

Message from the Chair of the Board of Directors

First of all, we express our deepest apologies once again to shareholders and other stakeholders for the significant inconvenience caused by the quality assurance issues. The Board of Directors thinks the most important issues for the Group are the steady implementation of recurrence prevention measures, a fundamental review of the quality assurance organizational structure, and further reinforcement of compliance. Accordingly, we are committed to strengthening the Board's advisory and oversight functions. As part of this effort, in April 2021, we established the Quality Compliance Committee, which includes outside experts as members, as an advisory body to the Board of Directors. The new committee will conduct additional verification of areas not completed while strengthening measures to prevent any future recurrence and enhancing the effectiveness of those measures.

With respect to our Fiscal 2021 Medium-Term Management Plan, setting fiscal 2021 (ending March 31, 2022) as the final fiscal year, we have experienced dramatic changes in the business environment, including an economic slowdown in China and a decline in the global economy due to the spread of COVID-19. These conditions have caused our revenue and profitability to decline, making it difficult to achieve the targets of the plan. Accordingly, we reviewed the plan and in October 2020 announced a revised management plan that sets fiscal 2022 (ending March 31, 2023) as the final fiscal year. Under the new plan, we are working to make our profit structure more resilient to demand fluctuations while building an optimal portfolio of growth and core businesses. The Board of Directors will also focus on supervising completion of the plan.

To successfully implement these initiatives, it is extremely important to ensure the effectiveness of the Board of Directors. At the May 2021 meeting of the Board, therefore, we evaluated the effectiveness of the Board of Directors using the results of questionnaires to all Directors and interviews with them. As a result, we confirmed that the overall effectiveness of the Board was ensured with respect to setting agendas, discussing strategic directions, and conducting preliminary reviews of important agenda items. However, we also found room for further improvement in various areas. These include our systematic risk management system and oversight of its operation, the process of deliberating corporate direction and management strategies, and overseeing the implementation of such strategies amid changing market and business conditions, as well as diversity in the skills of Directors. Going forward, we will continue taking steps to further enhance the effectiveness of the Board of Directors by proactively incorporating the broad knowledge and diverse perspectives of Outside Directors. At the same time, we will closely monitor the progress and effectiveness of improvements and reinforcements related to quality assurance, which is the Group's most important issue, including the areas of organization, operation, and auditing. In addition, we will provide our full support to help the Group achieve renewed growth over the medium and long terms.

At its meeting on April 28, 2021, the Board of Directors expressed its approval of the tender offer for the Company's shares from a consortium of companies led by Bain Capital (hereinafter, the "New Partners"). It also resolved to recommend that our shareholders apply for the tender offer. Upon completion of the tender offer and a series of related transactions, the Company will separate from the Hitachi Group, and its common stock will be delisted. Under the guidance of the New Partners, we will formulate strategies from a long-term perspective and quickly pursue bold reforms to further enhance corporate value.



Kenichi Nishiie

Chair of the Board of Directors