider that is responsible for various areas within the supply chain.



Message from the President

As a “Social Values Creating Company”, we contribute to solve social issues, using the SDGs as the base.

President & CEO
Hitachi Capital Corporation

Seiji Kawabe



We aim to be a company that is needed by society as a “Social Values Creating Company” that achieves not only to solve social issues but to develop sustainably. Towards this goal, making use of a history rooted in manufacturing, with a solid business management system in sales finance, community-focused business development and trust from our stakeholders, we contribute to provide solutions which solve the issues of our customers and partners while also creating social values by seeking to resolve global social issues such as climate change and resource depletion etc.

I realized the value in “using” and “utilizing” things more than “owning” them in my youth. That is the reason why I joined the company. Today, the sharing economy is expanding rapidly, heading into an era in which the true value and presence of our company will be able to be demonstrated. I believe that it is important that limited resources can be used efficiently by anyone around the world.

To realize such an ideal society, we will continue to contribute to society by pursuing a high value-added business model combining services and commercialization, extending beyond financial frameworks.

Review on 2018

Realization of major initiatives while implementing lessons learned from the China incident

FY2018 was the final year of the “FY2016-FY2018 Mid-Term Management Plan” (2018 Mid-Term Management Plan) and was a culmination of our efforts. We worked really hard for the realization of three major highlights of the 2018 Mid-Term Management Plan including sustained double-digit growth in our Global Business, working towards an ROA of 2% in our Japan Business and proactively engaging in investment activities, thus gaining successful results in various initiatives which we had been working on for these three years.

However, that same year also saw the postponement of annual financial results and the recording of a provision of allowance for the possibility that we had been a victim of fraud due to a high number of inappropriate deals registered by our Chinese subsidiary Hitachi Capital Factoring (China) Co., Ltd. While global “risk controls according to regional characteristics” had already been in place, this incident led to a need to further strengthen operational risk management. Also, taking this incident very seriously, we are working on all fronts to prevent recurrence, recover damages and fully resolve this incident¹.

Achievement of targets in 2018 results, with the exception of the impact of the China incident

In terms of our corporate results for FY2018, the company experienced growth in the key areas such as “environment/energy” and “vehicle” in our Japan Business, and profitability increased as a result of our efforts at structural business reforms. In our Global Business, we saw steady progress in Europe, America and ASEAN, with revenue improving by 12.2% YoY to 453.2 billion yen and gross profits increasing 6.6% YoY to 140.3 billion yen. However, after recording a provision of allowance of 20.6 billion yen for the China incident mentioned above, income before taxes was down 26.2% YoY to 32.7 billion yen and profit attributable to the parent company for the period was also down 39.6% YoY to 19.3 billion yen.

Summary of 2018 Mid-Term Management Plan

Transition to a company providing needed value to society as we enter our Second Growth Stage

Our 2018 Mid-Term Management Plan was positioned as a Second Growth Stage as we took a major leap forward as a “Social Values Creating Company” and worked to become the kind of company that can create and provide value for society not only for this three-year period, but for the next decade. In particular, while deepening business development in regions in which the company is already well rooted, together with promoting common Group businesses, we have worked to strengthen each business and promote greater added value.

Significant growth in Global Business with double-digit increases in Europe, America and ASEAN Business

As a result, with the exception of China, Global Business has experienced significant growth in accordance with projections. More specifically, business in Europe grew steadily, both in the UK and on the continent, with sales finance coverage expanding from the seven countries as of the end of FY2015 to the current 20 countries through collaborations with external financial institutions. In our American business we strengthened our business in Canada with a new commercial finance initiative etc. and executed M&A in new fields such as health care and IT in the United States. In the ASEAN region, sales revenues in Malaysia, Indonesia and Thailand have increased, and bad debt ratios have also been reduced, leading to greater profits.

Because of the China incident, income before taxes for our Global Business was down 8.2% over FY2015, but excluding the impact of that incident we achieved double-digit growth with an average annual growth rate of 10.9%, suggesting that our original global strategy has produced results.

Significant improvement in profitability in our Japan Business

Meanwhile, structural business reforms have been made in our Japan Business, promoting a shift to key businesses. As a result, our OHR improved from 64.6% in FY2015 to 56.3% and our ROA also improved significantly from 1.3% to 1.9%.

In one of our key businesses, environment/energy business, a focus on wind power generation led to the achievement of 515MW of power generation capacity, 15MW more than our initial target. In this business, in addition to conventional wind and solar power generation, we continued to lay the groundwork for future



growth by starting a new business field such as biogas power generation utilizing residual yam. In our vehicle solutions business, we have concluded a business alliance agreement with Hitachi Transport Systems in December 2018 and engaged in capital participation in Hitachi Auto Service Co., Ltd., a wholly owned subsidiary of Hitachi Transport System, commencing joint research into smart safety control systems for vehicles (SSCV).

In our restructured Vendor Solutions business, the system integration that formed part of our structural reforms was completed in January 2019, significantly improving business efficiency. We have also conducted demonstration experiments using AI in cooperation with Hitachi, Ltd. to improve SME credit accuracy and shorten review times, and AI technology is now in full scale use as a result of these successful demonstrations.

With this steady progress, we are confident that we have built a foundation for hitting our promised target of a 2% ROA.

Aggressive investment

-Securing highly-skilled professionals and realizing aggressive IT investment-

In the “environment/energy business” we have promoted initiatives which contribute to climate change measures, regional regeneration and the development of circular economical society, such as in the completion of a solar power plant Okayama with the issue of green bonds and the completion of a wind power plants in Aomori and Fukushima, Japan. Also, in our Vehicle Solutions business

we have expanded business development areas with the execution of M&A in continental Europe, including in the Netherlands, Poland, Germany and Austria, etc. Furthermore, through the Japan Infrastructure Initiative, a joint venture with the MUFG Bank, Ltd. and Mitsubishi UFJ Lease, over the last three years we have also engaged in infrastructure investments such as the UK rail infrastructure project and a submarine optical cable installation project between Japan, Guam and Australia, and the results of these investments are beginning to be seen.

We have also proactively invested in IT resources etc. to integrate core domestic systems and improve productivity through the automation of office work utilizing RPAⁱⁱ etc. to promote Work Style Reform for our employees. For example, we have introduced Work Style Reforms through the SKY Projectⁱⁱⁱ, an incentive system supporting health and learning (SUGOPO), an extra career system (lifting the ban on second jobs and spare time jobs), and an intrapreneurial program to support employees to think, act and take on challenges independently, all with a view of building a virtuous cycle that can lead to the development and advancement of our personnel with the time created by such operational efficiency improvements.

IT and human capital are keys to determining the results of the various initiatives in which we are engaged. Going forward, we will continue to focus on utilizing IT fields such as AI and RPA and securing global/expert personnel and the next generation of management.

Start of the 2021 Mid-Term Management Plan

Aiming for even greater value as a Social Values Creating Company

I would now like to explain the concepts behind the “FY2019-FY2021 Mid-Term Management Plan (2021 Mid-Term Management Plan)” which was formulated and announced in October 2019.

As I noted at the beginning, our management policy is based around being a “Social Values Creating Company” which aims at both solving global social issues and sustainable growth. The 2021 Mid-Term Management Plan is positioned as an “Value Up Stage” as we seek to increase added value through the promotion of management strategies based on the perspective of backcasting, working towards “our vision”. We will aim to shift into key businesses in which new business opportunities are anticipated, to further deepen our regional strategy utilizing our strengths cultivated so far, to further improve the profitability of our Japan Business (ROA

of 2% or more) and to experience stable and disciplined growth in our Global Business.

Global issues such as extreme weather and population growth are becoming more obvious in light of recent megatrends, and we will work to create business opportunities as we look for solutions, driving innovation with smart digital technologies and data utilization, and optimization through new business models such as sharing etc. More specifically, we set "Environment/Energy," "Mobility," "Life," and "Sales Finance" as the four key businesses and demonstrate our strength, for which new business opportunities are expected and which are related to the SDGs. In anticipation of global growth in the future, we will work on growing these key businesses.

The main strategic business element of our 2021 Mid-Term Management Plan will be "collaboration with partners" to make use of outside strengths to realize open innovation. In addition to strengthening collaboration with strategic partners such as the Hitachi Group and MUFG Group, we will make efforts to work with partners in each region/business field to take advantage of each other's strengths in the achievement of results.

Another key point is the shift in our business model. By switching to service, commercial and combined businesses which are not bound by the framework of finance, we will be able to provide our customers and society with high value-added solutions to their problems.

The position that we are seeking as a company is a multiple solution provider of supply chain, with keywords "connects," "get together," and "bears fruits." We will look to connect and lead those involved in each business so that they can demonstrate their strengths, connect this experience to their growth, and create social values.

At the same time, in order to realize disciplined and sustainable growth as our business expands globally, it is important to strengthen and improve the quality of our management foundation. We will thus work to develop a strong management base as we are constantly conscious of the financial base for stable business activities, IT systems and information security which are keys to our competitiveness, and the organizational power that enables human capital, which is our most important resource, to grow autonomously.

Our employees are the core of our business. We will continue to respect the autonomy and independence of our employees as we work to provide opportunities for growth tailored to each of their career plans and innovative work styles to build an environment that enables each and every employee to perform their duties

with enthusiasm and energy.

As we thus aim to sustainably improve corporate value by strengthening and improving the quality of our management base, the 2021 Mid-Term Management Plan will promote ESG management towards medium to long-term goals in relation to the environment, society and governance. We will seek to continuously improve and evolve on these policies and initiatives, and to strengthen both our financial and non-financial capital through dialogue with various stakeholders.

Going forward, the company will continue to work on the balance between maintaining internal reserves to maintain a strong financial position and investment capacity for future growth, and the further enhancement of shareholder returns. In particular, we aim to achieve an industry-leading payout ratio by increasing it to about 40%.

Through these efforts, we aim to achieve an income before taxes of 55 billion yen, a ROA of 1.7% and a ROE of 9% by FY2021, the final fiscal year of this 2021 Mid-Term Management Plan.

We have experienced sustainable growth by responding quickly and flexibly to a variety of changes to our social environment. We will continue to work every day to find opportunities for growth in this changing society and to contribute to society through the growth of each individual employee.

I would like to thank you for your continued support and encouragement and best wishes for the future.

i Hereinafter "China incident". See P. 46 for details.

ii RPA (Robotic Process Automation): Robotization of work computer operations using software.

iii Since FY2017, Hitachi Capital Group companies in Japan has been implementing the SKY Project for work style reform through the creation of a positive cycle for the growth of every single employee and corporate growth by using the free time created by improvements in productivity and reductions in overtime through work styles that do not require overtime and the Overtime ZERO initiative for "personal development".

Hitachi Capital's Growth Strategy

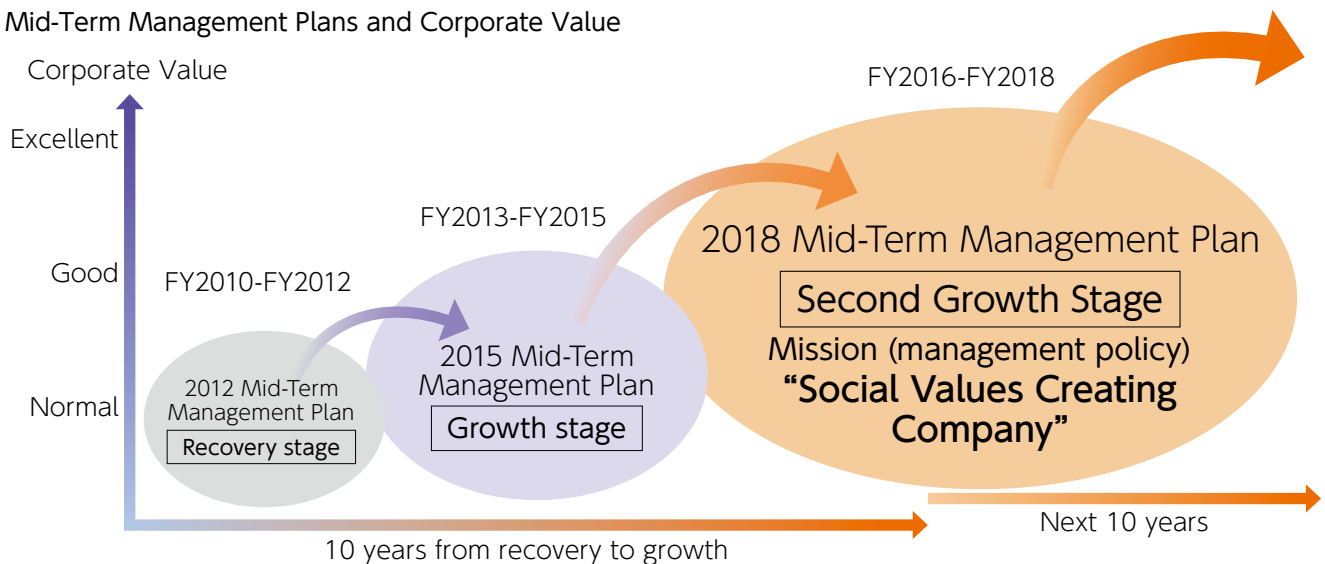
Review of 2018 Mid-Term Management Plan

Under its 2018 Mid-Term Management Plan, which focuses on the “second stage of growth,” Hitachi Capital Group worked to improve mid- to long-term corporate value by continuing “change” and “growth” in a constantly changing business climate with the mission to become a Social Values Creation Company.

The main areas of growth included double digit growth in the Global Business, improve ROA of Japan Business, and proactive investment underpinning business growth. In FY2018, we set aside a reserve of 20.6 billion yen due to bad debt in China, but excluding this factor, we were generally able to complete the main measures cited in the 2018 Mid-Term Management Plan. Looking ahead, we will take thorough steps to prevent a future recurrence of bad debt in China and work toward the further improvement in corporate value and sustainable growth.

Second Growth Stage

Mid-Term Management Plans and Corporate Value



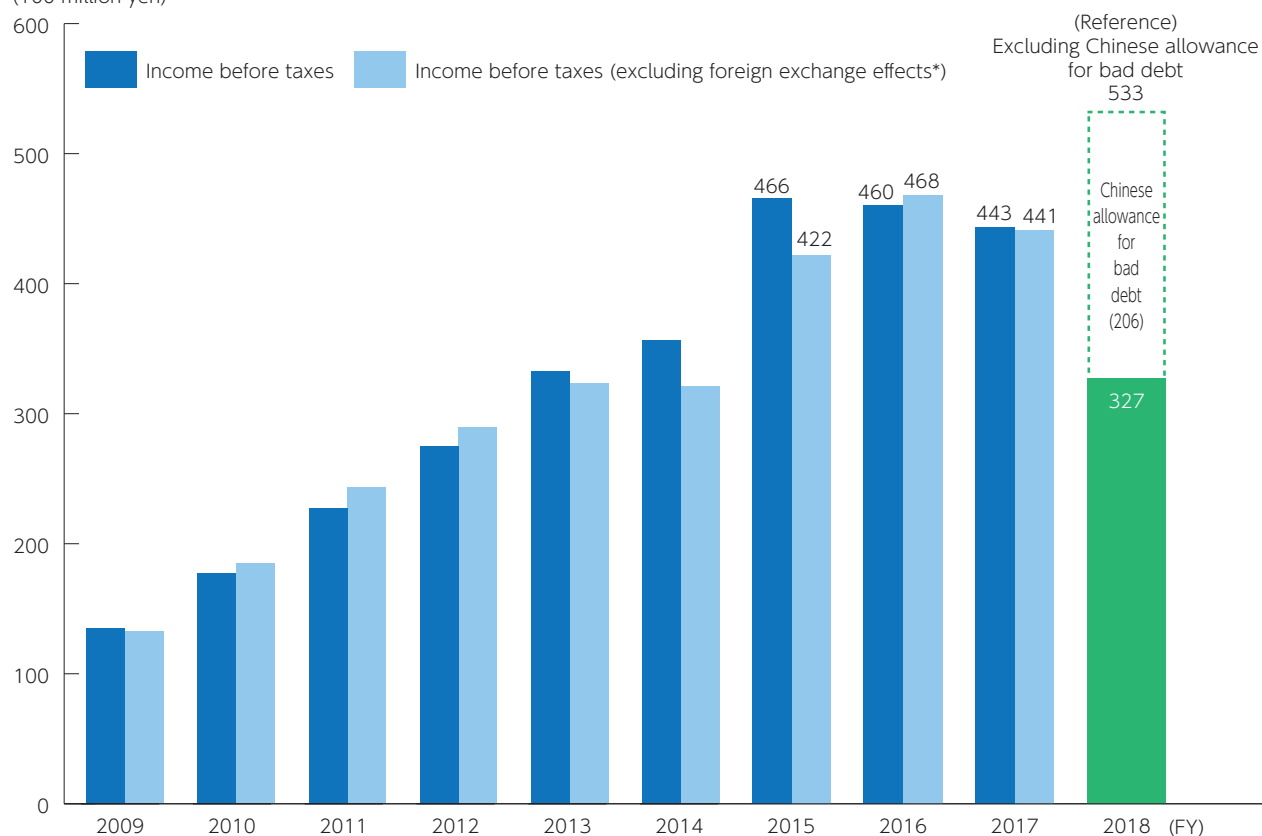
Highlights

| | | [FY2018] | |
|---|--|--------------|------------------|
| | | Initial plan | Results |
| Global Business: Continue double digit growth | CAGR (Profit before tax) (Reference) Excluding Chinese allowance for bad debt | Double-digit | -8.2% [10.9%] |
| | Overseas ratio (Profit before tax) | 60% | 27% |
| Japan Business: Challenge to achieve 2% ROA | ROA | 1.9% | 1.9% |
| | OHR | <60% | 56.3% |
| Aggressive investment: Highly-skilled professionals/ Aggressive IT investment/ Collaborate with Partners | M&As | ¥300 billion | ¥139 billion |
| | IT investment | ¥20 billion | ¥19 billion |
| | Highly-skilled professionals | 200 | 230 |

* CAGR: Average annual growth rate (FY2015-FY2018), excluding foreign exchange effects (calculated using the actual exchange rate for FY2018)
M&As, IT investment, and Highly-skilled professionals show cumulative figures from FY2016 to FY2018.

Changes in Income Before Tax

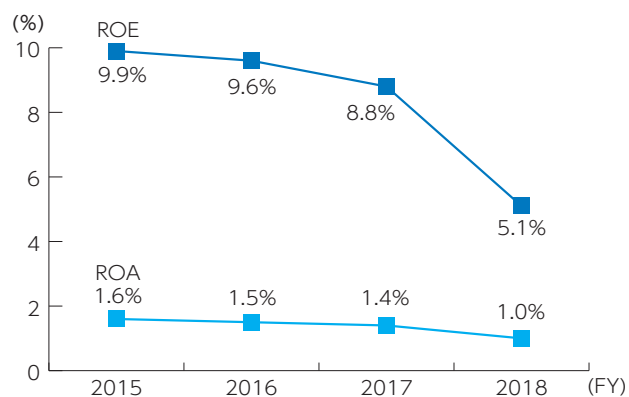
(100 million yen)



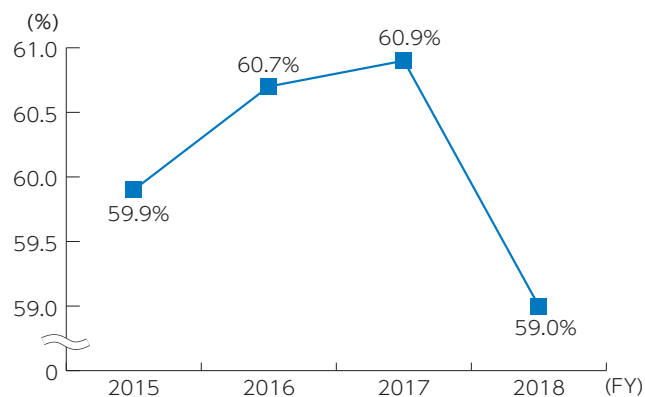
* Excluding foreign exchange effects: Calculated using the exchange rate for FY2018 (£1 = ¥145, \$1 = ¥110)

Key Management Indicators

ROE and ROA



OHR



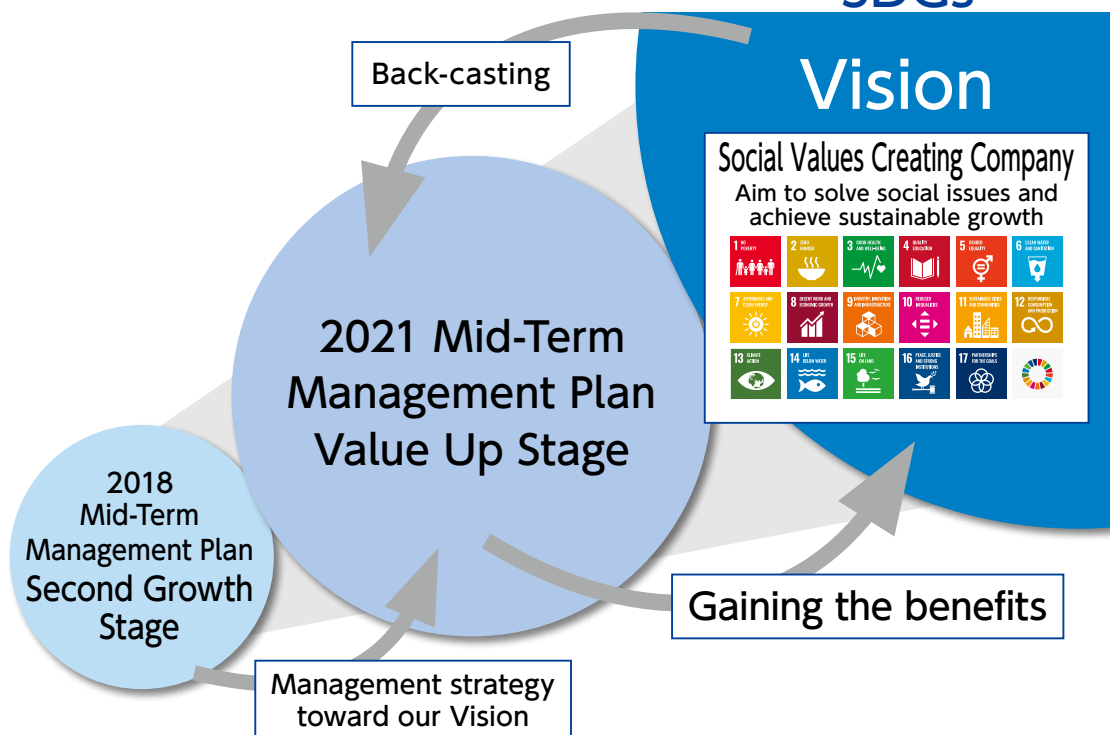
Hitachi Capital's Growth Strategy

Highlights of 2021 Mid-Term Management Plan

Under the 2021 Mid-Term Management Plan, we have established “Environment/Energy,” “Mobility,” “Life,” and “Sales Finance” as new key business segments where we can anticipate business opportunities given our strengths, based on underlying mega trends in the world today. Until now, we have harnessed our strengths based on regional characteristics, such as the wind power business in Japan and vehicle solutions in the UK. Going forward, and we will roll out and enhance our strengths and success models globally in each region.

Vision of Hitachi Capital

Creating Social Values based on SDGsⁱ



ⁱ SDGs :Sustainable Development Goals

Action plan adopted by the United Nations covering global issues to be achieved by 2030, consisting of 17 Sustainable Development Goals and 169 specific targets





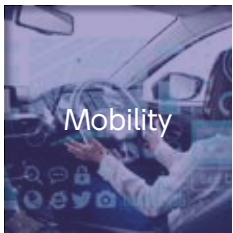









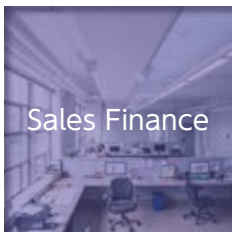

Highlights of 2021 Mid-Term Management Plan (Major Management Strategies)

| | | |
|--|--|--|
| Business Strategy | <ul style="list-style-type: none"> ● Deepen regional strategy P21-22 | <ul style="list-style-type: none"> ■ Further improve profitability of Japan Business: ROA $\geq 2\%$ ■ Stable and systematic growth of Global Business |
| | <ul style="list-style-type: none"> ● Increase added value P29-30 P35-36 | <ul style="list-style-type: none"> ■ Accelerate business model shift ■ Focused investment of management resources on business enhancement measures |
| Management Base P23 | <ul style="list-style-type: none"> ● Strengthen non-financial capital | <ul style="list-style-type: none"> ■ Strengthen management base to support growth ■ Promote ESG management |
| Return to Shareholders P24 | <ul style="list-style-type: none"> ● Enhance return to shareholders | <ul style="list-style-type: none"> ■ Increase payout ratio to around 40% ■ Maintain a balance of return to shareholders, credit ratings, and investment for growth |

● Shift to key businesses

■ Shift to key businesses based on megatrends

Key Businesses Strategy

| Key Businesses | | Initiatives and examples | |
|--|---|---------------------------|--|
|  <p>Environment / Energy</p> |    | Our initiatives P29-30 | <ul style="list-style-type: none"> · Develop new businesses to shift from FIT (self-consumption type, power supply for limited area, etc.) · Expand the renewable energy business (wind power, biogas, biomass, etc.) · Accelerate global expansion |
| | | Advanced initiatives | <ul style="list-style-type: none"> · Japan: Entered into a bioenergy business using residual of yam |
|  <p>Mobility</p> |    | Our initiatives P35 | <ul style="list-style-type: none"> · Mobility as a Service (MaaS) · Collaboration for EV (Electric Vehicle) platform in areas where we operate · B to B sharing business |
| | | Advanced initiatives | <ul style="list-style-type: none"> · Europe: Analyzed issues in introducing EV (impacts on power grids, etc.) to prepare for a shift to EV |
|  <p>Life Infrastructure and Urban Development Healthcare Food/Agriculture and Lifestyle</p> |      | Our initiatives P35-36 | <ul style="list-style-type: none"> · Develop subscription-type services · Provide intelligent logistics · Enter into "Infrastructure as a Service" business |
| | | Advanced initiatives | <ul style="list-style-type: none"> · China: Participated in management of the healthcare business with local partners |
|  <p>Sales Finance</p> |  | Our initiatives P21-22 | <ul style="list-style-type: none"> · Enhance convenience of vendors by linking systems and data with them · Use AI in front, middle, and back offices (including for screening) to promote human efforts saving and streamlining |
| | | Advanced initiatives | <ul style="list-style-type: none"> · Japan: Improved convenience for vendors and operational efficiency by using Hitachi's AI |

Hitachi Capital's Growth Strategy

Regional Strategy in 2021 Mid-Term Management Plan

● Deepen regional strategy

- Further improve profitability of Japan Business: ROA $\geq 2\%$
- Stable and systematic growth of Global Business

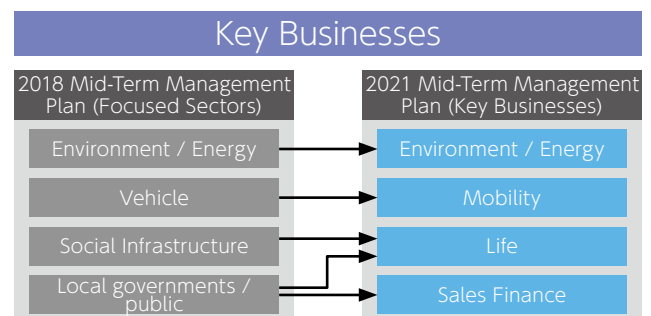
Japan Business

2021 Mid-Term Management Plan Policy
 "Further improvement of profitability through continuing cost structure reform in addition to the shift to key businesses"

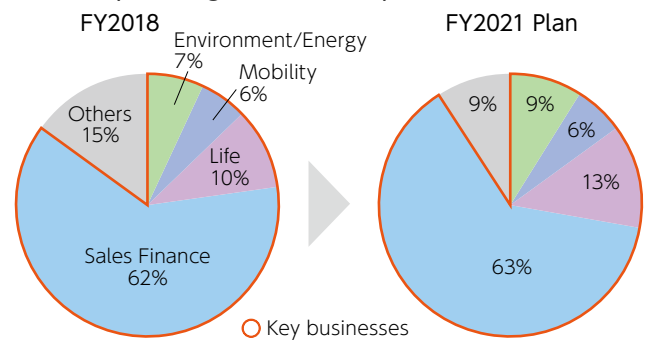
FY2021 Target

■ CAGR*¹ : $\geq 2\%$ ■ ROA: $\geq 2\%$

Under the 2021 Mid-Term Management Plan, we aim to increase the composition ratio of operating assets in the key businesses and high margin segments of "Environment/Energy," "Mobility," and "Life" by 5% compared to FY2018. In addition, we are continuing cost structure reforms using digital transformation and process improvements. As a result, we will aim to achieve ROA of at least 2% in the Japan Business.



[Operating assets (composition ratio)]



Europe Business

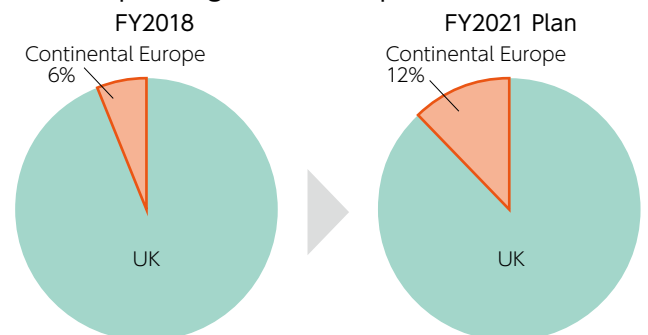
2021 Mid-Term Management Plan Policy
 "Pursue growth unaffected by external environment through stable growth in UK business and acceleration of the development in continental Europe"

FY2021 Target

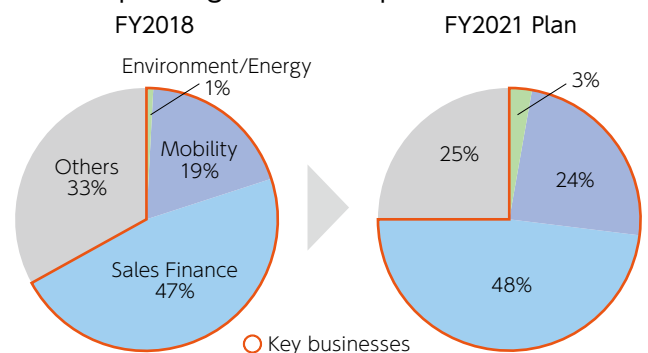
■ CAGR*¹ : $\geq 8\%$

In the UK business, we are promoting strategic IT investment aimed at boosting competitiveness in consumer finance and other areas as well as implementing validation testing on EVs in the mobility business, hoping to tap into the stable growth in this segment. On the European continent, we are working to grow the mobility business through M&A and expand our sales finance solutions from our hub in the Netherlands, with the aim of doubling the ratio of share of continental Europe in terms of the balance of operating assets.

[Operating assets (composition ratio)]



[Operating assets (composition ratio)]



*1 CAGR: Average annual growth rate of profit before tax (FY2015-FY2018)
 Global Business is calculated assuming constant exchange rates

The Americas Business

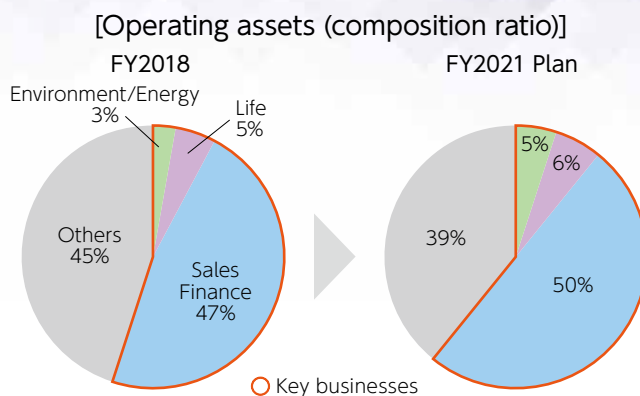
2021 Mid-Term Management Plan Policy
“Focus on key businesses and build new core businesses”

FY2021 Target

■ Adjusted CAGR*² : ≥15%

In the US business, as new mainstay businesses to replace our exit from the large factoring business, we will expand our presence in supply chain finance using Global Technology Finance, LLC, which we acquired in February 2019, a provider of services to VAR*, and enter into subscription-type energy saving business through collaboration with partners. In the Canada business, we will maintain stable growth through solution expansion and thorough risk management.

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



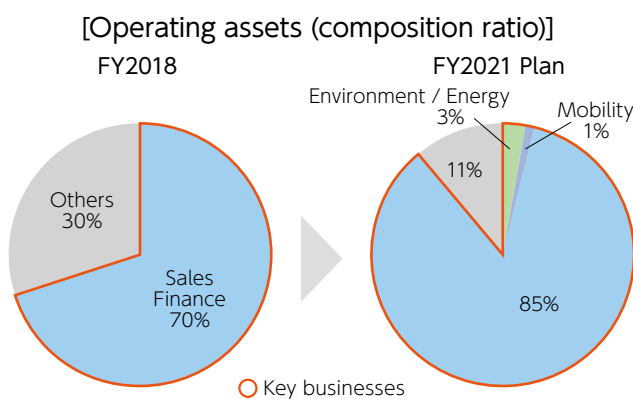
China Business

2021 Mid-Term Management Plan Policy
“Drastic review of business strategy, focus on sales finance, and return to diversified model”

FY2021 Target

■ Adjusted CAGR*² : ≥5%

Following the bad debt that occurred in our China business in FY2018, we conducted a drastic review of our business strategy and terminated large factoring along with syndicated loans. In addition to focusing on sales finance and returning to a diversified model, we will expand new businesses in the key businesses of “Environment/Energy” and “Life,” etc., and rebuild our operations by enhancing collaboration with partners. Also, we will strive for thorough risk management by carefully selecting regions and partners based on business risk and tightening screening criteria and reviewing processes.



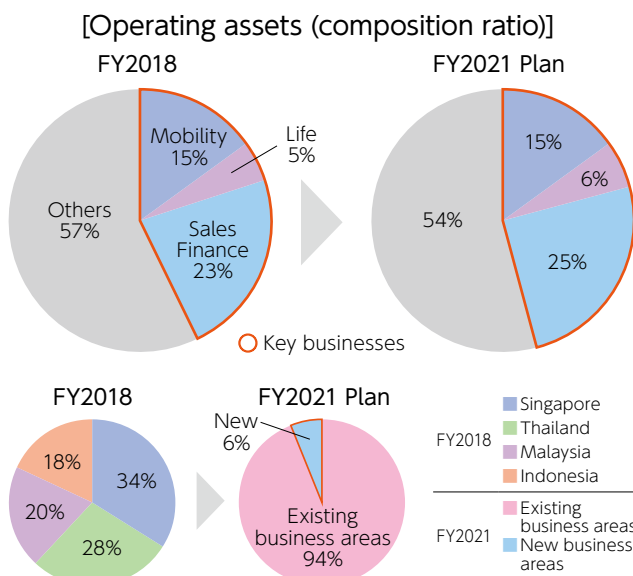
ASEAN Business

2021 Mid-Term Management Plan Policy
“Promote expansion of business domains and areas and seek new business opportunities”

FY2021 Target

■ CAGR*¹ : ≥20%

In addition to expansion of business domains based on regional needs and each company’s resources, we will seek out new business opportunities in key businesses such as “Life,” etc. Moreover, we are looking to expand business in existing regions as well as to explore expansion into new regions such as the Philippines and Australia.



*² Adjusted CAGR: Calculated by incorporating the impact of business review (termination of large factoring business, etc.)

Strengthen Management Base that Supports our Sustainable Growth

Implement Mission, Principles, and Core Values

Sustainable growth requires a robust management base. As such, over the next three years we will seek to further strengthen the areas of “finance,” “IT” and “human capital.” In finance, we will enhance funding capacity for foreign currencies and strengthen our financial base aimed at maintaining high credit ratings. In IT, we will actively utilize IT in all business activities from the front, middle and back offices, from the standpoint of proactive and defense management as a key element of competitiveness. In human capital, we will establish a competitive compensation system and provide growth opportunities suitable for individual career development.

| | |
|---------------|---|
| Finance | <ul style="list-style-type: none"> ● Enhance funding capacity for foreign currencies with diversified funding sources and methods ● Maintain solid financial base and high credit ratings ● Thorough ALM on a global basis |
| IT | <ul style="list-style-type: none"> ● Enhance resistance against cyberattacks ● Innovative business reform through DX ● Proactive IT use in front, middle, and back offices |
| Human Capital | <ul style="list-style-type: none"> ● Provide growth opportunities suitable for individual career development ● Establish competitive compensation system |

ESG management

We are accelerating ESG management as a way of “strengthening non-financial capital” which is essential to sustainable improvement in corporate value.

In terms of the environment, we will promote business and energy-saving activities to contribute to the realization of a carbon-free society, with the goal of achieving zero CO₂ emissions in FY2050 following the Paris Agreement.

In terms of social, recognizing that human capital is the most important resources of the company, we are working to enhance employee engagement, including establishing a workplace environment where each and every employee can thrive professionally and embracing the active involvement of a diverse workforce.

In terms of governance, we will focus on promoting information disclosure aimed at securing management transparency.

| Environment | Society | Governance |
|--|---|--|
| Earth-friendly | Respecting employees | Fair management |
| <ul style="list-style-type: none"> ● Commit to support recommendations issued by the TCFD* and promote information disclosure ● Promote environment/energy business ● Promote energy-saving activities in the Group | <ul style="list-style-type: none"> ● Diversity & inclusion ● Create rewarding and attractive work places ● Promote flourish various human capital in the workplace | <ul style="list-style-type: none"> ● Maintain directors' independence ● Strengthen risk management globally in the Group ● Further strengthen three lines of defense* (Enhance the 2nd line, monitoring function) |
| KPI: FY2050 Zero CO₂ emission P27-28 (Base year: FY2016 9,367t-co₂) | KPI: Employee engagement 80% P33-34 (FY 2018 : 67%) | Promote information disclosure to ensure management transparency |

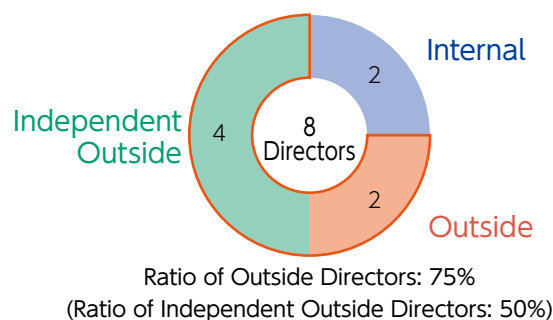
* TCFD: Task Force on Climate-related Financial Disclosures established by Financial Stability Board (FSB)

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

Enhance corporate governance

Currently, independence is maintained, as outside directors comprise 75% of all directors and an independent outside director chairs the Board. In addition, we practice business management ensuring the interests of the all shareholders, without favoring specific shareholders.

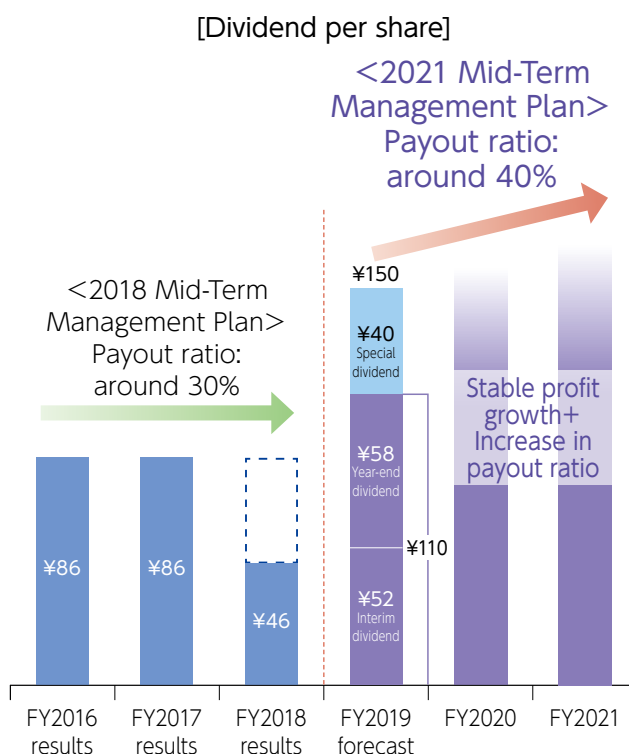
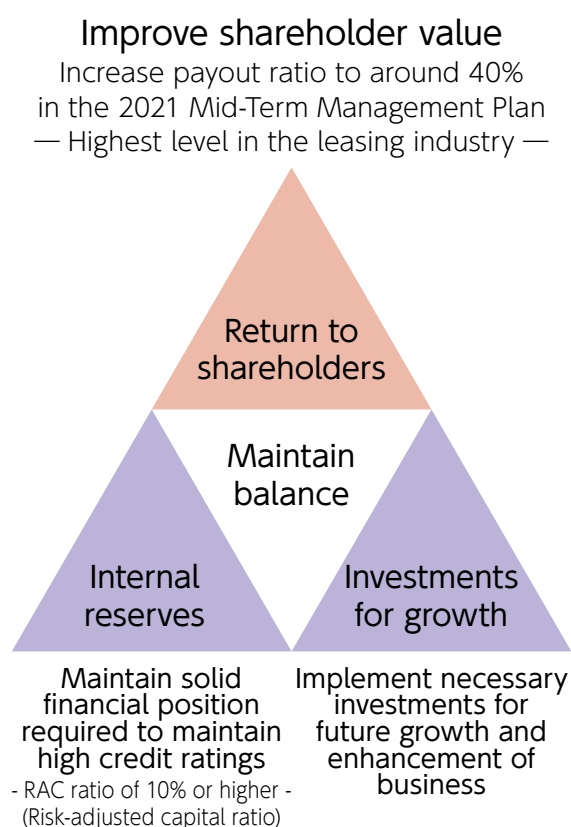
As for risk management, following inappropriate factoring deals occurred in China in FY2018, we are implementing a number recurrence prevention measures, which include the following: (1) strengthen operational risk management system and fraud risk management; (2) further strengthen three lines of defense (enhance the 2nd line, monitoring function); and (3) drastic business review (terminate large factoring and syndicate loans, etc.).



Enhance Return to Shareholders

As its policy on the distribution of profits, Hitachi Capital focuses on (1) shareholder returns aimed at enhancing shareholder value; (2) retained earnings needed to maintain high credit rating; and (3) balance of investments needed for future growth and business strengthening. Under the 2021 Mid-Term Management Plan, we will take a cautious approach to M&A considering the

external environment and increase the target payout ratio to around 40%, which would make it tops in the industry, taking into account operating assets will increase moderately on business restructuring. We will increase shareholder returns through consistent profit growth and increasing the payout ratio.



2021 Mid-Term Management Plan Quantitative Targets

We will aim to sustain this consistent growth and establish a high profit structure that achieves ROE of over 10% and ROA of at least 2%, as a “Social Values Creating Company” focused on the SDGs.

Under the 2021 Mid-Term Management Plan, we used a back casting perspective to establish the targets of profit before tax of 55 billion yen, ROA of 1.7% and ROE of 9%, as a checkpoint for our future vision. We will steadily implement our business strategy in each region, achieve the targets set out in the 2021 Mid-Term Management Plan, and meet the expectations of shareholders.

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

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

Vice President and Executive Officer
Head of Finance Division, Management
Bases Initiatives
Hitachi Capital Corporation

Satoshi Inoue

To be a “Social Values Creating Company,” ensuring sustainable creditworthiness and recurring growth

Hitachi Capital’s focus in financial strategy

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

This makes it possible to increase the creditworthiness of the Group, and 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 credit worthiness varies depending on the region, it is important that this does not impact on fund procurement costs.

It is also essential to construct a safety net to provide overseas sites and subsidiaries with support from head office in emergencies to ensure more stable procurement of funds. Specifically, I acknowledge that it is my role to make preparations for whatever happens, including

securing commitment lines¹ from banks and arranging parent-subsidiary loan mechanisms.

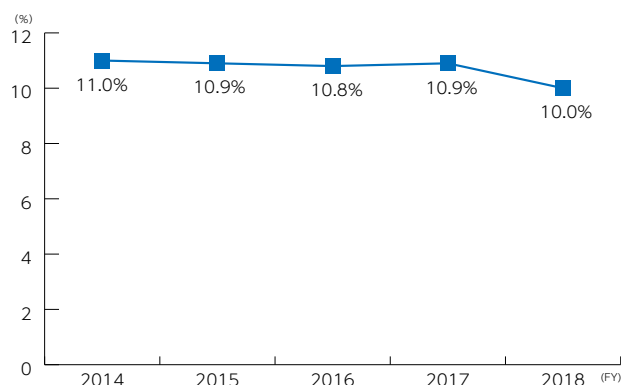
I check on the financial position of overseas Group companies, including ALMⁱⁱ, regularly and share the information with the Board of Directors and the Executive Board. The Hitachi Capital Group owns approximately 3 trillion yen in assets, about half in Japan and half overseas. We manage procurement 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.

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

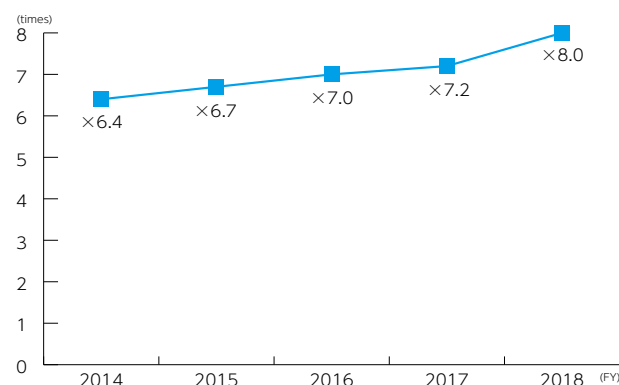
Web▶ https://www.hitachi-capital.co.jp/hcc/english/ir_english/index.html



Ratio of Equity Attributable to Owners of the Parent (IFRS)



D/E Ratio



Importance of financial strategy that responds to changes in business

At present, the Hitachi Capital Group is shifting its business from providing conventional finance to services and commercialization and combined businesses beyond the field of finance. We are also working to transform our business model to become a multiple solution provider, providing various solutions as needed in the supply chain as a Social Values Creating Company. Amidst this transition, we have increased 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. For example, for businesses in which investments are made to solve social issues, there is a need to accommodate cash flow situations that differ from those in the past such as for projects in which there

are long lead times from capital expenditure until the generation of profit. Therefore, in our finance departments, we emphasize not only leverageⁱⁱⁱ management but also ALM tailored to asset portfolios that vary on the length and type of project.

In addition, we continue to closely monitor the ratio of equity attributable to the parent company^{iv} and our D/E ratio^v as KPIs indicating financial soundness. This ratio of equity attributable to the parent company is of particular importance to rating companies and is directly linked to the cost of funding. In the lessons from the inappropriate deals of our Chinese subsidiary in FY2018, examination standards for the Group companies both in Japan and overseas have been made stricter and clearer and processes are being reviewed in an effort to secure a strong financial base and maintain a high rating.

- i. 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. Ratio of equity attributable to owners of the parent: IFRS standard. Referred to as equity ratio under JGAAP.
- v. Debt/equity ratio: Indicates interest-bearing debt as a multiple of equity to measure the soundness of corporate finances.

Environmental Vision / Dialogue with Specialists

In view of climate change, we will help to realize a low-carbon

Our Challenge

Main social challenges and needs

■ Support global environmental changes (reduction in CO₂ emissions)

■ Optimize power consumption

■ Establish a local energy production/consumption model

Our Values

Our efforts

■ Expand our environment/energy businesses

■ Expand our renewable energy generation business (wind power, biogas, biomass power generation, etc.)

■ Develop new businesses targeting (personal consumption-type, region-limited power supply, etc.) a move away from FIT (feed-in tariffs)

■ Accelerate global expansion

■ Promote carbon reductions in our business activities

■ Energy-saving activities at each business location, and promotion of EVs for business vehicles

■ Usage of renewable energy, including for local production and consumption

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

Expand our environment/energy businesses

Anei Since 2003, before renewable energy gained attention, Hitachi Capital has been providing financial services in the fields of construction and operation of power plants and similar together with Hitachi, Ltd.

Tahara Being involved in the renewable energy business right from its early days was a prescient management decision, of which I am in awe.

Anei Thank you. With the start of FIT (feed-in tariffs) in 2012, we entered the renewable energy generation business, and as of the end of FY2018 we have developed a wind and solar power generation business equivalent to an annual 260,000 tons of CO₂. As an energy savings solution, as well as effectively using resources, we are also providing a range of services such as biogas power generation that utilizes the residua of yam (see P. 30).

Tahara Under the current FY2019-FY2021 Mid-Term Management Plan (2021 Mid-Term Management Plan) as well, the environment/energy business has been situated as a priority area, and you are focusing on confronting environmental challenges in your core businesses,

through measures such as developing initiatives in which the amount of renewable energy generated is determined in a KPI.

Anei That's right. As well as simply creating profits from sales, as an initiative to use locally generated power in local industry, we are also providing support for the local production and consumption of renewable energy. We also hope to provide solutions in order to respond to environmental challenges and requirements for regions both within and outside Japan.

Tahara I see. Looking forward, with a transition to a post-FIT system in mind, I feel that there will be a need for support for moving towards making renewable energy "a main power source," and for solutions to respond to aforementioned regional circumstances. Furthermore, in addition to aspects concerning the environment and energy, I look forward to initiatives that, through a focus on the creation of next-generation services that can contribute to resolving the range of social issues, will allow the Company to evolve into a "Social Values Creating Company" as stated in our management policy.

Anei Thank you.

Main KPI

Reference year
FY2016

FY2034
-50%

FY2050
-100%

Step1: "Energy-savings" promotion from FY2019

Step2: "Local production/consumption" up to FY2034

Step3: "Move to renewable energy" up to FY2050

Japan/Europe/China: Gradual decarbonization of business vehicles

Japan: 2018 onwards Japan -1%/year, enhanced energy reduction regulations

Japan:

• Acquire FIT non-fossil fuel certification, repurchasing this

Other regions:

• Americas/ASEAN: Decarbonization of business vehicles

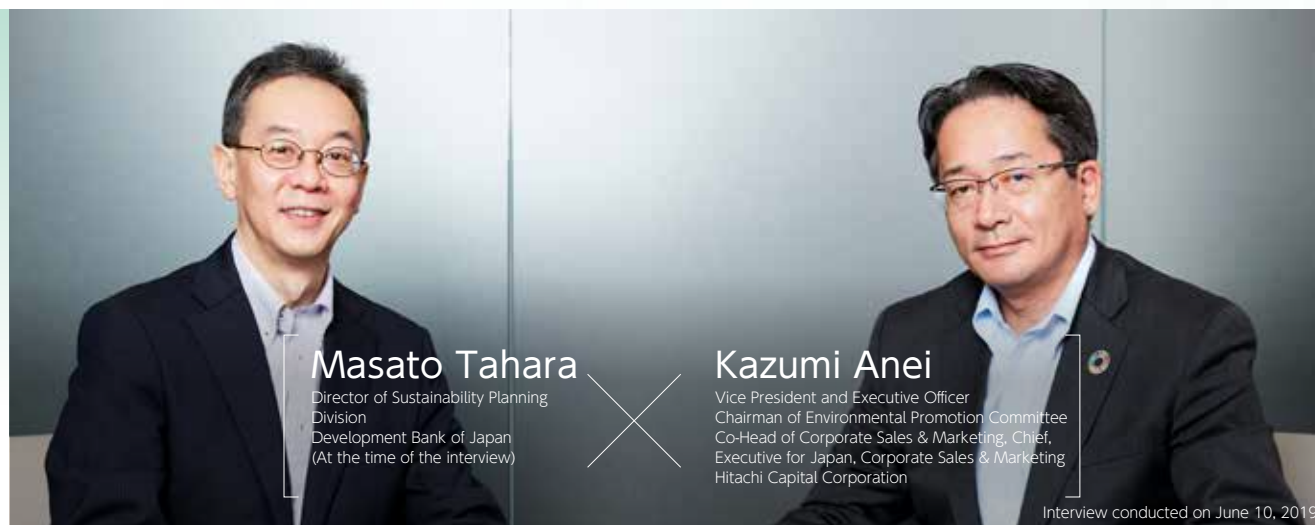
• View to switching to renewable energy purchasing

Achieve decarbonization by 2050

The Group has set as a SBT¹ a medium to long-term goal corresponding to "WB2°C," which dictates an annual drop of 2.7% in CO₂ emissions over the reference year. As Step 1, we will put in place far-reaching measures to reduce the burden on the environment throughout the Group as a whole, including moves to EVs (electric vehicles), FCVs (fuel cell vehicles), and power savings. For Step 2, we will look to acquire non-fossil fuel certification from FY2033 and onwards, and as a Group, promote purchasing and decarbonization centered around renewable energy. We will also procure decarbonized energy from outside the Group, achieving full decarbonization by 2050.

27

society as a leading company in environmental management



Masato Tahara

Director of Sustainability Planning
Division
Development Bank of Japan
(At the time of the interview)

Kazumi Anei

Vice President and Executive Officer
Chairman of Environmental Promotion Committee
Co-Head of Corporate Sales & Marketing, Chief,
Executive for Japan, Corporate Sales & Marketing
Hitachi Capital Corporation

Interview conducted on June 10, 2019

Reducing our Group's environmental burden

Anei Recently, we have become more aware of climate change, however I feel strongly that in order that we can pass on our global environment to subsequent generations in the years to come, we should respond to this by reducing the environmental impact of the Group as a whole to beyond globally mandated levels. With this in mind, in July 2017 we agreed with TCFDⁱⁱ. After steady efforts in promoting energy-saving activities at each business location and switching to EVs (electric vehicles) and FCVs (fuel cell vehicles), we are moving forward with implementing "local production and consumption," using renewable energy within the Group and promoting decarbonization. For the shortfall, we are promoting the purchase of renewable electricity in each region, with the long-term goal of complete decarbonization by 2050.

Tahara For moving towards EVs and FCVs for business vehicles, I saw that you are also looking at environmental ratings when putting in place environmental improvements in the Group. I feel this is an advanced initiative within the industry. By complying with the TCFD as mentioned here, as well as setting long-term goals looking towards 2050, I hope that you will be able to not only reduce the environmental impact of your existing business activities, but also put out into society the long-term standpoint and vision that will be possible through your business activities.

Anei From this fiscal year, the Group will conduct demonstration testing into switching over to EVs and FCVs for business vehicles. This is a major challenge, however in the near future we hope to grow as a company that is able to provide smart solutions that achieve reductions in both CO₂ emissions and energy costs, through optimal operation with smart cities (environmentally friendly cities) as well as autonomously driven EVs and FCVs. We are actively taking

the challenge of confronting these initiatives.

Tahara Environmental issues include not only global warming, but also plastic waste in the oceans, as well as issues regarding limited resources. In the West in particular, we are seeing rapid progress made in implementation of a circular economyⁱⁱⁱ. Lease companies have long been putting in place systems for correct recycling and disposal of facilities and equipment at the end of lease contracts. I feel that these types of activities regarding traceability may become a business advantage given current trends. I think it would be a good idea to confront environmental issues from a range of perspectives, including looking at aspects specific to your company.

<Honorifics omitted>

In response to this dialogue

Kazumi Anei

Regarding the evaluations and opportunities for improvement that we have received, we hope to utilize our know-how as a leasing company, and meet the expectations of society in order that we can resolve environmental challenges including not only energy, but also the circular economy. In this, while also incorporating traceability from the perspective of maintaining biodiversity, we will utilize innovative technologies such as RPA and IoT. Through this, we will develop business activities that can combine the effective utilization of all resources including energy with a prosperous society.

i SBT: Science Based Target. Scientifically-based greenhouse gas reduction targets in line with the 21st Conference of the Parties to the Framework Convention on Climate Change (COP21) (Paris Agreement) in December 2015.

ii TCFD: "The FSB Task Force on Climate-related Financial Disclosures" established in 2016 by the Financial Stability Board (FSB), an international organization that aims to stabilize the financial system. In June 2017, this gave as final recommendations (1) supporting companies that disclose information regarding climate-related risks and opportunities; and (2) working toward stabilizing financial markets through a smooth transition to a low-carbon society.

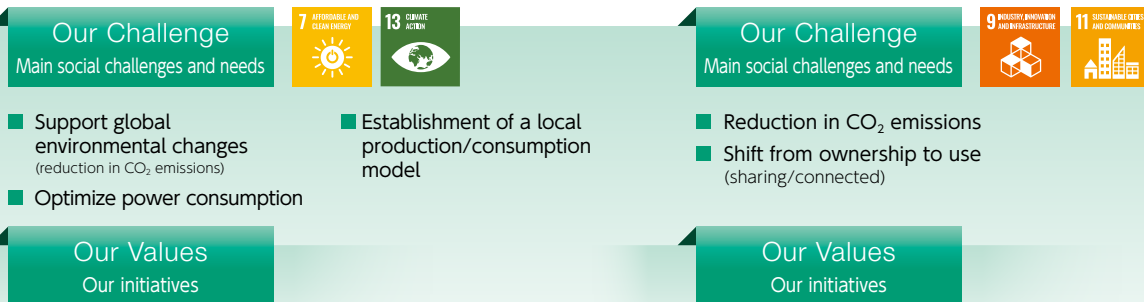
iii Circular society: An economic system that as a recycling economy, is not limited to efficient resource recycling, and that maximizes value creation by utilizing existing products and idle capitals without a dependence on raw materials.



We believe that environmental conservation is a vital prerequisite for our company activities, in order that we can create a sustainable society.

We hold climate change to be a key challenge for the Company, and thus provide business, services, and solutions that make efficient use of resources, and that contribute towards bringing about a decarbonized society such as the promotion of renewable energy and EVs.

Examples of our environmental business



1 Promote our environment/energy business using climate bonds and DBJ environmental ratings

In February 2019, the Group issued Japan's first climate bonds (10 billion yen). This particular instance was applied to our photovoltaic power generation business (power output is expected to be 36.4 MW, with an annual power generation of approximately 38,000 MWh, sufficient to power approximately 10,000 households) in Niimi City, Okayama, operated as a power generation company by Hitachi Green Energy Co., Ltd., a subsidiary of the Company. This is the second time that the Group has issued climate bonds since December 2017, when the China-based financial management company Hitachi Capital Management (China) Ltd. became the first Japanese company in Asia to issue foreign-currency-denominated climate bonds. Additionally, the Company has received the highest-ranked rating of "particularly advanced environmentally friendly initiatives" from the "DBJ Environmental Rating" carried out by the Development Bank of Japan, Ltd. for six years straight, receiving a ratings loan in March 2019. We plan to use the assets procured as a result of this in the environment/energy businesses in which we are focusing our efforts.



View of photovoltaic power plant in Niimi City, Okayama

2 Promote the expansion of our mobility solutions business in continental Europe

With an eye to the "MaaS" style of next-generation traffic, the Group is expanding its mobility solutions business in continental Europe. In July 2018, we combined two auto leasing companies in the Netherlands, taking this as an opportunity to further expand into continental Europe. In January 2019, we acquired Maske Fleet GmbH, an automobile rental/leasing business in Germany and Austria. This company is working to provide high value-added services, including the introduction of EVs, and by working together with our company and our know-how, it plans to develop its own mobility services. Furthermore, Great Britain is actively promoting EVs, and subsidiary Hitachi Capital (UK) PLC is conducting "demonstration test towards using EVs for business vehicles" since January 2019. The Company has been both providing EVs and using specialized knowledge in vehicle management and operation to support customers involved in this testing.



Maske Fleet GmbH headquarters (Bockel, Germany)

Our Business Activities

Our Challenge

Main social challenges and needs



- Effective usage of resources
- Support global environmental changes (reduction in CO₂ emissions)

Our Values

Our initiatives

3 Participation in biogas power generation utilizing the residua of yams

In June 2018, Company subsidiary Hitachi Green Energy Co., Ltd. invested in a biogas power generation business utilizing the inedible parts of yams at the Yuuki Aomori Agricultural Cooperative (JA Yuuki Aomori) in Tohoku-machi, Kamikita-gun, Aomori, an area renowned in Japan for the production of yams. This business creates energy by making effective use of gas generated by waste from these yams, which was formerly discarded, and is thus expected to reduce disposal costs. Furthermore, at JA Yuuki Aomori, we are taking the challenge of using the waste heat generated to provide heat to adjacent greenhouses, enabling agriculture during the winter. In many parts of Japan, disposal of inedible parts of crops is costly and labor-intensive, posing a challenge for regional economies. Hitachi Green Energy will continue to plan the development of a biogas energy business maximizing the usage of organic resources for the benefit of agricultural cooperatives and foodstuffs plants facing similar problems, and contribute towards both revitalization of the regions and the creation of a recycling-oriented society.



Residua of yams

Our Challenge

Main social challenges and needs



- Effective usage of resources
- Support global environmental changes

Our Values

Our initiatives

4 Received an order for a seawater desalination RO (reverse osmosis) system with financing facility for a water infrastructure project in the Maldives

In February 2019, the Hitachi Group together with Hitachi Capital Asia Pacific Pte. Ltd. received an order for a seawater desalination RO (reverse osmosis) system together with water piping facilities and equipment, including for establishing a financing facility. This will be used in an urban development project in the Maldives, which is facing severe water shortages. This project covers domestic use water production and distribution infrastructure and is part of the second phase of reclamation and development of Hulhumale Island promoted by the Maldives government. This currently requires a new RO system and piping network, and this provides facilities and equipment from the Hitachi Group packaged with its financial support. In the ASEAN region, the Group is using its Singapore base of operations to provide comprehensive solutions that align with customer needs through partnerships with the Hitachi Group and other partners. We will use this opportunity of receiving this order to further expand our water infrastructure business overseas.



Seawater desalination RO system of the same size as that to be delivered



Environmental Efforts

Our Initiatives (Environmental Aspect)

We are working to reduce the burden on the environment throughout the whole Group and supply chain in order to bring about a sustainable society and environment.



Environmental policy

Given societal demands that we pay attention to the global environment, in June 2005, we formulated an environmental policy aimed at making a reality out of our corporate philosophy — namely contributing towards the creation of a more prosperous society. We are moving forward with initiatives to confront

environmental challenges, based upon this environmental policy.

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

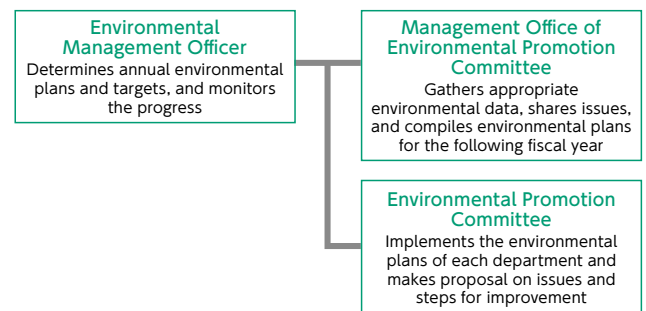
WEB <https://www.hitachi-capital.co.jp/hcc/english/company/environment.html>

Environmental Management System (EMS)

In this system, executives in our environmental business are responsible for environmental management. The Environmental Promotion Committee which comprises environmental committee members from each department builds an environmental management system, and formulates and promotes annual environmental plans. Additionally, as a part of its compliance activities, the Group is ensuring that all executives and employees fully comply with laws and regulations, including those related to the environment, and carries out regular compliance checks. FY2018 saw no instances of violations of laws and

regulations, including those related to the environment, or any complaints from outside the Company.

Environmental management system organization



Hitachi Capital Corporation environmental results for FY2018

In the 2018 Mid-Term Management Plan, we have promoted as group common strategies (1) taking the initiative and a leading role in environmental business, and (2) development of an EMS (Environmental Management System) throughout the Group.

| Activity items | | Group - required | FY targets | FY2018 results | Evaluation/ additional initiatives for next period |
|---------------------------------|--|------------------|--|---|--|
| Management | Establishment of an EMS framework worthy of trust on a global level | — | Establishment of an EMS framework worthy of trust on a global level | <ul style="list-style-type: none"> Received third party CO₂ monitoring Introduction of ESG information infrastructure, including environment Address at "Corporate 2°C Target Forum (1st)" sponsored by the Ministry of the Environment and the CDP | ◎ |
| Service | Promotion of the environment/energy business as one of the Group's common strategies | — | Expand the broad areas of environmental energy business (promote annually 5% expansion) | <ul style="list-style-type: none"> Environmental energy business: Total volume of renewable energy generated of 515 MW (YoY expansion of 14%) Business volume of 245% compared with FY2015 | ◎ |
| Office | Prevention of global warming | ○ | Reduction in the volume of energy used and CO ₂ emissions: Reduce by 0.5% on annual average (per floor area in the headquarters) | <ul style="list-style-type: none"> Volume of energy used and CO₂ emissions: Reduced by 16% (per floor area in the headquarters) | ○ |
| | | ○ | Reduction in transportation energy: Reduction in gasoline usage volume: 5% annually | <ul style="list-style-type: none"> Reduction in transportation energy: Reduction in gasoline usage volume: 69% annually | ◎ |
| | Effective use of resources | ○ | Reduction in the volume of paper used: Reduction by 2% from the previous year | <ul style="list-style-type: none"> Reduction in the volume of paper used: 17.3% Amount of waste generated: 79.4 t Amount of water used: 5,845 m³ | ◎ |
| | Chemical substance and biodiversity | — | Survey on the current status of business workload and compliance with independent law and regulation systems | <ul style="list-style-type: none"> Incorporate compliance audits and carry these out twice a year | ○ |
| Collaboration with stakeholders | Social contribution activities Dissemination of information | — | <ul style="list-style-type: none"> Promotion of activities that facilitate the participation of employees Green Purchasing Rate: 75% | <ul style="list-style-type: none"> Held SDG workshop for executives and environmental managers (both in Japan and overseas) with a total of 105 participants with Imacocollabo Green Purchasing Rate: 76.7% | ○ |

Legend: ◎ Significantly exceeded target (110% or more) ○: Met target △: Failed to meet target ×: Significantly failed to meet target (90% or less)

Refer to “Environmental Efforts” page for details of activities and for yearly trends in environmental results.

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



Reduction in environmental burden through our business activities

In order to keep the rise in average global temperature to well below 2°C in accordance with the 2015 Paris Agreement, we set a long-term goal of decarbonization by FY2050 for not only the Hitachi Capital Corporation, but for the whole Group. (See P. 27)

At the “1st Corporate 2°C Target Forum” sponsored by the Ministry of the Environment and the CDP (an international NPO that evaluates corporate environmental initiatives on behalf of institutional investors) held in June 2018, we presented an address on our company’s initiatives and policy recommendations to the country as a “company motivated to move away from carbon.”

In July 2019, we announced our endorsement of the TCFD (Task Force on Climate-related Financial Disclosures) and SBT (science-based greenhouse gas reduction targets) initiatives. In the future, in view of the TCFD recommendations, as well as working to enhance disclosure regarding climate change, we will also promote care for the environment through our customer’s

businesses, and enhance our response to climate change by reducing the Group’s greenhouse gas emissions.

CO₂ emissions by Hitachi Capital Group in FY2018

Supply chain emission category

| Category | | | CO ₂ emissions (t-CO ₂ e) | Emission ratio |
|--------------|------------|---|---|----------------|
| Scope1 total | | | 3,312 | 4.7% |
| Scope2 total | | | 4,909 | 7.0% |
| Scope3 | Category1 | Purchased goods and services | 4,312 | 6.2% |
| Scope3 | Category2 | Capital goods | 53,981 | 76.8% |
| Scope3 | Category3 | Fuel and energy activities not included in Scope1 and 2 | 236 | 0.3% |
| Scope3 | Category5 | Waste from business operations | 704 | 1.0% |
| Scope3 | Category6 | Business travel | 723 | 1.0% |
| Scope3 | Category7 | Employee commuting | 1,906 | 2.7% |
| Scope3 | Category15 | Investment | 223 | 0.3% |
| Scope3 total | | | 62,085 | 88.3% |
| Total | | | 70,306 | 100.0% |

Hitachi Capital Group medium to long-term targets

We will work to reduce the environmental burden through the whole Group and supply chain, and through our business activities will contribute to the achievement of a sustainable society and environment.

| Activity items | | Target | Activities |
|---------------------------------|--|---|--|
| Management | Enhancement of the environmental management infrastructure as SDG-based ESG management. | <ul style="list-style-type: none"> Strengthened environmental planning and governance (PDCA) | <ul style="list-style-type: none"> Achieve totalization and management using the system Survey environmental laws and regulations using the specialist environmental department, and put in place load reduction measures Promote measures to reduce the environmental burden throughout the whole supply chain |
| Service | Promotion of the environment/energy business as one of the Group’s important business activities | <ul style="list-style-type: none"> Energy (Vision: long-term target): provide everyone with clean energy, and contribute to the development of a sustainable society Financial: ¥70 billion revenue Non-financial: Generating green electricity for 1.5 million users (Reduction in CO₂ emissions: approximately 1.25 million tons) | <ul style="list-style-type: none"> Promote the mobility business, including the environment/energy business and support for a switch to EVs Expand services to contribute towards resource recycling, including GAP certification and reuse of agricultural waste in power generation (biomass power generation) |
| Office | Prevention of global warming | <ul style="list-style-type: none"> Yearly reduction in CO₂ emissions 50% reduction over FY2016 (up to FY2034)/ zero (up to FY2050) (In Japan: 1% reduction/year through promotion of energy-saving activities) | <ul style="list-style-type: none"> Energy used (including gasoline usage) CO₂ emissions reduction (study into promotion of energy-saving and usage of renewable energy) Promotion of decarbonization of business vehicles (zero gasoline/diesel) |
| | Effective use of resources | <ul style="list-style-type: none"> Paper-resource KPI: Additional study during the 2021 Mid-Term Management Plan | <ul style="list-style-type: none"> Understanding of paper usage/types (FSC certification) Ongoing understanding of water usage/water supply, reuse, groundwater usage, and waste generation |
| | Chemical substance and biodiversity | <ul style="list-style-type: none"> Development of regulations | <ul style="list-style-type: none"> Periodic surveys into compliance with laws and regulations (in particular, new overseas locations and locations with repair facilities) Establishment of biodiversity guidelines, and implementation of initiatives |
| Collaboration with stakeholders | Social contribution activities Dissemination of information | <ul style="list-style-type: none"> Setting of education and social contribution policies | <ul style="list-style-type: none"> Promotion of more employee participation in activities in accordance with circumstances at each business location Implementation of CSR education, encouragement in acquisition of environmental qualifications, and study sessions for environmental personnel |

Social Vision / Dialogue with Stakeholders

Create a rewarding and attractive “Excellent Work” contribute to society while performing their duties

Our Challenge

Main social challenges and needs

- Declining birthrates and aging population
- Diverse work styles (accommodate different needs based on gender, generation and lifestyle)
- Co-existence with new technologies (RPA and AI)
- Elimination of overtime work and all forms of harassment

Our Values

Our efforts



- Human capital Policy and response
- Human capital measures for FY2019-FY2021 (creating rewarding and attractive workplaces)
 - Flexible work styles as well as health and productivity management (workplaces where individuals can fully contribute their skills)
 - Diversity (workplaces where a diverse range of “human capital” plays an active role)
 - Performance-linked remuneration (workplaces where organizational objectives are achieved)

Steadily instill “work style reform”

Ohashi In the current 2021 Mid-Term Management Plan, we have established a human capital strategy focused on “fostering human capital and workplaces that contribute to our growth globally.” As part of this, we will further cultivate sophisticated human capital and promote work style reforms. What changes have you felt from previous work style reforms?

Oshima I’m involved in sales and marketing, so flexible work styles have been very easy to implement. The question is what can we do to work more efficiently and increase productivity given the limited amount of time in the workday. My thinking changed a great deal in the search for results, without being tied to the notion of working hours. I tried telecommuting twice and discovered I was more productive than I could have imagined. With results achieved, it is easier to take paid leave psychologically speaking, and I felt like I have been able to spend my time more meaningfully than before.

Chen I feel the same way. Work systems for employees have been expanded considerably since I joined the company, as they now include telecommunicating system, reduced-hours working system, and extra carrier system. I was also able to take three consecutive weeks of childcare leave. The workplace now is the most



employee-friendly environment I’ve experienced. I hope to use the time created from work style reforms for personal and professional growth. I’m now looking at studying to obtain a qualification.

Yamada My department was among the first to usher in BPO reforms that outsource a majority of our operations. This has dramatically transformed the way I work. No overtime Wednesdays has taken hold surprisingly well, as I find myself thinking “Where did everyone go!” My overtime work is less than 20% of what it used to be. With the further use of IT in our operations, I believe we will see even greater improvements in operating efficiency.

Ohashi I think efforts to reduce overtime and encourage employees to take paid leave are a resounding success. We will continue efforts toward creating rewarding and attractive workplace with an eye on how we can utilize the time that has been created as a result.

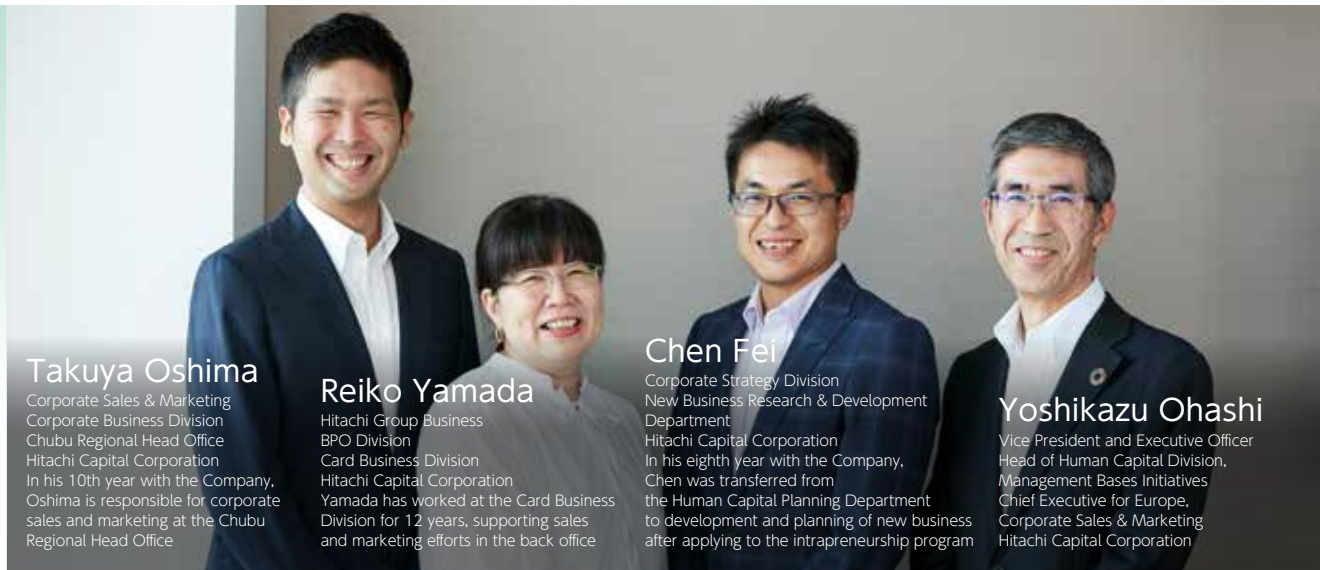
Main KPI



Maximize employee satisfaction (80%)

In striving for a rewarding and attractive workplace in which each and every employee can perform their duties with enthusiasm and energy, we consider employee satisfaction levels to be a key performance indicator (KPI) and set affirmative employee survey (engagement) reply ratios as benchmarks. Under the 2021 Mid-Term Management Plan, we are mindful of: 1) trusting and respecting one another and building impartial relationships, 2) feel pride in one’s own work, and 3) create an “Excellent Workplace” that is rewarding and encourages solidarity among colleagues, while focusing on 1) flexible work styles as well as health and productivity management (workplaces where individuals can fully contribute their skills), 2) diversity and inclusion (workplaces where a diverse range of “human capital” plays an active role), and 3) performance-linked remuneration (workplaces where organizational objectives are achieved).

place” that enables each and every employee to with enthusiasm and energy



Takuya Oshima

Corporate Sales & Marketing
Corporate Business Division
Chubu Regional Head Office
Hitachi Capital Corporation
In his 10th year with the Company,
Oshima is responsible for corporate
sales and marketing at the Chubu
Regional Head Office

Reiko Yamada

Hitachi Group Business
BPO Division
Card Business Division
Hitachi Capital Corporation
Yamada has worked at the Card Business
Division for 12 years, supporting sales
and marketing efforts in the back office

Chen Fei

Corporate Strategy Division
New Business Research & Development
Department
Hitachi Capital Corporation
In his eighth year with the Company,
Chen was transferred from
the Human Capital Planning Department
to development and planning of new business
after applying to the intrapreneurship program

Yoshikazu Ohashi

Vice President and Executive Officer
Head of Human Capital Division,
Management Bases Initiatives
Chief Executive for Europe,
Corporate Sales & Marketing
Hitachi Capital Corporation

Roundtable talk held on July 30, 2019

Promoting “health and productivity management” focused on work style reforms

Oshima How someone actualizes the use of this time created really depends on each person.

Yamada I will use this time toward improving my health, such as going to the gym or yoga class.

Ohashi The company as a whole is promoting health and productivity management. In 2019, Hitachi Capital was certified as a Health and Productivity Management Organization (White 500). We need to constantly improve our level of health and productivity management to ensure we maintain this certification.

Chen I first began thinking what constitutes health and productivity management after hearing the term “health and productivity management.” The Kurumin Mark is, of course, part of this, and I think obtaining external recognition will play a part in changing mindsets inside the company.

Yamada “Health and productivity management” also focuses on mental health. Thanks to work style reforms, I can have the opportunity to dine with colleagues on my way home from work, and our communication has really improved compared to before. The ability to create personal connections at work with whom you can share your thoughts frankly is just as an important element as feelings.

Cultivate sophisticated human capital while expanding diversity

Ohashi We introduced a human capital information system that makes information about the careers and skills of human capital accessible for facilitating relationships with supervisors and enable employees to take ownership

in thinking about their career path together with their supervisor. The system will be used for improving employee development and assigning the right person to the right job, with the goal to upgrade our human capital.

Chen The ability to visualize the strengths of individual human capital making up the organization is a very good approach. However, despite clear provisions about the role of organizations, I believe that in some organizations employees find that their own mission is still unclear.

Ohashi In terms of diversity, the number of female employees in charge is on the rise, albeit slowly, even in sales and marketing.

Yamada I believe that many women will work hard if given an opportunity. As women in management positions increase, I believe the hard work of this generation of pioneers will become a major motivating factor for future generations of women.

Chen As diversity in the workforce progresses and the notion of work hours changes with work style reforms, the next issue will be how to better clarify the mechanisms of the personnel evaluation system and compensation framework.

Ohashi The ultimate ideal is “pay for performance.” However, everyone is not necessarily performing the same type of work, so determining how to build a fair evaluation and remuneration system will be a major challenge. In addition, I want each and every employee to have own skill that everyone can say “THIS IS MY VALUE.” The foundation for human capital development is dialogue. I hope to find areas of improvement and concrete direction through such dialogue.

<Honorifics and titles omitted>



To ensure developing a healthy society, we believe that companies must make efforts to realize a world where no one gets left behind as an important stakeholder. Such a world guarantees all people a wholesome and cultured living no matter where they may live. Therefore, the Hitachi Capital

Social Business

Our Challenge

Main social challenges and needs



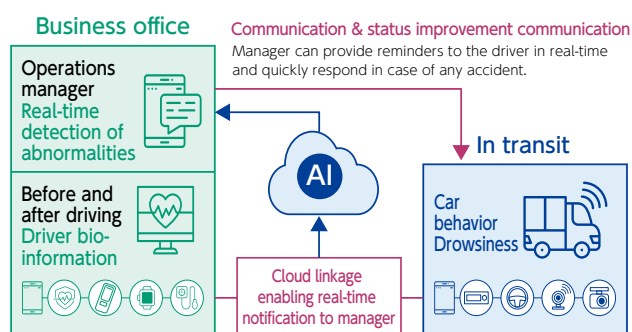
- Driver shortages
- Shift from ownership to use (sharing and connected)
- Eliminate traffic accidents

Our Values

Our initiatives

1 Signing of a business alliance agreement with Hitachi Transport System, Ltd. for achieving new innovation through "Finance, Commerce, Logistics, and Information"

In December 2018, with the aim of expanding collaborative innovation across industries and businesses, we concluded a basic agreement on business alliance with Hitachi Transport System, Ltd. to realize new innovation through "Finance, Commerce, Logistics, and Information." As part of the business alliance, we acquired 40% of the shares of Hitachi Auto Service Co., Ltd., a wholly owned subsidiary of Hitachi Transport System in order to strengthen the Vehicle Solution business promoted by Hitachi Capital. Furthermore, Hitachi Capital Auto Lease Corporation made clear the relationship between fatigue and accident risk for truck drivers and has started collaborative research on technologies that reduce the risk of accidents with Hitachi Transport System, the Institute of Physical and Chemical Research (RIKEN), Kansai University of Welfare Sciences, and Hitachi, Ltd. with the aim of achieving a car accident-free society. Through this research, a new system of Smart Safe Driving Control System (SSCV) utilizing IoT was developed for driver safety. It is our goal to achieve a society considerate of safety and environment and an accident-free society.



Overview of Smart Safe Driving Control System

Our Challenge

Main social challenges and needs



- Pursue convenience (address needs for each generation and lifestyle)
- Advancement in information society

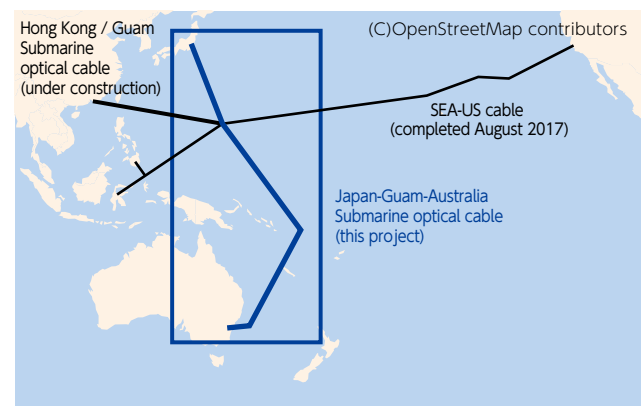
Our Values

Our initiatives

2 Supporting the development of infrastructure businesses of Japanese companies

Japan Infrastructure Initiative Company Limited (JII) was established under the five-company business alliance between Mitsubishi UFJ Lease & Finance Company, Ltd., Mitsubishi UFJ Financial Group, Inc. (MUFG), MUFG Bank, Ltd., Hitachi, Ltd. and Hitachi Capital as an open finance platform. In April 2018, JII decided to make a US\$20 million investment in the Japan-Guam-Australia (JGA) Submarine Optical Cable project* built by Nippon Electric Company, Ltd. (NEC) and others. Furthermore, in February 2019, JII decided to invest up to 2 billion yen in Dynamic Map Platform Co., Ltd.(DMP), a company that makes highly accurate 3D road maps to fund the growth of DMP's North American operations. Going forward, we will continue to support exports of Japanese infrastructure overseas through JII as well as create new business opportunities through collaboration with partners including the Hitachi Group and MUFG Group.

*The project includes installation of optical submarine cables between Japan, Guam, and Australia as well as sales and lease of usage rights of assets and communication cable to users in the Asia Pacific Region.



Installation of submarine optical cable installation

will continue to provide services and solutions to social infrastructure and regional regeneration, and also contribute to people's health and alleviate poverty.

Our Challenge

Main social challenges and needs



- Growing disparities
- Enhancing society's resilience

Our Values

Our initiatives

3 Hitachi Capital Insurance Corporation became a supporting member of Grameen Nippon

In December 2018, Hitachi Capital Insurance Corporation became a supporting member of Grameen Nippon after endorsing its mission. Grameen Nippon provides microfinance to help people in need escape poverty and become independent by providing low interest rate small loans without collateral intended for people living in poverty or facing difficulties in life to acquire effective knowledge or certification for employment or starting a business. Hitachi Capital Insurance is helping companies and employees to solve the challenges they face mainly in terms of health, welfare and motivation at work, through the development of insurance products and riders tailored to social needs. Looking ahead, the company will focus on finding solutions to social issues to meet and exceed the expectations of its customers.



Grameen Nippon's First SDGs Consortium

Our Challenge

Main social challenges and needs



- Food safety and security
- Conserving biodiversity

Our Values

Our initiatives

4 Hitachi Triple Win Corporation obtained Global GAP certification for its strawberry farm

One of our subsidiaries, Hitachi Triple Win Corporation, which engages in the food and agriculture business, works toward agricultural promotion and regional revitalization in the sixth industrialization through its business activities. In 2017, the company launched production of heat-resilient strawberries at its pilot farm in Yomitan Village in Okinawa. In May 2018, this same pilot farm obtained Agricultural Practices (GAP) certification, which is an international certification for production process management that seeks to realize sustainable production activities from the perspectives of food safety, labor safety, and environmental conservation. Looking ahead, the company will create an export plan for its strawberries and strawberry production system in ASEAN using this global certification as a strength. Furthermore, it will encourage producers in Okinawa to obtain this certification to help increase the competitiveness of Okinawa's agricultural produce.



Pilot farm in Yomitan Village, Okinawa



Social Efforts

Our Initiatives (Social Aspect)

To achieve a sustainable society and environment, through dialogue with stakeholders we are working to enhance initiatives across the entire Group and supply chain as well as mitigate risks.



Human Rights

The Hitachi Capital fulfills our responsibilities in regard to respecting the human rights of all those affected by our business activities and/or services. As part of our Human Rights Policy, we regard 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 be safeguarded. 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 "Human Rights" page for our policies and initiatives, and the current status of harassment.

[WEB▶ https://www.hitachi-capital.co.jp/hcc/english/company/society.html](https://www.hitachi-capital.co.jp/hcc/english/company/society.html)

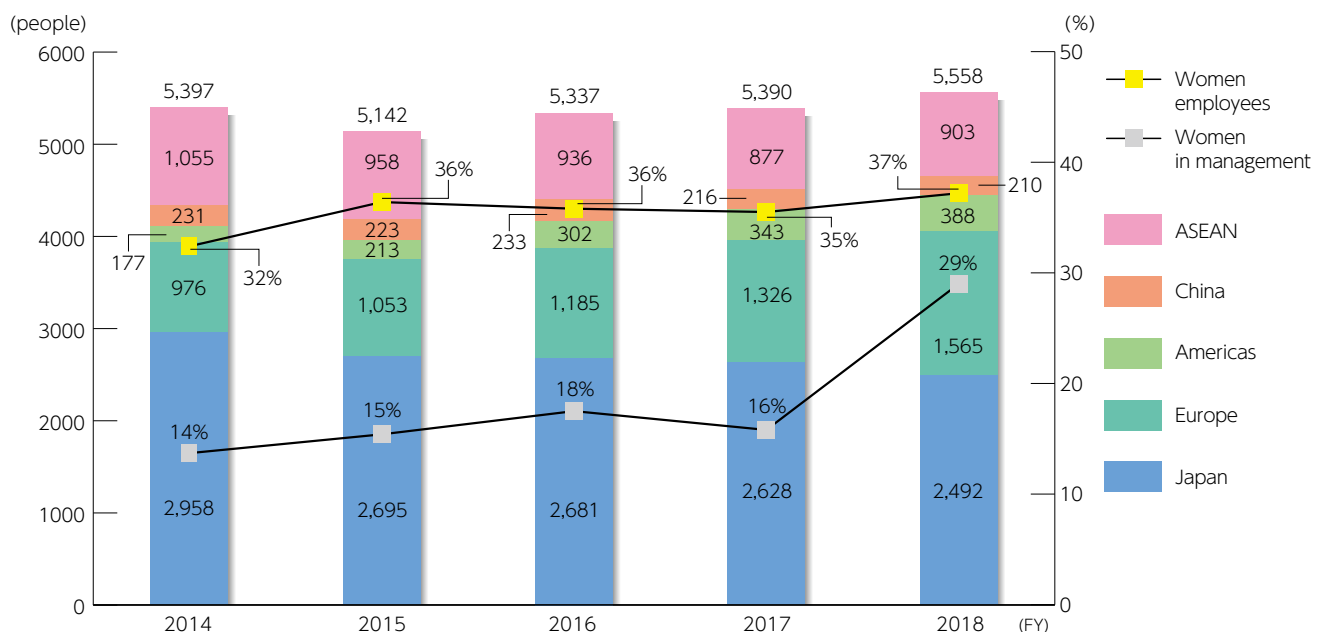
For Employees and Their Families

To achieve "Respect for Human Dignity," which forms part of our Principles (Management Philosophy), we regard our employees as important management assets. 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.

Please refer to "For Employees and Their Families" page for our policies and initiatives.

[WEB▶ https://www.hitachi-capital.co.jp/hcc/english/company/society.html#tab03](https://www.hitachi-capital.co.jp/hcc/english/company/society.html#tab03)

Number of employees, percentage of women employees, percentage of women in management positions (consolidated basis)



* The percentage of women employees and percentage of women in management positions on a global basis have been calculated since FY2014.

Please refer to “Social Efforts” page for details of activities.

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



For Customers and Partners

Hitachi Capital considers customers and business associates to be partners in resolving 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.

Furthermore, we are working to maintain our high-quality management organization and enhance customer satisfaction to provide reliable services and product that meet customer needs. The Group’s corporate divisions

(departments related to the environment, human rights, materials procurement, and receivables/credit evaluation) have established a working group to examine our supply chain structure globally and promote further improvements.

Please refer to “For the Customers and Partners” page for our policies and initiatives related with our customers and partners.

WEB ▶ <https://www.hitachi-capital.co.jp/hcc/english/company/society.html#tab01>

Number of complaints, inquiries, and requests for consultation at the Hitachi Capital Group (Japan) in FY2018

| Number of complaints, inquiries, and requests for consultation | FY2015 | FY2016 | FY2017 | FY2018 |
|--|---------|---------|---------|--------|
| Complaints | 67 | 27 | 13 | 10* |
| Inquiries | 96,579 | 49,487 | 25,401 | 15,333 |
| Requests for consultation | 214,451 | 231,778 | 181,110 | 77,902 |
| Total number of contacts | 311,097 | 281,292 | 206,524 | 93,245 |

*Stakeholders filing complaints in FY2018

| | |
|-------------------------------------|---|
| Customers/Users | 8 |
| Suppliers | 1 |
| Others (local residents, NPOs/NGOs) | 1 |

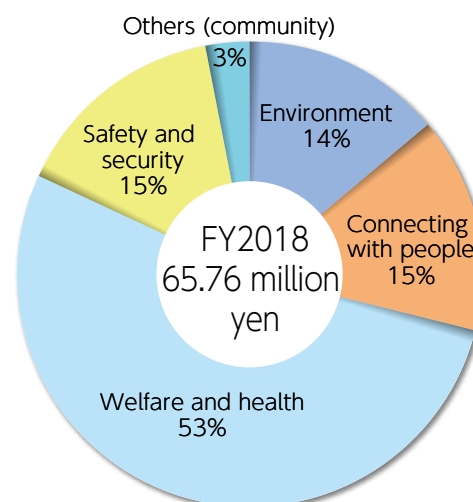
For Local Communities

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 continues to make contributions to communities as a corporate citizen. In addition, we are actively involved in a number of charities and volunteer events around the world. Through these activities, we endeavor to develop human capitals capable of facing challenges in society and acting on their own through these activities.

Please refer to “For Local Communities” page for our policies and latest initiatives.

WEB ▶ <https://www.hitachi-capital.co.jp/hcc/english/company/society.html#tab02>

Expenses related to social contributions



Hitachi Capital is working to strengthen corporate governance that will contribute towards the realization of a “Social Values Creating Company” that can both resolve social issues, and attain sustainable growth.

Our corporate governance system

Kainuma First, please tell us about the characteristics of your corporate governance system.

Hiraiwa In June 2003, we moved towards being a company with a nominating committee, and while company management is supervised by the Board of Directors, business execution is entrusted to executives. By ensuring a distinct separation between management supervision and business execution, we aim to streamline and optimize management. The Board of Directors comprises eight directors, of which four are independent outside directors; furthermore, the Nominating Committee, Remuneration Committee, and Audit Committees have a majority of independent outside directorsⁱ.

The business environment is currently undergoing dizzying change, and so the Board of Directors is continuing to examine strengthened corporate governance. In June of this year, the position of Chairman of the Board was abolished, and replaced with that of Chairman of the Board of Directors. The position of Chairman of the Board of Directors inherits the roles and authority of the former Chairman of the Board, and in principle, an independent outside director is appointed charged with “striving for efficient and rational management of the Board of Directors.” This measure is expected to further enhance the transparency and objectivity of the Board of Directors, thus strengthening corporate governance. As the first Chairman of the Board of Directors, I am constantly reminded of the importance of this role, and I am working to put in place a new system.

Additionally, one of the characteristics of our corporate governance system is that we are actively involved in the development of next-generation management. This is involved not only with selection criteria for candidate directors as well as training and study for executives but also overseeing the setup and operation of CLD (Capital Leadership Development), as a succession plan for key strategic management positions that covers the selection and evaluation of successor candidates through to the development of a training plan, in order to develop high quality human capitals.

Management of the Board of Directors

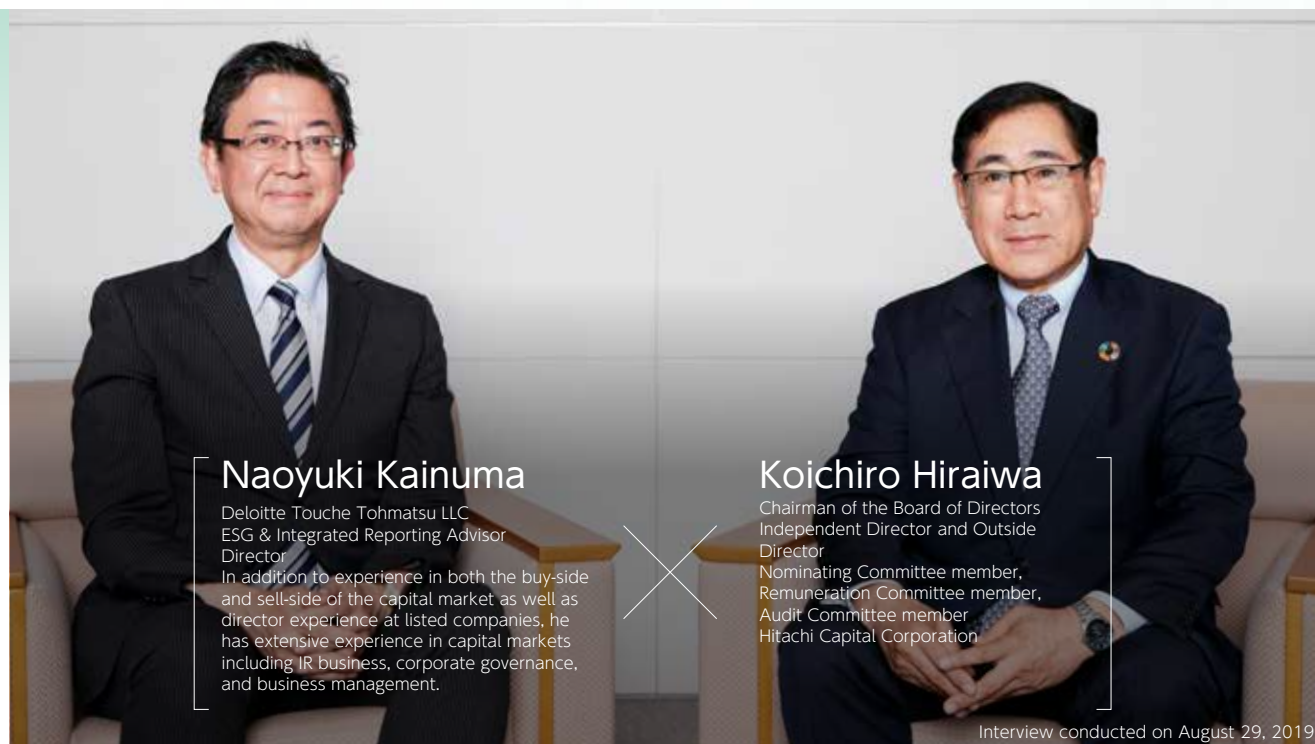
Kainuma Outside directors are expected to supervise management from the perspective of a third party. These outside directors make up a majority of your Board of Directors, but how do actual discussions in the Board of Directors meeting go?

Hiraiwa The whole company conscientiously works together in order to achieve the policies and goals to which we have committed. I feel this is an excellent corporate culture, however given drastic changes in the business environment, this carries with it the risk of not being able to immediately notice when policies and goals set previously become divergent from societal needs and trends. Our outside directors have experience in not only corporate management, financial accounting, and capital policy, but also ESG and international finance, including compliance. By supervising company management, these outside directors have the role of identifying the aforementioned risks in light of social needs and trends. As with other outside directors, I attend Board of Directors meetings highly aware of what this role entails. In reality, the majority of last year’s Board of Directors meeting covered the Mid-Term Management Plan, financial statements, and ESG-related proposals, and involved animated discussions between internal and outside directors.

Furthermore, we are deepening discussions on details disclosed in Financial Statement Reports, integrated reports, and Corporate Governance Reports which are communications tools with the Capital Market and upon policies concerning these, and I feel that the effectiveness of the Board of Directors has been adequately secured.

ⁱ This configuration of the Board of Directors is for June 26, 2019 onwards.

more effective corporate governance



Naoyuki Kainuma

Deloitte Touche Tohmatsu LLC
ESG & Integrated Reporting Advisor
Director
In addition to experience in both the buy-side and sell-side of the capital market as well as director experience at listed companies, he has extensive experience in capital markets including IR business, corporate governance, and business management.

Koichiro Hiraiwa

Chairman of the Board of Directors
Independent Director and Outside Director
Nominating Committee member,
Remuneration Committee member,
Audit Committee member
Hitachi Capital Corporation

Interview conducted on August 29, 2019

Who We Are

Our Vision

Our Values

Corporate Data

FY2018 Board of Directors agenda items and number of meetings of the Board of Directors

| Board of Directors agenda items | | | Breakdown |
|---|--|---|-----------|
| Corporate management/ Management strategy | Mid-Term Management Plan, creation of new business from the perspective of the SDGs*, review of the business portfolio, etc. | | 29.3% |
| Three committee reports | Nominating Committee and Remuneration Committee reports: succession planning, decisions on management appointment and dismissal, etc. | | 5.9% |
| | Audit Committee: supervision of Executive Officers' execution of duties, policies on dismissal or non-reappointment of accounting auditors, etc. | | 9.1% |
| Business management | Finance/ Accounting/Capital policy | Settlement-related, budget-related, dividends from surplus, finance-related, etc. | 21.2% |
| | ESG-related items | Social-related items: human capitals strategies, human capital development, etc. | 6.0% |
| | | Governance-related: evaluation of Board of Directors effectiveness, corporate governance codes, regulations-related, general meeting of shareholders, appointment of officers, risk management, internal controls | 22.0% |
| | | Other: IT strategies, integrated reporting, dialog with shareholders, etc. | 6.5% |
| Number of times Board of Directors meeting held | | | 14 |

*The new businesses discuss many proposals related to the environmental and energy businesses (ESG-related).

Issues in governance

Kainuma There was recently an irregular transaction at a Chinese subsidiary. Mr. Hiraiwa, you are also the Chairman of the Special Investigation Committee — how did you perceive this incident? I'm asking about issues with your Group's governance, and areas for improvement.

Hiraiwa Although pointed out as part of the prevention measures in the report by the Special Investigation Committee, this irregular transaction at the Chinese subsidiary was part of a sophisticated and malicious fraud, and unfortunately could not have been prevented by the rules existing at the time. However, it should be possible to limit the damage from this, and these measures have been pointed out in the investigation report. We are promoting in-depth measures in order to prevent recurrence — these include strengthening of our operational risk management readiness, careful handling of new projects for the present by further strengthening our essential three lines of defense, and business reviews comprising large factoring and syndicated loans. The Board of Directors will use the lessons learned from this incident, and ensure supervision in order that the “strengthened measures to prevent recurrence” are correctly carried out.



Diversity of the Board of Directors

Kainuma You pay close attention to diversity of the Board of Directors. Please give us your thoughts on the necessity of this, and the status of discussions within the Company.

Hiraiwa We recognize that in this era of remarkable change, a diverse Board of Directors lets us provide an undistorted corporate governance. As mentioned previously, in view of current social needs and trends, pursuing diversity is essential for a Board of Directors that is expected to supervise Company policies, strategies, and management execution. Since FY2018, we have had on-board women as outside directors, and in June 2018, a woman was appointed as chairman of the Remuneration Committee. We believe that it is important to further widen the diversity of the Board of Directors through the appointment of internal and outside directors of different genders, but also those with a diverse range of backgrounds.

Overview of the Board of Directors

| Name | Type | | | |
|---|-------------|---------|----------|--|
| | Independent | Outside | Internal | |
| Koichiro Hiraiwa (Chairman of the Board of Directors* Nominating Committee member/ Remuneration Committee member/ Audit Committee member) | ○ | ○ | — | |
| Wataru Sueyoshi (Nominating Committee Chairman/ Remuneration Committee member/ Audit Committee member) | ○ | ○ | — | |
| Takashi Nakamura (Audit Committee Chairman/ Nominating Committee member/ Remuneration Committee member) | ○ | ○ | — | |
| Yuri Sasaki (Remuneration Committee Chairman/ Nominating Committee member/ Audit Committee member) | ○ | ○ | — | |
| Yoshitaka Tsuda | — | ○ | — | |
| Makoto Kobayashi | — | ○ | — | |
| Seiji Kawabe | — | — | ○ | |
| Kiyoshi Kojima (Full-time Audit Committee member) | — | — | ○ | |

—: Not appointed as of June 26, 2019

*Appointed as Chairman of the Board of Directors on June 26, 2019.

exchanging opinions with the Executive Board



A final comment

Kainuma Lastly, please tell me how you would like to contribute as an outside director in order to restore confidence looking forward.

Hiraiwa Since my appointment to the Board of Directors in 2015, in my numerous site visits I have been impressed by the dynamism contributing to global growth. However, as with the recent irregular transactions, as we expand our area of business I have newly experienced a range of risks, and I have become

keenly aware of the difficulty and importance of risk control. From this fiscal year onwards, an independent outside director will take the role of Chairman of the Board of Directors, and I anticipate that looking forward, there may be increased tensions with the executive side. This is necessary in order to pursue proper corporate governance, however this is precisely why forming a relationship of trust with the executive side is of increasing importance. We will always keep in mind frank exchanges of views with the executive side, and seek the ideal positioning for our Board of Directors.

| Main concurrent positions | Main areas expected of Directors | | | Financial industry knowledge | Group business |
|---|---|-------------------------------------|-------------|------------------------------|----------------|
| | Corporate management/ Management strategy | Business management | | | |
| | | Finance/ Accounting/ Capital policy | ESG-related | | |
| Representative Director of Dream Estate Tokyo Inc. | ○ | ○ | | ○ | |
| Partner of SHIOMIZAKA (Law Firm) | | | ○ | | |
| — | ○ | ○ | | | |
| Professor of Faculty of Economics, Meiji Gakuin University Director of JBA TIBOR Administration | | | | ○ | |
| Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd. | ○ | | ○ | | |
| Managing Executive Officer of Mitsubishi UFJ Financial Group, Inc. Managing Executive Officer of MUFG Bank, Ltd. Managing Executive Officer of Mitsubishi UFJ Securities Holdings Co., Ltd. | ○ | | | ○ | |
| Representative Director of Japan Credit Information Reference Center Corp. | | | | | ○ |
| — | | | | | ○ |

As of June 26, 2019



Governance Overview

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 ensuring compliance with relevant laws and social norms.

Corporate Governance

Basic ideas and measures

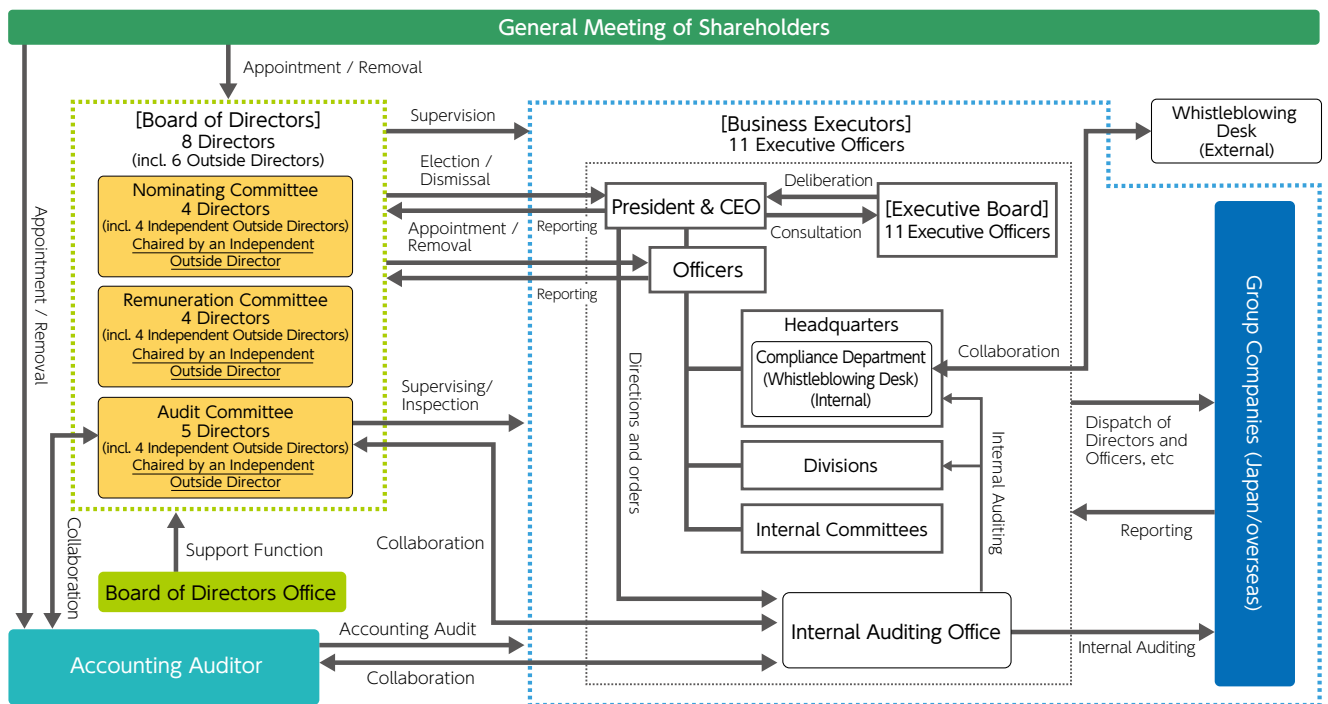
We established the Corporate Governance Standards to define our basic and mandatory concept on the establishment of an optimum corporate governance system such as internal controlling system. This system serves to underpin the implementation of our Principles of "Sustainable Growth," "Respect for Human 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. in order to form a part of management structure to enhance management transparency.

Corporate governance system (as of August 6, 2019)



FY2018 overview of three Committees

| Nominating Committee | Remuneration Committee | Audit Committee |
|---|---|--|
| <p>Objective: Decisions on content of measures regarding the appointment and removal of the Board of Directors and the Executive Board.</p> <p>Main agenda:</p> <ul style="list-style-type: none"> Installation of the Chairman of the Board of Directors, appointment and removal of Board of Directors Establishment of the Board of Consultants Methods to determine the future successor to the Chief Executive and CEO Nomination and retirement of Executive Officers <p>Frequency: 10times</p> | <p>Objective: Decision on remuneration received by Directors and Executive Officers</p> <p>Main agenda:</p> <ul style="list-style-type: none"> Examination and design of performance-linked, share-based remuneration Decision on Director remuneration <p>Frequency: 10times</p> | <p>Objective: Supervision of duties of Executive Officers, appointment and removal of Accounting Auditors*</p> <p>Main agenda:</p> <ul style="list-style-type: none"> Examination of risk to new businesses (in particular the Environment/Energy Business), irregular transactions in factoring transactions at Hitachi Capital Factoring (China) Co., Ltd. from March 2019 Systematic and periodic audits of the Company and Hitachi Capital Group companies in accordance with the prescribed audit plan <p>Frequency: 9times</p> |

*Selection criteria for Accounting Auditors:
For accounting auditing, confirm that they have (1) no more than seven years continuous auditing amongst all Accounting Auditors; measures have been put in place to ensure accounting business executives will not be involved in the Company for at least a set period; there are no conflicts with "policies regarding decisions on the removal or non-reappointment of Accounting Auditors"; and that they have the expertise, independence, and quality control system required of an Accounting Auditor as per the evaluations based upon "Accounting Auditor Evaluation Criteria."

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. The Executive Board comprises all Executive Officers, and it is held two times a month as a general rule for the purpose of sufficient consideration and deliberations from a wide range of perspectives on matters related to business execution (including on decisions concerning business execution delegated by the Board of Directors). The result of the deliberations of the Executive Board are reported to the Board of Directors depending on the nature of the proposals. Furthermore, full-time Directors attend the Executive Board meetings as observers for the purpose of supervising business execution, and listen to the contents of the agenda with the assumption that, in light of the reasoning behind the Company's selection of the current corporate governance system, they will not impede announcements or discussions by the Executive Officers.

Composition of Committees

Members of the three committees consisting of the Nominating Committee, Remuneration Committee, and Audit Committee should basically be outside directors (independent outside directors) who fulfill the independence judgment criteria specified by the Company. 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. Furthermore, in order to ensure both the independence of Business Executors from committee decisions and their objectivity, the Chairman of the committees are selected from independent outside directors.

Activity status of the Board of Directors

In FY2018, the Board of Directors met 14 times. In addition, a self-evaluation of effectiveness is conducted at least once a

year. As a company with a Nominating Committee, assuming that the responsibilities mandated by law are met, I feel that the supervisory function regarding an effective Board of Directors should be improved in particular by actively delegating any matters to Executive Officers and by allocating resources to important management issues that include management strategies and conducting in-depth discussions.

Evaluation of effectiveness of the Board of Directors

a Objectives and positioning

In order to achieve sustainable growth as well as increase corporate value over the medium to long term, we have established "Corporate Governance Standards," and are working to enhance our effective corporate governance system as well as strengthen its supervisory functions. We consider that an evaluation of the effectiveness of the Board of Directors is a key to it performing this important role.

b Basic procedure

Each year, all Directors conduct an evaluation of the effectiveness of the Board of Directors, based upon which the Board of Directors conducts discussions aimed at improving its effectiveness. Recognizing that the verification process as well as extracting issues with this are important points, the Board of Directors takes on board the results of this evaluation and takes any actions necessary. This is incorporated in a repeated cycle of PDCA, of verifying the results of these actions in the subsequent year's evaluation, thus achieving continuous improvements in Board of Director effectiveness.

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 classified by type as below, and are expected to act in accordance with their respective attributes, aiming for the realization of an effective Board of Directors.

| | |
|------------------------------------|--|
| Independent Outside Directors 4 | Outside directors who meet our standards for independence. 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 independent outside directors. |
| Outside Directors 2 | Although Outside Directors, those who do not meet our standards for independence. The main roles are to oversee business execution and provide advice that contributes to specific business objectives. Directors include officers, etc. who are also officers at the Company's main shareholders, and who are not reported as independent officers. |
| Internal Directors 2 | Directors who have worked as an employee or Executive Officer at our Company. 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, Board of Directors, and Nominating Committee.

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 Mid-Term Management Plan and annual business budgets.

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) | Performance-linked, share-based remuneration | |
| Directors (of which, Outside Directors) | 13 (11) | 137 (64) | 17 (8) | — | 154 (72) |
| Executive Officer | 11 | 298 | 150 | — | 448 |
| Total | 24 | 435 | 167 | — | 602 |

(Note) 1. The number of Directors includes one Director who serves concurrently as an Executive Officer.
 2. 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 61st General Meeting of Shareholders held on June 21, 2018.
 3. The performance-linked, share-based remuneration system grants a set number of points to Executive Officers during their term of office, and after the end of the Mid-Term Management Plan, through a trust they are issued shares of the Company (for non-residents, a sum corresponding to these) corresponding to the accumulated points. This performance-linked, share-based remuneration calculates the expected compensation for future share distribution in accordance with the expected points to be distributed for the current fiscal year, and states the amount that is to be expensed in the current consolidated fiscal year. However, there were no points issued in the current fiscal year.

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 FY2018 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.

The compensation policy sets performance-linked compensation at a standard approximately 40% of the annual income. The specific compensation composition ratios and evaluation indices are reviewed annually by the Remuneration Committee, and in FY2018 were as follows:

| | Remuneration category | Composition ratio | Evaluation indices | |
|---|--|-------------------|---|---|
| 1 | Basic compensation | 57% | — | |
| 2 | Performance-linked compensation | 33% | Quantitative portion (80%) | 1. Income before taxes (50% / 100%) 2. ROA (Return on assets / Profit before tax to total assets ratio) (30% / 100%) 3. OHR (Overhead ratio) (20% / 100%) |
| | | | Qualitative portion (20%) | Achievement of the three qualitative standards for each Executive Officer |
| 3 | Performance-linked, share-based remuneration | 10% | Income before taxes (Mid-Term Management Plan target) | |

Targets and results in the FY2018 performance-linked, share-based remuneration indices are as in the following table.

| Indicator | Target | Result |
|---------------------|----------------|------------------|
| Income before taxes | 50 billion yen | 32.7 billion yen |
| ROA | 1.5% | 1.0% |
| OHR | 59.4% | 59.0% |

For details, refer to our Corporate Governance Report, Financial Information Details, and Governance webpages.

[WEB▶ https://www.hitachi-capital.co.jp/hcc/company/c_governance.html](https://www.hitachi-capital.co.jp/hcc/company/c_governance.html) (only in Japanese)

[WEB▶ https://www.hitachi-capital.co.jp/hcc/english/ir_english/pdf/FY2019_financial_information_details.pdf](https://www.hitachi-capital.co.jp/hcc/english/ir_english/pdf/FY2019_financial_information_details.pdf)

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. We have established governance systems based on the unique characteristics of each region and business, such as establishing a regional headquarters for ASEAN in Singapore, and having a majority of the Board of Directors at our subsidiaries in the United Kingdom being comprised of outside directors.

However, FY2018 saw major arrears as a result of irregular transactions in factoring transactions in China (below,

the China incident). The Special Investigation Committee was established on June 17, 2019 and an investigation conducted, meaning that the submission of the securities report was postponed, and a major reserve fund for some claims in the China factoring transactions was recorded. We take this impact on our business performance very seriously, and when dealing with the concerned officers on August 5, said Executive Officers were transferred (demoted). In light of the China incident, in FY2019 we will conduct a fundamental review of the large factoring business in order to ensure the maintenance of high-quality claims, and furthermore, we will further strengthen risk management to ensure no recurrence.

China incident — Overview

| Company name | Hitachi Capital Factoring (China) Co., Ltd. (Below: HCF) |
|---------------------------|--|
| Description of operations | <p>Factoring business: A type of financial service in which a creditor assigns trading value receivables (factoring claims) held by a creditor to a third party; and this third party manages the collected receivable and collects it from the debtor.</p> <p>[Relational diagram: Factoring]</p> |
| Suppliers | Hitachi Group, Japanese-owned businesses, Chinese-funded businesses (Major corporations) |
| Operating assets | Approximately 30 billion yen |
| Founded | August 2013 |

*In a factoring agreement, the factor make a request of the creditor for reimbursement based upon agreement with "If, after the creditor assigns a factoring receivable to a third party, the debtor defaults, the creditor is then responsible for paying the purchase price receivable, etc., on behalf of the debtor."

Excerpt from Special Investigation Committee investigation

| Investigation results (Excerpts) | Reason that this fraud could not be prevented | Further enhanced measures to prevent recurrence |
|--|--|---|
| <p>Overview of irregular transactions: Of the factoring transactions, the existence of receivables in four of these is doubtful, and in three, may be malicious or a case of sophisticated fraud.</p> <p>Management status concerning the factoring business:</p> <ul style="list-style-type: none"> Internal controlling system: no particular problems were recognized. Internal participants: no evidence that HCF employees were involved in this fraud was detected. <p>Financial impact: Provision for bad debt: 20.665 billion yen (net income attributable to owners of the parent 19.363 billion yen (down 39.6% year on year))</p> | <ol style="list-style-type: none"> (1) The risks of the factoring business in China were not fully recognized. (2) There was room for improvement in the operational risk management system. (3) In-house regulations were not formulated to reliably eliminate malicious cases of fraud. | <ul style="list-style-type: none"> Review of fundamental business activities, including the large factoring business Strengthened risk management for operational risk management and fraudulent activities Further enhanced mission, principles, and core values <p style="text-align: center;">↓</p> <p>Full-scale initiatives to recover from damage done, and for rapid resolution of issues</p> |

For details of the FY2018 China incident, refer to our "the Special Investigation Committee's Investigation Report" in our online "IR Information."

WEB ▶ <https://www.hitachi-capital.co.jp/hcc/english/newsrelease/index.html>

Directors and Officers

Male 17, Female 1 (female ratio 6%) Average age: 60 years old

Attendance of Directors, term of office held, common shares held

As of June 26, 2019

| Name | Attribution | | | FY2018 Board of Directors/Committee Attendance Rate | | | | Age | Term of office held | Common shares held |
|--|-------------|---------|--------|---|--|-----------------|---|--------------|---------------------|--------------------|
| | Independent | Outside | Inside | Board of Directors meeting attendance rate (attended/held)* | Committee meeting attendance rate (attended/held)* | | | | | |
| Nominating Committee | | | | | Remuneration Committee | Audit Committee | | | | |
|  Koichiro Hiraiwa (Chairman of the Board of Directors* Nominating Committee member, Audit Committee member, Remuneration Committee member) | ○ | ○ | — | 100% (14/14) | 100% (10/10) | 100% (10/10) | 100% (9/9) | 69 years old | 4 years | 900 |
|  Wataru Sueyoshi (Nominating Committee Chairman/ Audit Committee member/ Remuneration Committee member) | ○ | ○ | — | 100% (14/14) | 100% (10/10) | 100% (10/10) | 100% (9/9) | 62 years old | 3 years | 300 |
|  Takashi Nakamura (Audit Committee Chairman/ Nominating Committee member/ Remuneration Committee member) | ○ | ○ | — | 100% (14/14) | 100% (10/10) | 100% (10/10) | 100% (9/9) | 63 years old | 2 years | 200 |
|  Yuri Sasaki (Remuneration Committee Chairman/ Nominating Committee member/ Audit Committee member) | ○ | ○ | — | 100% (12/12) | 100% (8/8) | 100% (7/7) | 100% (7/7) | 52 years old | 1 years | 0 |
|  Yoshitaka Tsuda | — | ○ | — | 91.7% (11/12) | — | — | — | 63 years old | 1 years | 900 |
|  Makoto Kobayashi | — | ○ | — | 100% (14/14) | — | — | — | 57 years old | 2 years | 200 |
|  Seiji Kawabe | — | — | ○ | 100% (14/14) | — | 100% (10/10) | — | 63 years old | 3 years | 12,900 |
|  Kiyoshi Kojima (Full-time Audit Committee member) | — | — | ○ | 100% (14/14) | — | — | 100% (9/9) Full-time Audit Committee member | 60 years old | 2 years | 18,400 |

The term of office of Directors is from their appointment at the 62nd Ordinary General Meeting of Shareholders scheduled on June 26, 2019 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2020.

—: Not appointed

When the "number of shares held" is less than one tangen (unit stock): 100 shares, this is displayed as "0."

*The Company is a company with Nominating Committees, etc.. Records of totals for attendance at the Board of Directors meetings and Committee meetings differ between the Board of Directors because of the timing of their appointment.












For details, refer to our “Governance,” the “Corporate Governance Report,” and “Financial Statement Report” webpages.

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



Executive Officer positions, authority, and common shares held

As of August 6, 2019

| Position | Name | Authority | Strategic responsibility | Division of duties | Age* | Common shares held* |
|--|---|--|--------------------------|--|--------------|---------------------|
| Representative Executive Officer, President & CEO |  Seiji Kawabe | Chief Executive of company operations. | CEO | Chief Executive ERM Committee Chairman IT Strategy/Business Planning Promotion Committee Chairman | 63 years old | 12,900 |
| Representative Executive Officer, Executive Vice President and Executive Officer |  Seiichiro Kishino | Assists the operations of the President and CEO. Acts on behalf of the President in the event that the President is incapacitated. | CIO CISO CRO | Head of Management Bases Initiatives Head of Partnership Promotion Office Export Controlling Committee Chairman | 63 years old | 11,300 |
| Senior Vice President and Executive Officer |  Chihiro Shirai | Manages these business and corporate divisions. | CMO | Head of Corporate Sales & Marketing | 60 years old | 5,700 |
| Senior Vice President and Executive Officer |  Akihiko Sugawara | | — | Chief Executive for the Americas, Corporate Sales & Marketing Hitachi Capital America Corp. Chairman & CEO | 61 years old | 2,600 |
| Vice President and Executive Officer |  Yoshikazu Ohashi | | CHRO | Head of Human Capital Division, Management Bases Initiatives Chief Executive for Europe, Corporate Sales & Marketing Rewards and Punishments Committee Chairman Human Rights Promotion Committee Chairman Human Capital and Education Committee Chairman | 57 years old | 3,100 |
| Vice President and Executive Officer |  Kazumi Anei | | — | Co-Head of Corporate Sales & Marketing Chief Executive for Japan Environmental Promotion Committee Chairman | 58 years old | 2,800 |
| Vice President and Executive Officer |  Masao Takemoto | | — | Head of Hitachi Group Business, Corporate Sales & Marketing | 59 years old | 1,600 |
| Vice President and Executive Officer |  Satoshi Inoue | | CFO | Head of Financial Division, Management Bases Initiatives Pension Committee Chairman | 60 years old | 1,600 |
| Vice President and Executive Officer |  Masashi Takeda | | — | Head of Corporate Strategy Division | 55 years old | 700 |
| Executive Officer |  Masao Nishida | | — | Chief Executive for ASEAN, Corporate Sales & Marketing Hitachi Capital Asia Pacific Pte. Ltd., CEO & Managing Director | 58 years old | 13,700 |
| Executive Officer |  Tsuyoshi Sato | | — | Co-Head of Corporate Strategy Division Head of New Business Research and Development Department Investment and Marketing Planning Promotion Committee Chairman | 56 years old | 400 |

—: Not appointed

Other committees (Crisis Management Committee, J-SOX Committee): Chaired by the Head of the Risk Management Division

*Ages and numbers of shares held are correct as of June 26.

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▶ https://www.hitachi-capital.co.jp/hcc/english/ir_english/index.html

| Accounting Standards | IFRS | | | |
|--|-----------|-----------|-----------|-----------|
| Item \ Period | FY2015 | FY2016 | FY2017 | FY2018 |
| Financial results (million yen) | | | | |
| Revenue | 365,354 | 370,860 | 404,124 | 453,253 |
| Income before taxes | 46,667 | 46,033 | 44,295 | 32,706 |
| Net income attributable to owners of the parent | 32,694 | 32,926 | 32,057 | 19,363 |
| Volume of business | 2,290,156 | 2,334,252 | 2,509,327 | 2,745,094 |
| Year-end financial position (million yen) | | | | |
| Total assets | 3,081,201 | 3,245,029 | 3,468,756 | 3,772,784 |
| Total liabilities | 2,733,641 | 2,881,851 | 3,075,649 | 3,382,365 |
| Total equities | 347,559 | 363,178 | 393,107 | 390,418 |
| Cash flows (million yen) | | | | |
| Cash flows from operating activities | -206,372 | -142,653 | -219,623 | -176,507 |
| Cash flows from investing activities | -6,408 | -52,388 | -36,681 | -56,268 |
| Cash flows from financing activities | 252,425 | 216,105 | 253,577 | 277,131 |
| Corporate management indices | | | | |
| ROE (Profit to equity attributable to owners of parent ratio) | 9.9% | 9.6% | 8.8% | 5.1% |
| ROA (Operating assets balance to Profit before tax ratio) | 1.6% | 1.5% | 1.4% | 1.0% |
| OHR (Overhead Ratio) | 59.9% | 60.7% | 60.9% | 59.0% |
| Equity ratio/Equity attributable to owners of the parent ratio | 10.9 % | 10.8% | 10.9% | 10.0% |
| Per share information, etc. (yen) | | | | |
| Equity per share attributable to equity owners of the parent | 2,870.33 | 2,993.03 | 3,241.24 | 3,230.95 |
| Net income attributable to owners of the parent per share | 279.71 | 281.69 | 274.26 | 165.69 |
| Dividends per share | 84 | 86 | 86 | 46 |
| Payout ratio (%) | 30.0% | 30.5% | 31.4% | 27.8% |

Share price trend over the past 5 years

| Term | 58 | 59 | 60 | 61 | 62 |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Settlement date | March, 2015 | March, 2016 | March, 2017 | March, 2018 | March, 2019 |
| Max. (yen) | 2,942 | 3,570 | 3,050 | 3,245 | 3,285 |
| Min. (yen) | 2,175 | 2,189 | 1,725 | 2,444 | 2,130 |

* Maximum and Minimum of Share price in the first section of the Tokyo Stock Exchange

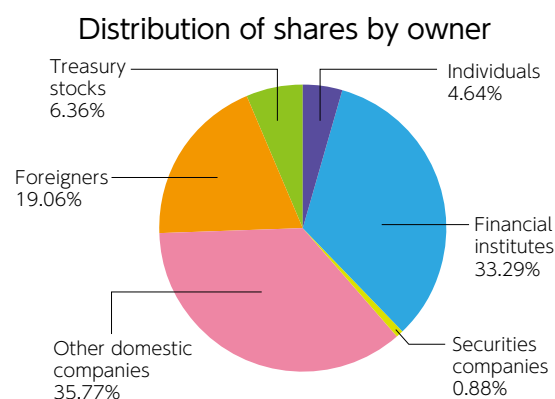
Stock Information (as of September 30, 2019)

Total number of authorized shares: 270,000,000

Total number of issued shares: 124,826,552

Number of shareholders: 8,346

One unit stock: 100 shares



Major shareholders (top 10)

| Shareholder Name | Shares Held (thousands) | Shareholding Ownership Ratio (%) |
|--|-------------------------|----------------------------------|
| Hitachi, Ltd. | 39,031 | 33.39 |
| Mitsubishi UFJ Financial Group, Inc. | 26,884 | 23.00 |
| Mitsubishi UFJ Lease & Finance Company Limited | 4,909 | 4.20 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 4,113 | 3.52 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,859 | 2.45 |
| CREDIT SUISSE SECURITIES (USA) LLC SPCL. FOR EXCL. BEN | 1,583 | 1.35 |
| JP MORGAN CHASE BANK 380684 | 1,550 | 1.33 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 1,221 | 1.05 |
| THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT | 976 | 0.84 |
| Japan Trustee Services Bank, Ltd. (Trust account 5) | 933 | 0.80 |

* Our 7,940.8 thousand treasury shares are excluded from the above list of major shareholders.

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

Overview of basic policy on decision-makers of corporate financial and business policy

For the Company, for which financial services is our core business, the diversification of fund procurement is our most important issue, and we believed that capital market evaluations and procurement should be made on this basis.

Therefore, through listing our company we will not only provide the capital required for future growth from investors and the stock market, but we also recognize the great importance of operating with the tension of being evaluated on a daily basis, in order to increase our corporate value.

At the same time, as a "Social Values Creating Company" advocate, we see the mutual use of the management resources of our largest shareholders Hitachi, Ltd., and the Hitachi Group as extremely important in conducting business activities that create new value and contribute to the realization of social development and a rich lifestyle for everyone, and we are also a very strong partner with major shareholder Mitsubishi UFJ Financial Group, Inc. in promoting such business activities.

It is therefore recognized that maintaining a stock listing while also securing a given capital relationship between the two companies, is an essential element of actively promoting our business and ensuring appropriateness and fairness.

We will work to establish a Corporate Governance System and to develop a Management Plan based on this recognition, for the benefit of all of our shareholders.

Communication with Investors and Shareholders

The Company will disclose any important information in line with “Policy on Information Disclosure and Dialogue with Shareholders” in an appropriate and timely manner and also conduct ongoing dialogue with shareholders and investors to enhance reliability and improve the corporate value.

Main Communication

| | |
|--|---|
| The Annual Meeting of Shareholders | For the convenience of our shareholders, and in order to avoid a busy day at the Annual Meeting of Shareholders, we are working to hold the Annual Meeting of Shareholders and then make it possible to exercise voting rights online. In addition, the Annual Meeting of Shareholders will be positioned as a opportunity to communicate with all of our shareholders as we seek to explain the content of our reports as simply as possible using figures and tables. Due to the delay in the announcement of financial results for the fiscal year ending March 31, 2019, and Extraordinary Meeting of Shareholders was held on September 5, in addition to the regular Annual Meeting of Shareholders on June 26, 2019. |
| Financial Results Meeting | Briefings are held every six months for institutional investors, analysts and media organizations to explain our financial status and business strategies, and here our Representative Executive Officer, President & CEO and Executives explain the progress of our Mid-Term Management Plan. |
| Dialogue with Analysts and Institutional Investors | For institutional investors in Japan and overseas, Executives including the Representative Executive Officer, President & CEO discuss Management IR on a regular basis, and individual meetings are held by the Corporate Planning Department etc. on a quarterly basis to explain business progress. ESG reporting meetings and other individual meetings are also held for listed companies by government, industry groups, media organizations and institutional investors, including SRI reporting agencies etc. |
| Small Meetings for Sell-side Analysts | Small meetings are held once a year for Executives including the Representative Executive Officer, President & CEO to explain our direction and strategy to sell-side analysts. |

Key Information Disclosures

| | |
|------------------------|--|
| Financial Materials | Earnings Reports and Financial Results Summaries are disclosed every quarter in both Japanese and English. |
| Presentation Materials | Materials that are used for Financial Results Meetings (every six months) are disclosed in Japanese and English. From the fiscal year ended March 31, 2018, we began disclosing video of Financial Results Meetings and minutes of the Q&A session (Japanese and English) in the “IR Information” section of our website. |
| IR Materials | We continuously disclose useful information for investors, including Financial Statement Reports and the “Hitachi Capital Report” (this report). |
| Press Releases | Announcements about our business and IR news are disclosed as appropriate, with important topics published in both Japanese and English. |

Policy on Information Disclosure and Dialogue with Shareholders

1. Basic Policy

“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.

Status of the Group's financing and capital investment (as of March 31, 2019)

The balance of the Group's financing through borrowing from financial institutions, the sales of corporate bonds on the capital market, etc. was 3,118,052 million yen as of the end of FY2018. Lender financial institutions totaled approximately 100 companies, including city banks, trust 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 167,219 million yen for the acquisition of operating lease assets and 16,405 million yen for the acquisition

of other tangible fixed assets (assets related to solar and wind energy businesses).

Major lenders and outstanding debts (as of March 31, 2019)

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

| Lender | (Unit: million yen) |
|-------------------------------------|---------------------|
| Bank of Tokyo-Mitsubishi UFJ, Ltd. | 373,623 |
| Mizuho Bank, Ltd. | 235,386 |
| Sumitomo Mitsui Banking Corporation | 174,278 |
| Sumitomo Mitsui Trust Bank, Limited | 101,124 |
| Norinchukin Bank | 44,168 |

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

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 September 2019)

| Rating agency | Rating |
|---|-----------------|
| Standard & Poor's (S&P) | A ⁻ |
| Rating and Investment Information (R&I) | A ⁺ |
| Japan Credit Rating Agency (JCR) | AA ⁻ |

- Recognized as one of the highest ranking companies by the Development Bank of Japan in Environment Rating (as of March, 2019)



- Certified a "Health and Prosperity Company" (February 2019) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi



- We were certified for the second time as a Company of Support Raising the Next Generation of Children by the Ministry of Health, Labour and Welfare, and received the "Platinum Kurumin" certification in addition to the "Kurumin" (August 2019).



Participation in Major Outside Initiatives

In July 2019 we announced our support for TCFDⁱ, declaring goals for 2050 in line with the SBT (consistent with Paris Agreement greenhouse gas emission reduction targets), announcing our commitment to SBTiⁱⁱ. We also participated in a study group on methods for setting SBT for financial institutions as co-sponsor of the UN Secretariat Climate Action Summit and New York "Climate Week" in September 2019.

- Awarded for Outstanding Support for Returns by the Women in Credit Award (March 2019)

- Registered under the Consumer Affairs Agency "Whistleblowing Compliance Management System Certification" (Self-reporting Registration System)



- 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 / FTSE Blossom Japan Index |
| MSCI | MSCI Japan ESG Select Leaders Index |
| S&P/JPX | S&P/JPX Carbon Efficient Index |



ⁱ TCFD: Task Force on Climate-related Financial Disclosures. Established in 2016, the Financial Stability Board (FSB), an international organization for the stabilization of the financial system, published a report in June 2017 to encourage the disclosure of climate related information with financial impact in annual financial reports.

ⁱⁱ SBTi: Science Based Targets initiative. A joint initiative of the WWF, CDP, World Resources Institute (WRI) and the United Nations Global Compact. This encourages companies to set reduction targets consistent with scientific knowledge towards the goal of maintaining the rise in average global temperatures due to climate change to a less than 2 degrees higher than prior to the industrial revolution.

Group Network (as of October 31, 2019)

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. | | |
| | Consolidated subsidiaries that conduct this business | | |
| | 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 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 | Voting rights ratio of shareholders | Description of major operations |
|--|----------------------|-----------------|-------------------------------------|---|
| Hitachi Capital Servicer Corporation | Minato-ku, Tokyo | ¥500 million | 100.00% | Collection and management of receivables |
| Hitachi Capital Services Co., Ltd. | Minato-ku, Tokyo | ¥130 million | 100.00% | Stocking and selling of used vehicles |
| Hitachi Capital Auto Lease Corporation | Minato-ku, Tokyo | ¥300 million | 51.00% | Auto leasing business |
| Hitachi Triple Win Corp. | Minato-ku, Tokyo | ¥50 million | 100.00% | Outsourcing business, and food, beverage, and agricultural business |
| Sekisui Leasing Co., Ltd. | Chuo-ku, Osaka | ¥100 million | 90.00% | Leasing business and financing business |
| Hitachi Capital Insurance Corporation | Chiyoda-ku, Tokyo | ¥6,200 million | 79.36% | Non-life insurance business |
| Hitachi Capital Community Corporation | Minato-ku, Tokyo | ¥80 million | 100.00% | Real estate development, management, and leasing business |
| Hitachi Capital Trust Corporation | Minato-ku, Tokyo | ¥1,000 million | 100.00% | Trust business |
| Hitachi Capital NBL Corporation | Minato-ku, Tokyo | ¥10,000 million | 100.00% | Leasing business |
| Hitachi Green Energy Corporation | Minato-ku, Tokyo | ¥3 million | 100.00% | Power generation business |
| Hitachi Wind Power Ltd. | Minato-ku, Tokyo | ¥50 million | 85.10% | Power generation business |
| Hitachi Sustainable Energy Ltd. | Hitachi-shi, Ibaraki | ¥50 million | 85.10% | Power generation business |

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.

| | Consolidated subsidiaries that conduct this business | |
|----------|--|--|
| Europe | Hitachi Capital (UK) PLC Hitachi Capital European Vendor Solutions B.V. Hitachi Capital Polska Sp. z o.o. Hitachi Capital Mobility Holding Netherlands B.V. | Hitachi Capital Mobility Netherlands B.V. Maske Fleet GmbH Maske Langzeit-Vermietung GmbH Mobilease Belgium NV 4 other companies |
| Americas | Hitachi Capital America Corp. Hitachi Capital Canada Corp. | CLE Capital Inc. 1 other company |
| China | Hitachi Capital Management (China) Ltd. Hitachi Capital (Hong Kong) 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 | Voting rights ratio of shareholders | Description of major operations |
|---|----------------------------|------------------------|-------------------------------------|--|
| Hitachi Capital (UK) PLC | Surrey, UK | 110,668 thousand GBP | 100.00% | Leasing business and financing business |
| Hitachi Capital European Vendor Solutions B.V. | Amsterdam, the Netherlands | 7,000 thousand EUR | 100.00% (100.00%) | Leasing business and financing business |
| Hitachi Capital Polska Sp. z o.o. | Warsaw, Poland | 15,000 thousand PLN | 100.00% | Auto leasing business |
| Hitachi Capital Mobility Holding Netherlands B.V. | Groningen, the Netherlands | 950 thousand EUR | 98.61% | Financial holding company |
| Hitachi Capital Mobility Netherlands B.V. | Groningen, the Netherlands | 45 thousand EUR | 100.00% (100.00%) | Auto leasing business |
| Maske Fleet GmbH | Niedersachsen, Germany | 5,000 thousand EUR | 100.00% | Auto leasing and rental service business |
| Maske Langzeit-Vermietung GmbH | Vienna, Austria | 235 thousand EUR | 100.00% (100.00%) | Auto leasing and rental service business |
| Mobilease Belgium NV | West-Vlaanderen Belgium | 875 thousand EUR | 100.00% (100.00%) | Auto leasing and mobility service |
| Hitachi Capital America Corp. | Connecticut, U.S.A. | 180,000 thousand USD | 100.00% | Leasing business and financing business |
| Hitachi Capital Canada Corp. | Ontario, Canada | 61,000 thousand CAD | 100.00% (100.00%) | Leasing business and financing business |
| CLE Capital Inc. | Quebec, Canada | 10,126 thousand CAD | 100.00% (100.00%) | Leasing business and financing business |
| Hitachi Capital Management (China) Ltd. | Hong Kong, China | 1,619,479 thousand HKD | 100.00% | China Financial holding company |
| Hitachi Capital (Hong Kong) Ltd. | Hong Kong, China | 310,000 thousand HKD | 100.00% (100.00%) | Leasing business and financing business |
| Hitachi Capital Leasing (China) Co., Ltd. | Beijing, China | 100,000 thousand USD | 90.00% (90.00%) | Leasing business and financing business |
| Hitachi Capital Factoring (China) Co., Ltd. | Shanghai, China | 306,570 thousand RMB | 100.00% (100.00%) | Factoring business |
| Hitachi Capital Asia Pacific Pte. Ltd. | Singapore | 126,400 thousand SGD | 100.00% | Leasing business and financing business |
| Hitachi Capital (Thailand) Co., Ltd. | Bangkok, Thailand | 1,100,000 thousand THB | 100.00% (100.00%) | Leasing business and financing business |
| Hitachi Capital Malaysia Sdn. Bhd. | Kuala Lumpur, Malaysia | 65,000 thousand MYR | 100.00% (100.00%) | Leasing business and financing business |
| PT. Arthaasia Finance | Jakarta, Indonesia | 150,000 million IDR | 85.00% (85.00%) | Leasing business and financing business |
| PT. Hitachi Capital Finance Indonesia | Jakarta, Indonesia | 100,000 million IDR | 70.00% (70.00%) | Leasing business and financing business |

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



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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<https://www.hitachi-capital.co.jp/hcc/english/index.html>