Since the Abe administration came to power in Japan last year, expectations have grown stronger for the economy to expand as the government implements well-structured policies to steer the economy in a new direction toward growth. In the United States, the economy has also been recovering, albeit slowly. On the other hand, given mixed signals of the global economy during fiscal 2012, the world wide situation is a little more complicated—the sovereign debt crisis continues to linger in Europe, economic growth is decelerating in China, and economic expansion has slowed in emerging countries due in part to a decline in exports. Amid this economic environment, Hitachi managed to complete the goals of its 2012 Mid-term Management Plan, thanks to the strong support of our shareholders and customers. Despite the complex economic situation and surmounting the challenges of the Great East Japan Earthquake and several other natural disasters over the past three years, Hitachi has pushed ahead with business development and reforms on various fronts, which has led to the steady generation of net income. Looking back, the central aim of the 2012 Mid-term Management Plan was to recover from the operational crisis. We believe Hitachi was largely successful in achieving this aim, and I would like to sincerely thank our shareholders, our customers, as well as our other stakeholders for their support and understanding during this difficult period.

In light of this successful recovery, Hitachi is now moving away from recovery mode to focus our management resources on the development of new growth. Our 2015 Mid-term Management Plan, which we unveiled in May 2013, lays out our strategies to spur new growth, including advancement of the Social Innovation Business and promotion of global business development. Approaching business with a “customer-first” perspective lies at the very heart of our Management Plan. Under this approach, we listen carefully to our customers and identify their precise needs and concerns. We then create innovative solutions tailored
especially to address these needs and concerns. Hitachi takes this approach to business all over the globe, and it is a key factor in helping us to achieve sustainable growth. In advancing this strategy, we must strengthen our global sales and engineering capabilities. It is also crucial that we hire and nurture personnel from a wide variety of backgrounds, as human capital is a key to improving our competitiveness. Towards this end, we have created a common global standard for evaluating personnel of the Hitachi Group companies, in addition to developing programs to train and nurture our employees. We are applying these measures to the Hitachi Group companies around the world.

One more important driver of growth in our Social Innovation Business is the expansion of services. In the course of creating innovative solutions for our customers, we often discover various issues concerning the development of management strategies that go beyond the mere maintenance and operation of equipment and systems. To address these issues, we make much use of Hitachi’s advanced information technologies (IT), including cloud computing, and our control technologies. A prime example of this is the utilization of “Big Data”—the vast volumes of data arising from equipment and systems linked together and controlled over networks, which is collected, analyzed and utilized in the creation of further services. By applying such cutting-edge IT and control technologies, Hitachi is creating new services which help to solve the business management concerns of our customers.

Through such business efforts, in fiscal 2015 we aim to achieve consolidated revenues of ¥10 trillion, EBIT (earnings before interest and taxes) and operating income ratios of over 7%, and expect the net income attributable to Hitachi, Ltd. stockholders to be over ¥350 billion. These numbers represent the goals of the 2015 Mid-term Management Plan, the minimum figures needed for Hitachi to achieve growth in the global market. We aim to improve our profit levels, financial resilience and invest actively, keeping in mind stable shareholder returns, thereby achieving a level of growth that meets the expectations of our shareholders.

As for corporate governance, we have made steady efforts to further enhance openness and diversity. In this respect, regarding the constitution of our Board of Directors, we are pleased to say that outside Directors now account for the majority, which has strengthened corporate governance from the perspective of our shareholders and other stakeholders in the markets. In 2012, Hitachi appointed two non-Japanese outside Directors, and in June of this year, we welcomed Ms. Cynthia Carroll as a new outside Director. Of the 14 members of the Board of Directors, eight are now outside Directors and four are non-Japanese. These diverse members deliberate matters concerning business execution and management direction for the Hitachi Group, considering all issues from a global standpoint, and offering opinions that are not restricted by the conventions of Hitachi or the business culture of Japan.

In May 2013, we formulated the Hitachi’s Vision, which sets forth our ideals for the future of the Hitachi Group. The heart of the Vision is this:

“Hitachi delivers innovations that answer society’s challenges. With our talented team and proven experience in global markets, we can inspire the world.”

In other words, Hitachi is striving to deliver solutions that answer the challenges of society and fulfill the needs of our customers. We are doing this by enhancing the competitiveness of our products and systems, fully harnessing our global talent, experience and knowledge and expanding our range of services through the application of state-of-the-art IT and advanced control technologies, such as those utilizing cloud computing and Big Data.

To help facilitate our efforts towards achieving our goals, we kindly request the continued support and understanding of our shareholders.

July 2013

Hiroaki Nakanishi
President