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# **Business Integration**

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*September 24, 2020*

Mitsubishi UFJ Lease & Finance Company Limited

Hitachi Capital Corporation

# 1. Background and Circumstances of the Business Integration

- The two companies have promoted collaboration, including reinforcing of the overseas infrastructure investments, since the execution of the capital and business alliance in May 2016
- Both have continued constructive discussions for integration in the spirit of mutual respect and fairness, considering potential business integration as one of the options
- The business integration through the merger is the optimal means to promptly adapt to drastic changes and further open up new areas of their advanced asset businesses

## Global Mega Trends

Climate change and shortage of resources	Breaking dependence on resources and fossil fuels	Demographic changes	Technological innovation	Urbanization	Shifting of the global economy	Global multi-polarization
Qualitative restructuring of supply chains		Digitalization to adapt to a data economy		Shifts from mass production and consumption to a circular economy		Accelerated by COVID-19

Rapid change of business models at an industry level at a speed that exceeds all expectations

Common Challenges

In addition to conventional leases and finances, resolve social issues through business investments and operations

Agreed that it is necessary to further expand the operational bases and strengthen financial bases to meet various needs of customers and society, and to create social value, while regarding these drastic environmental changes as new business opportunities

## 2. Purposes of the Business Integration

- Under a unified vision and philosophy, the two companies developing the business as an integrated entity, it will achieve (i) to complement each other's business domains, (ii) to strengthen their management bases, and (iii) to create new value based on (i) and (ii)
- In addition to establishing a solid and stable revenue structure that will be less susceptible to the external environment, we aim to increase profitability via expanded investment activities utilizing enhanced capabilities
- Aim to build a stronger management bases which the source of competitiveness, and offer new value that goes beyond the framework of traditional leasing companies



### (i) Complementing Each Other's Business Domains

- ✓ Diversify the portfolios in terms of both business domains and geographical areas
- ✓ Establish a solid and stable revenue structure
- ✓ Expand investment activities utilizing enhanced capabilities



### (ii) Strengthening the Management Base

- ✓ Bring together resources and expertise of the two companies
  - Utilization and enhancement of human resources
  - Utilization of partner networks
  - Reinforcement of financial bases
  - Advancement of risk management
  - Promotion of Digitalization



### (iii) Creating New Value

- ✓ Offer new value beyond the framework of traditional leasing companies
- ✓ Transform into one of the largest players in the leasing sector, and contribute to customers and communities across the world, by utilizing its expanding scale and built-up capital
- ✓ Develop into a company that can provide solutions to modern social issues

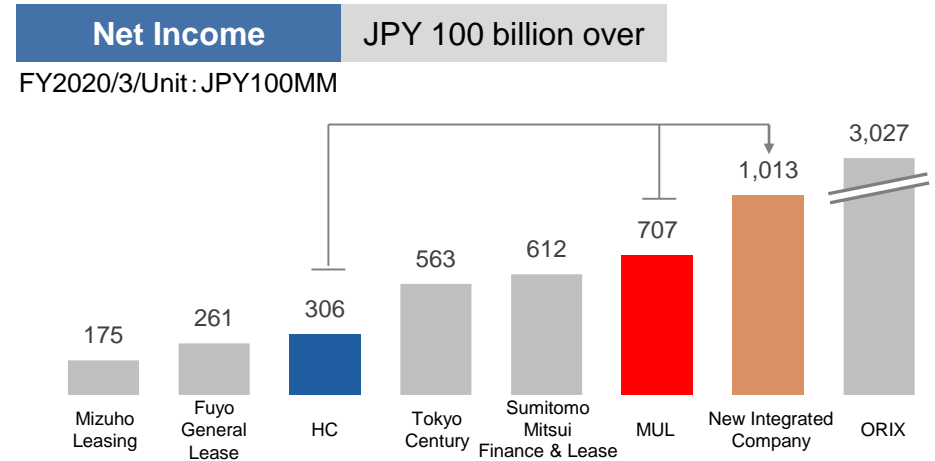
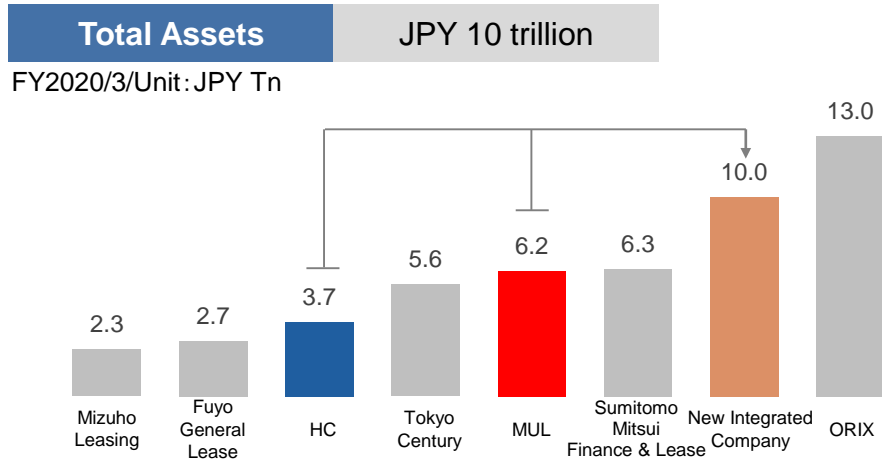
## 2. Purposes of the Business Integration – Complementing Each Other’s Business Domains –

- The strength of MUL is various asset businesses, such as real-estate and global assets in addition to corporate finance
- The strength of HC is sales finance and overseas local businesses, such as Hitachi Business and consumer finance
- The strength of the two companies’ businesses in social infrastructure, environment & energy, and mobility place them in an ideal and mutually complementary relationship
- The new integrated company will establish an extensive and comprehensive lineup of businesses and reinforce and expand the businesses in which both companies have strength

Characteristics of the two companies	Characteristics	<b>Mitsubishi UFJ Lease &amp; Finance (MUL)</b>	<b>Hitachi Capital Corporation (HC)</b>
		Corporate Finance	Sales Finance
		Strengths in Japan	Strengths in Europe
	Common focus Priority areas	Real-estate Business (Securitization, Real-estate investment)  Global Assets (Aviation, Railcar and sea container leasing)	Hitachi business (Important finance partner)  Overseas Local Business (Consumer finance in UK etc.)
Social Infrastructure, Environment & Energy, Mobility etc.			

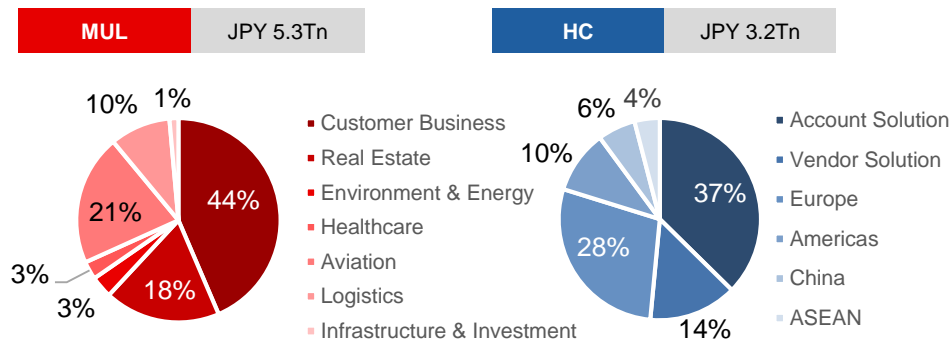
Business domains of two companies’ strengths		Corporate Finance	Overseas Local Business	Sales Finance		Health Care	Environment & Energy		Overseas Infrastructure	Real-estate			Mobility	Global Asset			Corporate Investment	BPO
				Supplier	Vendor		Solar-power	Wind-power		Leases	Finance	Investment		Aviation	Railcar	Container		
New Integrated Company		○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	
MUL		○	○			○	○		○	○	○	○	○	○	○	○		
HC			○	○	○	○	○		○			○					○	
JII*								○										

# 3. New Integrated Company at a Glance



## Balance of Assets\* by Segment

FY2020/3



\* Business assets for MUL, operating assets for HC

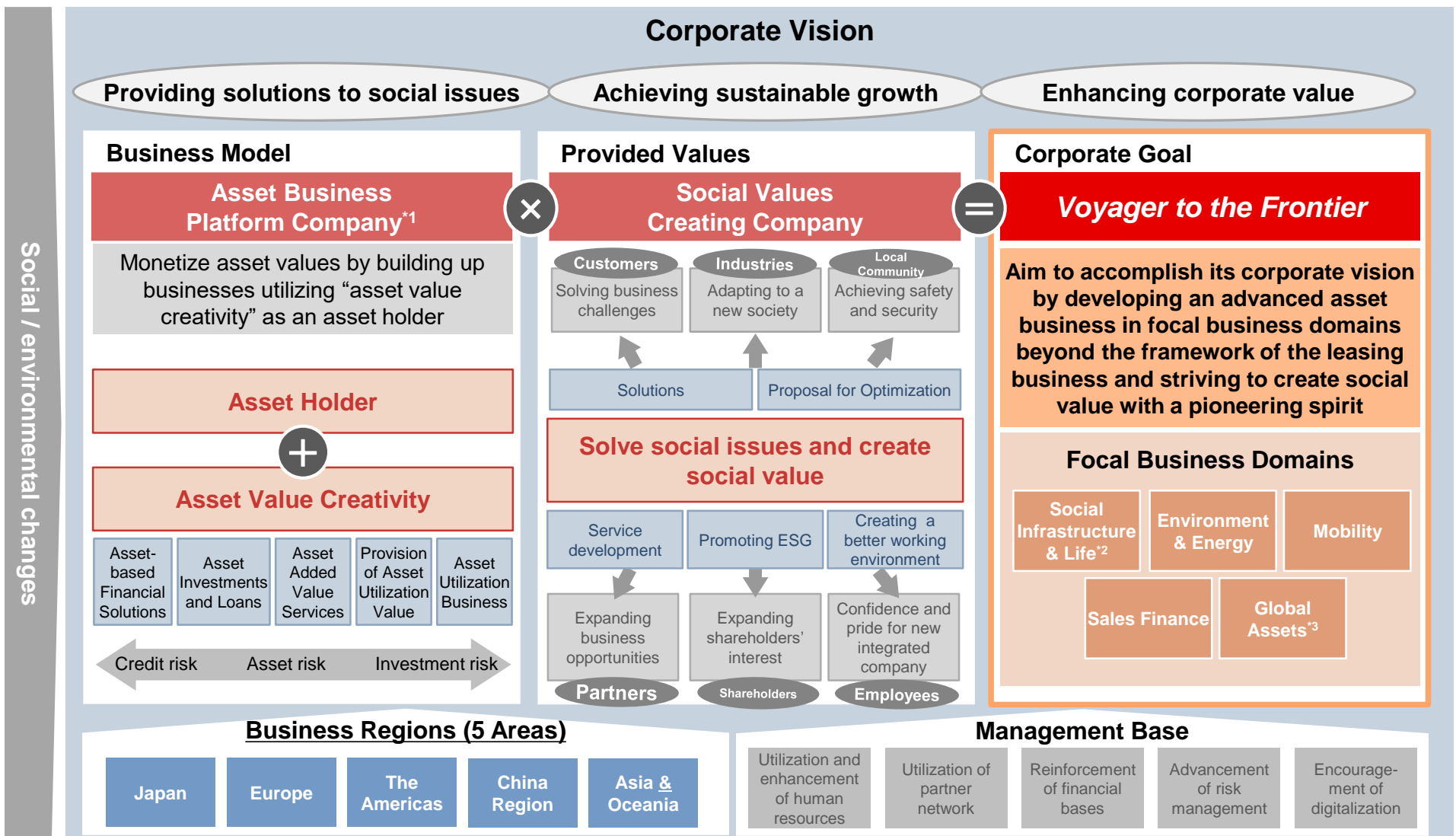
## Credit Ratings

As of March 31, 2020

MUL			HC		
Rating agencies	Long-term	Short-term	Rating agencies	Long-term	Short-term
S&P	A-	A-2	S&P	A-	A-2
Moody's	A3	-	Moody's	-	Prime-2
JCR*	AA	J-1+	JCR*	AA-	J-1+
R&I*	A+	a-1	R&I*	A+	a-1

\* JCR: Japan Credit Rating Agency, R&I: Rating and Investment Information

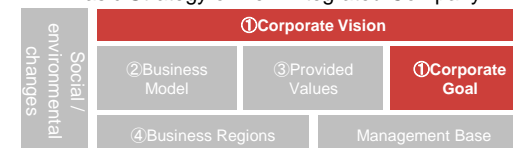
# 4. Corporate Vision and Basic Strategy of the New Integrated Company



\*1 Assets includes intangible assets such as computerized assets (software/database), innovative assets (R&D/licensing), economic competitiveness (human resources/organization)

\*2 Social Infrastructure & Life refers to infrastructure/urban planning, healthcare, food and agriculture, and life related sectors

\*3 Global assets refers to assets that have global market value such as aviation, aircraft engine, vessels, sea and rail containers, etc.



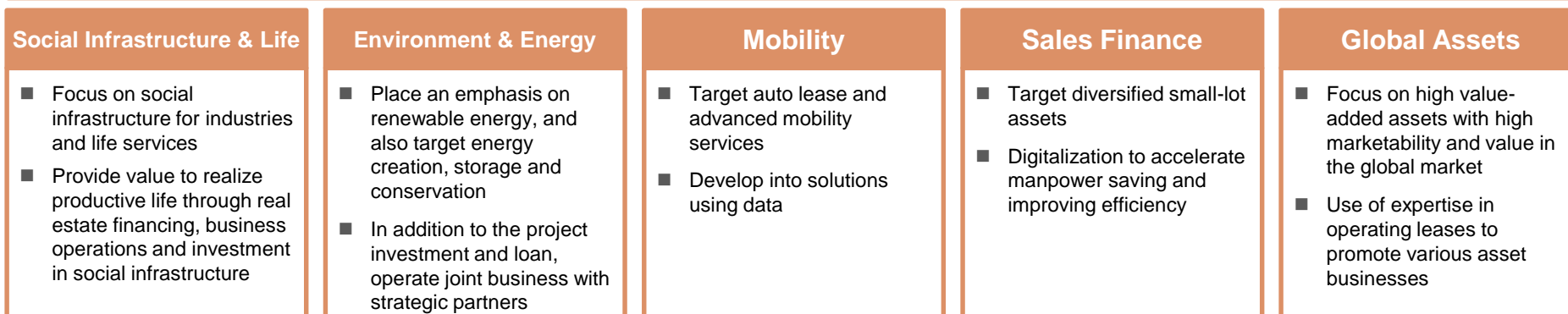
## 4. (1) Goals of New Integrated Company

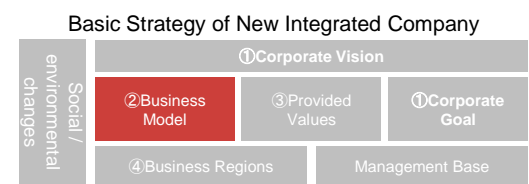
- The new integrated company will develop advanced asset business beyond the framework of the leasing business and provide new value for the customers
- Striving to create social value with a pioneering spirit by challenging new business domains and regional areas
- The corporate goal of the new integrated company is represented by the slogan “Voyager to the Frontier”, with a strong intention to export its initiatives and open up and develop new frontiers in the five focal business domains in which the two companies’ strengths lie



## *Voyager to the Frontier*

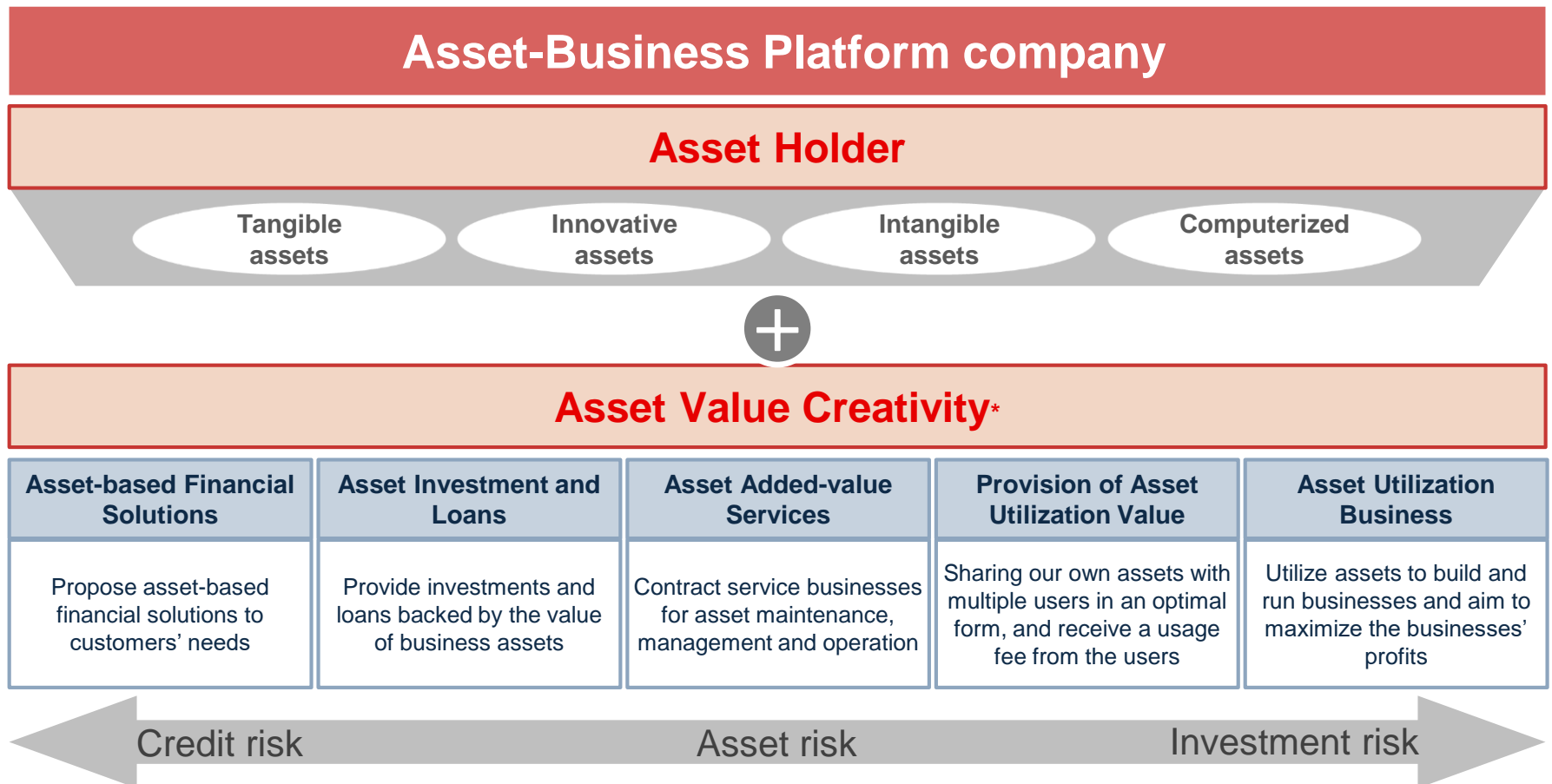
### Focal Business Domains





## 4. (2) Business Model

- As an asset holder of both tangible and intangible assets, the new integrated company aims to monetize asset values by building up businesses utilizing Asset Value creativity
- Continually innovate and evolve new business models by further developing five types of asset businesses

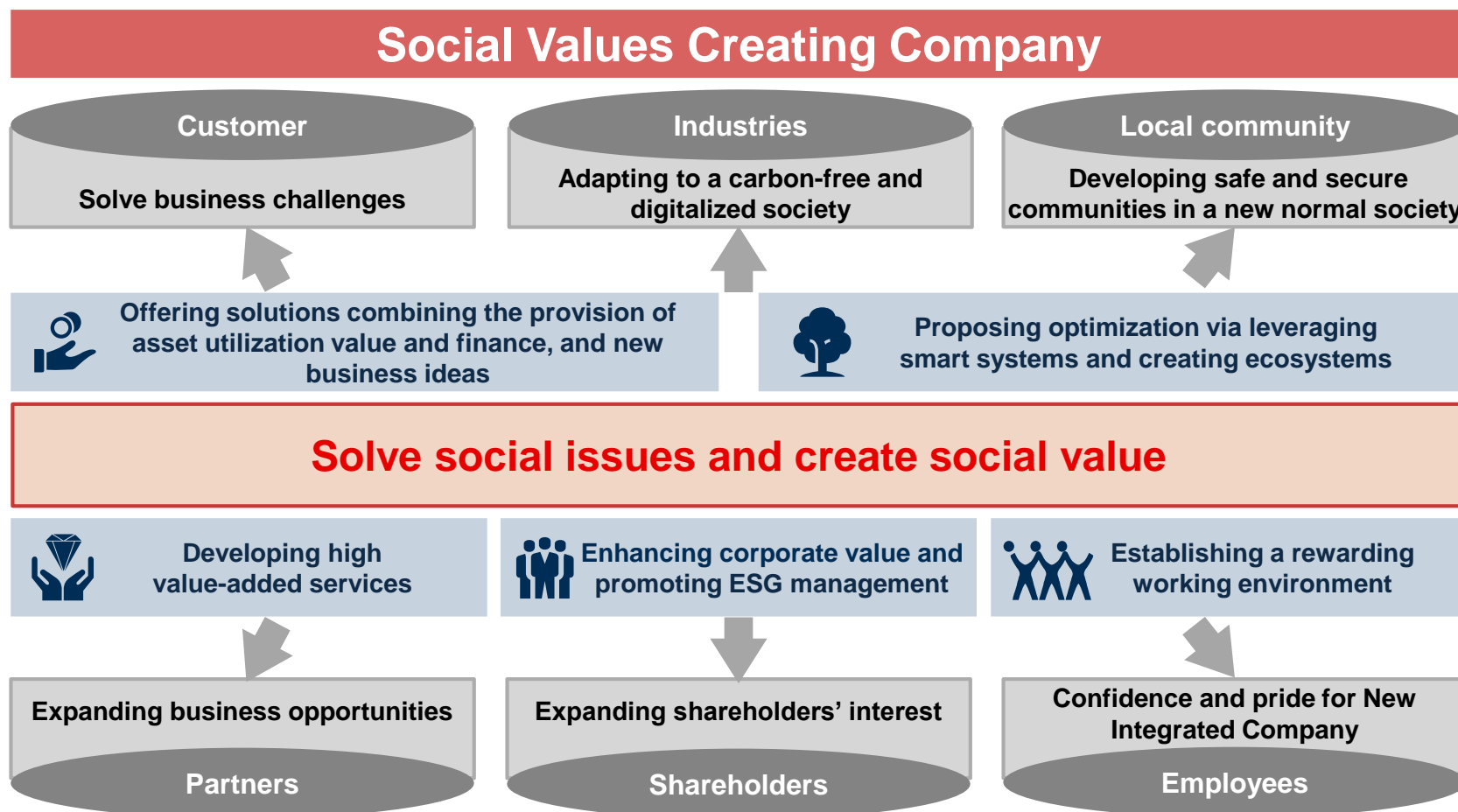




Social / environmental changes	① Corporate Vision		
	② Business Model	③ Provided Values	④ Corporate Goal
	④ Business Regions		Management Base

## 4. (3) Values to be provided

- Adapt to environmental changes and solve social issues through corporate activities based on a solid business foundation
- Create social value in the entire industry and society by taking into account the viewpoints of diverse stakeholders



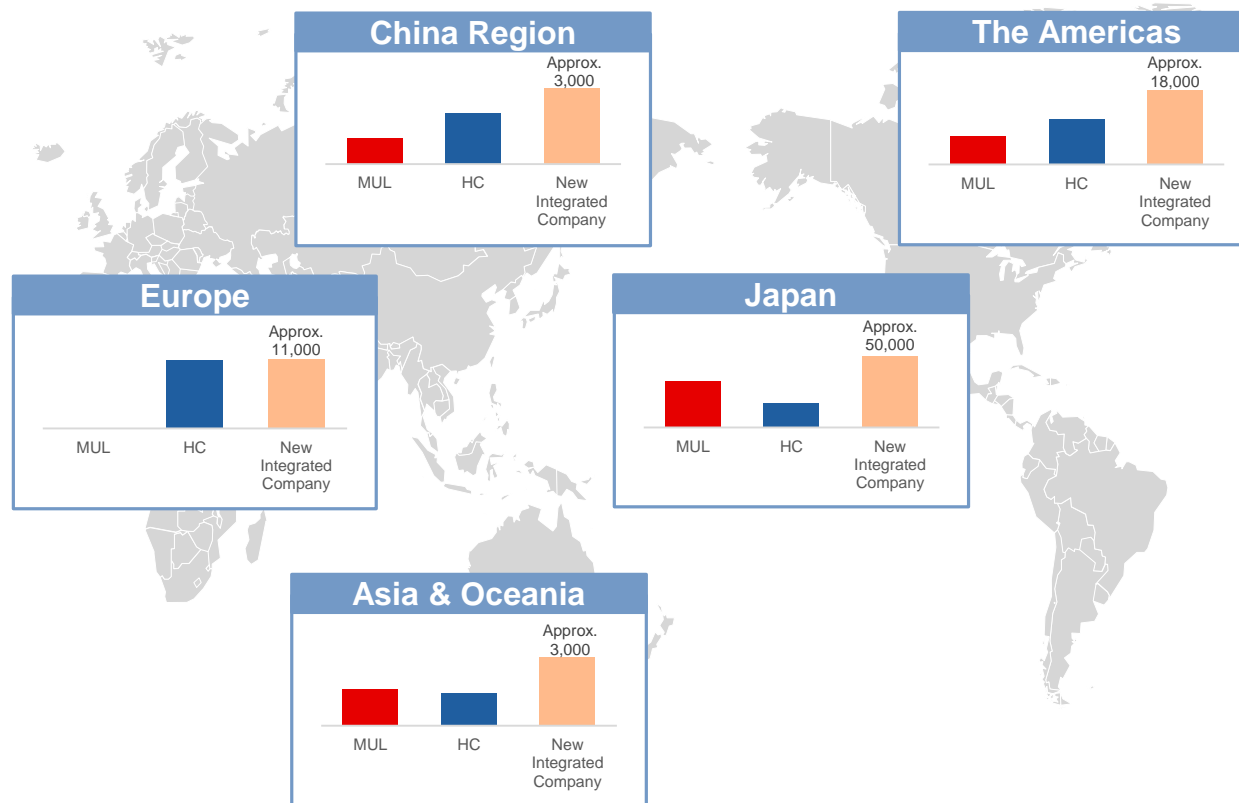


## 4. (4) Business Regions

- The New Integrated Company will divide its five regional areas: Japan, Europe, The Americas, China Region and Asia & Oceania
- It will make consistent efforts to develop business models rooting regions by carefully assessing the unique characteristics and circumstances of each region, with an aim to exert unique presence in each region

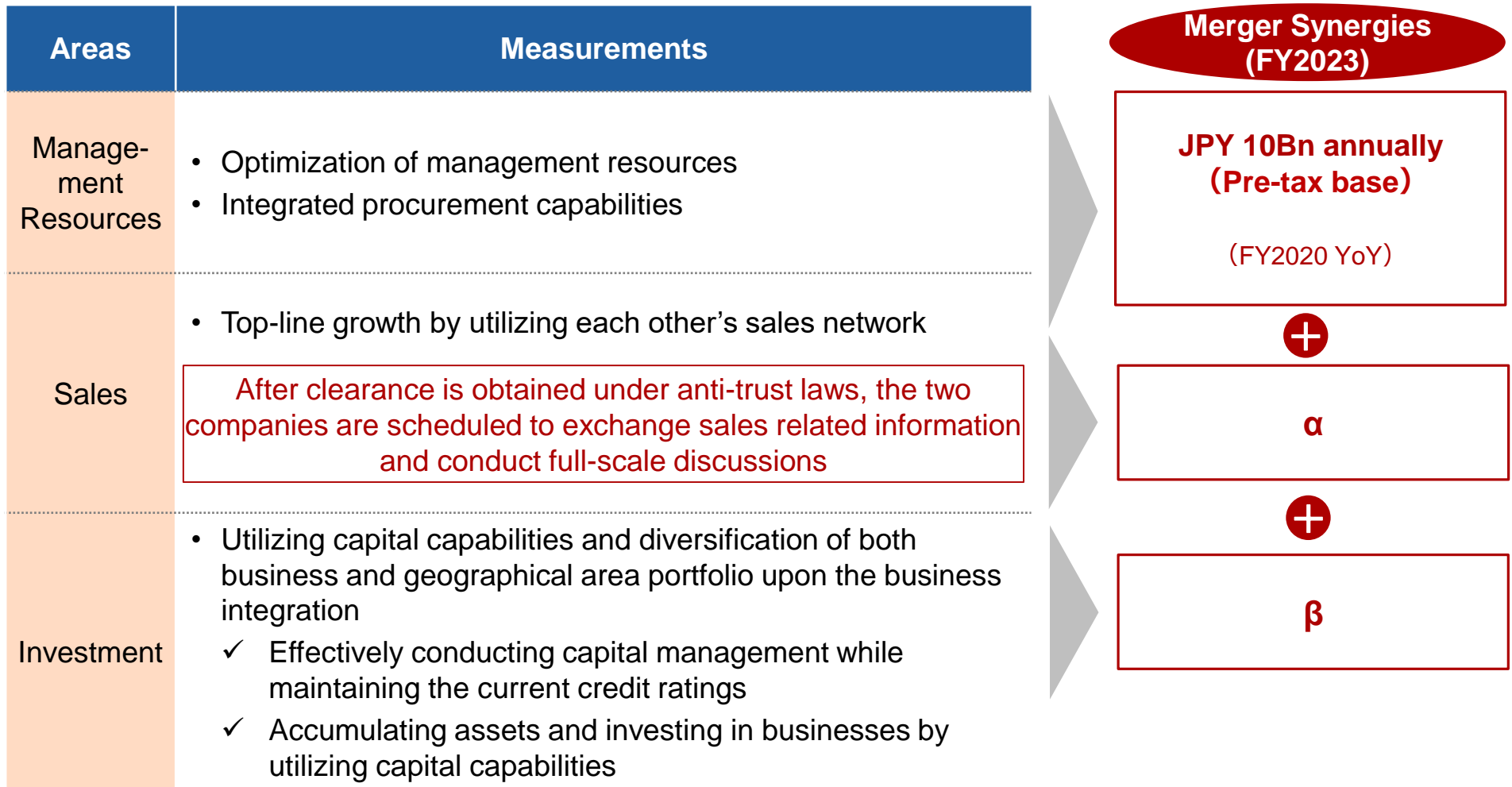
### Balance of Operating Assets by Location (JPY100MM)

FY2020/3



Region	Number of Locations / Companies			Area Total
	MUL	HC	Sum	
Japan	44	29	73	Japan 73
UK	0	2	2	Europe 15
Poland	0	1	1	
Ireland	3	0	3	
Netherlands	0	3	3	
Germany	0	1	1	
Austria	0	1	1	
Belgium	0	1	1	
Czech	0	1	1	
Slovakia	0	1	1	
Hungary	0	1	1	
US	6	2	8	The Americas 10
Canada	0	2	2	China Region 9
China	3	2	5	
Hong Kong	2	2	4	Asia & Oceania 19
Singapore	1	1	2	
Thailand	4	2	6	
Indonesia	6	2	8	
Vietnam	1	0	1	
Malaysia	0	1	1	
Myanmar	1	0	1	
<b>Total</b>	<b>71</b>	<b>55</b>	<b>126</b>	

# 5. Anticipated Business Integration Synergies



# 6. Merger Ratio and Overview of the New Integrated Company

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## Merger Ratio

MUL : HC

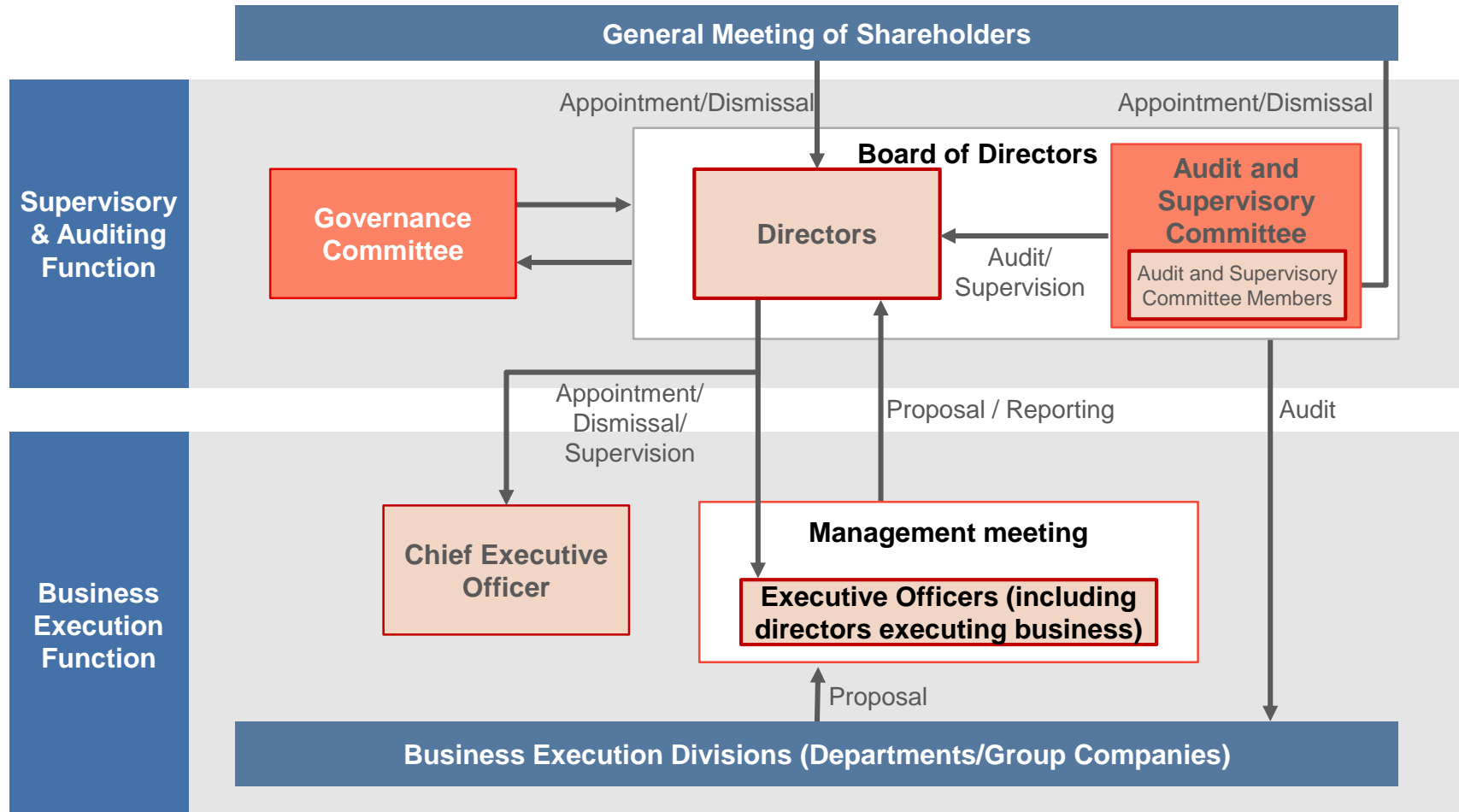
**1 : 5.10**

5.10 shares of MUL's common stock will be delivered by allotment for one share of HC' common stock

Company name	TBD
Location of head office	5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Accounting standards	Japanese GAAP

# 7. Corporate Governance Structure of the New Integrated Company

- The new integrated company will be a company with an audit and supervisory committee which improves fairness and transparency of business and strengthens the supervisory function of the board of directors, to further enrich the corporate governance system



## 8. Schedule of the Business Integration

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<b>September 24, 2020 (Today)</b>	<b>Execution of the Business Integration Agreement and Merger Agreement</b>
<b>December 31, 2020 (Scheduled)</b>	<b>Record date of the extraordinary meetings of shareholders (both companies)</b>
<b>Late February 2021 (Scheduled)</b>	<b>Extraordinary meetings of shareholders (both companies)</b>
<b>April 1, 2021 (Scheduled)</b>	<b>Effective date of the Business Integration</b>

— Appendix —

# Overview of Mitsubishi UFJ Lease & Finance

Mitsubishi UFJ Lease & Finance				
Location of head office	5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo			
Name and title of representative	Takahiro Yanai, President & CEO			
Stated capital	33,196 million yen			
Date of establishment	April 12, 1971			
Number of employees	3,301 (Consolidated)			
Main banks	MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, The Norinchukin Bank, Development Bank of Japan Inc.			
Main shareholders	Mitsubishi Corporation	20.10%		
	Mitsubishi UFJ Financial Group, Inc.	13.50%		
	MUFG Bank, Ltd.	6.11%		
Long-term issuer credit ratings	S&P : A-	Moody's : A3	JCR* : AA	R&I* : A+
Earnings (Fiscal Year Ended)	JGAAP (JPY1MM)			
	March 2018	March 2019	March 2020	
Revenues	869,948	864,224	923,768	
Operating income	79,285	80,371	91,853	
Recurring income	86,177	87,605	94,376	
Net income attributable to owners of the parent	63,679	68,796	70,754	
Total equity	731,124	778,582	798,820	
Operating assets	4,909,279	5,046,490	5,228,461	
Total assets	5,552,712	5,790,929	6,285,966	

\*JCR: Japan Credit Rating Agency, R&I: Rating and Investment Information



# Overview of Hitachi Capital Corporation

Hitachi Capital Corporation				
Location of head office	3-1, Nishi Shimbashi 1-chome, Minato-ku, Tokyo			
Name and title of representative	Seiji Kawabe, President & CEO			
Stated capital	9,983 million yen			
Date of establishment	September 10, 1957			
Number of employees	5,643 (Consolidated)			
Main banks	MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, The Norinchukin Bank			
Main shareholders	Hitachi, Ltd.	33.39%		
	Mitsubishi UFJ Financial Group, Inc.	23.00%		
	Mitsubishi UFJ Lease & Finance	4.20%		
Long-term issuer credit ratings	S&P: A-	JCR*1: AA-	R&I*2: A+	
Earnings (Fiscal Year Ended)	IFRS (JPY1MM)			
	March 2018	March 2019	March 2020	
Revenues	404,124	453,253	464,020	
Adjusted operating income*2	45,423	29,396	39,874	
Income before income taxes	44,295	32,706	42,526	
Net income attributable to owners of the parent	32,057	19,363	30,693	
Total equity	393,107	390,418	396,013	
Operating assets	3,179,135	3,392,878	3,185,326	
Total assets	3,468,756	3,772,784	3,719,474	

\*1 JCR: Japan Credit Rating Agency, R&I: Rating and Investment Information

\*2 Adjusted operating income is calculated by deducting Cost of Revenue, Selling and General Administration Expenses from Revenue

# Disclaimer

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This document includes information that constitutes “forward-looking statements” on whether the Business Integration between Mitsubishi UFJ Lease & Finance and Hitachi Capital Corporation will be successfully completed and the outcome thereof. To the extent that statements in this document do not relate to historical or current facts, they may constitute such forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the two companies in light of the information currently available, and involve known and unknown risks, uncertainties, and other factors. Such risks, uncertainties, and other factors may cause any future results, achievements, and financial positions of one or both of the two companies (or the group after the Business Integration) expressed or implied in the forward-looking statements to be materially different from the contents of this document. The two companies undertake no obligation to update publicly any forward-looking statements after the date of this document. Investors are advised to refer to any further disclosures by the two companies (or the group after the Business Integration) in their subsequent disclosures in Japan and filings with the U.S. Securities and Exchange Commission (only when filings are required in relation to the Business Integration).

The risks, uncertainties, and other factors mentioned above include but not are limited to the following:

- deterioration in corporate credit status;
- fluctuations in prices of global assets, real estate, and other assets, and changes in economic and financial situations, including interest rates and currency exchange rates;
- infectious diseases, including COVID-19, earthquakes, wind and flood damage, terrorism, climate change, etc.;
- changes in domestic and international laws and regulations and accounting, taxation, and other systems that are related to business activities;
- that the Business Integration cannot be implemented due to the failure of the necessary procedures to be taken, including the approval of the agreements concerning the Business Integration at general meetings of shareholders, or for any other reasons;
- that the review process for the Business Integration by the relevant competition law authorities is delayed, or the clearance of the relevant competition law authorities or other necessary approvals are not obtained; or
- it becoming difficult or impossible for the group after the Business Integration to realize synergies or effects of the Business Integration.

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In connection with the Business Integration, a registration statement on Form F-4 may be filed by Mitsubishi UFJ Lease & Finance with the U.S. Securities and Exchange Commission. A Form F-4, if filed, will contain a prospectus and other documents. If a Form F-4 is filed and declared effective, the prospectus contained in the Form F-4 will be mailed to U.S. shareholders of Hitachi Capital prior to the scheduled date of the general meeting of shareholders in which voting rights will be exercised for approval of the Business Integration. If a Form F-4 is filed, the Form F-4 submitted will contain important information, such as information about the two companies, information about the Business Integration, and other related information. U.S. shareholders of Hitachi Capital are urged to carefully read the Form F-4, the prospectus, and other documents that may be filed with the SEC in connection with the Business Integration before they vote at the general meeting of shareholders with respect to the Business Integration. All documents filed with the SEC in connection with the Business Integration will be available after the filing, free of charge, on the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, these documents will be mailed to shareholders free of charge upon their request.