

Toward becoming a social innovator trusted by customers, creating new value in the next era

Thank you very much for your continued support for the business of your Hitachi Kokusai Electric Group.

I wish to express my heartfelt sympathy for the many people suffering from the Great East Japan Earthquake that struck in March of this year. I hope that the area affected will be restored soon.

On the day the earthquake struck, your group established the Company-wide Emergency Headquarters, and began confirming the safety of your group employees and their families, monitoring the extent of the damage, inquiring about the status of our affected customers, providing affected municipalities with simple wireless equipment and peripherals, and engaging in recovery and restoration of the disaster areas. In your group, the Sendai Branch Works in Miyagi Prefecture suffered some equipment damage, but the other works and offices suffered no major damage, such as human casualties or physical damage that might seriously affect the operation of your group. Even in the Sendai Branch Works, normal production has been resumed ahead of schedule in May, as the result of our companywide restoration activities.

Some of our products, however, failed to meet the delivery dates requested by the customers, and I cordially wish to express my regret for that delay and thank them for their exceptional consideration. I would also like to express my sincere thanks to our business partners who have provided us with related materials and components, along with tremendous efforts in this tough situation, in order to meet the urgent request from our group.

Our group supplies various wireless systems, monitoring systems and other equipment to support the social infrastructure, and considers the protection of our society, towns, and families to be a vital mission. We

will continue to join forces with our customers, business partners, and other stakeholders as "a social innovator trusted by customers, creating new value in the next era," thereby assisting the areas affected by the disaster in achieving recovery and restoration soon, as well as contributing to society. In enhancing our engineering, procurement, manufacture, and service for restoration, and in conducting our mission that entails overcoming this great hardship, we will proceed with further reforms and dynamic business management.

In fiscal 2010, toward achieving our new medium-term managerial plan "HK-AV10," we conducted "HiKQ innovation" activities to establish a new corporate culture and various other business process reforms, and took measures for stepping up our product competitiveness. We managed to increase both our sales and operating profits from those in fiscal 2009, thanks to the recovery of our eco- and thin film processing business. However, in the field of video and wireless network, the segment showed a decline in income and profits mainly due to the shrinking scale of public business, and a decreasing demand for capital renewal investments in the private sector. In fiscal 2011, we will contribute to recovery efforts regarding the Great East Japan Earthquake, step up our market-in approach to timely and properly understand the needs of our customers, work on early commercialization and enhanced service, as well as promoting the reinforcement of our engineering culture, globalization, and manufacturing capabilities.

In November 2010, ISO 26000 (Guidance on social responsibility) was released. Our group will consider the value of the next era, foresee the future with a truly global outlook, make use of the expertise and knowledge cultivated by our group, and, through further dialogue with our customers and other stakeholders, work to create new value necessary for the next era.

Through this report and our website, we will proactively disseminate information to our stakeholders, while modestly listening to your frank comments and advice. We thus sincerely request your continued instruction and support.

June 27, 2011

M. Shinomoto

Manabu Shinomoto
President and Chief Executive Officer



Hitachi Kokusai Electric Corporate Credo

Hitachi Kokusai Electric, which respects human rights, observes the spirit as well as the letter of national and international laws and regulations, hereby adopts this Corporate Credo with a view to achieving continued growth and development while contributing to the creation of a sustainable society.

Fundamental Philosophy

- Manufacture products that contribute to a safe and affluent society.
- Looking to the future, never stop working for continuous improvement.
- Observe fundamentals, do things the right way, and be fair and transparent in all aspects of corporate conduct.

Guidelines and Commitments

In accordance with the Fundamental Philosophy, Hitachi Kokusai Electric commits to the dissemination of this Corporate Credo with the following Guidelines and Commitments, and to the maintenance of the related internal system.

1. Obtain customers' trust and confidence by developing and providing products and services in which emphasis is placed on safety, quality and environmental soundness.
2. Engage in fair and transparent competition and business activities, comply with laws and be ethical in one's corporate conduct.
3. Respect the diversity, character and individuality of all employees, and provide a mentally and physically rewarding workplace environment.
4. Provide shareholders and other stakeholders with full and fair disclosure of corporate information.
5. Take a proactive, independent approach to protecting the global environment and improving local living environments.
6. As a good corporate citizen, engage proactively in philanthropic activities and other activities that benefit society.
7. Respect international rules and local laws, cultures, practices and customs, and always strive to contribute to local progress and development.
8. Respect the value of other companies' business and technology information as well as our own, and implement proper controls regarding such information.
9. Comply with trade-related laws and regulations in order to contribute to the maintenance of international peace and security.
10. Should a situation arise that runs counter to this Corporate Credo, managers shall endeavor to resolve the matter, establish the cause and take steps to prevent a reoccurrence. They will also endeavor to provide a prompt and accurate disclosure and explanation of the facts of the matter, clarify where the responsibility lies and deal strictly with those concerned, including with respect to their own activities.