

## Episode 17

### Two-Stage Demotion

The semiconductor business maintained a healthy condition for a while since I handed my position of GM of Semiconductor Division over to the younger generation in 1995, and it was a smooth and successful launch for the new management. I was satisfied that I could pass the baton in a good way, and I appreciated many people who had given support to me.

However, the market situation started to deteriorate rapidly from the start of 1996, and the serious depression continued in the following three years from 1996 through 98. It is not an exaggeration to call it "three years in hell". In such circumstances I was promoted from Executive Managing Director to Senior Executive Managing Director of Hitachi in 1997, but an event like a nightmare happened in May of the next year. It was a two-stage demotion.

It was on May 21, Thursday, 1998. An executive committee meeting was scheduled at 9 o'clock on this day, and I received a call to appear at the president's office at 8:30 before that. On my entering into the president's office and sitting down, President "K" talked to me and gave me a personnel placement instruction. He said, "Hitachi's total company performance was badly deteriorated caused by the deterioration of semiconductor business. We would like you to take responsibility for that and we would change your position from the Senior Executive Managing Director to the Managing Director position. We will announce it before the coming shareholders' meeting."

It was a two-stage demotion. The shareholders' meeting was scheduled on June 26, and it was an inevitable situation that the issue of the poor business performance would be pursued in the meeting, and it was that I would be offered as a sacrifice for that. Since I felt keenly responsible for the deterioration of semiconductor business performance, I was prepared for some sort of disposition. But I had not even imagined it to be an unprecedented two-stage demotion.

Normally, such executive personnel affairs are determined after deliberation by the Executive Committee and then by the subsequent vote of the Board of Directors. However, there was an unexpected happening then, and it did not proceed as usual. At the beginning of the next week's meeting of the Board of Directors, a director in charge of the human resources said, "At the previous Executive meeting, a proposal of Dr. Makimoto's demotion was made by the president, but due to circumstances, we will not vote at today's Board of Directors meeting. We will vote again at the Board meeting after the shareholders' meeting."

No explanation was given at all what had happened during the preceding week before that. "Sacrifice at the shareholders' meeting" intended by Mr. "K" became meaningless, but the details of that development are not clear even today.

I asked about the situation to "informed sources" in the company, and I was explained that the General Affairs office had advised the president that "If we announce before the shareholders' meeting, it may have an opposite effect of pursuit of the president's responsibility," and Mr. "K" changed his mind. As the result, even though "sacrifice at the shareholders' meeting" became meaningless, the two-stage demotion was still executed.

Meanwhile, I gave thoughts about what to do with myself for some time after the president's direction. I felt the sickening knotting of the stomach to the situation of my career ending with two-stage demotion, after putting my heart and soul to Hitachi semiconductor for 40 years. Should I stay as a Managing Director with humiliation, or should I explore my new career development by graceful resignation from this position?

While I was spending days in agony, some seniors of Hitachi semiconductor were worried about me and organized "Dinner meeting to encourage Makimoto." What I was happiest about was that I could acknowledge the seniors who would cheer me up warmly, no matter how depressed I was. The picture below was taken at that time. Supported by encouraging words from my seniors, I gradually firmed up my thoughts about my future direction.



Photo 17.1 Dinner meeting to encourage the author (May 28, 1998)  
(From left in front row, Yoshinobu Imamura, the author, Yamato Mishina,  
and from left in back row, Mitsusige Kutsukake, and Shotaro Shibata)

And on May 31, I made up my mind to resign from the Board Director. I bought a Japanese rolled paper for brush writing from a stationery shop, prepared a formal "letter of resignation" in a traditional style and handed it over to President "K". And I asked him to make a clear settlement at the board of director meeting swiftly.

However, the biggest issue for him at the time was to survive the shareholders' meeting on June 26. He asked me eagerly to make it after the shareholders' meeting, because the resignation before it would be too conspicuous. I was reluctant but accepted it, and we agreed to the date of July 1 for my resignation. However, on the day before the shareholders' meeting, on June 25, I suddenly got a call from Mr. "K", and he asked me this time to postpone the resignation for a month or two, because the resignation right after the shareholders' meeting was too soon and unnatural. I felt that it was his selfish and indecisive attitude, and that it was just his self-defense. Anyway, I accepted it, emphasizing him to surely keep the promise this time. After that, this promise was not fulfilled after all, and as a result, "the letter of resignation" was left untouched for nearly a year.

Well, the “two-stage demotion” of an officer is unprecedented in the long history of Hitachi, and I suffered from disgrace as “the first in history”.

Along with it, my place of work was changed, too. My office was in a corner of the Nippon Building on the Yaesu side of the Tokyo Station when I was a Senior Executive Managing Director. The headquarters of semiconductor and display divisions were there, which I was in charge of. The new office was set to be in New Maruno-uchi Building which was on the opposite side across the Tokyo Station. Hitachi’s R&D Group had an office there. It was like leaving me in the neighboring feudal domain if we take an example of Edo era. It seems that persons in General Affairs Department in charge of my move also had some confusion, since this was an unprecedented disposition. Let me introduce one of them.

The distance between the Nippon Building and the New Maruno-uchi Building is approximately 1 kilometer, so I was going to take with me the work desk I was using in the previous office on my move. At that time, a staff member in the General Affairs Dept. came and told me that I could not take it with me.

I asked why, and he replied, “the desk size is different for a Senior Executive Managing Director and for a Managing Director”. Then I asked who decided it, and he answered, “I got an instruction from the headquarters because we could not decide it at our department.” I was more intrigued and asked, “Who will use the desk then?” He answered, “No one. We have to dispose it.”

When I moved to the new office without a desk, there was a brand-new desk of a smaller size for the Managing Director. It was newly purchased for me. For the lower level organization of the big company, like Hitachi, keeping a regulation of desk size determined for each job title rank was more important than saving cost of the desk. It was my unfeigned impression that, “Hitachi’s bureaucracy is as thorough as this!” Even today, I feel that Hitachi’s movement is slow compared with other companies, and it seems that “bureaucratic rigidity of the organization” is one of factors.

Well, a new year came with my resignation letter still being shelved by Mr. “K”. 1999 was the year of the director change in Hitachi which was normally done in an odd number year. Mr. “K” had been promoted to the Chairman then, and he called me on February 22 for the delivery of personnel placement.

It was a one-sided notice that I would be retired because I reached the mandatory retirement age, without touching on my “resignation letter”. There was no explanation of why my resignation was neglected for one year. I felt anguish with this way, so I repeatedly accused him about it. I did not give a thought about my rudeness to the seniors, and asked him if it was an intentional neglect for his protection of himself. And then there was an endless barren dispute. Normally, a personnel instruction took only a few minutes, but it took so long at this time, and the secretary brought coffee, probably because she was worried about the situation. When the secretary entered the room, both of us did not utter a single word, gazing at each other. The sound of placing coffee cups was heard in a big sound in the room. And when the secretary went out, the quarrel started again. Probably it may have been the first experience for the secretary to serve coffee at the time of personnel instruction.

I retired as a Managing Director after the shareholders' meeting in 1999. One day in the summer of that year, Koichi Nishioka, a reporter of the Nikkei newspaper visited me in my office in New Maruno-uchi Building. Although I had occasionally taken his interviews when I was still in the active position, it was the first time after I was demoted. I happened to have a visitor then, and I asked him to wait for a while in a separate guest room. As I usually did not use the room, the room looked time-worn, and an old-fashioned clock on the wall remained stopped. When I entered the room, his first voice was in appalled and angry tone, "Dr. Makimoto, you were once a Senior Executive Managing Director of Hitachi, and you are now confined in a room like. This kind of treatment is unreasonable and terrible!"

In the meeting with him, I talked about my work of making a proposal for the revival of the Japanese semiconductor, as the chairman of SNCC (Semiconductor New Century Committee). This committee started in March 1999, as a part of the activities of SIRIJ (Semiconductor Industry Research Institute of Japan), and it was at the stage of summarizing the interim report.

I told Nishioka that Japan's semiconductor had been losing its ground more and more, and that industry, government and academia should work together promptly to make a move toward its revival.

He shared the importance of this matter with me, and recommended that I would better summarize what we could propose at this point before the finalization of the report. And he said that he would make a move to put it on the Nikkei newspaper. I appreciated the unexpected proposal and agreed with the members of the SNCC that we should make use of this special proposal. Later, Nishioka recommended to contribute to the column named "Economics Classroom" of the Nikkei, and introduced me to a person in charge.

Following these circumstances, my paper was published in the column of Economics Classroom on November 3, 1999 (Culture Day in Japan).

The title was "Revitalizing the semiconductor industry in Japan; organize a promotion scheme among industry, government and academia". In this article, I emphasized that the decline of semiconductors was not merely the problem for the semiconductor industry, but also an extremely important issue for Japan as a whole country. This argument was passed down to the SNCC final report of the following year, and it became a trigger for various projects to be launched for the semiconductor revival in Japan in the coming years.

I felt that I found a new signpost in the midst of the darkness of a deep valley.

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