

## Outcome of Investigation into Inappropriate Conduct Relating to Certain Products and Measures to Prevent Recurrence

**Tokyo, May 19, 2023** – Hitachi Astemo, Ltd. (“Hitachi Astemo”) deeply apologizes for the inconvenience and concern caused to our customers and related parties due to our inappropriate conduct. Hitachi Astemo has been conducting our own independent investigation concurrent with investigations by a special investigation committee focused on a fact-finding and cause analysis relating to the inappropriate conduct in the regular tests of brake components and suspension components manufactured at our Yamanashi Plant (Minami-Alps City, Yamanashi Prefecture) and Fukushima Plant (Koori Town, Date District, Fukushima Prefecture) announced on December 22, 2021\*.

\* News Release dated December 22, 2021: “Notice of Inappropriate Conduct for Certain Products, including Unperformed Periodic Tests”

<https://www.hitachi.com/New/cnews/month/2021/12/211222.pdf>

The investigation in respect of the inappropriate conduct and some of its similar incidents at our Yamanashi Plant and Fukushima Plant was conducted by a special investigation committee. In addition, Hitachi Astemo conducted an internal investigation at all plants on a world-wide basis and a screening survey in relation to the above-mentioned special committee investigation was conducted by the special investigation committee. As a result of identifying the issues, we recognized that our compliance culture and management supervision system were inadequate for the duration of the conduct. In response, we have decided to implement improvement measures throughout the organization, including related education, review of processes, and investment in human resources and facilities, with the aim of preventing the recurrence of inappropriate actions, and to continuously improve these measures.

Concurrent with the investigations, we carried out a detailed safety analysis, determining that all products encompassed by the inappropriate conduct functioned properly within the required performance margin, with no evidence of reduced safety. In addition, we have disclosed all known issues to our customers and have not identified any safety concerns or legal violations.

We sincerely accept the results of this investigation and deeply apologize to our customers and other stakeholders in society for failing in these instances to uphold the highest standards of trust and compliance at all times. We are continuing to reflect deeply on the inappropriate conduct and inadequate oversight made apparent by these events, and we are committed to further developing and embedding a strong compliance culture throughout our operations to prevent recurrence.

Disciplinary actions will be announced after decisions are made considering the degree of involvement in the inappropriate conduct, the role played at the time and other factors.

## **1. Key findings**

A survey was conducted on all domestic and foreign manufacturing bases, and the causes were thoroughly investigated, including the background, of cases that fall under inappropriate behavior to implement appropriate recurrence prevention measures. As a result, it was confirmed that there were inappropriate actions involving 22 products at 15 bases.

Key findings of the investigative process were:

- Inappropriate conduct in addition to that announced on December 22, 2021, was found in the testing, specifications, and reporting of some additional automotive components at the Yamanashi and Fukushima plants.
- In addition to production plants in Japan (11 plants), incorrect procedures for testing, reporting and other activities were also conducted at overseas production plants in the United States, Mexico, Thailand and China (one at each plant).
- The inappropriate conduct continued in some cases for about 40 years, and the duration and number of associated customers were greater than reported on December 22, 2021.
- Although compliance reporting systems were in place and in some cases were used, remedial actions were not always taken promptly and with sufficient rigor, and internal reporting procedures did not function properly.

## **2. Root causes**

The external and internal investigations determined that multiple factors had contributed to the compliance failure. Key factors were:

- In certain cases, inadequate awareness of compliance regarding quality assurance due to management's misguided stance in site operations and its oversight, a lack of thorough compliance monitoring, and the absence of a self-improvement function led to the continuation of inappropriate behavior.
- In certain cases, the prevalent corporate culture permitted making unrealistic commitments to customers, such as the sales department agreeing to testing, inspection, and manufacturing schedules that could not be met with available onsite resources.
- In certain cases, in addition to the chronic shortage of personnel to conduct tests, and the lack of necessary equipment, there were inconsistent work procedures, leading to use of employees' own interpretations and procedures.

## **3. Measures to prevent recurrence**

We have horizontally deployed wide-ranging measures to address issues at every level of the organization, including management and on-site plant personnel. These measures include:

- Formalizing a zero-tolerance management policy with respect to product quality and compliance and engaging in company-wide communication on quality and compliance, including directly from the CEO at least twice a month.
- Strengthening the authority of the quality assurance department, establishing an independent quality assurance reporting line that does not pass through the business line, and increasing investment in human and material resources related to quality assurance.
- Providing additional quality-related training and education for officers and front-line sales and plant employees.
- Changing work processes to enhance collaboration and information sharing between divisions.
- Standardizing procedures and strictly implementing protocols.
- Strengthening internal audit systems and improving internal reporting mechanisms.
- Promoting digitization and automation of equipment that cannot be tampered with data.
- Build and strengthen 3-line defense.

Corrective measures and preventative initiatives above are either completed or underway, and measures will be added, expanded, and revised as necessary to ensure their ongoing effectiveness. Any further items or concerns will be validated with our customers and relevant stakeholders as a normal operational best practice.

We continue to work collaboratively and transparently with our customers to address their requirements and revise engineering documentation, when required, to reflect full conformity to product specifications.

We intend to sustain these initiatives and embed them throughout our organization, working diligently to restore trust in our relationships with customers and society as an organization.

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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