The world economy faced unprecedented difficulties in the past fiscal year as the financial crisis triggered by the U.S. subprime loan problem threw the economy into disarray in the latter part of 2008.

The market shockwaves spread to the Hitachi Group’s businesses, causing a large drop in demand in auto-related and other businesses that were viewed as growth fields. The impacts were particularly acute during the second half of the fiscal year. Even now as I write this letter, the outlook is unclear, with concerns about further restrictions on lending, the risk of shrinking IT investment and persistent sluggishness in consumer spending. The picture for the economic environment is far from rosy as things stand today.

Under these bleak conditions, Hitachi saw consolidated revenues fall 11% from the previous fiscal year, to ¥10,000.3 billion, and operating income fell 63%, to ¥127.1 billion. Furthermore, we posted a net loss of ¥787.3 billion, ¥729.2 billion worse than our fiscal 2007 result. One of the main reasons for this wider loss was business structure reform expenses in flat-panel TV, automotive systems and certain other businesses, including impairment losses relating to fixed assets. Higher net equity in losses of the affiliated semiconductor company and the write-off of deferred tax assets were among other factors that also brought about this bottom-line result.
In terms of our financial condition, the large net loss significantly eroded stockholders’ equity. As a result, the debt-to-equity ratio (interest-bearing debt/(minority interests + stockholders’ equity)) worsened by 0.53 points from March 31, 2008 to 1.29 at March 31, 2009. The annual cash dividend per share applicable to fiscal 2008 was ¥3.0, as we decided to suspend the year-end dividend.

I deeply regret that we were unable to live up to shareholders’ expectations with our fiscal 2008 performance.

We have positioned fiscal 2009 as a year to make a fresh start at the Hitachi Group. Hitachi has many years of experience and know-how in the Social Innovation Business, which includes social infrastructure and information infrastructure. Indeed, this is one of the sources of our strength and we will therefore concentrate business resources on the Social Innovation Business going forward. In this way, we will proceed with efforts to transform Hitachi into a company that can generate stable profit growth.

We will pursue further growth in the Social Innovation Business as a matter of great importance. This field includes such areas as information and telecommunication systems, power systems, environmental, industrial and transportation systems, and urban systems. Concurrent with these growth-driving steps, we will quickly improve and drastically reform businesses currently making losses. Key components and materials that underpin all businesses is another focus. We will concentrate resources here on growth fields, including the Social Innovation Business.

Despite the difficult economic times, social infrastructure continues to be built around the world. By playing a greater role in building this infrastructure, we aim to create a stable profit structure. We are determined to strengthen the core domains of the Social Innovation Business, including by restructuring Group companies operating in these domains.

Eyeing growth several years ahead, we will continue efforts to differentiate Hitachi on the global stage through the ongoing combination of businesses and technologies in the Social Innovation Business. Three goals are key in this context: fusing information and telecommunication systems and power and industrial systems, transforming into a truly global company, and expanding environmental businesses. Achieving these goals should create a more stable profit base and lead to further growth. In short, the Hitachi Group is seeking to create a new business model that leverages its unique capabilities and takes into consideration the environment to help build safe and highly reliable infrastructure around the world. We are committed to meeting your expectations by steadily executing this vision.

The Hitachi Group’s history attests to the fact that it has not always been plain sailing over the years. Successive generations of management have had to contend with many different crises. But history also shows that we have surmounted all of these crises with the trust of customers and our founding spirit encapsulated by the words “Harmony,” “Sincerity” and “Pioneering spirit,” and gone on to grow immensely. We view the current management crisis with a positive mindset and will draw on our pioneering spirit again to drive growth.

Takashi Kawamura
Representative Executive Officer, Chairman, President and Chief Executive Officer

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