

To Our Shareholders



Toshiaki Higashihara
President & CEO

In fiscal 2015, the final year of the 2015 Mid-term Management Plan, Hitachi recorded revenues of ¥10,034.3 billion (3% up YoY), adjusted operating income of ¥634.8 billion (1% down YoY), EBIT (earnings before interest and taxes) of ¥531.0 billion (1%, down YoY), and net income attributable to Hitachi, Ltd. stockholders of ¥172.1 billion (21% down YoY).

During the 2015 Mid-term Management Plan, Hitachi achieved a stable adjusted operating income ratio above 6% and recorded steady improvement in its earning power. In addition, we have been increasing our cash-generating capability through the Hitachi Smart Transformation Project. Hitachi continues to concentrate investments in the Social Innovation Business, and has acquired businesses with annual sales of ¥600.0 billion to strengthen its position in key focus areas. In addition, we reorganized our portfolio by deconsolidating businesses with annual sales of ¥900.0 billion. With these measures, we aggressively restructured our business portfolio and further increased our earning power, while also creating a pathway for future growth.

Today, global competition is intensifying. Moreover, the trends toward the Internet of Things (IoT) and digitalization are starting to generate significant changes, not only in the way businesses operate but also in the way people live.

Anticipating these changes and aiming to become “An Innovation Partner for the IoT Era,” we formulated the 2018 Mid-term Management Plan in May 2016. With the focused business domains of Power / Energy; Industry / Distribution / Water; Urban; and Finance / Public / Healthcare, Hitachi will expand its global business by developing an advanced Social Innovation Business utilizing digital technologies.

Accordingly, beginning this fiscal year, we launched a market-driven business structure comprised of three layers. The layers include the *front*, which consists of primarily the 12 business units that work to develop and provide services close to customers; the *platform*, which enables the Company to provide services quickly and efficiently; and the *products*, which are



globally competitive. Lumada, our newly built IoT platform, is an open, highly flexible common platform that incorporates the artificial intelligence (AI), analytics, and operational technology that are indispensable in service development. With Lumada, Hitachi is accelerating collaborative creation with its customers. Under the new Hitachi business structure, our front will draw upon the products and platform to drive innovation and deliver new value to society.

In fiscal 2018, we will strive to achieve revenues of ¥10,000.0 billion, adjusted operating income and EBIT ratios of more than 8% each, and net income attributable to Hitachi, Ltd. stockholders of more than ¥400.0 billion through these initiatives. These are milestones for Hitachi's global growth and the minimum targets we must achieve.

Through the advanced Social Innovation Business, which utilizes digital technologies, Hitachi will accelerate collaborative

creation with its customers and contribute to enhancing the quality of life for people. We also aim to achieve sustainable growth. We would like to ask for your continued support and understanding in the years ahead.

August 2016
President & CEO

T. Higashihara