

## Message from the President



**We will strive to enhance corporate value and renew growth.**

**Mitsuaki Nishiyama**

Representative Executive Officer, Chairperson, President, and CEO

March 1979	Faculty of Economics, Tohoku University, Japan	April 2015	Vice President and Executive Officer, and General Manager of Finance Group of Hitachi, Ltd.
April 1979	Joined Hitachi, Ltd.	April 2016	Representative Executive Officer, Senior Vice President and Chief Financial Officer and General Manager of Finance Group of Hitachi, Ltd.
July 1990	Master of Business Administration (MBA), Georgia State University, USA	April 2020	Representative Executive Officer, Chairperson and Chief Executive Officer of Hitachi Metals, Ltd.
April 2008	General Manager of Finance Department I of Hitachi, Ltd.	June 2020	Representative Executive Officer, Chairperson, President and Chief Executive Officer, and General Manager of Advanced Metals Division
April 2011	Executive Officer of Hitachi Cable, Ltd. (current name: Hitachi Metals, Ltd.)	April 2021	Representative Executive Officer, Chairperson, President and Chief Executive Officer, (current position)
June 2012	Executive Officer and Director of Hitachi Cable, Ltd.		
April 2013	Vice President and Executive Officer and Director of Hitachi Cable, Ltd.		
July 2013	Vice President and Managing Officer of Hitachi Metals, Ltd.		
April 2014	Vice President and Executive Officer		

The Hitachi Metals Group is pursuing various measures to resolve management issues and regain a growth trajectory.

The Group's business performance has been on a declining trend for several years, resulting in bottom-line losses in fiscal 2019 and 2020. Those were due to several factors, including large investments in multiple directions that we made mainly during the period of the previous Medium-Term Management Plan, which ended in fiscal 2018. Due to changes in the market environment and inadequate management resources during the start-up phase, however, we were unable to derive the investment benefits we initially anticipated. As a result, our cost structure deteriorated and our operational structure became vulnerable to changes in the business environment. Therefore, we announced a

new Medium-Term Management Plan in October 2020, aimed at building a robust business structure for maintaining stable business activities even when the environment changes. On the basis of that plan, we are implementing various measures, including business structural reforms and inventory optimization. We will continue working relentlessly to transform our earnings foundation to allow us to secure resources for future growth investments.

In addition, we caused a great deal of anxiety and inconvenience to our customers and other related parties with the quality assurance issue announced in April 2020. All members of the Group have reflected deeply on the situation and will work to rebuild a corporate culture centered on "integrity" while steadily implementing measures to prevent any recurrence.

To accelerate these efforts toward transformation and growth, in April 2021, we decided to approve a tender offer for the Company's shares from a consortium of companies led by Bain Capital (hereinafter, the "New Partners"). Committed to becoming a high-performance materials company that supports a sustainable society, we will promptly pursue bold reforms by fully deploying the resources of the New Partners.

### Medium-Term Management Plan

We have since reviewed the Fiscal 2021 Medium-Term Management Plan, announced in April 2019. Under the revised plan, released in October 2020 (see pages 12–13), we will implement another round of cost structure reforms to improve our business performance at an early stage and transform our earnings foundation to allow us to secure resources for future growth investments. Under the new plan, we are targeting an adjusted operating margin of 8% and ROIC of 8% in fiscal 2022. We envision a robust business structure to permit continued business activities from a long-term perspective even when the business environment changes, without being limited to short-term profit improvement measures, and thus return the Group to a growth trajectory.

We have positioned fiscal 2020–2021 as a preparatory period called "Set to Grow" to build up our capabilities for a quantum leap forward. In fiscal 2020, we implemented business structural reforms, including withdrawing unprofitable products and consolidating and eliminating business sites. We also improved the yield rate through manufacturing reforms, optimized inventories, and reduced material costs and expenses through our cross-lateral corporate functions. In addition, we sought to optimize personnel costs in line with revenue.

In fiscal 2021, we will continue striving to reform our business structure, reduce costs and expenses, and optimize personnel expenses to transform and make our profit structure more resilient to demand fluctuations. At the same time, we will perform benchmark analyses of the global competitive environment for each business. On the basis of those analyses, we will accelerate business revitalization in each segment to form an optimal portfolio of growth and core businesses.

Through these efforts, the Group will build a business structure capable of generating investment funds for future growth. Our aim is to become a high-performance materials company that supports a sustainable society.

### Quality assurance issue

We sincerely apologize once again to our customers for the great anxiety and inconvenience caused by the quality assurance issue we announced in April 2020 (see pages 8–11). Our products are widely used in such fields as those for automobiles, electronics, and industrial infrastructure, and we deeply regret any impact that the issue may have had on society. Placing top priority on addressing quality assurance issues, the Group will work as one to implement rigorous measures to prevent any recurrence and restore trust. Going forward, we will commit to thoroughly improving our quality assurance organizational structure and processes to the point where we can say quality is our major strength.

### High-performance materials company that supports a sustainable society

As a corporate citizen, we will work proactively to achieve the Sustainable Development Goals (SDGs) in our quest to realize a sustainable society.

In terms of the environment, we recognize that addressing climate change is a pressing issue for all humankind. Accordingly, we are working to reduce CO<sub>2</sub> emissions from our business operations with the long-term goal of becoming carbon neutral by 2050. At the same time, we will foster the transition to a decarbonized society by developing and providing customers with advanced materials that help address climate change (see pages 44–45).

On the social front, we will step up efforts related to “health and safety” and “diversity,” which are the foundations of our growth. In health and safety, we will hold Safety & Quality Meetings, led by top management, and emphasize basic safety for

equipment and operations through risk assessments (see pages 46–47). As for diversity, we will share the values of our diverse human resources and mobilize their wisdom to drive our growth (see pages 48–49).

### Accelerate transformation and growth through capital restructuring

With regard to capital restructuring (the tender offer for the Company’s shares and the corporate consortium’s participation in management), at present, the tender offer process is expected to move forward in late November 2021, once domestic and overseas competition regulators have completed various approval processes. We believe this restructuring will provide an excellent opportunity for the Group to accelerate its transformation and growth by, for example, enabling the Group to implement growth strategies without being constrained by the portfolio strategy of Hitachi, Ltd. Moreover, by becoming a non-listed company, we can plan strategies from a long-term perspective and implement bold reforms promptly, rather than focus on quarterly results, which a listed company must do. These are the major benefits of the capital restructuring. In addition, we believe we can respond more quickly and more professionally to rapid market changes by utilizing the global knowledge and networks of our New Partners to explore investment opportunities, obtain funding, and develop and implement growth strategies. We will fully deploy the resources of our New Partners to restore our competitiveness and profitability and thus achieve sustainable growth and increase corporate value.

In conclusion, this report is intended to provide investors and other stakeholders with an overview of the Group’s initiatives to enhance corporate value and achieve renewed growth. To foster a better understanding of these initiatives, we have systematically compiled financial and non-financial information that we consider important for sustainable growth, in addition to details of our medium- and long-term management strategies. We strive to disclose information in an easy-to-understand manner by having all departments work together to consolidate and report under the Group’s cross-organizational approach.

We hope that this report will provide you with useful information and help deepen your understanding of the Hitachi Metals Group’s initiatives.