

Commitment of the President and Chief Executive Officer

We will create value with the aim of creating an affluent and sustainable future.

In fiscal 2014, the global economy on the whole remained unsteady, with continued slow growth in developed countries and economic slowdown in emerging markets. In contrast, Japan recorded robust demand in the public works sector due to the government's continued economic stimulus measures.

Under these circumstances, in addition to strengthening the competitiveness of existing businesses, the Group implemented various measures to expand its global business and launch new businesses. Specifically, the Video and Wireless Network segment conducted vigorous sales activities to capture the robust demand from increased investment in public works. The segment also actively worked to expand its global business, and successfully received an order for broadcasting transmitters from a state-run broadcasting station in the Republic of Botswana. The Eco- and Thin Film Processing segment, meanwhile, vigorously promoted sales activities by proposing products and services that meet customer needs, against a backdrop of robust capital investment by semiconductor manufacturers in Asia. As a result, the segment achieved record-high sales and operating income.

Combined with the progress of cost structure reform, which has been promoted across the entire Hitachi Group, these sales expansion efforts have helped our Group make steady progress toward the targets of its Medium-term

Management Plan, "HK-AV10," the final year of which will be fiscal 2015. The achievement of the HK-AV10 targets, including operating income margin (a key performance indicator) of 10%, seems within reach, for which we owe thanks to all our stakeholders for their strong support.

In fiscal 2015, toward achieving the final targets of HK-AV10, the Group will implement the measures set out below while at the same time working to improve cash flow and secure funds to achieve sustainable business growth through the "Hitachi Smart Transformation Project." In addition, the Group will work on the formulation of the next Medium-term Management Plan, which will start from fiscal 2016.

In the Video and Wireless Network segment, to further strengthen the Company's competitive businesses, such as the disaster-preventive administration radio systems business, we will strengthen cooperation within the Group and with the Hitachi Group to develop products that stay ahead of ever-changing market needs for further downsizing and sophistication, among others, and to provide high added-value solution services, thereby strengthening the core domestic business. In addition, with the aim of establishing the foundation for future developments, the Video and Wireless Network segment will strive to expand its global business—and thereby increase its overseas sales ratio—firstly, by strengthening the business structure in Asia through the establishment of a local subsidiary; secondly, by increasing the production capacity of the subsidiary in South America for serving the global market; and, thirdly, by reinforcing cooperation with subsidiaries in North America and business partners in the Middle East. In the areas of Internet of Things (IoT)-related systems and advanced wide-area security systems, the segment will develop projects to launch next-generation businesses to drive future growth. In the field of solution services, as part of efforts to broaden its social innovation business, the segment will work to expand the business of systems for civilian demands and the community-based small-scale solutions business by reinforcing cooperation within the Group and with the Hitachi Group.

The Eco- and Thin Film Processing segment will, by taking advantage of the superior characteristics of its vertical equipment, pursue aggressive business expansion through promoting proposal-based sales activities that anticipate customer needs and strengthening joint development with customers. Also, to maintain and increase the market share of its vertical equipment, the segment plans to release high-productivity, next-generation products onto the market. Furthermore, the segment aims to establish a new business that will be the next pillar in the new process field by strengthening efforts to meet customer demands for new process solutions such as miniaturization and three-dimensional structure associated with rapid advances in semiconductor



manufacturing process. The segment will also upgrade its quality management system and increase production capacity to ensure a quick response to customer demands. Through the optimization of raw material procurement and rationalization of design, it will maintain a flexible production system capable of withstanding rapid changes in the market environment. The subsidiary in South Korea, for which the Company conducted a tender offer with the aim of making it a wholly owned subsidiary, will work to strengthen its production, procurement and service capacities to be able to respond quickly and accurately to customer demands, aiming to enhance customer satisfaction and achieve steady business expansion. In addition to all these measures, the segment will work to further strengthen its product life cycle business, which has experienced steady growth. It will also strive to further expand sales by taking advantage of increased business opportunities associated with an increase in the already delivered equipment.

In its Corporate Statement, the Group stipulates the role it should play to realize a sustainable society as follows: "Hitachi Kokusai Electric Group strives to realize a society of security, safety and happiness, creates value by applying advanced technologies, and pushes the boundaries of tomorrow." Realizing a safe and secure society by responding to natural disasters, crime, the threat of terrorism, and increased risks associated with transportation and industrial development and pursuing technological innovation to that end, as well as supporting enriched and happier lives of people everywhere—the Group considers these to be the major issues that it should address.

From a medium- to long-term perspective that seeks to achieve a sustainable society, in addition to implementing the business strategies mentioned above, the Group will continue its efforts to: reduce environmental burdens resulting from production activities, respect human rights, employ and train diverse personnel, observe laws and regulations, and foster a clean corporate culture, as set out in the Hitachi Kokusai Electric Way and the Guidelines and Commitments. The Group has thereby communicated these efforts to all directors and employees, as well as established an internal control system.

Despite such efforts, however, in November 2014, the Company was subject to an on-site inspection by the Japan Fair Trade Commission concerning a suspected violation of the Antimonopoly Act with regard to tenders for digital firefighting emergency radio systems. The Company is fully cooperating with the Commission's investigations. The Group will further strengthen its compliance management system and continue to uphold its "Basics and Ethics," aiming to foster a clean corporate culture that is admired by society.

We sincerely ask for your continued guidance and support.

June 29, 2015

M. Shinomoto

Manabu Shinomoto
President and Chief Executive Officer

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