

【R&I Green Bond Assessment】

Hitachi Capital Corporation Unsec. Str. Bonds No. 77 (Green Bond) : GA1 Formal

Rating and Investment Information, Inc. (R&I) has announced the following R&I Green Bond Assessment (GA1 (Formal)). R&I announced a preliminary assessment for this instrument on February 4, 2019. The preliminary assessment has now been converted to a formal assessment.

【DESCRIPTION OF INSTRUMENT】

INSTRUMENT NAME	Hitachi Capital Corporation Unsec. Str. Bonds No. 77 (Green Bond)
ISSUER	Hitachi Capital Corporation
ISSUE AMOUNT (mn)	JPY 10,000
R&I GREEN BOND ASSESSMENT	GA1 (Formal)
ISSUE DATE	February 28, 2019
MATURITY DATE	December 20, 2023

R&I has confirmed that the green bond is in conformity to the green bond framework developed by Hitachi Capital Corporation from the perspectives of the fixed issue amount, term, etc. and assigned GA1 (Formal) to the green bond.

Details are provided in the attached press release dated February 4, 2019 regarding R&I Green Bond Assessment (GA1 (Preliminary), Second Opinion).

In addition to this assessment, R&I has assigned a credit rating to Hitachi Capital Corporation Green Bond. For details, please refer to <https://www.r-i.co.jp/en/index.html>.

R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

【R&I Green Bond Assessment】

Hitachi Capital Corporation Unsec. Str. Bonds No. 77 (Green Bond)

: GA1 (Preliminary)

: Second Opinion

(The second opinion is an opinion regarding the alignment with Green Bond Principles, etc.)

Rating and Investment Information, Inc. (R&I) has announced the following R&I Green Bond Assessment (GA1 (Preliminary), Second Opinion).

【DESCRIPTION OF INSTRUMENT】

INSTRUMENT NAME	Hitachi Capital Corporation Unsec. Str. Bonds No. 77 (Green Bond)
ISSUER	Hitachi Capital Corporation
ISSUE AMOUNT (mn)	JPY 10,000
R&I GREEN BOND ASSESSMENT	GA1 (Preliminary)
ISSUE DATE	TBD
MATURITY DATE	TBD

【Summary】

Hitachi Capital Corporation (hereinafter referred to as “the Issuer”) is a leading general leasing company. The business area extends throughout Japan and abroad with a large customer base. Having entered Hong Kong, Europe and North America, the Issuer is a top-class provider of finance services to consumers in the U.K. market. As is seen in the medium-term management plan, the Issuer has been active in promoting environmental and environmental and energy business by, for example, introducing renewable energies such as wind power and solar power, of which 2018 target cumulative power generation capacity is over 500MW.

Prior to issuing a green bond, the Issuer established a green bond framework, an issuer's policy regarding four core components of Green Bond Principles: use of proceeds (photovoltaic power generation plant and wind power generation plant, etc.), Process for Project Evaluation and Selection Management of Proceeds, and Reporting. The proceeds of the green bond to be issued will be used to purchase facilities of a photovoltaic power plant, etc under development.

【R&I Green Bond Assessment】

R&I has judged, in accordance with R&I Green Bond Assessment Methodology, that the proceeds from the green bond would be invested into projects with significant environmental benefits, and assigned GA1 (preliminary) to the green bond. This is a preliminary assessment and will be reassessed after the final confirmation of bond issuance details.

【Second Opinion on the alignment with Green Bond Principles, etc.】

R&I has also provided a second opinion that the green bond framework is aligned with Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

Note that R&I has confirmed that the green bond scheduled to be issued is going to be aligned with the said framework from the perspectives of issue amount and term, details of eligible projects, assets and investment schedule, etc.

【Rationale】

- The eligible project to which the proceeds will be invested under the framework is a project of renewable energy power generation by way of photovoltaic power generation and wind power generation, etc. In addition, the proceeds of the green bond to be issued this time will be allocated to a part of the loans (new loan about 40%, refinance about 60%) to subsidiary for the purchase of facilities of a photovoltaic power generation plant being developed by the subsidiary.
- R&I has confirmed through interviews and in writing that: 1) sufficient environmental improvement effects can be expected from each eligible project, and 2) consideration is given to any potentially negative effects on the environment in the project development and operation. Specifically, R&I has reviewed such as the screening criteria of renewable projects and the technical and environmental reports of the project which will be allocated this time. Consequently, R&I has judged the use of the proceeds is appropriate as that of a green bond.
- With respect to the process of project evaluation and selection, according to the provisions of the framework, the issuer shall select eligible projects in compliance with “Sustainable and steady energy sources”, one of the key issues based on its management policy. In addition, Treasury Dept., CSR Promotion Dept. and Environmental Promotion Committee shall select a project that qualifies the criteria, on which President and CEO makes a final decision. Project screening is conducted by several departments to secure internal supervision and verification, and also involved by the senior management, which R&I considers to be a systematic approach of the Issuer.
- The proceeds will be managed by Treasury Dept. in accordance with the flow of corporate bonds management. The proceeds will be managed on an account book until the entire proceeds are allocated to the eligible project. Unallocated proceeds may be held as cash or equivalents. In addition, the proceeds of the green bond to be issued this time will be allocated to the project in about one year or so.
- The status of allocation of the proceeds and environmental benefits of the eligible project will be disclosed on either (or both) of the Issuer’s website and/or Hitachi Capital Report on an annual basis. The disclosure content is considered appropriate in coverage and frequency.
- The Issuer has formulated its group-wide strategy and mid-term management plan in line with an environmental policy it established in 2005, and implemented a wide range of environmental and energy business including the introduction of renewable energy.

R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

■ Outline of Issuer (Hitachi Capital Corporation)

The Issuer is a leading general leasing company. The business area extends widely throughout Japan and abroad with a large customer base and a stable business infrastructure. Having pioneered the Hong Kong, Europe and the U.S. market, its revenue is highly contributed by overseas businesses. The overseas sites strive to develop business and hire employees locally, a factor for success as a top-class consumer finance service provider in the U.K.

The Issuer aims "to contribute to the creation of a richer society by creating values desired by society and customers" under the Principles of "Sustainable growth", "Respect for human dignity", "Implementation of corporate ethics". Committed to addressing social expectations represented by Sustainable Development Goals (SDGs) with earth-conscious mind for attaining social development and a higher standard of living, the Issuer, as a "Social Values Creating Company", prioritizes the implementation of Core Values and the creation of new social values as its key CSR issues.

Moreover, the Issuer aims to realize its management policy that emphasizes the contribution to a higher level of social welfare, considers earth-consciousness is a societal demand, and promotes initiatives for environmental solutions since it established Environmental Policy in 2005 with provisions on the handling of environmentally-conscious products and services.

Furthermore, from the perspective of carbon reduction in business activities and contribution to social solutions on the longer term and for more people, the Issuer strives to know the level of environmental burden and sets reduction targets only as the company alone but also the whole group. The Group's common strategy has been established to build a quality corporate infrastructure that would contribute to higher competitiveness. Positioning the realization of carbon-free society as its highest priority from the environmental aspect, group-wide efforts have been made to know the level of CO2 emissions including its supply chain and achieve a standard in conformity to the Paris Agreement.

As a provider of comprehensive energy solutions and a contributor to a low-carbon society, the Issuer positioned the environmental and energy business as an area of focus in the FY2016-FY2018 mid-term management plan. Initiatives in the business area actively extend from leasing of photovoltaic power, wind power, and micro-hydroelectric power generation devices and facilities, to group-wide renewable energy generation projects, resource recycling, and effective use of water and other natural capital.

To achieve the Environmental Policy, the group-wide strategy, and the mid-term management plan in line with the above management policy, the Issuer plans to finance a renewable energy generation project by issuing a green bond.

■ Outline of Green Bond Framework (Hitachi Capital Corporation Green Bond)

At the issue of its green bond, Issuer has prepared a green bond framework that constitutes Issuer's practical guidelines for the four standards of Green Bond Principles including use of proceeds, process for project evaluation and selection, management of proceeds, and reporting. The outline of the framework is as follows:

1. Use of Proceeds

- The proceeds from the green bond will be allocated to projects that satisfy the following selection criteria.

Project Category	Project Name
Renewable energy	Photovoltaic power generation, wind power generation and others

- The proceeds will be invested to the Issuer's or its subsidiary's renewable energy generation projects to which the Issuer invests its own capital.
- Photovoltaic and wind power generation shall be eligible for the time being. In the future, eligible projects may extend to power generation projects related to photovoltaic power, wind power, hydroelectric power, geothermal power, solar heat, any other power related to heat in the atmosphere and biomass which are stipulated in The Act on the Promotion of Use of Non-fossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers.
- The proceeds will be allocated to the expenses required to purchase facilities, etc of eligible projects. In cases where a project is conducted by a subsidiary, the proceeds would be allocated to fund eligible loans to the subsidiary. The proceeds may also be used to finance a new investment or refinance an existing investment.

(Criteria for investment project eligibility)

- The projects are located in Japan.
- The facilities and projects are granted license and approval by Minister of Economy, Trade and Industry and passed properly the procedure of the Japanese Environmental Impact Assessment regarding the projects.
- Consideration is given to a potentially negative aspect of environmental and social impact. Specifically, the project implements risk mitigation measures described later.
- In case the client is the primary contractor, the client represents that it conducts the measures above.

(Other conditions)

- Investment fund shall satisfy either of the following conditions:
 - The projects started not more than 24 months before the date of issuance of the Green Bond.
 - The projects that will start after the date of issuance of the Green Bond.

2. Process for Project Evaluation and Selection

Process for Project Selection

- With an aim for “Social Value Creating Company”, the Issuer sets “Sustainable and Stable Use of Energy Resource” as part of its key issues in line with the corporate policy.
- The process for selecting a project that provides a solution to this key issue is (1) Ensure that the project satisfies each item of “The Guideline for the Investment of Renewable Power Projects” developed by the Issuer for the purpose of verifying an environmental and social impact through the implementation of the project and actions to be taken. If the Guidelines are or are likely to be satisfied, (2) The project shall be researched and examined on each item of “Check list prescribed in the rule for the Investment of Renewable Power Projects”, and then (3) Ensure that the project satisfies the eligibility criteria for the solutions to key issues in line with the Issuer’s management policy.

Parties involved in project selection

- Treasury Dept., CSR Promotion Dept. and Environment Committee of the Issuer shall select a project that qualifies the criteria.
- President & CEO shall make a final decision on the project selected as above.

Assumed risks of the projects

(1) Environmental risks

Development, construction, installation and operation of power generation facilities may cause unintended land degradation and pollution in surrounding areas.

(2) Social risks

Installation of solar and wind power generation facilities may cause a negative impact on residents living in the vicinity.

Measures to mitigate risks

(1) Compliance with laws and regulations

(i) Compliance with environment-related laws and regulations

The Issuer Group conforms to the environment-related laws which may be applied to the construction and installment in the project, and conducts a compliance check thereof.

(ii) Environmental assessment

- Photovoltaic power generation

In accordance with Guidelines for the Development of Project Plan (for Photovoltaic Power Generation) and Feed-in Tariff developed in line with the Act for the Partial Revision of the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities, the Issuer developed and complies with internal investment guidelines.

- Wind power generation

In accordance with the environmental assessment in line with Ordinance for Environmental Impact Assessment of a specific local government and Manual for Environmental Impact Assessment for Wind Power Generation prepared by New Energy and Industrial Technology Development Organization (NEDO), among other things, the Issuer has developed and complies with internal investment guidelines.

(2) Management systems

The issuer has developed an environmental management system for the realization of sustainable society and environment. The environmental management system, headed by Executive Officer in charge of environmental projects who is assigned as Environmental Management Officer and consisting of Environmental Promotion Committee with environmental committee members of each department, develops and promotes annual environmental plans. Environmental Promotion Committee is in charge mainly of collecting environmental data as needed, sharing issues to be solved, and preparing annual environmental plans. The committee also strives to improve the environmental management system using Hitachi Group's internal environmental audit.

3. Management of Proceeds

- The proceeds will be managed by Treasury Dept. of the Issuer.
- The proceeds will be managed on the cash book until the entire proceeds are allocated to the eligible project.
- Until the entire proceeds are allocated to eligible renewable energy projects, disclosure documents will be disclosed either (or both) in Hitachi Capital Report and/or on the Issuer's website on an annual basis.
- Disclosed content will include the amount of proceeds allocated to projects, ratios of finance and refinance, and an unallocated amount.
- Until the allocation of proceeds is determined, the proceeds will be held as cash and equivalents, which will be disclosed in the Shelf Registration Supplements and other statutory documents at the issuance of the green bond.

4. Reporting

- The status of reporting will be disclosed in either (or both) Hitachi Capital Report and/or on the issuer's website on an annual basis.
- The accuracy of the reporting will be subject to R&I's third-party review once a year.
- The following will be disclosed in either (or both) Hitachi Capital Report and/or on the Issuer's website.
 - The amount of allocated proceeds
 - The number of allocated projects
 - Amount of power generated by the allocated projects (kWh)
 - Amount of the GHG emissions reduced by the allocated projects (%)
 - Outline of renewable energy project to which the proceeds have been invested (to the extent possible from the aspect of confidentiality)

■ Evaluation on Green Bond Framework (Second Opinion)

In line with R&I Green Bond Assessment Methodology, R&I evaluated if the green bond framework prepared by Issuer is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

1. Use of Proceeds

For green bond proceeds to be used to invest in projects with environmental benefits, the eligible projects in which the funds are invested must be identified as being environmentally beneficial.

Main basis for evaluation

- Details of the framework
- Evaluation of examination details of the eligible Green Bond projects

Evaluation

- Under the Framework, the proceeds are allocated to the purchase of facilities, etc with respect to the photovoltaic power generation, wind power generation and other renewable energy generation projects conducted by the Issuer or its subsidiary. Eligible projects are limited to a newly-developed power generation project, or a project that has been started operation within two years of commencement. In cases where the proceeds are allocated to a subsidiary's project, the loans provided by the Issuer will be the direct use of proceeds.
- R&I has conducted an evaluation, through interviews and in writing, about the qualification of the photovoltaic power generation project and the wind power generation project which are assumed to be the eligible projects for the time being as to (1) whether the environmental benefits from eligible projects are sufficient and (2) whether consideration is given to a potentially negative aspect of environmental impact through the development and operation process. Consequently, R&I considers the use of the proceeds is appropriate. The reasons are described below:
- The eligible project type is renewable energy that is assumed to generate sufficient environmental effect (CO2 emissions reduction). The 5th Strategic Energy Plan (approved by the Cabinet on July 3, 2018) suggests a direction of making renewable energy as a major power source. Specifically, according to the Plan, Government of Japan will aim at achieving a target of reducing greenhouse gases by 26% by 2030 by implementing measures for laying the foundation for making renewable energy into a major power source. The GOJ, with an aim at a target of greenhouse gas emissions reduction by 80% by 2050, also presents a direction of making it an economically self-supporting, decarbonized main source of electricity. The projects of renewable energy power generation such as photovoltaic power generation and wind power generation, to which the proceeds will be used, are in line with the policy direction of the GOJ that aims at creating a supply structure where environmental accessibility can be achieved.

- Upon the investment to renewable energy projects, the Issuer uses “The Guideline for the Investment of Renewable Power Projects” and “Check list prescribed in the rule for the Investment of Renewable Power Projects” that have been developed to confirm the environmental effect. R&I obtained these Guidelines and Check list, on which it conducted an evaluation using the Framework. R&I also examined Technical Report (power generation projections, etc.) of the photovoltaic power generation projects to which the proceeds will be used and a research report on environment.
- From (1)’s point of view, R&I confirmed that the eligible projects can provide sufficient business feasibility based on the project site secured, selection of major power generation facilities and an O&M system, etc. Consequently, R&I considers sufficient environmental benefits (CO2 emissions reduction) can be expected from the eligible projects as a green bond project.
- From (2)’s point of view, R&I confirmed that consideration is given by the Issuer to the surrounding environment by, for example, obtaining certifications required through the process of development and operation. Consequently, R&I considers due consideration is given to a potentially negative aspect of environmental impact.
- R&I also confirmed that, in cases where the proceeds are to be used to renewable energy projects other than photovoltaic or wind power generation, the Issuer would conduct the same evaluation as to those conducted on these eligible projects.

For the reasons stated above, R&I has judged the use of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

2. Process for Project Evaluation and Selection

For green bond proceeds to be used to invest in projects with environmental benefits, the issuer's rationale and process regarding the selection of eligible projects must be clear and reasonable.

Main basis for evaluation

- Details of the framework
- Evaluation of Environmental Policy, Group-wide Strategy, and mid-term management plan of Hitachi Capital
- Evaluation of eligible project details

Evaluation

- The eligible projects are selected based on “Sustainable and steady energy source”, one of the key issues in accordance with the Issuer’s Management Policy.
- Sufficient environmental benefits (and business feasibility) are expected from each eligible project, and consideration is given to a potentially negative aspect of environmental and social impact.
- With respect to the process of project evaluation and selection, the Framework states that Treasury Dept., CSR Promotion Dept. and Environmental Promotion Committee of the Issuer shall select a project that qualifies the criteria, on which President & CEO makes a final decision. Project screening is conducted by several departments to secure internal supervision and verification, and also involved by the senior management, which R&I considers to be a systematic approach of the Issuer.

For the reasons stated above, R&I has judged the process for project evaluation and selection under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

3. Management of Proceeds

For the green bond proceeds to be used to invest in projects with environmental benefits, the proceeds must be allocated to eligible projects, and must not be invested in projects other than eligible projects.

Main basis for evaluation

- Details of the framework

Evaluation

- The proceeds will be managed by Treasury Dept. in accordance with the flow of management. Management of the proceeds will be involved by two or more persons.
- The status of allocation of the proceeds and outstanding proceeds of the green bond will be managed on the cash book until the entire amount is allocated. Unallocated proceeds may be held as cash and equivalents.
- In the event of unforeseeable circumstances that the proceeds cannot be allocated to the planned project, the proceeds would be used to invest in another renewable energy project predetermined by the Framework.
- The proceeds management is considered appropriate.

For the reasons stated above, R&I has judged that the policy for management of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

4. Reporting

To ensure that green bond proceeds are used to invest in projects with environmental benefits, the issuer is expected to provide details on the eligible projects, the timing of investments, and the environmental benefits yielded by the projects.

Main basis for evaluation

- Details of the framework

Evaluation

- The reporting of the green bond will be disclosed either (or both) on Hitachi Capital Report and/or on the Issuers website.
- The reporting shall be provided on the items below:
The allocated amount of proceeds
The number of allocated projects
Amount of power generated by the allocated projects (kWh)
Amount of the GHG emissions reduced by the allocated projects (%)
Outline of the renewable energy project to which the proceeds are invested (to the extent possible from confidential point of view)
- R&I believes the evaluation provides accurate information as to when and what the project is invested, as well as what the resulting environmental benefits are generated.

For the reasons stated above, R&I has judged that reporting under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

<Comprehensive Evaluation>

In line with the assessment methodology of R&I green bond assessment, R&I has judged that the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

This second opinion shall be applied to the green bond to be issued at this time. For subsequent issues, R&I will review the status and then release its second opinion again.

■ Evaluation Result on the Green Bond

In line with the assessment methodology of R&I Green Bond Assessment, R&I confirmed if the amount and term of the green bond to be issued, as well as details of eligible projects and the allocation schedule, etc. thereof, are in conformity to the provisions of the framework. Also, in accordance with the details of the framework and specific measures to be taken for the green bond, R&I evaluated the extent the proceeds from the green bond are used to invest in businesses with environmental benefits.

1. Use of Proceeds

- The eligible project to be invested using the green bond proceeds is a photovoltaic power generation plant included in the eligible projects under the Framework, and is in conformity to the Green Bond Framework.
- R&I conducted an evaluation as to (1) whether the environmental benefits from eligible projects are sufficient and (2) whether consideration is given to a potentially negative aspect of environmental impact through the development and operation process, along with the evaluation of the Framework.
- R&I also examined Technical Report (power generation projections, etc.) of the photovoltaic power generation project to which the proceeds will be used and a research report on environment. Consequently, R&I confirmed that the eligible project can provide sufficient environmental benefits, and that consideration would be given to a potentially negative aspect of environmental impact through the development and operation process.

Outline of the eligible photovoltaic power generation project

Name of project	Location	Generation capacity	Projected power generation	Operation start date (plan)
Photovoltaic power generation plant in Niimi city	Niimi city, Okayama pref.	36,402kw	38,270Mwh/year (*)	4th quarter of 2020

* The quantity of power used by 10,000 households per year

For the reasons stated above, R&I considers the use of proceeds from the issuance of the green bond has superior environmental benefits.

2. Process for Project Evaluation and Selection

- R&I confirmed that eligible projects for the green bond will be selected based on the framework established by the issuer.
- R&I has judged that the process for project evaluation is excellent as very clear and reasonable.

3. Management of Proceeds

- R&I confirmed that the proceeds will be managed based on the framework established by the issuer.
- Allocation of the proceeds of the green bond is expected to be completed in about one year from the issuance.
- R&I has judged that the proceeds management framework of the green bond is excellent as properly defined.

4. Reporting

- R&I confirmed that reporting will be implemented in accordance with the framework stipulated by the issuer.
- R&I has judged that the policy for reporting on the green bond is excellent in content and frequency.

5. Environmental activities of the issuer

The extent the proceeds from a green bond is used to invest in businesses with environmental benefits is considered to be affected by issuer's attitude toward environmental activities and track records of such activities. This is because an issuer with higher interest in and more track records of environmental activities are more likely to allocate proceeds from a green bond to businesses with environmental benefits and get those businesses done.

- The Issuer has formulated its group-wide strategy and mid-term management plan in line with an environmental policy it established in 2005, and implemented a wide range of environmental and energy projects including the introduction of renewable energy.
- The system and measures of environmental initiatives have been strengthened. In FY2015, CSR priority issues were clarified by CSR Promotion Committee consisted of department managerial personnel (*2). In 2018, the Issuer established CSR Promotion Dept. for further enhancement of the system, accelerating the activities by, for example, joining an initiative to determine Science Based Targets (SBT).
- R&I has judged the issuer's attitude toward environmental activities is excellent.

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http://www.hitachi-capital.co.jp/hcc/english/company/pdf/csr2018/18_Hitachi_Capital_Eng_all.pdf

「Hitachi Capital Environmental Efforts Web」



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






<Comprehensive evaluation>

For the reasons stated above, R&I has judged that the green bond will be issued under the framework established by the issuer and is in conformity to Green Bond Principles 2018 and the four requirements of Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

R&I also evaluated the green bond in line with R&I Green Bond Assessment. In accordance with the comprehensive evaluation based on individual evaluation result by item, R&I has judged that the proceeds from the green bond subject to evaluation is highly likely to be used to invest in businesses with environmental benefits and assigned GA1 (preliminary) to the bond. Individual evaluation result by item is as follows:

【Assessment of each item】

Each item has been assessed on a scale of one to five, with  being the highest and  being the lowest.

Item	Assessment	Summary
Use of proceeds		Each eligible project is expected to produce sufficient environmental improvement effects, and consideration is given to potentially negative effects on the environment in the project development and operation. R&I has judged that the extent to which the proceeds from the issuance of the green bond are used to invest in projects with environmental benefits is especially excellent.
Process for project evaluation and selection		The process for project evaluation and selection of the green bond has been judged to be excellent in clarity and reasonableness.
Management of proceeds		Management of proceeds from the green bond has been judged to be appropriately established and excellent.
Reporting		Reporting policy of the green bond has been judged to be excellent in content and frequency.
Issuer's environmental contribution activities		The issuer established environmental policies and framework, formulated goals and action plans based on its vision, and is implementing various initiatives for business and environmental conservation in line with these. R&I has judged the issuer's attitude toward environmental activities is excellent.

The methodology for R&I Green Bond Assessment is disclosed on R&I's website.
https://www.r-i.co.jp/en/rating/products/green_bond/methodology.html

R&I Green Bond Assessment is R&I's opinion regarding the extent to which the proceeds from the issuance of green bonds are used to invest in projects with environmental benefits. In R&I Green Bond Assessment, R&I may also provide a second opinion on a green bond framework. R&I Green Bond Assessment does not certify the environmental benefits and other qualities of the eligible projects. Hence, R&I will not be held responsible for the effectiveness of the projects, including their environmental benefits. R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

R&I Green Bond Assessment is not, in any sense, statements of current, future, or historical fact and should not be interpreted as such, and R&I Green Bond Assessment is not a recommendation to purchase, sell, or hold any particular securities and does not constitute any form of advice regarding investment decisions or financial matters. R&I Green Bond Assessment does not address the suitability of an investment for any particular investor. R&I issues R&I Green Bond Assessment based on the assumption that each investor will investigate and evaluate the securities which they plan to purchase, sell, or hold for themselves. All investment decisions shall be made at the responsibility of the individual investor.

The information used when R&I issues R&I Green Bond Assessment is information that R&I has determined, at its own discretion, to be reliable. However, R&I does not undertake any independent verification of the accuracy or other aspects of that information. R&I makes no representation or warranty, express or implied, as to the accuracy, timeliness, adequacy, completeness, merchantability, fitness for any particular purpose, or any other matter with respect to any such information.

R&I may suspend or withdraw R&I Green Bond Assessment at its discretion due to insufficient data or information, or other circumstances.

R&I is not responsible or liable in any way to any party, for all or any damage, loss, or expenses arising out of or in relation to errors, omissions, inappropriateness of, or insufficiencies in the information used when issuing R&I Green Bond Assessment, R&I Green Bond Assessment or other opinions, or arising out of or in relation to the use of such information or R&I Green Bond Assessment, or amendment, suspension, or withdrawal of R&I Green Bond Assessment (regardless of the nature of the damage, including direct, indirect, ordinary, special, consequential, compensatory, or incidental damage, lost profits, non-monetary damage, and any other damage, and including expenses for attorneys and other specialists), whether in contract, tort, for unreasonable profit or otherwise, irrespective of negligence or fault of R&I. As a general rule, R&I issues R&I Green Bond Assessment for a fee paid by the applicant.

The Assessment Methodologies R&I uses in connection with evaluation are R&I's opinions prepared based on R&I's own analysis and research, and R&I makes no representation or warranty, express or implied, as to the accuracy, timeliness, adequacy, completeness, merchantability, fitness for any particular purpose, or any other matter with respect to the Assessment Methodologies. Further, disclosure of the Assessment Methodologies by R&I does not constitute any form of advice regarding investment decisions or financial matters or comment on the suitability of any investment for any party. R&I is not liable in any way for any damage arising in respect of a user or other third party in relation to the content or the use of the Assessment Methodologies, regardless of the reason for the claim, and irrespective of negligence or fault of R&I. All rights and interests (including patent rights, copyrights, other intellectual property rights, and know-how) regarding the Assessment Methodologies belong to R&I. Use of the Assessment Methodologies, in whole or in part, for purposes beyond personal use (including reproducing, amending, sending, distributing, transferring, lending, translating, or adapting the information), and storing the Assessment Methodologies for subsequent use, is prohibited without R&I's prior written permission.

【Japanese is the official language of this material and if there are any inconsistencies or discrepancies between the information written in Japanese and the information written in languages other than Japanese the information written in Japanese will take precedence.】

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name: Hitachi Capital Corporation

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Independent External Review provider's name: Rating and Investment Information, Inc. (R&I)

Completion date of this form: February 22, 2019

Publication date of review publication: February 22, 2019

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|--|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

Latest update: June 2018

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

[R&I Green Bond Assessment]

R&I has judged, in accordance with R&I Green Bond Assessment Methodology, that the proceeds from the green bond would be invested into projects with significant environmental benefits, and assigned GA1 to the green bond..

[Second Opinion on the alignment with Green Bond Principles, etc.]

R&I has also provided a second opinion that the green bond framework is aligned with Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

For details, please refer to R&I Green bond assessment report above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

< Evaluation on the Green Bond Framework >

- Under the Framework, the proceeds are allocated to the purchase of facilities, etc with respect to the photovoltaic power generation, wind power generation and other renewable energy generation projects conducted by the Issuer or its subsidiary. Eligible projects are limited to a newly-developed power generation project, or a project that has been started operation within two years of commencement. In cases where the proceeds are allocated to a subsidiary's project, the loans provided by the Issuer will be the direct use of proceeds.
- R&I has conducted an evaluation, through interviews and in writing, about the qualification of the photovoltaic power generation project and the wind power generation project which are assumed to be the eligible projects for the time being as to (1) whether the environmental benefits from eligible projects are sufficient and (2) whether consideration is given to a potentially negative aspect of environmental impact through the development and operation process. Consequently, R&I considers the use of the proceeds is appropriate. The reasons are described below:
- The eligible project type is renewable energy that is assumed to generate sufficient environmental effect (CO2 emissions reduction). The 5th Strategic Energy Plan (approved by the Cabinet on July 3, 2018) suggests a direction of making renewable energy as a major power source. Specifically, according to the Plan, Government of Japan will aim at achieving a target of reducing greenhouse gases by 26% by 2030 by implementing measures for laying the foundation for making renewable energy into a major power source. The GOJ, with an aim at a target of greenhouse gas emissions reduction by 80% by 2050, also presents a direction of making it an economically self-supporting, decarbonized main source of electricity. The projects of renewable energy power generation such as photovoltaic power generation and wind power generation, to which the proceeds will be used, are in line with the policy direction of the GOJ that aims at creating a supply structure where environmental accessibility can be achieved.

- Upon the investment to renewable energy projects, the Issuer uses “The Guideline for the Investment of Renewable Power Projects” and “Check list prescribed in the rule for the Investment of Renewable Power Projects” that have been developed to confirm the environmental effect. R&I obtained these Guidelines and Check list, on which it conducted an evaluation using the Framework. R&I also examined Technical Report (power generation projections, etc.) of the photovoltaic power generation projects to which the proceeds will be used and a research report on environment.
- From (1)’s point of view, R&I confirmed that the eligible projects can provide sufficient business feasibility based on the project site secured, selection of major power generation facilities and an O&M system, etc. Consequently, R&I considers sufficient environmental benefits (CO2 emissions reduction) can be expected from the eligible projects as a green bond project.
- From (2)’s point of view, R&I confirmed that consideration is given by the Issuer to the surrounding environment by, for example, obtaining certifications required through the process of development and operation. Consequently, R&I considers due consideration is given to a potentially negative aspect of environmental impact.
- R&I also confirmed that, in cases where the proceeds are to be used to renewable energy projects other than photovoltaic or wind power generation, the Issuer would conduct the same evaluation as to those conducted on these eligible projects.

For the reasons stated above, R&I has judged the use of proceeds under the framework is inconformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

< Evaluation on the Green Bond >

- The eligible project to be invested using the green bond proceeds is a photovoltaic power generation plant included in the eligible projects under the Framework, and is in conformity to the Green Bond Framework.
- R&I conducted an evaluation as to (1) whether the environmental benefits from eligible projects are sufficient and (2) whether consideration is given to a potentially negative aspect of environmental impact through the development and operation process, along with the evaluation of the Framework.
- R&I also examined Technical Report (power generation projections, etc.) of the photovoltaic power generation project to which the proceeds will be used and a research report on environment. Consequently, R&I confirmed that the eligible project can provide sufficient environmental benefits, and that consideration would be given to a potentially negative aspect of environmental impact through the development and operation process.

Outline of the eligible photovoltaic power generation project

Name of project	Location	Generation capacity	Projected power generation	Operation start date (plan)
Photovoltaic power generation plant in Niimi city	Niimi city, Okayama pref.	36,402kw	38,270Mwh/year (*)	4th quarter of 2020

* The quantity of power used by 10,000 households per year

For the reasons stated above, R&I considers the use of proceeds from the issuance of the green bond has superior environmental benefits.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings (Environmentally Responsible Building) |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

< Evaluation on the Green Bond Framework >

- The eligible projects are selected based on “Sustainable and steady energy source”, one of the key issues in accordance with the Issuer’s Management Policy.
- Sufficient environmental benefits (and business feasibility) are expected from each eligible project, and consideration is given to a potentially negative aspect of environmental and social impact.
- With respect to the process of project evaluation and selection, the Framework states that Treasury Dept., CSR Promotion Dept. and Environmental Promotion Committee of the Issuer shall select a project that qualifies the criteria, on which President & CEO makes a final decision. Project screening is conducted by several departments to secure internal supervision and verification, and also involved by the senior management, which R&I considers to be a systematic approach of the Issuer.

For the reasons stated above, R&I has judged the process for project evaluation and selection under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

< Evaluation on the Green Bond >

- R&I confirmed that eligible projects for the green bond will be selected based on the framework established by the issuer.
- R&I has judged that the process for project evaluation is excellent as very clear and reasonable.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

< Evaluation on the Green Bond Framework >

- The proceeds will be managed by Treasury Dept. in accordance with the flow of management. Management of the proceeds will be involved by two or more persons.
- The status of allocation of the proceeds and outstanding proceeds of the green bond will be managed on the cash book until the entire amount is allocated. Unallocated proceeds may be held as cash and equivalents.
- In the event of unforeseeable circumstances that the proceeds cannot be allocated to the planned project, the proceeds would be used to invest in another renewable energy project predetermined by the Framework.
- The proceeds management is considered appropriate.

For the reasons stated above, R&I has judged that the policy for management of proceeds under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

< Evaluation on the Green Bond >

- R&I confirmed that the proceeds will be managed based on the framework established by the issuer.
- Allocation of the proceeds of the green bond is expected to be completed in about one year from the issuance.
- R&I has judged that the proceeds management framework of the green bond is excellent as properly defined.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (*please specify*):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

< Evaluation on the Green Bond Framework >

- The reporting of the green bond will be disclosed either (or both) on Hitachi Capital Report and/or on the Issuers website.
- The reporting shall be provided on the items below:
 - The allocated amount of proceeds
 - The number of allocated projects
 - Amount of power generated by the allocated projects (kWh)
 - Amount of the GHG emissions reduced by the allocated projects (%)
 - Outline of the renewable energy project to which the proceeds are invested (to the extent possible from confidential point of view)
- R&I believes the evaluation provides accurate information as to when and what the project is invested, as well as what the resulting environmental benefits are generated.

For the reasons stated above, R&I has judged that reporting under the framework is in conformity to Green Bond Principles 2018 and Green Bond Guidelines 2017 by Ministry of the Environment of Japan.

< Evaluation on the Green Bond >

- R&I confirmed that reporting will be implemented in accordance with the framework stipulated by the issuer.
- R&I has judged that the policy for reporting on the green bond is excellent in content and frequency.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (<i>please specify</i>): |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Issuer's website or 「Hitachi Capital report」 |
| <input type="checkbox"/> Reporting reviewed (<i>if yes, please specify which parts of the reporting are subject to external review</i>): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

The methodology for R&I Green Bond Assessment

https://www.r-i.co.jp/en/rating/products/green_bond/assessment.html

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|---|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.