

Message from the Chair of the Board of Directors



Kenichi Nishiie
Chair of the Board of Directors

First, I would like to sincerely apologize to shareholders and other stakeholders for the significant inconvenience and concern caused by an incident that we disclosed in April 2020. This was related to our discovery that test results for some specialty steel products and the magnetic material products (ferrite magnets and rare earth magnets) manufactured by Hitachi Metals, Ltd. and its subsidiaries were misrepresented in inspection reports submitted to customers. On April 27, 2020, the Group established a special investigation committee consisting of outside experts who are currently conducting an objective investigation of the facts and root cause of the matter. We also set up an internal task force to spearhead efforts to build an appropriate quality assurance system. At the same time, as a top priority issue, the Board of Directors is strengthening its advisory and oversight capabilities. Furthermore, the Company is working to ensure objectivity and fairness in its investigation of the facts and cause of the incident, as well as in the examination and implementation of measures to address the matter in light of those findings. As a result, the Company renewed its management structure. Specifically, the president, several other executive officers, and a director who was previously the president of the Company, resigned on May 31, 2020. Meanwhile, to expedite decision-making, Mitsuaki Nishiyama, who was appointed the Representative Executive Officer and Chairperson in April 2020, assumed the concurrent position of President and Chief Executive Officer on June 1, 2020, and a new executive officer joined the management team on the same day. Under the new management structure, we will thoroughly investigate the facts and causes of the matter to transform ourselves into a company that conducts business fairly and honestly. At the same time, we will continue working on reforms in all aspects of management, including corporate governance.

With respect to the Fiscal Year 2021 Medium-Term Management Plan—our medium- to long-term strategy aimed at achieving renewed growth globally—we are using our new

management structure to strengthen our earning power and improve capital efficiency. Specifically, we will reform our portfolio, promote cost structure reform, and enhance sales capabilities. However, the Group faces an extremely uncertain business climate due to the spread of COVID-19 in various regions of the world, bringing political, economic, and social turmoil in its wake.

We believe that the role of the Board of Directors will become even more important in this business environment. An evaluation of the Board's effectiveness conducted in May 2020 revealed that the Board, assisted by, among others, the Audit Committee, engages in proper discussions on strategic direction from multiple perspectives and fully discusses important agenda items in advance. As a result, the Board as a whole is deemed to be functioning effectively. Nevertheless, we recognize that there is room for improvement in some areas. These include oversight processes for formulating and implementing medium- to long-term strategies and budgets, confirming the PDCA cycle when addressing management issues, and sharing information about the succession plan for the CEO and the plan for developing executive officer candidates. We will continue actively incorporating the wide-ranging knowledge and diverse perspectives of our Outside Directors to increase the effectiveness of the Board of Directors and provide comprehensive backup for renewed growth in the medium and long terms.

We will also strive to disclose high-quality information to our stakeholders in a timely manner and reflect in our corporate activities their objective evaluations and views of our management, obtained through constructive dialogue. Under our new management structure, we will work tirelessly on business reforms. At the same time, we will strive to improve the Group's business performance, which has been unstable for several years, while overcoming the difficult COVID-19 situation and reinforcing our corporate strengths.