

Hitachi Capital Report 2016

Year ended March 31, 2016



Purpose of Report

We started publishing this report under the title of Hitachi Capital Report in fiscal 2016 so that readers can better understand both the financial side and non-financial side of Hitachi Capital Group. Organized in line with related reporting guidelines, the report covers basic principles, systems for promoting businesses, measures, and key indicators—all of which relate to corporate management—in as much detail as possible.

Scope of the Report

[Organizations covered]

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

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

*Any issues outside the above scope are covered within the respective data.

[Period]

Fiscal 2016 (April 1, 2015 to March 31, 2016)

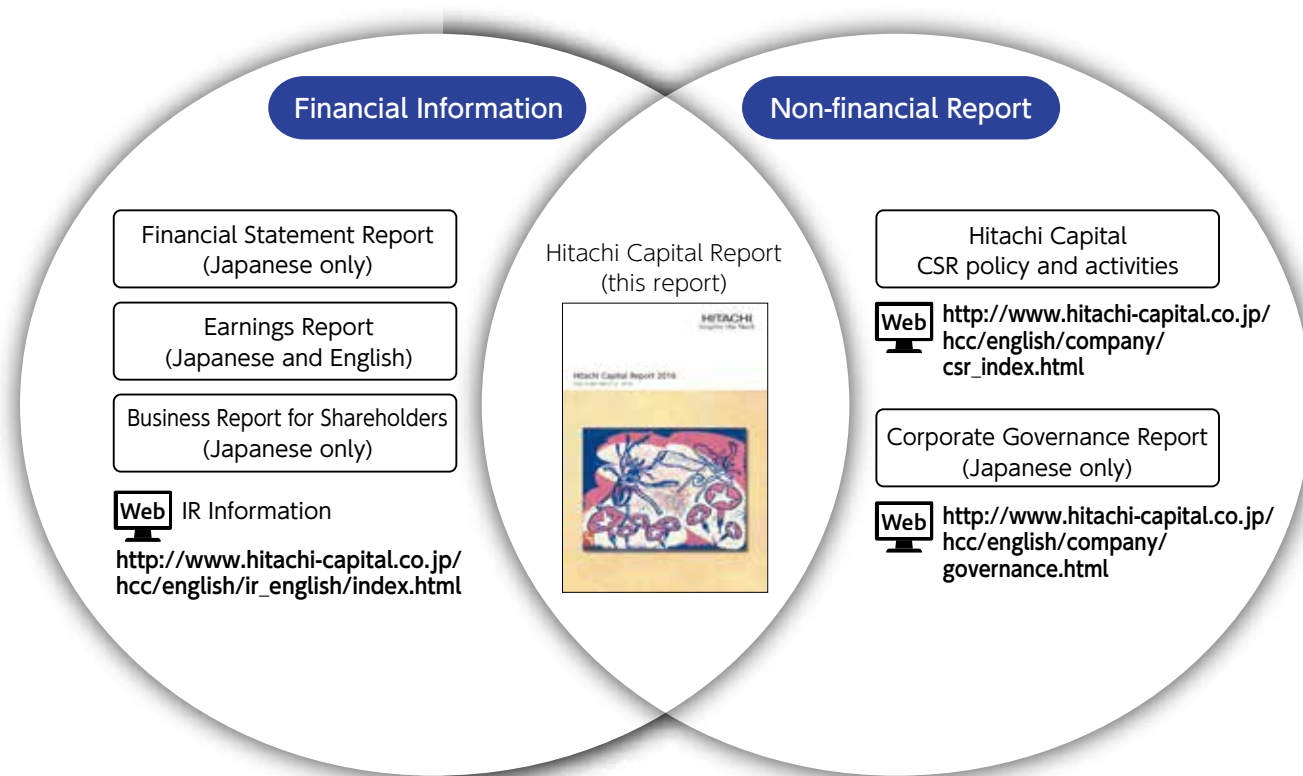
*Some of our recent activities are also included.

Materials Used to Prepare This Report

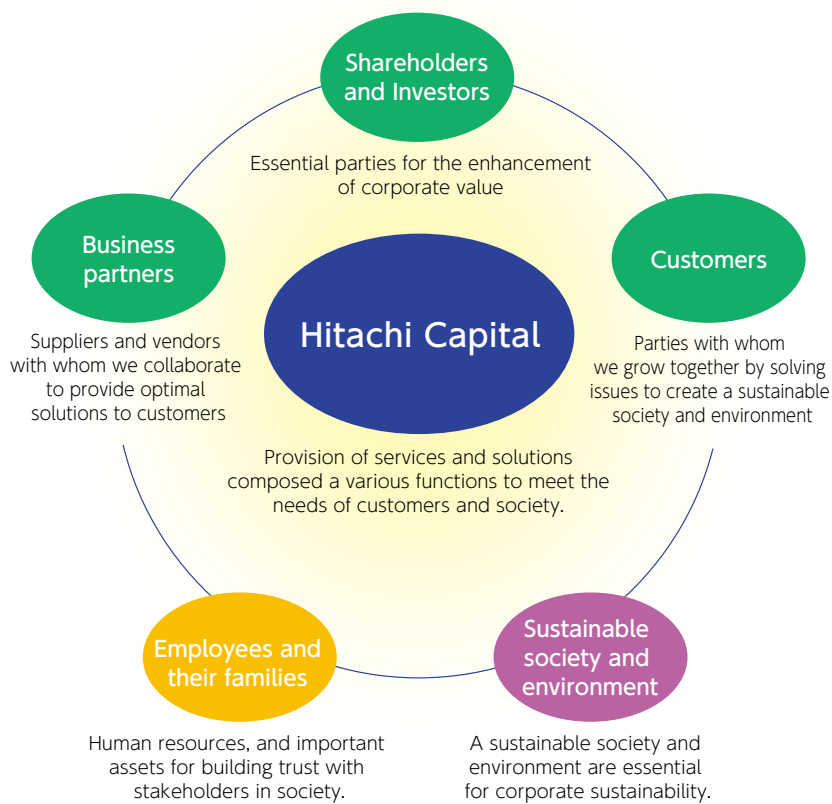
- ISO26000: 2010, International Organization for Standardization
- The International Integrated Reporting Framework (IIRC (International Integrated Reporting Council)) (December 2013)
- The 4th Edition of GRI Guidelines of GRI (Global Reporting Initiative) (May 2013)
- The Environmental Reporting Guidelines 2012 by Ministry of the Environment, Japan (April 2012)
- Environmental Accounting Guidelines 2005 by Ministry of the Environment, Japan (February 2005)

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.



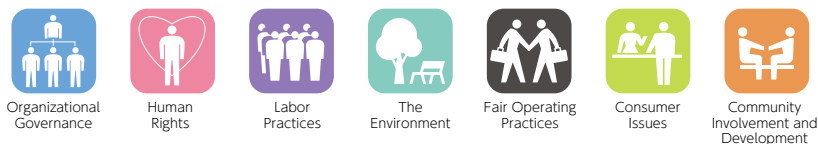
Hitachi Capital Group and Stakeholders



Principles of Hitachi Capital and ISO26000 Core Subjects

We compiled the Hitachi Capital Report for fiscal 2016 to cover the following initiatives implemented by the Hitachi Capital Group in line with key concepts for the management philosophy, stakeholders, and the ISO26000 core subjects.

(The following icons indicate matching core subjects on different pages of the report.)



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Message from Top Management

Hitachi Capital is a
“Social Value Creating Company”
that is conscientious of the global environment.
We aim to provide new forms of value
that further the development of society
and enrich the lives of people.

We believe that implementing our principles, which include “Sustainable Growth,” “Respect for Human Dignity,” and “Implementation of Corporate Ethics,” will enable us to achieve our CSR (Corporate Social Responsibility) goals and live in harmony with society. To do this, the Hitachi Capital Group aims to start our new mission as a “Social Value Creating Company” and our new vision for the Second Growth Stage (the new Mid-Term Management Plan for the period from this fiscal 2017 until fiscal 2019).



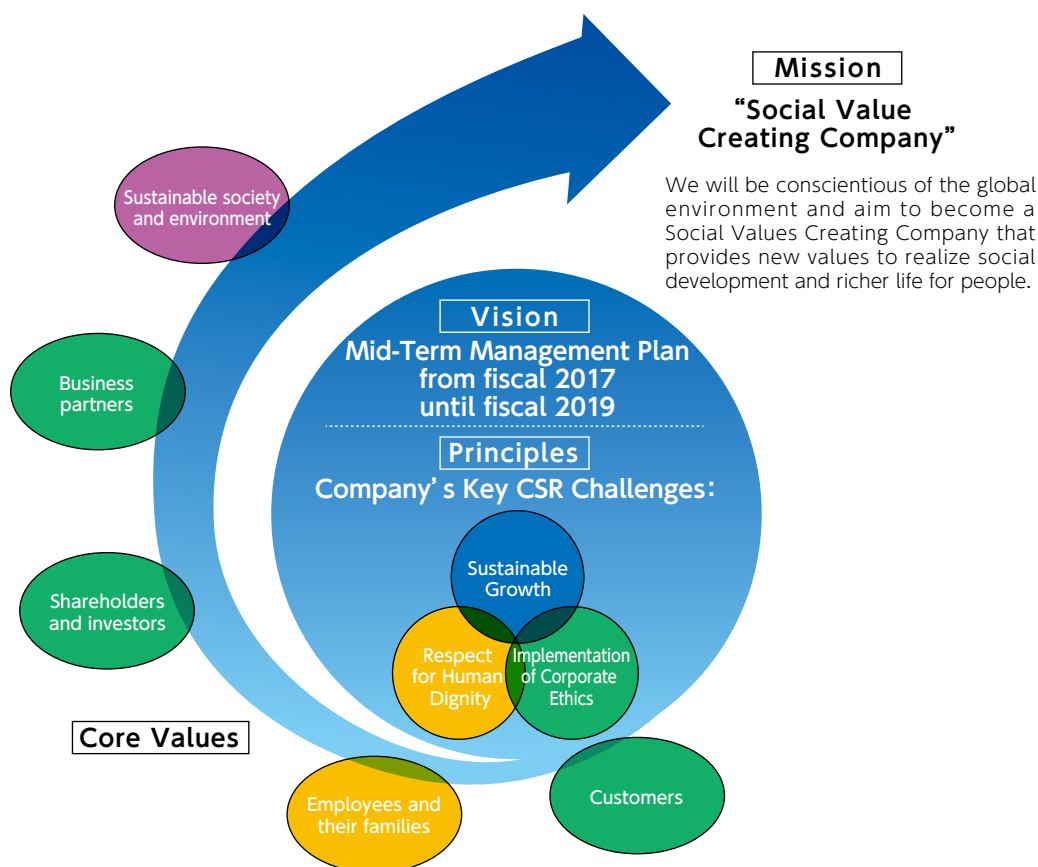
My name is Seiji Kawabe. I was appointed President and CEO of Hitachi Capital Corporation on April 1, 2016.

Since its foundation in 1957, Hitachi Capital has been promoting businesses with a focus on regional communities, and applying different kinds of functions and products to help create a richer society.

In the Mid-Term Management Plan for the period from fiscal 2014 until 2016, we sought to complete an ongoing structural transformation (transformation) into a “highly competitive management fundamentals,” successfully “transform the business model for regrowth” in the Japan Business, and “accelerate true globalization rooted in systematic development” in the Global Business.

Ultimately, we achieved record highs for the third straight year in income before taxes, and for the fourth straight year in net income attributable to the parent company and shareholders.

The current financial market is characterized by an excessive liquidity of funds as result of the introduction of negative interest rates in mature markets such as Japan



and Europe. It is also at a significant turning point in terms of business models and industrial structures because technologies such as AI (artificial intelligence), the IoTⁱ, self-driving automobiles, and Fintechⁱⁱ are becoming available.

We will act quickly to adapt to these social changes and generate the strength needed to offer the forms of value society requires. In doing so, we will seek to achieve the aims of our mission, which is to build a “Social Value Creating Company” that is needed by society and always capable of meeting its demands. In addition, in May 2016 we concluded a capital alliance agreement with Mitsubishi UFJ Financial Group, Inc. and Mitsubishi UFJ Lease & Finance Company Limited to ensure our future growth. Motivated with our eyes on the future, we will seek to apply the expertise of a manufacture-affiliated company and financial company, and create new business opportunities through collaborative operations.

To become a “Social Value Creating Company,” we believe that it is essential for management’s ideas to be properly shared throughout all of our organizations. The same holds true for things noticed by employees who engage with various stakeholders that should be directly shared with management without delay. In short, it is essential for us to establish a sound corporate culture that allows for smooth two-way communication. We believe employees are assets (“Human Capital”), and ask that they become professionals capable of thinking on their own.

To this end, we have formulated core values that represent our common values for becoming a “Social Value Creating Company.” Our ultimate goal is to provide valuable solutions that bring together the power of management, organizations, and human resources.

Seiji Kawabe

Seiji Kawabe
President & CEO
Hitachi Capital Corporation

i. Abbreviation for the “Internet of Things.” A scheme in which a variety of things are connected to the Internet and mutually controlled through information exchange.
ii. A word coined by combining the two words of “finance” and “technology.” It refers to financial services in which information technology is fully utilized.

Basic Management Policy

To understand and embrace the corporate philosophies and ethics between all employees, the basic management policy is created which encompasses three key areas- "Principles", "Mission", and "Core Values".

Basic Management Policy

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

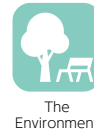
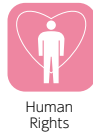
The willingness to respect the opinions of others and discuss matters in a manner that is thorough and frank, but fair and impartial, and once a conclusion has been reached, to cooperate and work together to achieve a common goal.

(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.

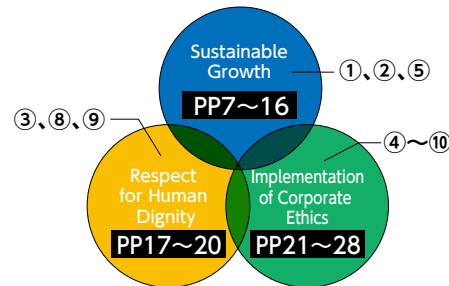


Internal systems to promote CSR and the identification of key challenges

In fiscal 2016, we set up the CSR Promotion Committee composed of managers at the department head level, and worked on global environmental issues. We also examined the materiality of key CSR challenges for facilitating social development and achieving richer living conditions for people, factoring in international guidelines and industry issues, as well as opinions that mentioned our efforts and activities in the questionnaire of our previous reports and feedbacks of external ESG (Environment/ Social/ Governance) related evaluation. We first studied the Company's risks and opportunities, and then compared them with the Company's management strategies and the manner in which they are implemented, clarifying the materiality matrix on respective challenges. (Please refer our latest materiality matrix in our CSR website: http://www.hitachi-capital.co.jp/hcc/english/company/csr_policy.html) After we examined them with the management team, we concluded that as a corporation seeking to become a "Social Values Creating Company," we should create and offer new social values in our businesses by pursuing the following ideas in line with "Principles" – "Sustainable Growth," "Respect for Human Dignity" and "Implementation of Corporate Ethics" – that underlies the "Core Values". We positioned these efforts as the top priority CSR issues of the Company. Based on this positioning, we discussed how best to address CSR challenges. We set goals and promote measures in the FY2019 Mid-Term Management Plan, the mid-term management plan for the period running from fiscal 2017 until fiscal 2019.

Principles

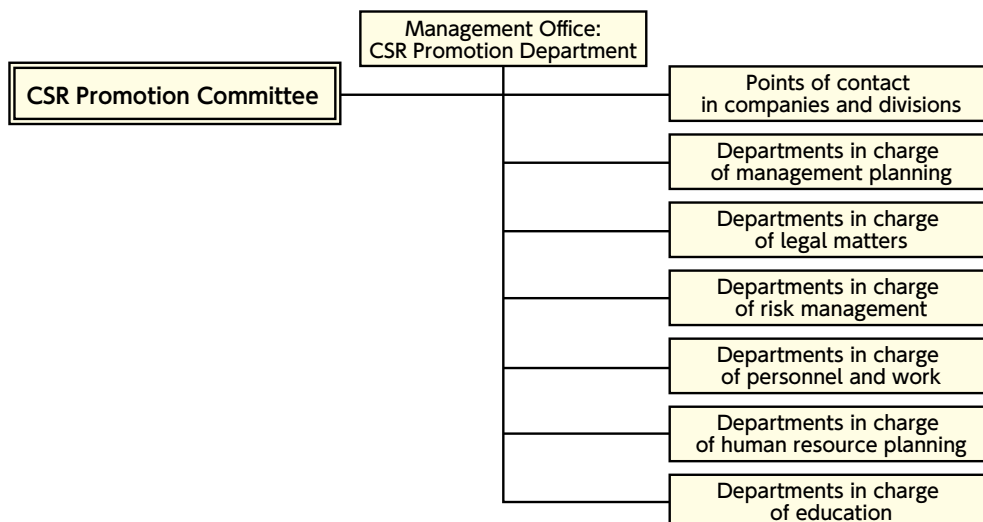
The Company's key CSR challenges:



Opportunities and risks

Opportunities	Risks
Opportunities for the Company (i) Solving social issues (aging population and low birthrate, saving energy and resources) through the execution of businesses (ii) Progress in globalization (moving quickly to expand overseas, and the localization/continuation and expansion of businesses)	Risks the Company faces (iv) Governance risk (v) Strategy risk (vi) Financial risk (vii) Operational risk
Expectations from the society (iii) Social contributions towards local community and society	Requests from the society (viii) Human rights (different types of harassment) (ix) (Including Diversity in properties and employment, etc.) Equal education and opportunities (x) Fair relationships with business partners and governments

Internal system to promote CSR (fiscal 2017)

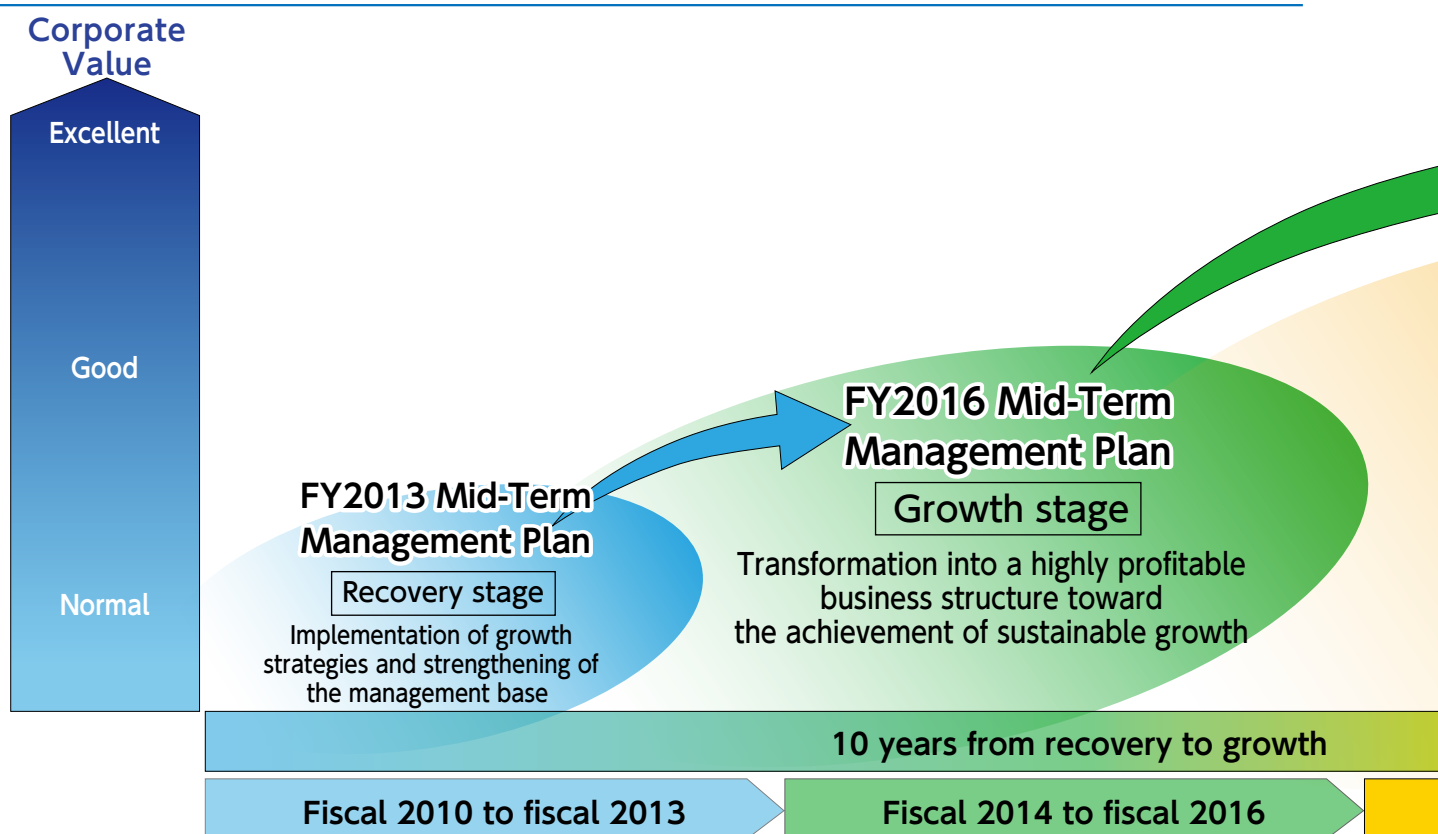


I Sustainable Growth

Hitachi Capital's Path to Sustainable Growth

In the Mid-Term Management Plan for the period from Fiscal 2014 until Fiscal 2016 ("FY2016 Mid-Term Management Plan"), we worked on a transformation (a continuous structural transformation into a "highly competitive management fundamentals" in the Growth Stage, based on the results of the Mid-Term Management Plan for the period from Fiscal 2011 until Fiscal 2013 (hereinafter referred to as the "FY2013 Mid-Term Management Plan") in which we sought to address changes in the lease accounting standards in Japan, and help businesses recover from the impact of global financial and economical crisis in 2008. We will tackle the "transformation of a business model for regrowth" in the Japan

Mid-Term Management Plans and Corporate Value



Corporate Value Highlights in Growth Stage of FY2016 Mid-Term Management Plan (FY2014 to FY2016)

Income						
Fiscal year	FY2014 (JGAAP)	FY2015 (JGAAP)	FY2015 (IFRS)		FY2016 (IFRS)	FY2019 Target(IFRS)
Financial capital: Funds procured externally and spent additionally to conduct business activities.					Outline of activities	
Related stakeholders: Creditors					▶ PP9-16	
Financial expenses *1	20.1 billion yen	23.1 billion yen	Interest expenses *2	23.9 billion yen	26.5 billion yen	—
Production capital Funds spent on improvements to the management base, such as IT.					Outline of activities	
Related stakeholders :Business partners					▶ PP9-16	
Operational expenses	95.3 billion yen	104.9 billion yen	Cost of sales	236.9 billion yen	235.3 billion yen	—
Human capital	Skills and ability of human resources that support a company's sustainable growth, implicit knowledge, systems, and procedures related to people/organizations to maintain their motivation and organizations				Outline of activities	
Intellectual capital					▶ PP15-18	
Related stakeholders :Employees						
Personnel expenses	42.3 billion yen	45.0 billion yen	Personnel expenses	43.7 billion yen	45.3 billion yen	—
Society-related capital Resources obtained from the natural environment and social norms, trust-based relationships shared with stakeholders					Outline of activities	
Related stakeholders :Government					▶ PP15-20 PP21-30	
Total corporate taxes	11.4 billion yen	10.8 billion yen	Corporate income tax expenses	10.6 billion yen	13.0 billion yen	—
Related stakeholders :Shareholders and investors						
Dividends per share	48 yen	60 yen	Dividends per share	60 yen	84 yen	—
Payout ratio	25.3%	28.6%	Payout ratio	29.1%	30.0%	30%
Related stakeholders :Companies						
Equity ratio	12.4%	11.8%	Ratio of equities attributable to owners of parent	11.0%	10.9%	—

Business and the “acceleration of true globalization based on systematic development” in the Global Business.
Building on these experiences and achievements, as a “Social Values Creating Companies” we will seek to create “strengths (qualities unique to Hitachi Capital) that ensure we remain unaffected by business circumstances, work together to solve the issues of society and customers, and move forward with the further enhancement of corporate value and sustainable growth.

FY2019 Mid-Term Management Plan

Second growth stage

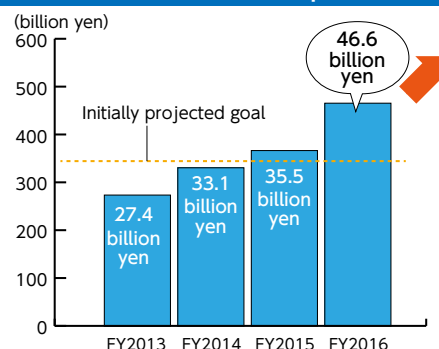
New management policy
“Social Values Creating Company”

Next 10 years

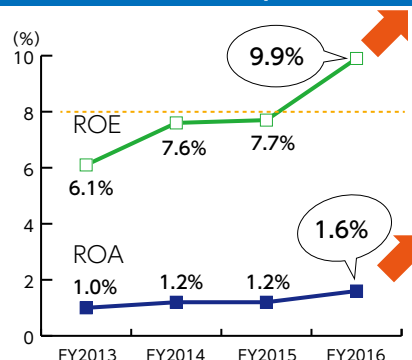
Fiscal 2017 to fiscal 2019

Key management indexes

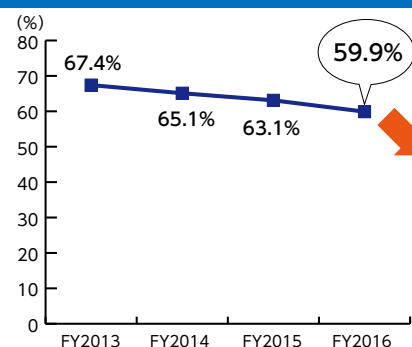
[Income before taxes] Initial plan: 34 billion yen



[ROE *3] Initial plan: Over 8%



[OHR *4] Initial plan: Below 63%



Fiscal year	FY2014 (JGAAP)	FY2015 (JGAAP)	FY2015 (IFRS)	FY2016 (IFRS)	FY2019 Target (IFRS)
Management index					
ROE *3	7.8%	7.9%	7.7%	9.9%	10%
OHR *4	66.9%	64.5%	63.1%	59.9%	—
ROA *5	1.6%	1.6%	1.2%	1.6%	1.8%
Ordinary income	33.6 billion yen	39.8 billion yen	Income before taxes	35.5 billion yen	46.6 billion yen
Outcome					
Related stakeholders :Customers			Outline of activities ▶ PP9-16 PP25-26		
Business volume	1,954.3 billion yen	2,118.8 billion yen	Business volume	2,118.8 billion yen	2,290.1 billion yen
Operating income	127.9 billion yen	143.3 billion yen	Revenue	356.2 billion yen	365.3 billion yen

ESG index			
	FY2014	FY2015	FY2016
E: CO ₂ emissions *6	1,553t - CO ₂	1,396t - CO ₂	940t - CO ₂
S: Number of employees	5,280	5,397	5,142
G: Number of directors *7 (external directors)	6 (3)	5 (3)	7 (5)

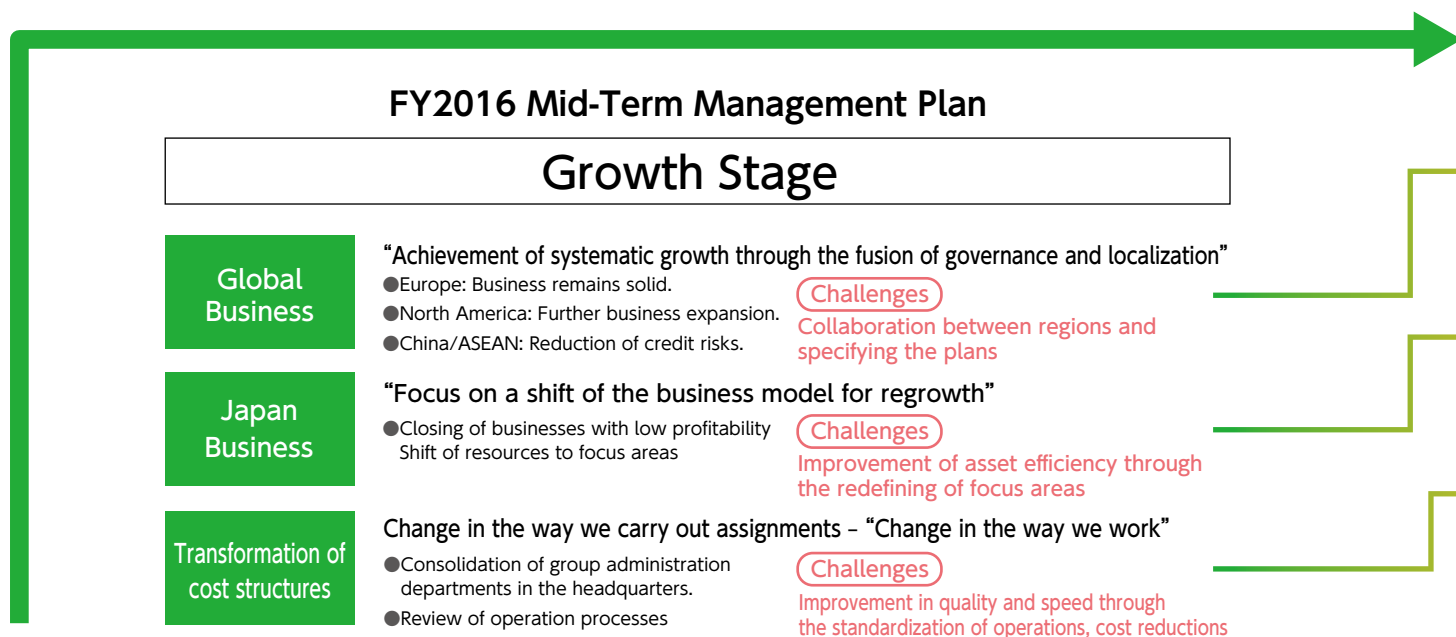
- *1 & 2. Composed of interest expenses paid mainly to creditors.
- *3. Return on Equity. The ratio of ordinary income (JGAAP) or profit before taxes (IFRS) to total sales assets. The index is used to evaluate the efficiency and profitability of a business because it shows how much profit is generated by assets invested in the business.
- *4. Overhead Ratio. The ratio of total cost to revenue calculated under the formula of sales and administration expenses / (Operating income (JGAAP) or Gross profit (IFRS) - Financial expenses (JGAAP) or Interest expenses arising from financial liabilities (IFRS)).
- *5. Return on Asset. The ratio of ordinary income (JGAAP) or profit before taxes (IFRS) to total assets (JGAAP) or total assets (IFRS). The index is used to evaluate the efficiency and profitability of a business because it shows how much profit is generated by assets invested in the business.
- *6. Applies to Hitachi Capital Corporation (non-consolidated) only.
- *7. As of the end of each fiscal year.
- “—” indicates “Not applicable”

I Sustainable Growth

Hitachi Capital's Growth Strategy

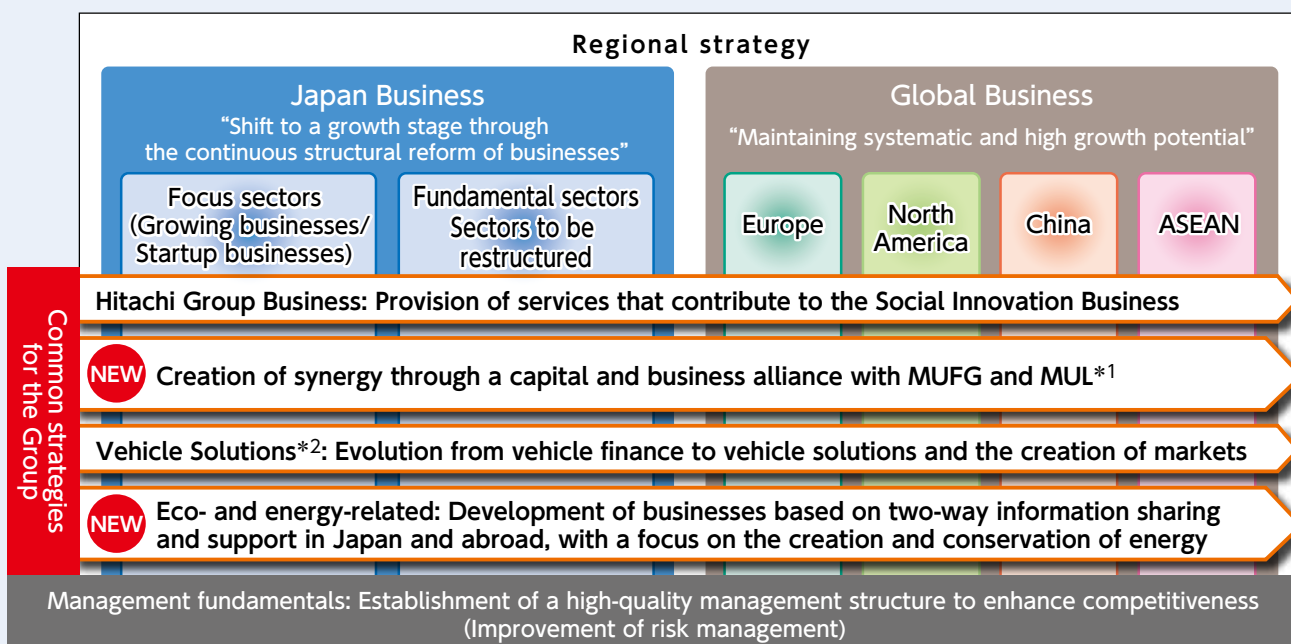
We positioned the Mid-Term Management Plan for the period from Fiscal 2017 until Fiscal 2019 (hereinafter referred to as the "FY2019 Mid-Term Management Plan") as the "Second Growth Stages." Based on this position, we aim to realize a social values creating company that continues changes and growing under constantly fluctuant business circumstances and producing new values in the mid- and long-term.

FY2016 Mid-Term Management Plan and Main Points of FY2019 Mid-Term Management Plan



Strategic Targets in FY2019 Mid-Term Management Plan

- ① **Business map** We will enhance business competitiveness by the Group Common Strategies and realize both of the sustainable growth and the sophisticated business.



*1. MUFG: Mitsubishi UFJ Financial Group, Inc. MUL: Mitsubishi UFJ Lease & Finance Company Limited

*2. Vehicle Solution: A business model to meet customer needs by providing comprehensive services related to automobiles (not limit to provide the financial services).

Message from supervising director

In the running of the Global Business, it has become increasingly necessary for us to closely monitor the world situation. Development of the world economy under globalization has been driven by interconnections between nations, companies and people on a global basis. Our ability to flexibly adapt to these connections is the key to success in business. In this situation, it is essential that we understand

social trends and reinvent existing businesses, while creating new businesses, to ensure that the Company achieves sustainable growth. With an entrepreneurial spirit, all employees will stand united as one, clarify what needs to be done, and move forward steadily, step by step, repeating the PDCA process. Through this approach, we will come together as a team and combine our efforts in pursuit of business.



Hironori Tozawa
Head of Corporate Sales
& Marketing Group
Senior Vice President
and Executive Officer

FY2019 Mid-Term Management Plan

The Second Growth Stage

Global Business

Continuation of double-digit growth (local currency basis).
“Maintaining systematic and high growth potential”

- Risk control that is adapted to regional characteristics
- Diversification of portfolio to create operational structures that are not susceptible to external environmental factors
- Overseas business ratio in fiscal 2019: 60% (in terms of profit before taxes)

Japan Business

Aiming to achieve 2% ROA
“Making the shift to the growth stage through the continuous structural reform of businesses.”

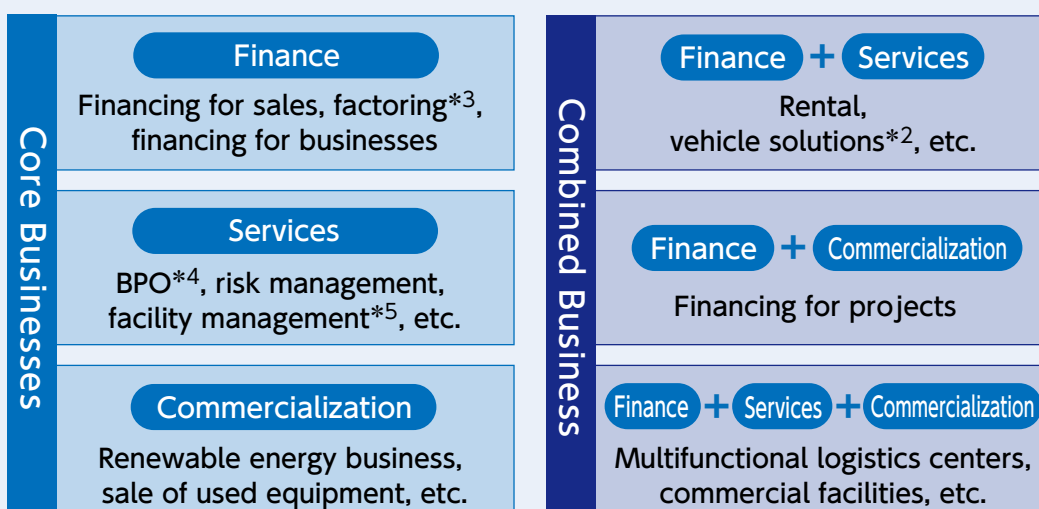
- Improvement in asset efficiency through the redefining of focus areas.
- Strengthening of back-office administrative departments that help to improve competitiveness.

Proactive investment

Measures to increase the number of personnel with highly professional skills, establish competitive IT systems, and promote partnership collaborations.

- Implementation of strategic investments to support business growth.
(Establishment of business partnership, M&As, and investment in IT and human capitals)

- ② **Business areas** We will expand our solutions by not only strengthening the core businesses of the Group, but also accelerating the shift to a value-added “Combined Business.” This will enable us to create strengths (qualities unique to Hitachi Capital) based on enhanced businesses.



*3. Financing involving the purchase and collection of accounts receivable held by customers.

*4. Business Process Outsourcing: companies and others outsourcing non-core administrative business process to specialist service providers.

*5. Optimize to manage, operate and maintain whole of the business real-estate/facilities.

I Sustainable Growth

Hitachi Capital's Growth Strategy

③ Regarding capital and business alliance concluded

Hitachi Capital concluded the basic business alliance agreement with Hitachi Ltd., Mitsubishi UFJ Financial Group, Inc. (MUFG), the Bank of Tokyo-Mitsubishi UFJ, Ltd., and Mitsubishi UFJ Lease & Finance Company Limited (MUL) that defines the details of the relationships in the business alliance between 1) Hitachi Capital and MUL and 2) these 5 companies on May 13, 2016. Hitachi Capital also concluded a capital alliance agreement with MUFG and MUL.

Based on these agreements, we also concluded the capital alliance agreement that Hitachi will transfer a portion of its shares in Hitachi Capital to MUFG and MUL in October 2016 or after, subject to the regulation, permission and authorization.

We will strengthen our efforts to provide solutions, building on the unique business model featuring the combined strengths of a manufacturer and financial groups created through the alliance. In doing so, we seek to further the growth of Hitachi Capital and maximize its corporate value.

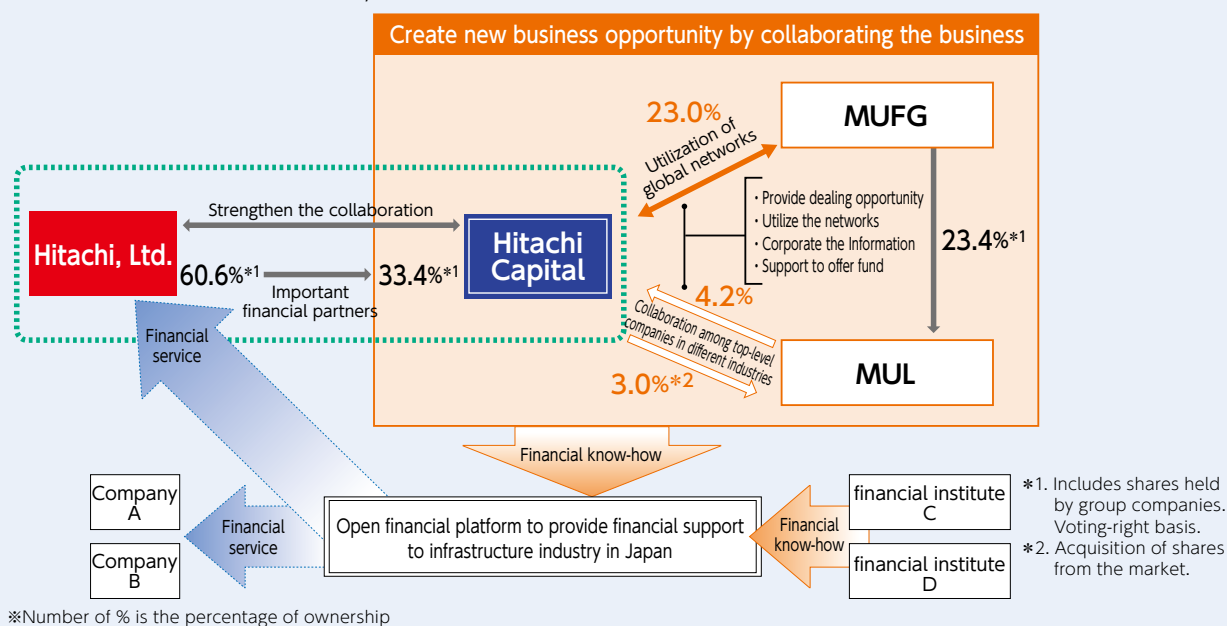
In addition, as a continuing important finance and business partner of Hitachi Group, Hitachi Capital will further strengthen its business collaboration with Hitachi in the Social Innovation Business and other related business areas.

Hitachi Capital and MUL conclude business alliance (the "Business Alliance") on August 3, 2016, that defines the details of the relationships based the basic business alliance, etc. on May 13, 2016.

The Business Alliance is intended to expand business domains and strengthen financial services functions including solutions by integrating advantages and know-how of a manufacturer-affiliated leasing company and a financial institution/trading company-affiliated leasing company with versatile functions. To be specific, the Business Alliance aims to (i) leverage further development of current business by utilizing current business infrastructure mutually, (ii) create new business opportunities by applying both know-how and networks, and (iii) develop new solutions by combining both strengths, etc. both of us will make efforts to achieve business growth and improve corporate value by pursuing synergies through reducing risks and costs.

In Japan, we conducted as the collaborative business area in the Business Alliance in the areas of (i) environment and energy, (ii) urban infrastructure and public facilities and (iii) real estate, and promote to realize as following table. We also promote the joint study on IoT related to these areas laterally to enhance capability to create innovation. In overseas, we will expand the business area and financial services by utilizing the current business fundamentals.

We will continue to discuss about additional business areas and theses that might be adopted as this Business Alliance target as necessity.



Key business alliance between the Hitachi Capital and Mitsubishi UFJ Lease

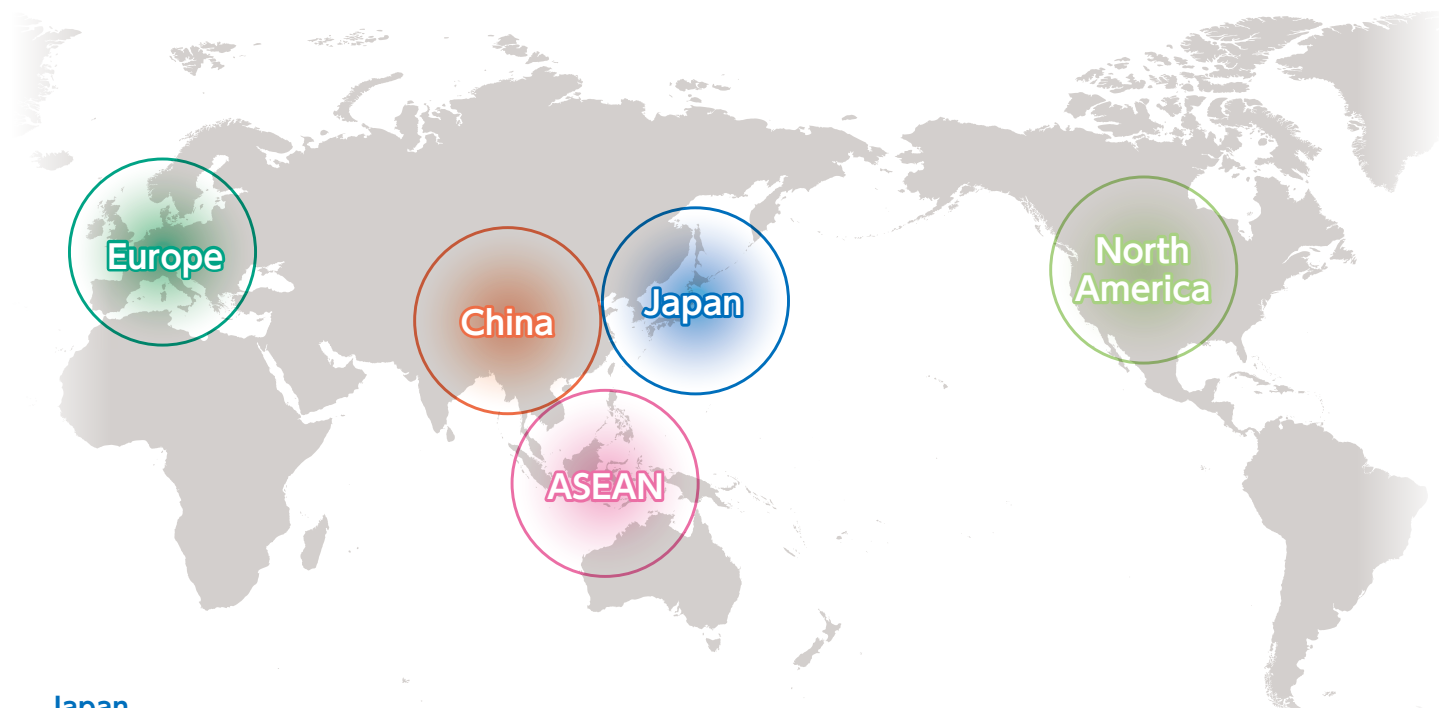
Business Collaborative Areas		Key Measures (What and How)	
Japan	Environment and Energy 	What	<p>■The renewable energy sector :</p> <p>We aim jointly to establish a development fund which covers solar power generation projects as well as projects regarding wind power, biomass and other power sources.</p>
		How	We will capture a wide variety of projects, which could not be addressed otherwise on a stand-alone basis, by mutually leveraging trust capabilities of the Hitachi Capital Group and fund asset management functions of the Mitsubishi UFJ Lease Group. Additionally, we aim to establish an O&D (Origination & Distribution) business model*3 in the future by selling projects acquired by the fund above to other funds or business entities.
	Urban Infrastructure and Public Facilities 	What	<p>■Existing public facilities :</p> <p>We support to enhance efficiency of asset management and value by promoting intensification and consolidation of facilities with one-stop services regarding ownership, financing and operations.</p> <p>■newly-built public facilities :</p> <p>We not only handle traditional PFI projects but realize regional revitalization and establishment of compact cities from the perspective of utilizing public spaces.</p>
		How	We will accelerate to expand business by leveraging Hitachi Capital's access to governmental agencies, access of MUL to specific financial institutions, and the strong track record in PPP projects of both companies.
	Real Estate 	What	We commercialize large projects and create new business opportunities in association with revitalization plans for inactive and low-performing assets.
		How	We will create business opportunities by integrating real estate services functions for commercial and logistics sectors, in which both companies have strengths, and leveraging each group's property and channels. We will also treat large projects for potential CRE (Corporate Real Estate) clients through "diversification and multiple-tracking of channels" and "reinforcement of risk-taking and risk-controlling capabilities".
Overseas	Collaborative Advancement into New Markets	What	We accelerate to start our business in Latin American and Asian markets where neither of both companies have any business fundamentals.
		How	We will accelerate to start our business in a strategically focused area where neither of both companies have any business fundamentals, by combining strengths of the two companies. We aim not only capture the profit opportunities as wide sales fundamentals and earnings opportunities, especially from Japanese manufacturers' infrastructure development projects, while makes reduced risks and costs.
	Mutual Use of Business Franchises and Functions	What	We strengthen the current business by utilizing mutual business fundamentals and functions (Vendor Finance, Factoring and Asset Management Services, etc.)
		How	We will strengthen sales capabilities by mutually leveraging business fundamentals and functions (Vendor Finance, Factoring and Asset Management Services, etc.), which are regarded as strengths of both companies, reduce costs, enhance the efficiency of administration, and collaboratively treat large projects.
	Other		We investigate for acquisitions and alliances together to realize growth strategy and market development.

*3 O&D business model :business model that aim to enhance asset efficiency by reducing minimum risk asset from the point of origination (acquire the project) and distribution (provide investment opportunities for the companies and investors).

I Sustainable Growth

Regional Strategy by Hitachi Capital

Hitachi Capital contributes to the growth of customers and communities by ensuring that community-based businesses are conducted by locally employed individuals. We offer service solutions to address local needs and market situations in 5 key regions – Japan, Europe, North America, China, and ASEAN.



Japan

FY2019 Mid-Term Management Plan Goal

“Improve profitability by continuing business restructuring”

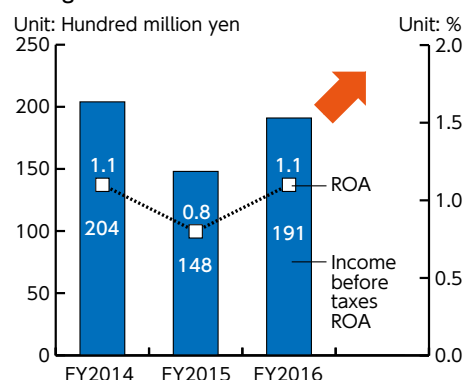
We aim to expand our focus business, conducive to regional revitalization and strengthen competitiveness by establishing competitive IT system and making business operation of back-office as factory.

- FY 2019 target of growth in profit *1 : 8%
- FY 2019 target of ROA *2 : 1.9%
- (tackling challenges to achieve 2%)

Number of companies *3 : 15

Number of equity method affiliates companies *3 : 2

Changes in income before taxes and ROA



Focus areas in FY2019 Mid-Term Management Plan “Highly profitable areas that further regional revitalization”

Growth businesses (businesses to be expanded)

- ① **Social Infrastructure**
(Private sector demand)
Logistics and the management of facilities such as commercial facilities
- ② **Eco- & Energy-related**
 - Renewable energy
 - New energy
 - Energy saving
- ③ **Vehicle**
 - High-quality and well-prepared service network
 - Safe, secure, and efficient management of vehicles and transportation management
 - Welfare vehicles
- ④ **Local governments/Public**
 - PPP*4/PFI*5-based businesses for decaying facilities
 - Leasing of facilities to local governments, etc.
 - Concession (a contractual right to carry on a certain kind of business or activity in an area)

Startup businesses (Businesses to be nurtured)

Food-related

BPO

Security

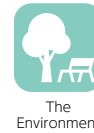
*1. Growth in profit: annual average growth of income before income taxes for FY2016 to FY2019

*2. Total ratio of profit before taxes to total assets.

*3. Number of companies: as of June 30, 2016.

*4. Project Private Partnership: Project conducted in partnership between government and the private sector. PPP differs from PFI in that the private enterprise participates from the planning stages of the government policy, as opposed to the government providing financial support.

*5. Private Finance Initiative: Utilization of private sector capital, management and technical capabilities for the construction, maintenance, or operation of public facilities



The Environment



Fair Operating Practices



Consumer Issues



Community Involvement and Development

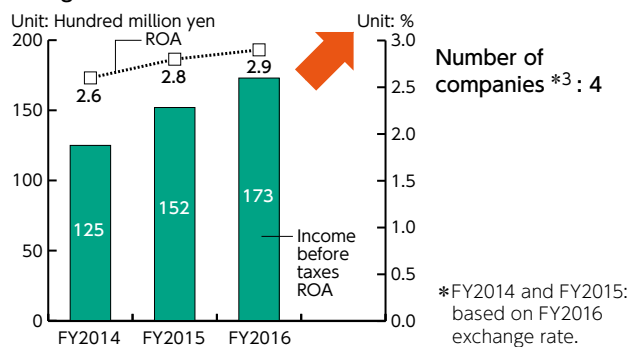
Europe

FY2019 Mid-Term Management Plan Goal “Create a base for stable growth”

- FY 2019 target of Growth in profit *1: 8%
- FY 2019 target of ROA *2: More than 2.5%

We overcame tough times in Europe after the Lehman Crisis in 2008 by promoting customer-oriented solutions as expanding consumer and business finance in U.K. and promoting Vehicle Solution with highly controlled risk management. In April 2016, to enhance corporate governance and business efficiency, we decided to integrate Hitachi Capital Vehicle Solutions Ltd. to Hitachi Capital (UK) PLC, which separates supervising functions and business execution functions. We realize the stable growth by highly competitive business model and controlled risk management though the economic circumstances in U.K. still leave unpredictable owing to referendum resulted the exit from EU in June 2016.

Changes in income before taxes and ROA



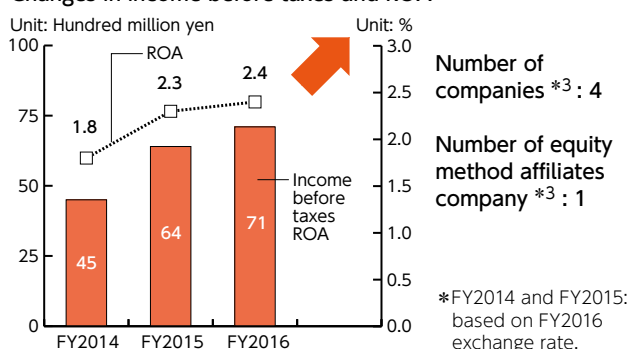
China

FY2019 Mid-Term Management Plan Goal “Establish high quality portfolio through strategic alliances”

- FY 2019 target of Growth in profit *1: 9%
- FY 2019 target of ROA *2: More than 2.0%

We handle auto loans for consumers in Hong Kong, while in mainland China we lease medical equipment, information equipment, industrial equipment, and other types of equipment and provide factoring business. We also promote stable management through the strategic alliance with partners as the Hitachi Group and local government, with our main focus on public and healthcare sector and strengthen risk management. Additionally, we founded the new company in Hong Kong, Hitachi Capital Management (China) Ltd. that holds the function of investing to China and Hong Kong and regional headquarter diverse the profit opportunity in public sector, etc. by expanding the function as investment, etc.

Changes in income before taxes and ROA



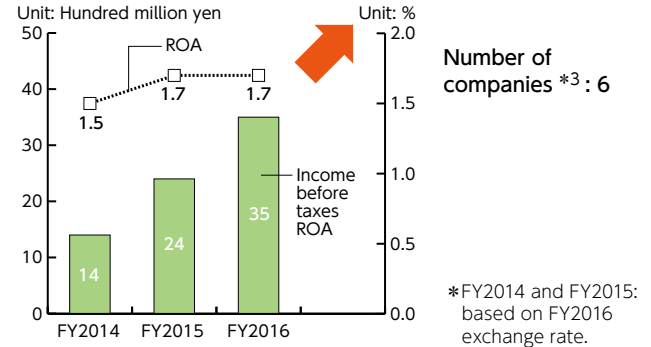
North America

FY2019 Mid-Term Management Plan Goal “Become a growth driver for business expansion”

- FY 2019 target of Growth in profit *1: More than 20%
- FY 2019 target of ROA *2: More than 2.0%

We handle the leasing, loan provisioning, inventory financing, and factoring for items such as trucks, information and communication, industrial equipment and medical equipment in North America. In particular, the factoring businesses have remained strong. To drive growth in the Group going forward, we will aggressively expand and ensure our business by pursuing M&A and investing in employees against not only existing area but healthcare and vehicle solutions.

Changes in income before taxes and ROA



ASEAN

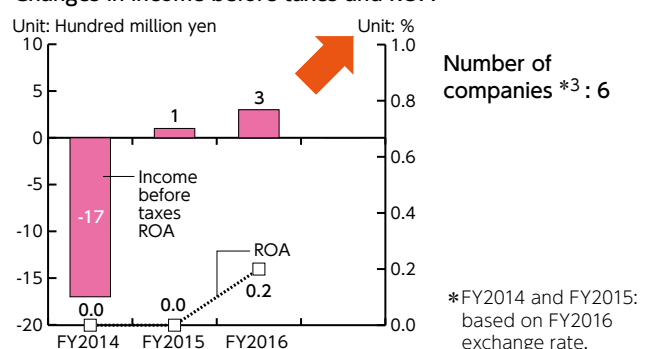
FY2019 Mid-Term Management Plan Goal “Strengthen the business base for mid- to long-term growth”

- ROA *2: More than 1.0%

We provide financing services for primarily company property, including information equipment, automobiles, industrial machinery, commercial facilities, medical equipment, etc. Our operations are based in the ASEAN region, covering the countries of Singapore, Thailand, Malaysia, and Indonesia.

Our ultimate aim is to strengthen organizational structures through investment in employees and IT. Additionally we intend to establish a robust business base through the enhancement of collection functions for medium- to long-term growth. We will expand service businesses such as vehicle solutions and energy saving services, etc.

Changes in income before taxes and ROA



I Sustainable Growth

Strengthen Management Fundamentals of Hitachi Capital

Hitachi Capital will improve risk management to establish a high-quality management that contributes to the strengthening of competitiveness and realize sustainable growth. At the same time, we actively invest in highly skilled individuals and IT to support business growth.

Target stakeholders	Initiatives in FY2016 Mid-Term Management Plan	Pages
Initiatives aimed at stakeholders		
Customers	<ul style="list-style-type: none"> ●To improve customer satisfaction, we conducted monitoring to ensure that the management and improved handling of complaints, consultations, and inquiries is carried out in a satisfactory manner. 	PP25-26 For policies and details, please visit the website.
Business partners	<ul style="list-style-type: none"> ●We unified the service desks and systems for business partners of our domestic group companies. 	P26 For policies and details, please visit the website.
Employees and their families	<ul style="list-style-type: none"> ●Working in line with the labor environment policy, we established different personnel systems for our operation bases to ensure that personnel systems are established to address needs in Japan and other countries. ●We facilitated two-way communication between management and employees. ●We worked on reforming cost structures in an effort to create a “highly competitive management structure, and promoted “change in the way people work,” which involved changing the way we execute assignments. ●We conducted a review and improve operational processes and made improvements, in coordination with the consolidation of the headquarters and offices of the group companies in the Tokyo area. The desk layout was changed from a business unit-based fixed layout to a standardized layout based on operations. This change enabled us to improve efficiency and boost the level of communication. 	PP17-20 For policies and details, please visit the website.
Establishing a sustainable management base		
Human rights	<ul style="list-style-type: none"> ●We carried out different types of training on human rights. The purpose of this training was provide employees with an understanding of the basic human rights described in the International Bill of Human Rights and the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO). 	P17 For policies and details, please visit the website.
Corporate governance	<ul style="list-style-type: none"> ●Put into place a whistle-blowing system ●Developed a code of corporate governance 	PP21-22 For policies and details, please visit the website.
Compliance/ Risk management	<ul style="list-style-type: none"> ●Conducted a global examination of compliance ●Developed compliance programs, conducted education and training programs, and held the Corporate Ethics Promotion Month. ●Set up the ERM Committee. 	PP22-23 For policies and details, please visit the website.
Global environment	<ul style="list-style-type: none"> ●Promoted environmentally friendly business activities focused on Japan. Reduced total power consumption in fiscal 2016 by 61.5% (compared to fiscal 2011) as a result of consolidating the headquarters and offices of the group companies in the Tokyo area in September 2014. ●Checked and reduced different types of environmental burden. 	PP27-28 For policies and details, please visit the website.

Please refer following web pages of "CSR Activities" to know each policy and initiative in detail.



Organizational Governance



Human Rights



Labor Practices



The Environment



Fair Operating Practices



Consumer Issues



http://www.hitachi-capital.co.jp/hcc/english/company/csr_index.html

Message from supervising director

I believe the management base is much like the base or foundation of a building. An unstable base can disturb the building that stands upon it. If a business changes as a result of growth, we must reinforce the base and carry out a scrap-and-build program. We will also need to address changes in external environments, such as changes in society and laws. To date, the corporate department of Hitachi Capital

has worked on initiatives focused on Japan, but this limited focus has reflected a lack of effort to view the world from a broader perspective. To strengthen the management base in line with future business growth, we must not only empower individuals and IT, but we must also continue to respond to risks that lie within anticipated changes in markets and societies, while meeting social demands for compliance.



Seiichiro Kishino
Head of Management Bases Initiatives Group
Representative Executive Officer,
Executive Vice President and
Executive Officer

Initiatives in FY2019 Mid-Term Management Plan

- Improvement in customer convenience by standardize the quality of the customer service in the group companies in Japan (14 companies).
- Facilitation of BPO(Please refer the Note of P10) and BPR*¹, and the rationalization of procurement operations by working on the documentation and standardization of procurement operations in group companies in Japan.
- Establishment and thorough division of authority, leveraging the purchasing dedicated departments and systems in the whole group, including those in group companies overseas.
- Formulation of globally shared HR policies (basic principles regarding employment, human resource deployment, evaluation, remuneration, development of capabilities, etc.) in Japan and abroad.
- Revision of systems and organizations based on the understanding of awareness and problems through the two-way communication between management and employees and the employee survey.
- To realize "Prospective Work Ways", reduction in overtime work hours, urging scheduled annual leaves, introducing more flexible work systems and evaluation systems, irrespective of gender, and the creation of a growth mindset (Japan).
- Formulation of priorities in making social contributions.
- Creation of a positive and vigorous workplace, free of all types of harassment, in Japan and other countries.
- Continuous review in response to social trends and needs.
- Promotional activities for compliance and improved monitoring by supervising departments for the facilitation and support of autonomous compliance activities.
- Review of risk management systems.
- Expansion of the area of aggregation and management, instead of individual companies setting their own targets.
- Expansion in quantitative targets
Power consumption: Reduced by 0.5% on average per year (comparison in terms of the headquarters floor area).
Gasoline consumption: Reduction by 5% per year.
Facilitating the adoption of hybrid vehicles for company cars, and increasing the ratio of eco-friendly automobiles.
Paper consumption: Reduced by 2% per year.

*1 Business Process Reengineering: Reconstructing the business process by reviewing existing business structure in the organization from the point of business optimization

II Respect for Human Dignity

For employees and their families

We consider employees to be “human capital” who are important management assets, a concept consistent with the idea of “Respect for Human Dignity,” which is one of our Principles. We seek to improve conditions so that all employees can be independent and valuable individuals who think and act from other people’s perspectives, respect others, and work and live in harmony both inside and outside the workplace.

Initiatives to protect human rights

The Hitachi Capital Group seeks to protect human rights, and regards the human rights set forth in the “International Bill of Human Rights” and the “International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work” as the absolute minimum level of rights that must not be violated. We also fulfill our responsibility to respect the human rights of all the people involved in our business activities and services, and address the negative impact on human rights that may arise in businesses and transactions (due diligence of human rights).

Working environment policy

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



Working Environment Policy of Hitachi Capital
http://www.hitachi-capital.co.jp/hcc/english/company/pdf/csr_policy14.pdf

Communication between the management and employees

Starting in May 2014, Hitachi Capital Group began running its “Communication Roadshow” at offices in Japan and other countries to provide a direct forum for communication between the management, including the president, and employees to facilitate mutual understanding. The roadshow, consists of the Presentations from the management, two-way discussions and parties with members for half a day in each time. In FY2016, more than 700 employees have taken part in about 30 times roadshows that have been held.



Communication Roadshow in Japan

Promotion of diversity

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

Enhancement of work systems as a base for establishing diverse work styles

We improved our work system environment in April 2016 by providing employees with a greater variety of work style options. The improvements made ensure that employees who work with a sense of responsibility can produce results more effectively based on their own individual outlook.

Planned-Type Discretionary Work Hour System

“Effort to cut down long hours of overtime by improving work efficiency and raising productivity.”

We introduced a discretionary work hour system that gives employees greater freedom to allocation their work hours than a flex-time system. Employees are free to fix their work hours and work procedures in a way that best fits their needs.

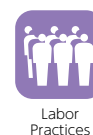
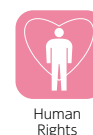
Telecommuting System

“Greater work efficiency and improved work-and-life balance”

We introduced a telecommuting system so that employees can flexibly decide where to work without limiting their workplace to the office. We aim to improve work-and-life balance and ensure that the system is used by all employees, in addition to those who have kids or need to look after their elderly parents.

Improving the internal systems to actively support employees who juggle work and looking after their family.

We worked to improve work and leave systems to actively support employees who have children or need of long-term care, making sure that the systems in place are used more flexibly than before. We made improvements to ensure that the systems are equally beneficial to both men and women. These systems help to create environments in which women and a diverse range of individuals can actively work to move their careers forward.



Please refer following web pages to know "For Employees and Their Families" related policy and activities in detail.

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

	System	Outline
New systems	Leave for infertility treatment	An employee is eligible to take leave for infertility treatment for up to one year. This leave can be taken on a prorated basis.
	Leave to accompany spouse who was transferred overseas	An employee accompanying his/her spouse who was transferred overseas is eligible to take leave for a period of six months to three years in principle.
	Return-entry system	Programs such as re-employment or job placement are available for an employee who resigns to give birth, look after their kids, take care of their elderly parents, or to accompany his/her spouse who was transferred overseas. Employees can apply for these programs when they resign, and be eligible for re-employment or job placement if the conditions are met.
Improving systems and facilitating their implementation	Childcare leave	Extending the duration of leave (Until the child becomes one year and two months old → A total three year period until March 31 of the year when the child finishes the first grade courses at an elementary school.)
	Period for leave of absence	Differences by disease type have been eliminated, and differences by years of service have become less stringent. At the same time, the cumulative period for leave of absence has been revised if an employee needs to take another leave of absence because of same disease after they return to work.
	Reduced-hour work	The work hour options have been increased under the reduced-hour work system (6 hours → 7 hours, 6.5 hours, 6 hours, 5 hours, and 4 hours)
	Annual paid leave	Differences by years of service have been removed to provide a total of 24 days of annual leave across the board. At the same time, the limitation on the number of eligible half-day units of paid leave has been eliminated.
	Accumulation of annual paid leave	Eligibility based on reasons for taking leave has been eliminated.

Certification as a company that supports employees with childcare and acquisition of the Kurumin Label

We were certified as the Company of Support Raising the next-generations Children by the Ministry of Health, Labour and Welfare in June 2016 as a company taking steps in line with the Act on Advancement of Measures to Support Raising Next-Generation Children, and received the corresponding certification label. This certificate is given to companies that satisfy specified requirements and make an active effort to improve the work environment to ensure that their employees can balance work and child care. We have been evaluated








for promoting following activities and efforts: male employees taking childbirth leave; enhance the ratio of childbirth ratio for women; practice and urge to understand "diversity management by the specialized lecture for executives; install the system that realize to work in the morning as trial; and establish the regular event to return home in same time in whole company.

Support for active participation by globally minded and diverse individuals

The Company believes that the source of innovation is to create a situation in which a diverse range of individuals can make the most of their unique traits and capabilities, regardless of their gender, nationality, age, job history, or disability. Based on this concept, we have been working to improve internal regulations and support active participation by a diverse range of individuals.

Breakdown of employees at Hitachi Capital Group

	Japan	Europe	North America	China	ASEAN and other	
	2,695	1,053	213	223	958	
						
Item	Japan	Europe	North America	China	ASEAN and others	Total
Total number of workers ※	2,695	1,053	213	223	958	5,142
Male	1,945	496	116	106	672	3,335
Female	750	557	97	117	286	1,807
Part-time	940	131	19	11	1	1,102

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

Number of managers at the Hitachi Capital Group in fiscal 2016

	Japan	Europe	North America	China	ASEAN and others
	719	310	26	44	127
Item	Japan	Europe	North America	China	ASEAN and others
Total number of managers	719	310	26	44	127
Men	676	211	20	26	104
Women	43	99	6	18	23

Employment of challenged persons at Hitachi Capital Corporation (on a non-consolidated basis)

	FY2013	FY2014	FY2015	FY2016
	42	38	39	38
	FY2013	FY2014	FY2015	FY2016
Number of applicable persons (Employment rate)	42 (2.22%)	38 (2.18%)	39 (2.26%)	38 (2.34%)

II Respect for Human Dignity

For communities and societies

We consider “Respect for Human Dignity,” one of our Principles, as a basic philosophy that should be reflected within the contributions we make to local communities and societies. We engage all employees to think and act voluntarily from the perspectives of others and work together to contribute to society.

Basic concept

The concept of “Respect for Human Dignity,” one of the Group’s Principles, is a fundamental philosophy that also links to social contribution activities. We believe that the Company’s sustainable growth is supported by independently-minded employees, who develop their capacity to adapt to society, nurture their self-reliance, and understand a diverse range of values through their own “voluntarily” participation in voluntary activities. We believe this process supports to contribute to the well-being of many others through their own personal growth.

Japan

An employment support workshop with a special-needs education school.

We held an employment support workshop for the Tokyo Municipal Minato Special-Needs Education School on July 15, 2015. This workshop, which was held at the head office, was part of the employment support for special-needs education schools commissioned by the Japan Leasing Association (Public Interest Incorporated Association). A group of six second and third grade students from the school, came to the office with their two teachers. They affixed asset management seals on approximately 300 chairs used on the 10th and 12th floors of the office, and exchanged greetings with employees at work. The students really enjoyed the experience and gave us positive feedback. The comment of one student read “I was happy to be treated so nicely by staff members even though they were busy with their own work.”

Another child wrote “Although I was nervous about my first work experience, I felt proud that I was able to say, ‘Sorry to bother you’ in addition to other lines that I had been rehearsing at school.”



Employment support workshop

Support for challenged artists

We have been featuring works kept by “Artbility,” an art library that provides support to challenged artists, in our printed materials (calendars and communications tools (see page 1) since 1992 as a means for helping challenged artists carry on their creative work. As a co-sponsor of the “Artbility Awards,” we have also been honoring these artists with the Hitachi Capital Special Award since 1995 in an effort to encourage them to be independent and help promoting their works.

Volunteer Activities for Environmental Conservation

In fiscal 2016, We took part in the following volunteer activities for Environmental Conservation.

- 14 employees along with their family members participated in the “*Keio Clean Campaign 2015*,” an activity organized by Keio Corporation to hike up Mt. Takao in Tokyo and clean up the mountain along the way.
- 28 employees and their family members participated in the “*Beach Cleanup Kanagawa 2015*” program on the Katase Nishihama Beach in Kanagawa, which organized by Fujisawa-city, Kanagawa Prefecture and Kanagawa Coasted Environmental Foundation.
- 28 people participated in a voluntary cleanup activity called the “*Shiba Area Cleanup Campaign - Making the Town Smoke Free*” organized by the Minato Ward Authorities, Tokyo.



Volunteers in Minato Ward Authorities, Tokyo

Support for natural disasters

We donated money to Ibaraki Prefecture following the significant flood damage caused by the torrential downpours in the Kanto and Tohoku areas in September 2015.

Additionally, Hitachi Capital Corporation also has been donating 50 used PCs to special-needs education schools and school libraries hit by the Great East Japan Earthquake through the Japan Leasing Association, a public interest incorporated association.

Action for the 2016 Kumamoto Earthquake

In regards to this earthquakes, we

- Create the HQ and front (at Hakata, Fukuoka Prefecture) task force on April 16, 2016 to know the circumstances of customers in affected area and employees and their families of Kumamoto offices and make decisions for supporting
- Create specialized contact center related to this earthquake

[Contact Desk] (Open from 9:00 until 17:30)

Name: Contact desk for inquiries on the Kumamoto Earthquakes - Hitachi Capital Corporation

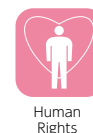
Tel: 0120-227-627

- Contribute the donations to Kumamoto Prefecture and Oita Prefecture and group employees’ donation for the affiliated employees

Europe

Social contribution activities that meet local needs and business characteristics

In the U.K., an in-company Charity Committee is formed with membership including executive officers. In fiscal 2016, we donated £118,000 to Macmillan Cancer Support*1 to fund a nurse for two years and a refurbished van to local charity Re-Use Community Project through the TV programme, “Surprise Surprise”.



Human Rights



Community Involvement and Development

Please refer following web pages to know "For Communities and Societies" related policy and activities in detail.

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

[Voluntary Activities in Respective Offices in FY2016]
In addition to charity activities in which all employees participate, the Company encourages interested parties to make donations and take part in voluntary activities at their respective offices and operation bases so that a range of social contribution activities can be carried out to meet local needs as follows.

- Fundraised for Royal Brompton and Harefield Hospital by cycling tour for 375 miles from the HCUK Staines office to Amsterdam
- A series of charity events in our Newbury office to make donation for the children with Arthrogryposis
- Raised awareness of the Japanese culture and language at a local school to our Trowbirdge offices by supporting them to learn the language, a traditional Japanese dance and presented a book of Japanese stories to each family, which cost £1,000.



Refurbished commercial vehicle contributed at a TV program "Surprise, Surprise"



Cycling tour, also serving as a fund-raising activity for a national hospital

372 people participated in the Walk for Millions, a charity campaign in which participants take an hour and a half to walk 4.5 kilometers, enjoying sightseeing spots in Hong Kong along the way.



Participants taking part in the Beach Clean activity on Cheung Chau Island, Hong Kong

ASEAN

Donations and charity activities carried out for group homes

PT. Arthaasia Finance hosted a traditional meal ceremony to mark the end of daily fast during the Ramadan as part of its donation and charity activities for group homes. The children of group homes and 174 employees all dined together.



Meal ceremony with the children of group homes during the Ramadan in Indonesia

Continuation of educational support programs

Hitachi Capital (Thailand) Co., Ltd. has been supporting the education of children living in regional areas in Thailand since 2014 in an effort to raise their educational level. In December 2015, 15 employees visited a school located on the outskirts of Bangkok. The school has 57 children attending preschool and elementary classes. The employees contributed 8,000 Thai baht for their school lunches, along with a donation of stationery items and groceries worth 30,000 Thai baht.



Children of a Thai school that received the donations of stationery and lesson materials

Support for specialized education in the community

PT. Hitachi Capital Finance Indonesia supported specialized education for students of a local university. In March 2016, five employees from mainly the legal and IT departments gave lectures on the company's businesses and financial activities to 100 students, and made a donation of stationery items worth 990,000 rupiahs.



A commemorative photo taken with members of a local university after the lectures

North America

Implementation of a variety of activities through internal voluntary organization

Hitachi Capital America Corp. established the Community Action Committee of company volunteers to promote a wide range of activities in fiscal 2007. In fiscal 2016, we supported homeless individuals by donating sharing meals with them in Norwalk, Connecticut, etc. Ready for the meals by volunteer employees.



Volunteers to ready for the meals

China

Charity activities which also encourage greater communication among employees

Hitachi Capital (Hong Kong) Ltd. has been conducting its Beach Clean (coastal cleanup) activity on Cheung Chau Island, Hong Kong nearly every year in October since 2006. Through this activity, the company aims to clean up the coastal area and encourage greater communications among employees. A total of 115 employees and their families took part in the activity this year. Local contributions have been made in other ways as well. In January 2016, 70 people took part in the Hong Kong Marathon (half marathon and 10 km marathon), while in March 2016,

*1 Non-profit activities organized by British nurses to support cancer patients.

III Implementation of Corporate Ethics

As a Member of Society

With a focus on credibility-first, our basic operating stance for corporate governance is to enhance transparency of management, comply with relevant laws and social norms and maintain an optimal management structure for increasing corporate value.

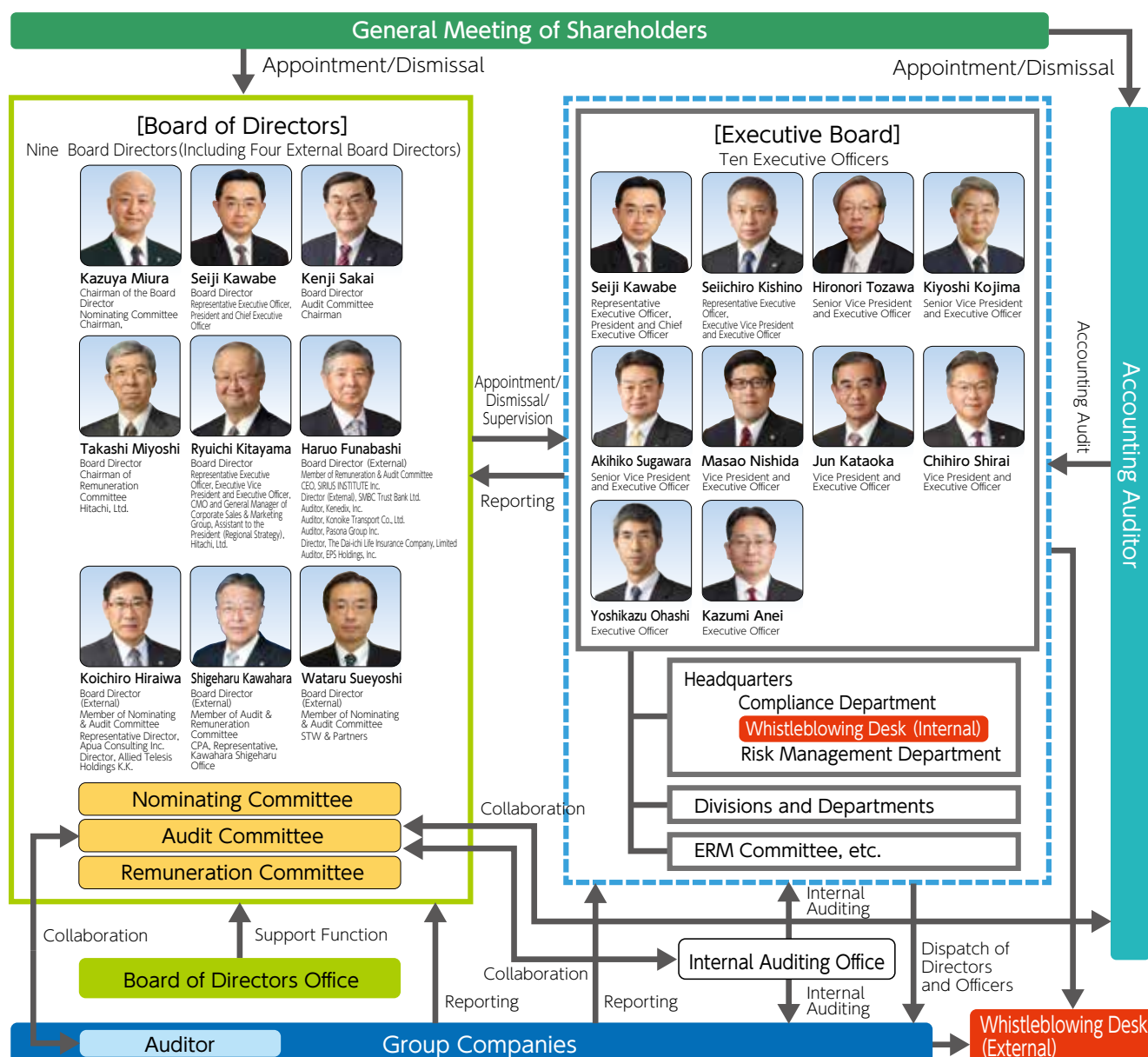
Corporate Governance

In October 2015, we established the Corporate Governance Standards to define our basic concept on the establishment of an optimum corporate governance system. This system serves as the basis for implementing our Principles of "Sustainable Growth," "Respect for Human Dignity," and "Implementation of Corporate Ethics," and enhancing our corporate value on a mid- to long-term basis. By separating supervising functions and business execution

functions in our management, we aim to bring about a speedy and appropriate resolution of management issues we may face, now or in the future. We employ the company with Nominating Committee, etc. to form a part of management structure to enhance management transparency.

The Board of Directors (as of June 30, 2016) consists of nine directors, including four external directors, and usually

Overview of our Internal Control System (As of June 30, 2016)



Organizational
GovernanceFair Operating
Practices

Please refer following web pages to know "Corporate Governance" related policy and activities in detail.



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

meets on a monthly basis. Working in line with laws and regulations, the Company's Articles of Incorporation and the regulations of the Board of Directors, it conduct decision-making on important management matters such as basic policies and key management strategies.

The Board also undertakes the appointment of Executive Officers, and requests explanations and reports regarding executive activities when needed to ensure that operations are undertaken properly.

There are 3 Committees operating under the Board of Directors; the Nominating Committee, Audit Committee, and Remuneration Committee. The Audit Committee ordinarily meets every month and is responsible for auditing management in terms of reasonableness and legality. The Nominating and Remuneration committees meet when necessary to decide on matters related to resolutions to select Directors and appropriate remuneration for Executives.

Executive Officers (ten as of June 30, 2016) elected by the Board make executive decisions and execute business affairs within the scope of authority delegated by the Board of Directors. There is also an Executive Officers Committee, whose meetings are held on a monthly basis to deliberate on key matters.

Corporate Governance Reports are issued periodically to provide further information and updates on the details of corporate governance.



Corporate Governance Standards

http://www.hitachi-capital.co.jp/hcc/english/company/governance_policy.html

Corporate Governance Report (Japanese only)

http://www.hitachi-capital.co.jp/hcc/company/c_governance.html

Compliance Structure

Hitachi Capital Group adheres to a Compliance Policy formulated to ensure the effective implementation of compliance, while respecting social norms that include laws and regulations relevant to the Group, as well as voluntary industry rules. The Compliance Department handles the information gathering and the planning, proposal-making, and facilitation of compliance systems. Here it is worth pointing out that during fiscal 2016 there was neither a serious violation of legislation by any company or employee in our Group, nor a business-related incident leading to criminal charges. In terms of compliance education for employees, the Group, working in line with educational programs created by the division in charge of education,

provides well-planned basic legal training, employee grade-based training, and specialized educational training. Every October, which we have designated as Corporate Ethics Month, we work on the improvement of compliance, enhancement of internal corporate ethics and ensure through legal compliance.

We also act on a policy against antisocial forces (groups and individuals who pursue economic gain through violence, force, and fraud), thereby seeking to avoid disrupting the social order while gaining public confidence. The policy set outs management systems and procedures to reject and completely eliminate any relationship with antisocial forces. These rules are intended not only to prevent transactions that may violate social justice, but also protect our Executives and employees from becoming victims.

In addition, the Group has a whistle blowing system that allows Group employees (not only fulltime employees currently working but all employees including those who have already left the company) to report any illegal activities or improper conduct that has occurred or is occurring in the Group to either an internal contact point or external legal counsel. By putting a system in place for receiving whistle-blowing (organizational development), and nurturing an awareness that illegal and improper conduct must not be overlooked (attitude building), we aim to quickly discover problems within the company and solve them before they escalate.

The Group has also put in place an Information Security Policy and a Personal Information Protection Policy. The following company acquired the Privacy Mark Promoted by the Japan Information Processing Development Center (JIPDEC) for diligent management of personal information and similar data: Hitachi Capital Corporation, Hitachi Capital Servicer Corporation, Hitachi Capital Service Co., Ltd., Hitachi Triple Win Corp., Hitachi Capital NBL Corporation, etc.. In addition, we will take measures to provide comprehensive education about laws and regulations that may affect our business, including industry specific laws such as the Money Lending Business Act. Through these efforts, we seek to improve the company structure to carry out operations in line with the spirit of compliance.

Number of whistle-blowing cases

FY2014	FY2015	FY2016
3	3	3



Personal Information Protection(Japanese only)

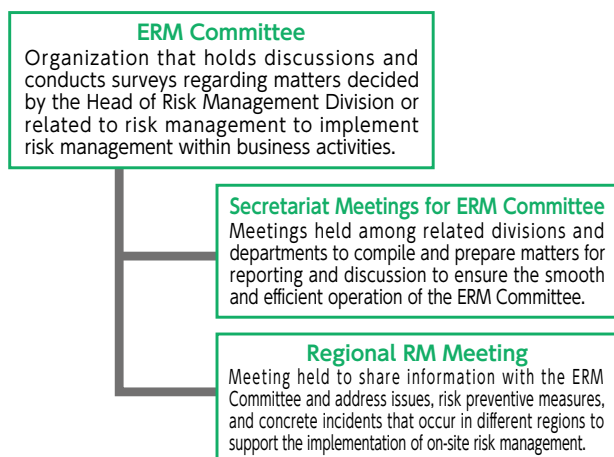
<http://www.hitachi-capital.co.jp/hcc/info/privacy.html>

Risk Management Structure

The Group has formulated the Risk Management Policy and the Credit Risk Policy, to clarify basic management policies and methods for addressing risks.

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 Business Continuity Plan (BCP). In October, 2015, we set up the Enterprise Risk Management (ERM) Committee as a core organization responsible for overseeing risk management in business activities in order to establish a common understanding and share information among the Executive Board, divisions, and operations, thereby improving the effectiveness of our risk management. The Committee meets each month to share information and countermeasures on a companywide basis, conduct effective risk impact assessments, and prioritize issues regarding matters reported by concerned departments, such as the (1) registration of accident information in Japan and abroad and operations of the accident investigation committee,

Enterprise Risk Management (ERM) Structure



(2) information-security related issues and activities, (3) customer inquiries and complaints, (4) points raised through internal audits, (5) responses to inspections conducted by government authorities and external institutions, and (6) trends of laws and regulations and compliance activities.

Risks to Hitachi Capital's Business, etc.

The following are considered to be the main risk factors related to the Group's business, etc. Regarding future risk factors listed in this text, the Group made at the end of this consolidated accounting year.

Governance Risk

Actions to reduce this risk ▶ Corporate Governance **PP21-22**

● Internal Control-Related Risk

The Group established and improved an internal control system based on a resolution made by the Board on internal control. Nevertheless, if the system fails to function effectively or unexpected problems arise, there may be an adverse impact on the Group's business results.

Financial Risk

Actions to reduce this risk ▶ Risk Management System **P23**

● Interest Rate Risk

The Group procures a large amount of funds to provide financial services, including leasing and installment sales, carrying out thorough ALM*1 by means of the securitization of assets or other methods. Even so, significant fluctuations in market interest rates may cause a rise in fundraising costs, which could, in turn, have an adverse impact on the Group's business results.

● Liquidity Risk

The Group works to manage its cash position appropriately. However, if the creditworthiness of the Group declines, or if there is turmoil in financial markets or changes in the market environment, it may have a tough time securing the necessary funds or be forced to procure funds at rates significantly higher than usual. These factors could have an adverse impact on the Group's business results.



Organizational
Governance



Fair Operating
Practices

●Credit Risk

The Group is engaged in various kinds of business associated with providing credit, including leasing, credit guarantees and installment sales. During such business execution, the Group appropriately controls credit risk by strictly conducting such measures as screening at the time of a contract and ascertaining such factors as the state of credit while a credit receivable is being collected. Also, in the case of debtors assessed as "needs attention," "in danger of bankruptcy," or "bankrupt," the Group estimates the individual amount of expected bad debt in respect of each such debtor and posts this to the allowance for doubtful accounts or the like. However, future deterioration in economic conditions or market trends may require the Group to make additional allowances for doubtful accounts or the like due to increased credit risk, and this could have an adverse impact on the Group's business results.

●Leased Assets Residual Value Risk

One of the Group's strategies is to provide financial services that focus on physical assets. To achieve this, the Group will focus its efforts on operating leases in response to changes in market demand associated with changes in accounting standards for financial leases. The Group seeks to further improve its expertise in terms of its ability to evaluate physical assets and resell its leased assets as its core skill. However, there is a possibility that the actual disposal value will be lower than the initial estimated residual value of leased assets due to such factors as unexpected changes in the market environment and technological innovations.

●Non-Life Insurance Risk

The Group engages in non-life insurance business and endeavors to reduce risk associated with insurance underwriting. However, if events such as large-scale natural disasters take place, the Group may have to respond to a larger-than-anticipated amount of insurance claims. This could have an adverse impact on its business results.

Operational Risk

Actions to reduce this risk

- ▶ II Respect for human dignity and
- III Implementation of corporate ethics PP17-28

●Administrative and System Risk

The Group carries out its business activities using various information systems. Any human error, including inappropriate administrative works or accidents, fraudulence by employees, unauthorized access to systems from outside the Group, attacks by computer viruses, or a stoppage or breakdown of internal operating systems, or external leaks or illicit use of information concerning customers or business partners due to similar causes, could have an adverse impact on the Group's business results due to such causes as damages incurred by said customers or business partners or the loss of the Group's social credibility.

Also, natural disasters such as earthquakes may cause damage to the Group's data centers. As countermeasures for these risks, the Group continues to maintain backup systems at both domestic and overseas sites. However, disasters of an unforeseeable scale could have an adverse impact on the Group's business results.

●Compliance Risk

Given that the Group offers a variety of financial services, it must comply with applicable laws and regulations, such as the Installment Sales Act, the Financial Instruments and Exchange Act and the Money Lending Business Act, as well as a number of laws and regulations relating to consumer protection and waste disposal.

In addition to these laws and regulations, the Group must also comply with a wide range of social rules ranging from internal regulations and voluntary industry rules to social norms. With the Compliance Department established at its headquarters, it seeks to develop and maintain its compliance structure. However, failure to comply with applicable laws, regulations, and social norms could result in the Group being subject to penalties and losing its social credibility. This in turn could have an adverse impact on the Group's business results.

III Implementation of Corporate Ethics

As a Member of Society

●Human Resources Risk

The Group considers employees' abilities as its substantial assets and intends to step up its efforts for recruitment and well-planned education and training activities. However, if existing employees are not able to deal with new businesses, if employees are not placed properly or if additional human resources are not acquired, there is a risk that the Group will not be able to secure sufficient human resources required for business operations.

Also, difficulties in properly passing on know-how between employees that has been accumulated by the Group over a long period of time and is necessary for its business operations, such as screening and receivables collection, could prevent the Group from continuing its business activities. Such an event could also negatively impact business volume and damage business relationships, with a result of reduced profitability.

●Risk Related to Business Partners

The Group conducts operations in cooperation with many business partners due to the characteristics of each business. Although the Group strives to carefully screen its business partners when beginning to collaborate, the Group may have to shoulder responsibility in case of bankruptcy of or misconduct by a business partner. This could have an adverse impact on the Group's business results.

Strategic Risk

Actions to reduce this risk ▶ Sustainable growth PP7-16

●Laws and Regulations Changes Risk

Changes in laws and regulations related to the Group's business could adversely impact the Group's business results. Because the Group has always conducted business in compliance with the Interest Rate Restriction Act, it will not be directly affected by any refunding of excess payments.

●Risk Associated with Business Structure Reforming

The Group aims to change its business structure to

achieve sustainable growth. However, if this structural reform is delayed or cannot be implemented for any reason, the Group's business may be affected.

●Overseas Business Risk

One of the growth strategies of the Group is business expansion in overseas markets, particularly in Europe, the Americas, China and ASEAN region. Under this policy, it provides a wide range of financial services to Japanese and foreign companies, as well as local companies and individuals. Accordingly, any changes in laws, regulations and tax systems peculiar to each country and region as well as changes in the business environment due to economic fluctuations could have an adverse impact on the Group's business results.

●Capital and Business Alliance Risk

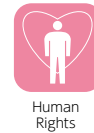
The Group is planning to carry out various capital and business alliances as announced on 13 May 2016 (the "Business Alliances"). An inability to implement the Business Alliances as initially planned, due to circumstances such as the status of negotiations with contractual counterparties to the Business Alliances or difficulties in obtaining government approvals, could have an adverse effect on the Group's business operations and business results.

For Customers

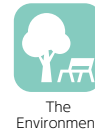
We are working to maintain our high-quality management organization and enhance customer satisfaction to provide reliable services and products that meet customer needs.

Enhancing Customer Satisfaction

We view feedback from customers as opportunities for making continuous improvement in our products and services that lead to greater customer confidence and satisfaction. Under our "Inquiries/Complaints Handling Policy for Customer's Satisfaction," we treat all of this feedback fairly and seriously, and respond sincerely to customers in a timely manner. Since December, 2015, we have redesigned and released the



Human Rights



The Environment



Fair Operating Practices



Consumer Issues

Please refer following web pages to know "For Customers and Partners" related policy and activities in detail.



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

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

Number of complaints, questions, and inquiries in fiscal 2016

Complaints	67
Inquiries	96,579
Requests for consultation	214,451
Total number of contacts	311,097

Hitachi Capital Insurance Corporation has been disclosing "customer feedback" (complaints and requests) it receives from customers, as well as the results of surveys conducted since fiscal 2007 on the satisfaction level of customers for whom the payment of insurance is completed, since fiscal 2010.

For Partners (suppliers and partner vendors)

We position our partners as associates who work with us to provide our customers with optimum

solutions. We act on the purchasing rules that clarify the procedures for carrying out purchasing operations, while working on the internal control of purchasing operations*2 and implementation of corporate ethics in those operations.

Basic Stance toward Purchasing

We observe our Basic Management Policy in all purchasing processes for goods and services, with the exception of stock goods (goods and services related to business transactions such as lease assets and maintenance). We conduct purchasing activities proactively and rationally, taking into account our management policies and the global environment, thereby contributing to the realization of our management targets.

We always act with an awareness of costs and based on the idea that our business partners are also stakeholders. At the same time, we strive to act with dignity in observing social justice and corporate ethics in a way that is consistent with our management philosophy. We also strive to prevent damage attributable to "antisocial forces" by implementing initial and regular survey (including as needed) for customers and suppliers..

Internal controls for purchasing operations

We conduct business with checking function, to prevent fraudulent activities in purchasing operations, and complete independent processes for purchasing requests*3, orders (contracts)*4, and acceptance*5. We also take steps to ensure that no single person has the authority to undertake two processes or more.

- *1. Asset Liability Management. A method for controlling financial risks through which companies decide on the interdependence as well as the correlation and characteristics of the interest rates of assets and liabilities to monitor cash flows, liquidity, and currency/interest rate risks.
- *2. An in-company system that divides responsibilities. It not only prevents internal fraud and errors before they occur, but also promptly identifies them after they occur.
- *3. Application to the department in charge of purchasing to procure goods and services from outside the company
- *4. Issuance of an order with a supplier by the department in charge of purchasing, based on a purchasing request
- *5. Validation of delivered items (including services etc.), both tangible and intangible, such as cargo receipt and incoming inspections

III Implementation of Corporate Ethics

For the Environment

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

Environmental Policy

Consideration for the environment is a social need. Based on this concept, we formulated an environmental policy in June 2005 to realize our Principles that emphasizes helping to create a more prosperous society. We have been promoting initiatives to address environmental issues in accordance with the environmental policy.

Environmental Management System (EMS)

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

As part of our compliance activities, we also ensure that all the officers and employees of Hitachi Capital Group comply with all the laws and regulations, including those related to the environment. In addition, we conduct environmental audits on a regular basis. There were no reports of violations of laws and regulations, including those related to the environment, and external complaints in fiscal 2016.

Environmental Management System Organization

Environmental Management Officer
Determines annual environmental plans and targets, and monitors the progress.

Management Office of Environmental Promotion Committee
Gathers appropriate environmental data, shares issues, and compiles environmental plans for the following fiscal year

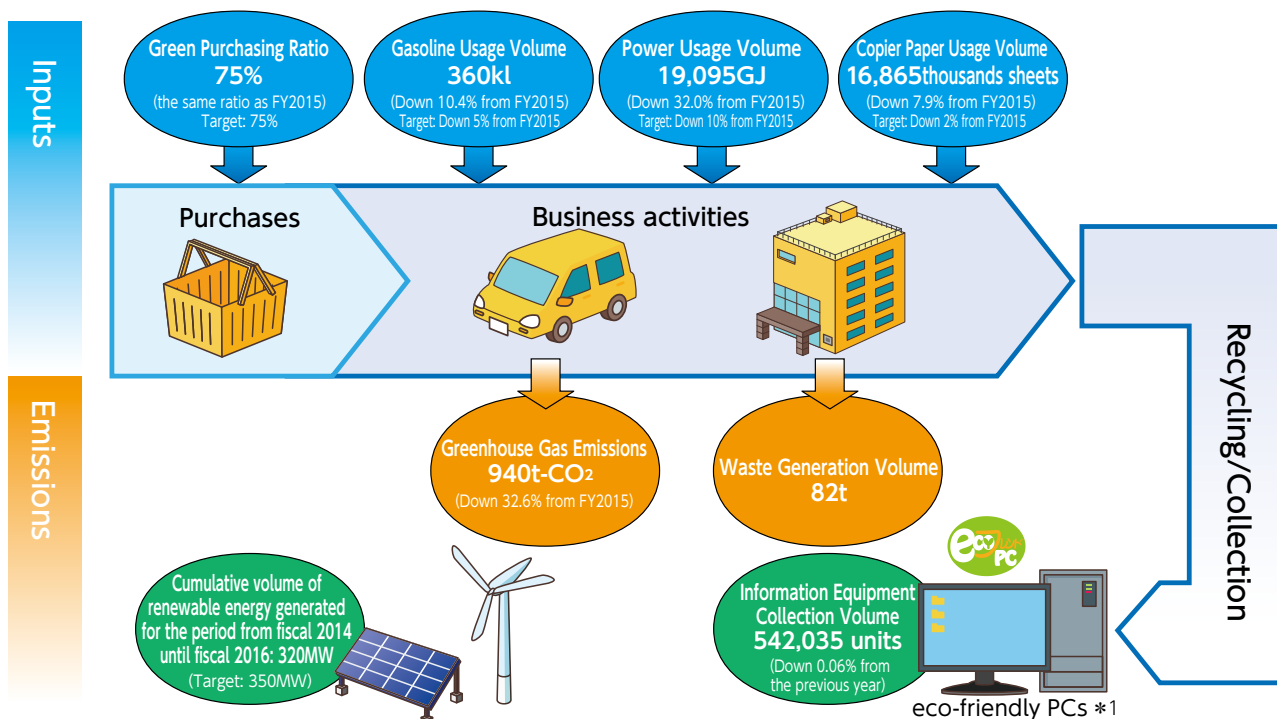
Environmental Promotion Committee
Implements the environmental plans of different departments and makes proposal on issues and steps for improvement.

Environmentally Friendly Efforts on Site

We have also been working to reduce the environmental burden in our offices and buildings, where products and services are created.

In fiscal 2015, we relocated the offices and consolidated our headquarters, sales facilities and domestic Group companies that had operated at different locations across Tokyo, at Nishi-Shimbashi Square, a highly functional office

Main Environmental Targets and Environmental Results for fiscal 2016

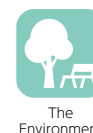


*1 Hitachi Capital Services Co., Ltd. engages in the sale of high-quality refurbished PCs that clear the company's own standards. These PCs are sold to companies and individuals as "eco-friendly PCs." This initiative aims to reuse and recycle assets that customers no longer need. [Scope]

*Energy input, gasoline usage volume and CO₂ emissions cover only Hitachi Capital Corporation (including its headquarters and sales facilities, as well as the headquarters and sales offices of the Group companies located at these facilities). The volume of energy used is calculated based solely on electric power input (Scope 2 which covers indirect emissions). Greenhouse gas emissions are calculated based on the energy conversion factors of electricity suppliers in the previous year.

*The waste generation volume, copier paper usage volume and Gasoline Usage Volume of CO₂ emissions from vehicles for sales activities cover only Hitachi Capital Corporation. The waste generation volume for fiscal 2015 after the month of September is estimated based on the ratio of the Company's space to the total floor of the corresponding premises.

*Only the green purchasing ratio covers Hitachi Capital Group in Japan.



The Environment



Community Involvement and Development

Please refer following web pages to know "For Environment" related policy and activities in detail.

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

building equipped with environmentally friendly facilities. As a result, in fiscal 2016 we achieved 30.7% reduction from the previous year in terms of the volume of energy used at the headquarters. Meanwhile, since February 2015 the CS Tokyo Distribution Center of Hitachi Capital Services Co., Ltd. has been using wooden pallets that are no longer required, as recycled ligneous biomass fuel materials.

Environmentally friendly Products and Services

In addition to a conventional lease business, we seek to conduct various initiatives to provide environmentally friendly products and services to contribute to environmental conservation and create a "win-win" situation together with our stakeholders

Renewable Energy Business

In addition to the businesses of leasing solar, wind, and small hydroelectric power generation equipment and facilities, we are also working on the development of a power generation business at one Group company. The power generation business includes the conclusion of sale contracts

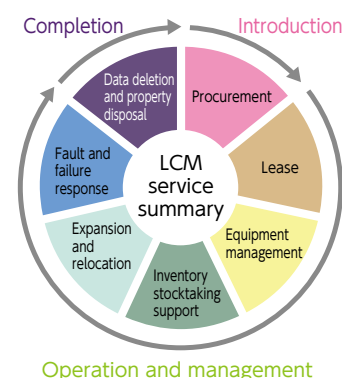


Wild bird family, confirmed breeding by evaluations of environmental impacts around the power generation plant of the Group

of electricity and the development and validation of power generation systems, as well as negotiations with local authorities and power companies concerning approval procedures among other issues, explanations to local residents, and evaluations of environmental impacts on the perimeter of facilities, including biodiversity, in conjunction with the installment of power generation facilities.

LCM (Life Cycle Management) Service

We provide a comprehensive BPO service covering all issues of operation and management throughout the life cycle of IT devices, from introduction to disposal (introduction, equipment management, expansion and relocation, fault and failure response, inventory management, data deletion, physical disposal, etc.). Through the efficient management of IT devices, we work to help create a resource-recycling society.



New Environmental Targets

The PDCA cycle did not function sufficiently because targets were set on a single year basis. Given this challenge, as a Social Values Creating Company, we seek to simultaneously achieve (1) the proactive promotion of environmental businesses with a focus on energy-saving in accordance with the Group's common strategy in the Mid-Term Management Plan and (2) establish an EMS that satisfies the need for accountability and a reduced environmental burden on a global basis in line with the targets for fiscal 2019.

Environmental Targets for FY2017 – FY2019

Activity items		Action targets
Management	Establishment of EMS that is sufficiently reliable in terms of global evaluation standards.	<ul style="list-style-type: none"> •Review of the EMS goals in Hitachi Capital. •Development of internal auditors. •Expansion of the scope of compilation/targets: FY2017: Review of target setting in terms of waste, volume of water used, chemical substances, and biodiversity after understanding the extent of the environmental burden shared by the Group companies in Japan and other countries. FY2018 and thereafter: Review of the level of involvement by the Group's environmental committees and targets.
Service	Promotion of the environmental energy business as one of the Group's common strategies.	<ul style="list-style-type: none"> •Expansion of applicable areas and the business volume of the environmental energy business (Up 5% from the previous year) •Development and promotion of experts in the Good Agricultural Practice.
Office	Prevention of global warming	<ul style="list-style-type: none"> •Reduction in the volume of energy used and CO2 emissions. FY2016 and thereafter (per floor area in the headquarters): Annual reduction by 0.5% on average. *We have already achieved to reduce 61.5% from fiscal 2011 until fiscal 2016. Reduction in transportation energy: <ul style="list-style-type: none"> - Reduction in gasoline usage volume: 5% annually. - Ratio of eco-friendly vehicles owned by the Company: Continuous replacement with hybrid vehicles.
	Effective use of resources	<ul style="list-style-type: none"> •Reduction in the volume of paper used: Reduction by 2% from the previous year. •Green purchasing procurement: Over 75%.
Collaboration with stakeholders	<ul style="list-style-type: none"> •Social contribution activities •Dissemination of information and engaging in dialogue with stakeholders 	<ul style="list-style-type: none"> •Further review of activities for environmental contribution after reassessing the environmental burden for fiscal 2017 to ensure that employees are able to be more actively involved. •Implementation of the Group's original environmental educations.

For Shareholders and Investors

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

*We began preparing consolidated financial statements based on the International Financial Reporting Standards (IFRS) instead of the conventional Japan GAAP standards in FY2015.

Accounting standards	Japan GAAP			IFRS		
Item \ Period	FY 2013	FY 2014	FY 2015	FY 2014	FY 2015	FY 2016
Financial results (million yen)						
Revenue (IFRS)	–	–	–	342,675	356,291	365,354
Income before income taxes (IFRS)	–	–	–	33,171	35,598	46,667
Net income (IFRS)	–	–	–	22,350	24,937	33,615
Net income attributable to owners of parent (IFRS)	–	–	–	21,547	24,140	32,694
Revenue (Japan GAAP)	103,304	127,979	143,341	–	–	–
Operating income (Japan GAAP)	25,620	32,598	38,349	–	–	–
Ordinary income (Japan GAAP)	27,401	33,619	39,835	–	–	–
Net income (Japan GAAP)	16,546	22,195	24,507	–	–	–
Year-end financial position (million yen)						
Volume of business	1,631,990	1,954,341	2,118,850	1,954,341	2,118,850	2,290,156
Total assets	1,891,431	2,390,601	2,744,460	2,619,108	2,952,471	3,081,201
Total liabilities	1,602,537	2,083,595	2,409,241	2,310,417	2,615,641	2,733,641
Total net assets (Japan GAAP)/Total equities (IFRS)	288,894	307,005	335,219	308,690	336,830	347,559
Cash flows (million yen)						
Cash flows from operating activities	△25,837	△133,300	△245,790	△260,693	△241,846	△206,372
Cash flows from investing activities	△37,476	△11,722	2,884	△12,750	△3,443	△6,408
Cash flows from financing activities	64,463	149,057	208,247	282,772	210,858	252,425
Corporate management indices						
ROE (Return on equity (Japan GAAP) / Profit to equity attributable to owners of parent ratio (IFRS))	6.1%	7.8%	7.9%	7.6%	7.7%	9.9%
ROA (Return on assets (Japan GAAP) / Profit before tax to total assets ratio (IFRS))	1.5%	1.6%	1.6%	1.4%	1.3%	1.5%
Equity ratio (Japan GAAP) / Ratio of equity attributable to owners of parent (IFRS)	14.8%	12.4%	11.8%	11.4%	11.0%	10.9%
Per share information, etc. (yen)						
Net assets per share (Japan GAAP) / Equity attributable to owners of parent per share (IFRS)	2,390.56	2,542.07	2,773.48	2,551.93	2,782.37	2,870.33
Net income per share (Japan GAAP) / Basic earnings per share (IFRS)	141.56	189.89	209.67	184.35	206.53	279.71
Dividends per share	38	48	60	48	60	84
Payout ratio	26.8%	25.3%	28.6%	26.0%	29.1%	30.0%

*For non-financial information (ESG information), please refer to the report.



Dividend policy

(1) Distribution of dividends from surplus

We consider one of the most important management measures to be returning profits to shareholders. Our fundamental policy is to continue carrying out the stable distribution of dividends based on business performance, while securing the necessary internal reserves to maintain a solid financial position, achieve sustainable growth, and respond to changing business circumstances. In addition, the following policies are taken into consideration when distributing dividends.

(i) Securing own capital necessary to execute business.

(ii) Determining the amount of dividends based on the dividend on equity ratio and gross dividend payout ratio.

Our basic policy is to pay dividends from surplus twice a year on the record dates, March 31 and September 30.

(2) Acquisition of treasury shares

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

Information disclosure policy

We disclose information in a timely and appropriate manner, in line with the policy for disclosing information and communicating with shareholders, beyond the scope prescribed by laws and regulations relating to information disclosure, thereby helping people to better understand our management policy and businesses.



Policy on Information Disclosure and Dialogue with Shareholders
<http://www.hitachi-capital.co.jp/hcc/english/company/pdf/disclosure.pdf>

Stock information (as of March 31, 2016)

Total number of authorized shares :270,000,000

Total number of issued shares :124,826,552

Number of shareholders :6,870

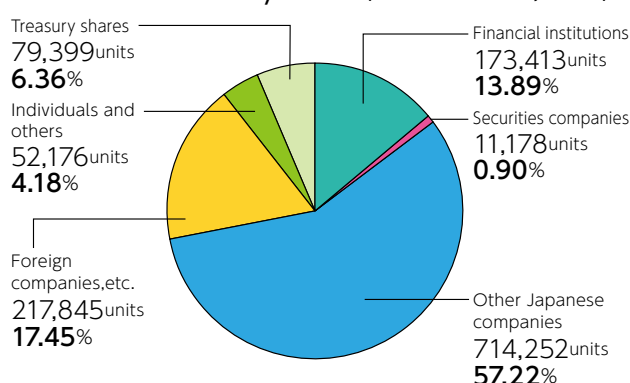
Number of shares per unit :100

Major shareholders

Shareholder name	Number of shares held (thousands)	Ownership (%)
Hitachi, Ltd.	68,378	54.78
Japan Trustee Services Bank, Ltd. (Trust Account)	4,823	3.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,617	2.90
Hitachi High-Technologies Corporation	2,325	1.86
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,434	1.15
CBNY-GOVERNMENT OF NORWAY	1,139	0.91
CBLDN STANDARD LIFE ASSURANCE LIMITED-PENSION FUNDS	1,054	0.84
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	990	0.79
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	846	0.68
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JAPAN STOCK LEADERS FUND	648	0.52
Total	85,259	68.30

※In addition to the above, we hold 7,939 thousand treasury shares (6.36% of the total number of issued shares). These treasury shares are non-voting, and thus are not counted as shares of the major shareholders as listed above.

Distribution of shares by owner (as of March 31, 2016)



External evaluations

Results of questionnaires on the “Hitachi Capital Report 2015” (compiled on March 31, 2015)

We at Hitachi Capital publish the “Hitachi Capital Report” to help readers better understand both the financial side and non-financial side of the Hitachi Capital Group. We appreciate your opinions and comments, which will help us improve the Report for fiscal 2016 as well as our business activities.

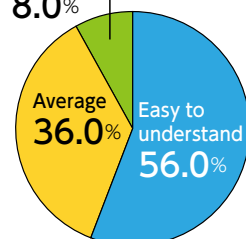
Q1 Please identify what you are.

Customer	4
Shareholder/investor	118
Business partner	2
Employee	1,045

Q2 Was the report easy to understand?

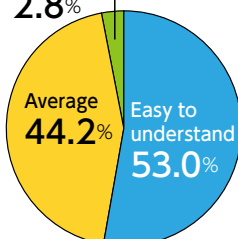
[External party]

Difficult to understand
8.0%



[Employees]

Difficult to understand
2.8%



Comments on the previous year's report and measures taken for the report for fiscal 2016

Comments	Measures taken
Please increase the font size, and include more pictures.	We applied the Universal Design Font to make the report easier to read.
<ul style="list-style-type: none"> (Shareholder) Difficult to understand because of the broad coverage of too many subjects. (Investor) Please sort subjects and list them up by category, making sure that all information is covered. More detailed information should have been provided for key initiatives. 	<p>We decided to cover key financial and non-financial issues in a summarized manner in the booklet version, while moving detailed and comprehensive information to our website. We also put a link in the Table for Reference to GRI Guidelines to ensure better accessibility.</p>
I don't want to see only good news being featured in the report.	We prepared the report after clarifying opportunities, risks, and key challenges identified in fiscal 2016, while continuing to disclose negative information as before.

External Evaluation

Hitachi Capital Group is highly evaluated from external parties on our financial position and CSR activities. Going forward, the Group will seek to fulfill our social responsibilities and achieve sustainable growth in society.

Credit Rating

We were the first in the leasing and credit industry to acquire the AA bond rating from Standard & Poor's (S&P) and Rating and Investment Information (R&I) in 1989 continuously. We have maintained that rating ever since. We have also maintained our status as a JPX Nikkei Index 400 company of Tokyo Stock Exchange (new stock index for companies that are considered highly attractive investment target for investors) since August 2014.

Bond issue ratings (as of March 2016)

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

Selected as one of the FTSE4Good Index Series companies, an important index of SRI (Socially responsible investment)

We are one of the brands selected for the FTSE4Good Index Series*1, a key index for SRI (Social Responsibility Investment).



FTSE4Good

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

Hitachi Capital won the highest rating in the “DBJ Environmental Ratings*2” conducted by the Development Bank of Japan in recognition of its “extremely progressive initiatives for achieving environmental friendliness” in October 2015.



Taking Part in External Programs

Hitachi Capital conducted Principles for Financial Action for the 21st Century of Japan (PFA21) in July, 2016.

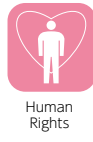
Hitachi Capital Group endorses the “Fun to Share”, a public initiative organized by the Environment Ministry of Japan that consists of a variety of activities for reducing greenhouse gas emissions. [1] The Group follows the “Cool Biz” initiatives from May to October and “Warm Biz” initiatives from November to April, encouraging employees to wear more casual attire so that the air conditioners can be set at 28°C in summer and 20°C in winter. [2] Diligent efforts were made throughout the year to ensure that PCs, OA devices, and lighting equipment were switched off when not in use, while employees were encouraged to leave the office at the end of business hours.

*1 The FTSE4Good Index Series consists of brands selected by the FTSE Group, in which the London Stock Exchange holds a stake, based on the concept of ESG (Environment, Society, Governance (corporate governance)).

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



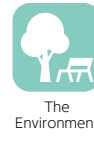
Organizational
Governance



Human
Rights



Labor
Practices



The
Environment



Fair Operating
Practices



Consumer
Issues



Community
Involvement and
Development

Third party opinions

This report is the first integrated report published by Hitachi Capital. It is different from CSR reports because it is written primarily for investors. To reflect this difference, the report is expected to provide a more in-depth explanation of the synergic relationship between the business strategy and responses to social and environmental issues. This might be one of the actions as a “Social Value Creating Company” that rose by Mr. Kawabe as the Mission of Hitachi Capital. I would like to make the following comments based on this understanding.

1. Materiality

Materiality is a base for integrated reports because it shows judgments on the importance of different issues in management pertaining to society and environment. The presentation of a materiality matrix is an important step forward. For the future challenges, it must be more accountable to disclose to clarify which thought process was applied to formulate the matrix. Additionally, it is also valuable of the perspectives of current Hitachi Capital business to consider to make dialogue with overseas stakeholders in the future.

2. Necessity from the perspective of future business development

The path to create social value should be more clarified reasons why specific social and environmental issues need to be addressed should be explained from a business-strategy perspective. LCM service that provides comprehensive BPO service covering the life cycle of IT devices and renewable energy business in the report must be the good example. Additionally, the nurturing and development of GAP service experts that is raised as an environmental target might be potential and this target may be related with startup “Food-related” business. For example, If there is a strategic story that connects the two factors, the necessity will be clarified more. Responses to social and environmental issues mean the business value to reduce the risks at the same time. In this context, it is worth to recognize that Hitachi Capital Report shows its risks widely and easy understanding in Risks to Hitachi Capital's Business, etc.

3. Group report

I hope that the inconsistent manner in which the data for the non-consolidated results and group companies is presented, the avoidance of which has already been raised as one of initiatives in the FY2019 Mid-Term

Management Plan, will be corrected as soon as possible.

It is not only to be valuable to show the status of initiatives as the group, but to adopt group integrated standard to realize group consolidated results, which is effective to urge understanding of social and environmental issues and initiatives in the group. I expect the data for the group consolidated results to disclose in the report.

4. Issues

Issues are discussed in a balanced manner because in order of sustainable growth, respect for human dignity, and the implementation of corporate ethics. To provide direction for the future, I suggest that responses to social and environmental issues be compiled by business area or by community because sustainable growth is discussed from the perspective of business areas or communities.

5. New challenges

The meaning and role of integrated reports is not fully understood or digested on a global basis. The challenges that Hitachi Capital is tackling this year are worth pursuing, and the company is on the right track. I have raised a number of challenges, and they represent issues common to many companies tackling similar challenges. I expect Hitachi Capital as a “Social Value Creating Company”, and Hitachi Capital Report as the mile stone of the leading integrated-oriented company to continue

examining and reporting on the relationship between mid- to long-term growth of a company and social issues more deeply from the perspective of a business organization.



Research Institute of Economy, Trade and Industry, IAA Consulting Fellow
Toshihiko Fujii

Message from the CSR Director

During fiscal 2016, we focused our efforts on identifying the risks, opportunities, and the materiality of important social issues encompassing a broad range of themes, to clarify the policies for the Hitachi Capital Group based on the GRI Guidelines and ISO26000 as well as internal and external feedback. Through these efforts, which serve as a starting point for dialogue with our stakeholders, we sought to facilitate better understanding of issues important to the Company.

As pointed out in the third party feedback, there is a lot of room for improvement in the way the Company chooses and reports on materiality. Our efforts have just begun. Going forward, we will continue to conduct direct dialogue with stakeholders, step by step, presenting clear reasons for materiality decisions, and sharing risks and need to address them from the

perspective of future business development. Through these efforts, we will work to reflect the feedback we receive within the Group's policies and activities, and thereby create new and valuable solutions that can meet our stakeholders' expectations.

To further growth as a “Social Values Creating Company,” we will strive to communicate with as many stakeholders as possible in communities where the Company runs businesses, and follow the feedback they provide as we move forward in line with our policies and initiatives. We will appreciate any comments on the Group's policies and activities.

Hitachi Capital Corporation, Executive Vice President and Representative Executive Officer / Director in Charge of CSR
Seiichiro Kishino

Company Information

Company Profile

Company Name	Hitachi Capital Corporation
Description of Business	Financial Services
Address	Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan
Phone	+81-3-3503-2111
Management	Seiji Kawabe, President & CEO
Founded	September 10, 1957
Capital	9,983 million yen
Consolidated volume of business	2,290,156 million yen
Consolidated number of employees	5,142 (as of March 31, 2016)

Group Companies (as of March 31, 2016)

■Company Name	■Address	■Description of Businesses
Japan Okinawa Hitachi Capital Corporation	1-1, Kumoji 1-chome, Naha City, Okinawa, 900-0015, Japan	Leasing services / Auto leasing and credit
Hitachi Capital Servicer Corporation	9th Floor, Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan	Collection and management of specified monetary claims and factoring services under the Servicer Law
Hitachi Capital Services Co., Ltd.	8th Floor, Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan	Agency services for the management of leased properties / Purchase and recycling of used properties / Rental services of television
Hitachi Capital Auto Lease Corporation	8th Floor, Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan	Business pertaining to auto leasing and the management of vehicles
Hitachi Triple Win Corp.	9th Floor, Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan	Outsourcing services for payroll calculation and accounting and treasury operations / Collection services for public fund receivables
Sekisui Leasing Co., Ltd.	2nd Floor, KDX Kobayashi-Doshomachi Building, 4-10, Doshomachi 4-chome, Chuo-ku, Osaka, 541-0045, Japan	General leasing business / Provision of various loans
Hitachi Capital Insurance Corporation	Sumitomo Sumitomo Realty & Development Kudan Building, 8-10, Kudan-Kita 1-chome, Chiyoda-ku, Tokyo, 102-0073, Japan	Non-life insurance business / Agency services for other insurance companies and their administrative operations
Hitachi Capital Community Corporation	3734-1, Fukaya, Ayase City, Kanagawa, 252-1103, Japan	Development, operation, and management of commercial facilities, and residential facilities
Hitachi Capital Trust Corporation	11th Floor, Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan	Trust for monetary claims, movable properties, money, securities, real estate, and other items / Management of properties / Sales of trust beneficiary rights
Hitachi Capital NBL Corporation	9th Floor, Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan	General leasing business
Hitachi Green Energy Corporation	11th Floor, Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan	Power generation business mainly based on natural energy
Hitachi Wind Power Ltd.	11th Floor, Nishi-Shimbashi Square, 3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, 105-0003, Japan	Power generation business based on wind power
Hitachi Sustainable Energy, Ltd.	6th Floor, Saiwai-cho 3-2-2, Hitachi City, Ibaraki, 317-0073, Japan	Power generation business based on renewable energy
■Equity method affiliate		
Sumitomo Mitsui Auto Service Company, Limited	20-2, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo, 163-1434, Japan	Auto leasing / Comprehensive management services for vehicles.
Ene Seed Wind Co., Ltd.	Chiyo 1-17-1, Fukuoka City, Fukuoka, 812-0044, Japan	Power generation business of renewable energy and electricity supply and sales

	■Company Name	■Address	■Description of Businesses
Europe	Hitachi Capital (UK) PLC	Hitachi Capital House, Thorpe Road, Staines-upon-Thames, Surrey TW18 3HP,UK	Leasing and credit services for industrial equipment / Invoice discounting and factoring / Credit services for PCs, furniture, and home appliances, Leasing for automobiles and commercial vehicles / Fleet management
	Hitachi Capital Polska Sp. z o. o.	20/22 Palisadowa Street, Warsaw, Poland	Car fleet management business
North America	Hitachi Capital America Corp.	800 Connecticut Avenue, Norwalk, Connecticut 06854 U. S. A.	Leasing, loan, and inventory finance services primarily for information communication equipment, industrial equipment, medical equipment, and trucks / Factoring business
	Hitachi Capital Canada Corp.	3390 South Service Road, Suite 104, Burlington, ON, L7N3J5 Canada	Leasing, loan, inventory finance services and factoring business primarily for information communication equipment, industrial equipment, and trucks
	CLE Canadian Leasing Enterprises Ltd.	2200, De La Sidbec Sud Street, Suite 202 Trois-Rivières QC G8Z 4H1 Canada	Finance business primarily for automobiles, healthcare related equipment, construction machinery, information equipment, and industrial machinery
China	Hitachi Capital (Hong Kong) Ltd.	16th Floor, Wai Fung Plaza, 664 Nathan Road, Kowloon, Hong Kong	Leasing and credit services primarily for information communication equipment, industrial equipment, and others / Credit services for automobiles, PCs, furniture, residential equipment, and home appliances
	Hitachi Capital Management (China) Ltd.	12th Floor, Wai Fung Plaza, 664 Nathan Road, Kowloon, Hong Kong	Investing, controlling, and other business
	Hitachi Capital Leasing (China) Co., Ltd.	Room 1509, Beijing Fortune Building, No.5, Dong san Huan Bei-lu, Chao Yang District, Beijing, China	Leasing for medical equipment, information communication equipment and industrial equipment
	Hitachi Capital Factoring (China) Co., Ltd.	Room 041, 19th Floor, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, China	Factoring business
ASEAN	Hitachi Capital Asia Pacific Pte. Ltd.	111 Somerset Road #11-05 Singapore 238164	Leasing and credit services mainly for information communication equipment and industrial equipment / Credit services for PCs, furniture, residential equipment, and home appliances / Sales of new and used cars, auto leasing, as well as maintenance and repair services
	Hitachi Capital (Thailand) Co., Ltd.	17th Floor, CRC Tower, All Seasons Place, 87/2 Wireless Road, Lumpini, Pathumwan, Bangkok 10330 Thailand	Leasing, credit services, and factoring business for information communication equipment industrial equipment and vehicles
	Hitachi Capital Malaysia Sdn. Bhd.	No.998, 1st Floor, Jalan Tok Kangar, Auto-Link, 14100 Juru, Simpang Ampat, S.P.T., Pulau Pinang, Malaysia.	Financing for commercial vehicles / Leasing mainly for information communication equipment and industrial equipment.
	PT.Arthaasia Finance	Kencana Tower 5th floor, Business Park Kebon Jeruk, Jl. Raya Meruya Ilir No.88, Jakarta Barat, 11620 Indonesia	Financing for commercial and passenger vehicles / Leasing mainly for information communication equipment and industrial equipment.
	PT. Hitachi Capital Finance Indonesia	ANZ TOWER Jl, 18th Floor Jend. Sudirman Kav. 33A Jakarta, Indonesia	Finance service for Business Partners / Leasing for buildings.

Other areas: 7 consolidated companies and 1 equity method affiliate company

Cover

Hitachi Capital Corporation uses works from the Artbility art library, which has been supporting handicapped artists from 1992, for our printed matter, as a way of supporting the artists' independence and spreading their art.
(See p.19 of this report)

“Beetles”

Artist: Yoshisuke Kougeikan
(winner of the 27th Hitachi Capital Special Award)

“Kurumin” Mark

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



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

Hitachi Capital Corporation

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