To Our Shareholders

In markets around the world, economic conditions are ever-changing. The economies are slowing in certain emerging countries, while encouraging changes are being seen in others as governments focus on growth and greater prosperity. In India, for example, hopes for economic growth are rising since the new administration came to power, and in China, steps are being taken to stimulate internal demand as the country strives to sustain its economic expansion. In response to these types of changes, which affect societies, regions, and people, we will work together with our customers to identify their challenges and provide innovative solutions through Hitachi’s Social Innovation Business. At the same time, we will continue to implement proactive management strategies that facilitate our transformation into a truly global company, while helping to drive the national growth strategy of the Japanese government.

In recent years, Hitachi has changed its basic management strategy from recovery to growth. Through our 2012 Mid-term Management Plan, launched in fiscal 2010, Hitachi successfully recovered from an operational crisis. In May 2013, in our path toward new growth, we launched our 2015 Mid-term Management Plan. In fiscal 2013, the first year of the current plan, Hitachi achieved record-high levels of operating income and EBIT, as well as year-on-year increases in revenues, net income attributable to Hitachi, Ltd. stockholders, and total Hitachi, Ltd. stockholders’ equity ratio (manufacturing, services & others). We also achieved year-on-year increases in our service revenue ratio, which rose to 32%, and in our overseas revenue ratio, which reached 45%. As these figures illustrate, we have been making steady progress. Nevertheless, amid ever-accelerating globalization, we have also begun to identify a new series of challenges.

Fiscal 2014, the second year of the 2015 Mid-term Management Plan, will be critical in our continued efforts to promote further growth. Accordingly, we will promote measures to resolve the challenges we face and devise and implement specific growth strategies for each business division.

Specifically, to accelerate global initiatives in our Social Innovation Business, we will strengthen our engineering teams while allowing them to work more closely with sales teams in each country to formulate and propose solutions to our customer’s business challenges. At the same time, we will strengthen our ability to fully support the business operations of our customers by offering consultations for the supply of products, systems, and services.
With regard to our products, we will strive to further enhance their competitiveness in global markets, in addition to offering “product services” that provide operation and maintenance support throughout the entire product lifecycle. Through these and other measures, we will work to provide solutions that fully resolve the challenges our customers face.

Regarding global business development, we have reaffirmed the importance of China and the United States as high-priority regions. China, along with Europe, India and Asia, had been designated a high-priority region, but the recent clarification of economic policies in the country has reaffirmed this status. The growing signs of economic growth potential in the United States also led us to reaffirm that country’s status as a high-priority region. Accordingly, we have been stepping up our initiatives in these two countries. In June 2014, Hitachi Group senior executives convened in Beijing where they formulated a new growth strategy that we are now implementing. In April 2014, we assigned a vice president and executive officer to the United States to act as head of our global IT service business. We also established the position of global chief executive officer for our rail systems business in the United Kingdom. These executives have commenced autonomous decentralized operations. In these ways, we are aggressively promoting the globalization of our management.

To ensure the steady development of global business, it is essential that we increase our ability to generate cash. Towards that end, we will take steps to improve profitability and continue implementation of the Hitachi Smart Transformation Project, our cost structure reform project. Taking an end-to-end perspective, we will reevaluate business processes, from order receipt to design, manufacturing, sales, and service. In this way, we will enhance the efficiency of our entire operation, thereby achieving further cost reductions and generating cash in the process.

To effectively advance these measures, it is essential that we optimize and nurture our global talent. We are currently establishing a global, Group-wide human resources management platform that will help us place the right people in the right jobs and maximize the performance of our employees, wherever they may be.

We have also taken steps to strengthen our management system so that we can promote our growth strategies, which is a top priority. In October 2013, we appointed nine “C-suite” officers, including a CFO and a CMO, and we clarified the missions of our executive officers. Furthermore, in April 2014, we were appointed as Hitachi’s Chairman & CEO and President & COO, respectively. In our new roles, we will continue to enhance Hitachi’s management agility while steering the Group on a clear course towards solid and sustained growth. Furthermore, we will stimulate growth in profits by allocating this newly created cash to strategic investments, thereby ensuring a steady continuation of the current growth phase. Through these and other measures, we are confident that we can meet the expectations of our shareholders.

Working together under this new management system, each and every member of the Hitachi Group will strive to reach the targets of the 2015 Mid-term Management Plan and achieve further growth. Accordingly, as an important shareholder of Hitachi, Ltd., we would like to ask you for your continued understanding and support.

July 2014

Hiroaki Nakanishi
Chairman & CEO

Toshiaki Higashihara
President & COO