The world is in the midst of major structural changes, both socially and economically. These changes are spawning new demand for the construction of infrastructure with a lower environmental footprint. And I think this demand will come not only from emerging economies that are working to build infrastructure, but also industrialized economies. Amid this drastic change and the subsequent recovery in the economic environment since the latter half of 2008, many countries have to invest heavily in environment-related fields as part of massive economic measures.

Meeting these market needs will require further technological advances as well as the establishment and enhancement of infrastructure fused with information and telecommunications technologies. I believe this era of change is a good opportunity for us to take the lead in the world by displaying our capabilities. This is because Hitachi boasts global experience in power and industrial systems and environmental systems, and cutting-edge information and telecommunications technologies. I am committed to creating a strong company that can support the demands of this new era. That's why we decided to focus more on the Social Innovation Business.

Greater Focus on the Social Innovation Business

In order for Hitachi to capitalize fully on its strengths, we plan to focus more than ever on the Social Innovation Business. The Social Innovation Business is supported by highly reliable and highly efficient information and telecommunications technology and by social infrastructure technology, which I see as an unrivaled strength and a core competency for Hitachi.
can use our experiences and expertise in these business areas to grow them more as well as to create entirely new businesses. I’m convinced our Social Innovation Business is a strength that no other company can match.

In concentrating more on the Social Innovation Business, we intend to strategically allocate R&D, human and other resources to these fields and the key devices that support them. Our R&D capabilities, which underpin MONOZUKURI (manufacturing), and our ability to integrate systems that interface with customers are major strengths that enable us to capitalize on our collective capabilities. Refocusing on what we have always done well in the past should spur our growth in the future.

We intend to place even greater emphasis on the Social Innovation Business in three key areas: fusing information and telecommunication systems and power and industrial systems; transforming into a truly global company; and expanding environmental businesses. The goal is to build a more stable profit structure.

**Fusing the Information and Telecommunication Systems and the Power and Industrial Systems**

I intend to utilize the project management and system integration expertise we have built in our information and telecommunication systems business for large-scale infrastructure projects, including power generation and railways. At the same time, we will leverage our global industrial system operations as a springboard for developing worldwide our information and telecommunication systems business, which includes eco-friendly data centers.

Moreover, we will create new added value by promoting the advanced development of smart grid systems, which are expected to be in greater demand, by fusing power generation and control system technologies.

**Transforming Into a Truly Global Company**

Over the past few years, we have substantially increased our power plant and transportation system operations, and we expect to expand overseas in these areas going forward. These large-scale overseas projects harbor enormous potential, despite the fact that the business risks are not insignificant.

The information and telecommunication systems business is one of Hitachi’s core businesses. But while the business continues to grow steadily in Japan, global development of this business will be an issue for us to address going forward.

Looking ahead, in order to engineer a transformation into a truly global company, in addition to pursuing business expansion overseas, we must team up with local partners, use personnel familiar with regional conditions and develop more locally based operations.

**Expanding Environmental Businesses**

We also plan to accelerate the development of businesses that offer environmental and energy-saving solutions based on our storehouse of technologies. There are two main pillars to this drive. One is what we call “green mobility,” namely, railway systems, automotive systems, logistics solutions and other systems and solutions that lower environmental impact. The second pillar is nuclear power generation, highly efficient coal-fired thermal power generation, smart grids and renewable energy and eco-friendly data centers. We will also strengthen key devices such as high-performance motors and inverters, and highly reliable industrial- and automotive-use lithium-ion rechargeable batteries, where we expect to capture significant synergies with the Social Innovation Business and in environmental and energy-saving fields. By strengthening these key devices, we aim to differentiate and expand our environment-related businesses. This will also help us to achieve the goal set forth in our “Environmental Vision 2025” of reducing CO2 emissions by 100 million tons by 2025 through Hitachi products and services. Furthermore, we intend to make all Hitachi Group products Eco-Products by fiscal 2025, by vigorously pursuing product development based on the Assessment for DFE (Design for Environment) system.
A number of elements are essential to reestablish Hitachi as a high-profit company: united management, faster structural reforms and global development, optimization of resources and stronger cost competitiveness on a global basis. Since April 2009, we have been implementing initiatives in these areas, spearheaded by five executive vice presidents.

1. Supervisory Office for Management Reforms
   (General Manager: Takashi Kawamura, Chairman, President and CEO, Deputy General Manager: Takashi Miyoshi, EVP)
   This office will implement business structure reforms and structural reforms of group management. We aim to resurrect a strong Hitachi by optimizing the business portfolio and channeling business resources to key fields.

2. Supervisory Office for Sales and Promotion
   (General Manager: Kazuhiro Mori, EVP)
   This office aims to expand orders and improve operating cash flows in all business fields based on a stronger market-driven approach on a global scale. In this way, we will build a globally competitive sales and marketing structure.

3. Supervisory Office for Overseas Plant Construction Business
   (General Manager: Hiroaki Nakanishi, EVP)
   This office aims to create a stable profit structure for significant projects overseas by rigorously managing large overseas projects such as nuclear power plants in the U.S., power systems in the Near and Middle East and large-scale railway systems, as well as by cooperating with local partners and bolstering engineering procurement, among others.

4. Supervisory Office for Business Infrastructure
   (General Manager: Takashi Hatchoji, EVP)
   This office will build even greater trust in Hitachi with customers and all other stakeholders by strengthening the management base and risk responsiveness through reforms in areas such as quality assurance, the environment, manufacturing, purchasing, IT and Japanese and global human resources.

5. Supervisory Office for Business Coordination
   (General Manager: Naoya Takahashi, EVP)
   This office will strengthen the Social Innovation Business by fusing information and telecommunication systems and power systems and industrial systems, as well as by upgrading the role of research divisions that support these businesses. In specific terms, we will look at developing the eco-friendly green data center business, railway information systems business and smart grid-related businesses, among other areas. By promoting these businesses, Hitachi will drive the 21st century as an age of the environment, information and energy.
Hitachi aims to establish a more stable profit base by strengthening relationships within the Group in information and telecommunication systems, power systems, environmental, industrial and transportation systems, and social and urban systems, which are at the core of the Social Innovation Business, as well as the key devices and components that support them.

Hitachi has taken steps to rebuild its business portfolio to strengthen the Social Innovation Business. For example, we established a DRAM joint venture with NEC Corporation, and joint ventures with Mitsubishi Electric Corporation for system LSIs and with Casio Computer Co., Ltd. for mobile phones. Other structural reform measures have included transferring the printer business to Ricoh Co., Ltd., exiting the consumer PC business, and initiating collaborative creation with Canon Inc. and Panasonic Corporation in LCD panels.

Furthermore, in July 2009 we split off the Consumer Business Group, which is engaged in the digital home appliances business, and the Automotive Systems Group, which is engaged in the automotive related business, and established them as wholly owned subsidiaries. In addition to promoting fast decision-making and responsive business operations, these corporate separations should strengthen competitiveness through greater cooperation with other companies. In another move in July 2009, Hitachi merged wholly owned subsidiary Hitachi Communication Technologies, Ltd. with the aim of strengthening the networking business, which is positioned as an important area in the Social Innovation Business. We are also currently in negotiations to integrate business operations at Renesas Technology Corp. and NEC Electronics Corporation.

To accelerate these moves with an even stronger resolve, at the end of July 2009 we announced plans to convert five publicly listed companies into wholly owned subsidiaries. The five companies are Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd., Hitachi Systems & Services, Ltd., Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. The aim is to improve competitiveness through the pursuit of greater synergies across the Hitachi Group.

By steadily executing these initiatives, I believe that we can optimize the organization of Hitachi as a whole and maximize Group synergies.
An In-House Company System

To further clarify business unit responsibility and authority, business units will be treated in the same way as Group companies and held accountable individually for their earnings. Each Group company has grown driven by independence and responsiveness. Now we want to instill this throughout the entire company. Besides accelerating decision-making within the Group, this move should enable Head Office to optimally allocate business resources.

Hitachi has adopted the in-house company system to further reinforce its operating base. Specifically, we will establish “companies” as virtual companies inside Hitachi with the same independence and responsiveness as Group companies. Hitachi’s Group management structure will thus center on approximately 40 companies, with these virtual companies and Group companies positioned and managed in parallel. This should establish a high profit structure across the entire Hitachi Group and create Group synergies.

This will also further clarify Hitachi’s position as a business holding company whose role is to leverage the advantages of owning these businesses itself to enhance the value of the Group as a whole.

Enhance Group Consolidated Management

Hitachi, Ltd. (Business Holding Company)

Group Corporate
Management support functions:
Structural reforms, Optimized allocation of Group resources
Use of common Group resources:
R&D, Sales, Human Resource, Manufacturing Technologies Procurements, IT and others

Seven Companies
- Information & Telecommunication System Company
- Power Systems Company
- Industrial & Social Infrastructure Systems Company

Major Subsidiaries (Group companies)
- Information & Control Systems Company
- Urban Planning and Development Systems Company
- Battery Systems Company
- Defense Systems Company

Continue to implement the most appropriate business structure reforms along with other reforms aimed improving holistic strengthen of the social innovation business as Hitachi group.

Approximately 40 “Companies”
Strengthening Finances

Hitachi aims to create a business base that can generate earnings even when demand is lackluster by cutting fixed expenses and costs on a Group-wide basis and improving business segment earnings. Furthermore, Hitachi will continue to monitor improvements in cash flows and asset efficiency as important management indicators as it works to build a robust financial base and steadily improve net income and its balance sheet. The Company’s overriding goal is to be soon once again known for its financial strength.

At the end of March 2009, stockholders’ equity stood at ¥1,049.9 billion, a decrease of ¥1,120.6 billion from a year earlier due to the recording of the biggest consolidated net loss in our history. As a result, the stockholders’ equity ratio dropped 9.4 points to 11.2% year over year. This erosion in the strength of our balance sheet has caused considerable concern to all stakeholders, and strengthening our financial position as soon as we can is of the utmost importance.

To improve our financial strength, we must restore our earnings power. We plan to do this by focusing more on the Social Innovation Business, and quickly improving the profitability and undertaking fundamental reviews of loss-making businesses. First, though, we are rigorously paring fixed expenses and costs. By adjusting our workforce and withdrawing from unprofitable businesses, among other actions, we are looking to cut fixed expenses by ¥200.0 billion compared with fiscal 2008, thereby creating a profit structure appropriate for the contracted market.

Furthermore, by making greater use of materials from overseas and in other ways, we plan to cut procurement costs by approximately ¥300.0 billion compared with fiscal 2008. In terms of cash flows, in addition to strictly selecting capital expenditures, we are reducing inventories and expediting the collection of accounts receivable, as we work to improve asset efficiency and generate cash.

Fiscal 2009 is an important year for establishing a resilient base, so that we can hold our ground and then go forward from there. The management team is firmly resolved to reforming Hitachi. We want to meet your expectations with a solid profit achieved by steadily executing our various reforms in fiscal 2010, which is our centenary.