

(Translation)

# **Corporate Governance Guidelines of Hitachi Metals, Ltd.**

## **Preamble**

The Corporate Governance Guidelines (“the Guidelines”) have been adopted by resolutions of the Board of Directors (“the Board”) and related Committees of Hitachi Metals, Ltd. (“the Company”) to provide the framework for the corporate governance of the Company along with the basic policies for establishing its internal control systems in addition to the Board of Directors Rules and the Rules of each Committee.

The Board and the Committees continue to assess the appropriateness and effectiveness of the Guidelines and amend them when necessary.

## **Chapter 1. General Provisions**

### **Article 1. Business Principles**

The Company shall conduct its business based on the following Business Principles in adherence to the Guidelines, with a view to continuously enhancing its corporate governance in order to achieve sustainable growth and increase corporate value over the medium to long term.

#### **Business Principles**

The basic policy of the Hitachi Metals Group (“the Group”) is to conduct its business in full awareness of its social responsibility to contribute to the realization of a better society, while building relationships of trust with stakeholders of the Group, including shareholders, investors and business partners. To that end, the Group shall advance and pioneer basic and new technologies. In doing so, it will create new products and businesses and provide new value to society. When developing and manufacturing products, the Group shall promote business operations that take into consideration the environment to be handed down to the next generation. Furthermore, the Group shall promote communication with society through measures such as timely and appropriate disclosure of corporate information and contributions to local communities to reflect a broader social viewpoint in its management and build relationships of trust with society. The Group shall link these business activities to increasing its corporate value.

## **Chapter 2. Relations with Stakeholders**

### **Article 2. Fiduciary Responsibilities of Directors and Executive Officers**

With due attention to their fiduciary responsibilities to shareholders, the Directors and Executive Officers shall discharge their duties in the interest of the Company and the common interests of its shareholders. At the same time, they shall secure the appropriate cooperation of stakeholders.

### **Article 3. Code of Conduct**

The Company has established [Hitachi Metals Group Codes of Conduct](#) and strives to implement it. This is a code of conduct to be observed by the Group’s Directors and Executive Officers as well as its employees.

### **Article 4. Exercise of Shareholder Rights**

1. The Company shall basically take appropriate measures to fully secure the rights of shareholders.

2. The Company shall strive to establish an appropriate environment for the exercise of shareholder rights at a General Meeting of Shareholders by providing accurate information as needed, by utilizing an electronic voting platform and other means.

#### **Article 5. Information Disclosure and Dialogue**

The Company shall disclose information to its stakeholders, including shareholders, and have dialogue with them based on [the IR Policy](#).

#### **Article 6. Policies Concerning Dividend Determination**

The Company shall decide on [policies concerning dividend determination](#) and the dividend amounts, etc., based on the policies by resolution of the Board.

#### **Article 7. Policies Concerning Holding Shares of Other Companies as Strategic-Shareholdings**

1. In principle, the Company shall not hold the shares of other companies as strategic-shareholdings. The exception is if the Company believes these holdings contribute to the Company's corporate value. The Company would comprehensively take into consideration objectives of such holdings such as maintenance and strengthening of business relations, capital tie-ups, business alliances and joint development as well as associated returns and risks.
2. The Company conducts an annual review of such shareholdings under the strategic-shareholdings and responds appropriately with regard to stocks whose holding has little significance by selling them or through other measures, taking into account market trends and other factors.
3. When exercising voting rights involving strategic-shareholdings, the Company shall determine its response by comprehensively taking into consideration the situation of the company issuing the relevant shares and whether or not the proposal will hurt shareholder value.

#### **Article 7-1. Policies Concerning Selling or Disposal of the Company's Shares held by Strategic-Shareholders**

When strategic-shareholders (i.e. shareholders who hold the Company's shares for the purpose of strategic-shareholdings) indicate their intention to sell or dispose the Company's shares they hold, the Company should not hinder the sale or disposal of such shares by, for instance implying a possible reduction of the business transaction between the Company and such shareholders.

#### **Article 8. Transactions with a Parent Company of the Company**

In principle, the Company shall appropriately carry out transactions with its parent company. These dealings are subject to its internal rules that apply to ordinary transactions including sales of products and procurement of materials, etc., and decisions by its authorized internal division. Yet in the case of new transactions with the Company's parent company whose volume is anticipated to exceed certain thresholds, or in cases of transactions with the parent company that may create the risk of a material conflict of interest between the parent company and shareholders other than the parent company, the Company shall attempt to avoid damage to its interests and the common interests of its shareholders in accordance with the importance of the transactions by means of the approval of the Board at which independent Outside Directors are present, or other means.

#### **Article 9. Measures of Increasing Consolidated Corporate Value**

The Company shall aim to enhance consolidated management efficiency and maximize corporate value through execution of Group operations based on [the Hitachi Metals Group Management Policy](#).

#### **Article 10. Ensuring Diversity**

The Company shall work to ensure diversity in the Company based on [the Hitachi Metals Basic Policy on Diversity Management](#).

## **Chapter 3. The Board of Directors**

### **Article 11. Function of the Board**

1. The Board shall seek to enhance earnings power and capital efficiency and promote sustainable corporate growth and increased corporate value over the medium to long term.
2. To achieve the objective in the preceding clause, the Board shall approve basic management policy for the Hitachi Metals Group, establish an environment where appropriate risk-taking by Executive Officers is supported and supervise the discharge of the duties of Executive Officers and Directors.
3. The “basic management policy” in the preceding clause includes compilation of a medium-term management plan and annual budget. The Board shall focus on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation and Board of Directors Rules.
4. Each Director on the Board shall observe loyalty and confidentiality to the Company so that the Board can fulfill the function mentioned above in the preceding clause.

### **Article 12. Size of the Board**

1. The number of Directors on the Board shall be an appropriate number and not more than 10, from the viewpoint of swiftly responding to changes in the business environment and holding effective discussions.
2. The Nominating Committee shall consider the optimal size of the Board following the policy described in the preceding clause in deciding matters relating to a proposal concerning appointment and dismissal of Directors to be submitted at a General Meeting of Shareholders.

### **Article 13. Composition of the Board**

In nominating candidates for Directors, the Nominating Committee shall in principle consider:

- (1) the diversity in experience, expertise, etc., of the candidates, the composition ratio between Outside Directors and other Directors (Directors concurrently serving as Executive Officers and others) and other such matters to ensure the effectiveness of the management-supervision and decision-making functions of the Board;
- (2) that new candidates do not constitute all or almost all of the Directors candidates, so as to maintain the Board’s continuity;
- (3) the period of time since the candidate’s assumption of office as the Company’s Director and the candidate’s age to keep bringing fresh ideas and viewpoints regularly to the Board.  
People who have reached the age of 70 will not be nominated as Director candidates except under special circumstances;
- (4) nomination of two or more independent Outside Director candidates so they can perform their roles fully;
- (5) nomination of one or more Internal Director candidates for the Board’s effective operation; and
- (6) nomination of persons with appropriate experience and skills as well as necessary finance, accounting and legal knowledge adequate for the Audit Committee members, and in particular, nomination of at least one person who has sufficient expertise on finance and accounting, for the purpose to ensure the effectiveness of the Audit Committee’s duties

### **Article 14. Qualifications of Directors**

In nominating candidates for Directors, the Nominating Committee shall consider that:

- (1) the candidate has the highest personal and professional ethics, integrity and insights regardless of nationality or gender;

- (2) the Outside Director candidate has abundant experience and in-depth knowledge in business management, law, administration, accounting, education, etc., and is well versed in social norms and is expected to contribute to the strengthening of the decision-making and supervisory functions of the management of the Company as well as the enhancement of its effectiveness from a wide perspective; and
- (3) the candidate for Director not including Outside Director has abundant experience and in-depth knowledge in business operations and management and is expected to contribute to the strengthening of the decision-making and supervisory functions of the management of the Company as well as the enhancement of its effectiveness.

#### **Article 15. Criteria for Independence of Outside Directors**

The Nominating Committee judges an Outside Director to be independent if he or she does not fall under any of the following items:

- (1) a person who has received or who serves or has served within the last one year as an executing person (that is, an executive director, executive officer or employee; hereinafter the same) of a corporation that has received from the Company a payment of 2% or more of the entity's consolidated annual revenues for products or services in the most recent fiscal year;
- (2) a person who has paid the Company or who serves or has served within the last one year as an executing person of a corporation that has paid the Company 2% or more of its consolidated annual revenues for products or services in the most recent fiscal year;
- (3) an attorney, a certified public accountant, a licensed tax accountant or a consultant who has received from the Company an annual payment of ¥10 million or more of monetary or other property benefits other than compensation for Directors and Executive Officers within the last one year, or a person who is or has been within the last one year a member, a partner, an associate or an employee of a law firm, an auditing firm, a tax accountant corporation, a consulting firm or other professional advisory firm that has received from the Company a payment of 2% or more of the firm's consolidated annual revenues in the most recent fiscal year;
- (4) a person who serves or has served within the last one year as an officer of a not-for-profit organization that has received from the Company discretionary charitable contributions of monetary or other property benefits of ¥10 million or more, or 2% or more of that organization's annual gross revenues or ordinary income, whichever amount is higher, during the most recent fiscal year.
- (5) a person who serves or has served within the last one year as an executing person or a non-executive director of a parent company of the Company;
- (6) a person who serves or has served within the last one year as an executing person of a brother company of the Company;
- (7) a person who is a spouse or a relative within the second degree of kinship of a person (excluding a person who has or had no important position of the following) who falls under the items of the following:
  - (i) who falls under the items of the above (1) through (6);
  - (ii) who is, or has been within the last one year, an executing person of a subsidiary of the Company;
  - (iii) who is an executing person or non-executive director of a parent company of the Company;
  - (iv) who is an executing person of a brother company of the Company;
  - (v) who is, or has been within the last one year, an executing person of the Company; and
- (8) a person who has a risk of having material conflicts of interests with ordinary shareholders for reasons other than those stated above.

**Article 16. Service in Other Companies**

- 1. Directors are discouraged from serving as directors, auditors or executive officers in more than four listed companies in addition to the Company so as to be able to devote the sufficient time and effort required to appropriately fulfill their respective roles and responsibilities as a Director of the Company.
- 2. When a Director receives a request to assume the position of director, executive officer or auditor at another company, he or she shall inform the Chairman of the Board of the matter. Or, when the position of Chairman of the Board is vacant or the Chairman is incapacitated, the Director who convenes and presides over the Board of Directors will be informed.

**Article 17. Board Leadership**

- 1. The Chairman of the Board shall convene a meeting of the Board and preside over it. When the position of Chairman of the Board is vacant or the Chairman is incapacitated, one of the Directors in predetermined order by resolution of the Board shall convene a meeting of the Board and preside over it. The Chairman of the Board shall not serve as an Executive Officer.
- 2. A Director, as set forth in the preceding clause, shall aim to foster a climate of free, open and constructive discussion on the Board.

**Article 18. Board Materials Distributed in Advance**

- 1. Documents related to agenda items will be distributed sufficiently in advance of the meeting date to enable Directors to actively participate in discussion at the meeting. Very sensitive subjects may be discussed without distribution of the materials in advance.
- 2. Directors shall observe strict confidentiality with regard to the content of discussions and documents.

**Article 19. Access to Independent Advisors**

The Board and the Committees may seek the advice of independent advisors at the Company’s expense, when necessary.

**Article 20. Policy on Appointment and Dismissal of Executive Officers**

The Board shall ensure that the appointment and dismissal of an Executive Officer are conducted in a fair manner and reflect the results of his or her performance. The Board shall appoint or dismiss an Executive Officer in consideration of each of the following matters:

<Matters to be considered for Appointment>

- (1) that the person has the highest personal and professional ethics, integrity and insights regardless of nationality or gender; and
- (2) that the person has received a high evaluation about business operation and management in or out of the Company and is expected to discharge his or her duties appropriately and efficiently.

<Matters to be considered for Dismissal>

- (1) Disrepute of the Company or considerable consequent loss due to serious misconduct
- (2) Serious non-compliance by the Executive Officer
- (3) Decline in the Company’s performance for long-term period or beyond recovery due to his/her appointment as the Executive Officer
- (4) Significant lack of trust by the Company’s stakeholders such as clients, shareholders and others

## **Article 21. Compensation for Directors and Executive Officers**

The Compensation Committee shall set forth [the Policy on the Determination of the Amount of Compensation, etc., of Each Director and Executive Officer](#) and shall determine the amount of compensation, etc., of each Director and Executive Officer based on the Policy.

## **Article 22. Conflicts of Interest**

1. Directors and Executive Officers shall not pursue their own personal interests or those of third parties that would constitute a real or perceived conflict of interest with the Company.
2. Even without intention to pursue the interests noted above in the preceding clause, all Directors and Executive Officers shall obtain approval from the Board to conduct any transaction that would constitute a conflict of interest or competition with the Company stipulated by the Companies Act of Japan.
3. Directors and Executive Officers who have professional interests outside the Company as well as personal interests in the transactions mentioned in the preceding clause cannot participate in the Board voting.

## **Article 23. Education of Directors and Executive Officers**

The Company shall provide Directors and Executive Officers with an orientation when they assume office as well as on other opportunities, when necessary, for them to acquire the knowledge necessary for discharging their duties as Directors and Executive Officers of the Company.

## **Article 24. Stock Ownership**

After being elected, Directors and Executive Officers are encouraged to hold the Company's stock through the Hitachi Metals Directors' and Officers' Shareholding Association.

## **Article 25. Board Self-Evaluation**

The Board shall evaluate its effectiveness annually.

(Established on November 26, 2015)

(Revised on October 1, 2018)

(Revised on December 7, 2018)

# **Appendices**

# Hitachi Metals Group Codes of Conduct

## Preface

Our corporate creed is to “contribute to society by being the best enterprise.” In striving to accomplish this mission, we embrace the values of our corporate philosophy, “*Wa sureba tsuyoshi*,” the founding spirit of Hitachi Metals. We have also stipulated the Hitachi Metals WAY, a systematic philosophy that shapes our corporate culture and action principles, in order to provide society with value that is unique to the Hitachi Metals Group.

The Hitachi Metals Group Codes of Conduct consist of rules and principles intended to assist officers and employees in making decisions and taking actions based on “obey the law and walk the path of virtue,” with our corporate creed and corporate philosophy as a foundation, in order to realize this Hitachi Metals WAY. All officers and employees of the Hitachi Metals Group companies shall understand and follow the Codes of Conduct, and act with sincerity and fairness in a highly ethical manner.

## 1. Toward a Sustainable Society

(1) We will contribute to resolving social issues by promoting innovative solutions, accelerating collaborative creation with partners and stakeholders, and further integrating social and environmental responsibility into our business activities.

(2) We will strive to develop technologies that contribute to social development and use them with due consideration of their impact on society.

(3) We envision a low-carbon society, a resource efficient society, and a harmonized society with nature. To this end, we will endeavor to reduce CO<sub>2</sub> emissions, use water and other resources efficiently, and minimize impacts on natural capital throughout our value chain.

(4) As a corporate citizen, we will make efforts to build rapport with communities and contribute to their development by working together to resolve social issues.

## 2. Sincere and Fair Business Activities

### 2.1 Fair Trading

(1) To ensure fair and open competition, we will observe the fundamental rules of trade, including domestic and overseas competition laws and regulations, and act in compliance with legislation and sound corporate ethics.

(2) We will have no relationship whatsoever with antisocial forces anywhere in the world, and resolutely reject involvement in improper or antisocial transactions.

(3) We will not trade shares using undisclosed information regarding the group, affiliated companies, business partners, or customers that could affect the judgment of investors (insider information).

(4) We strictly prohibit and will have no involvement in bribery and other corrupt business practices. We will neither give or receive gifts nor extend or accept invitations to business entertainment beyond socially accepted limits, as we recognize that such practices can foster corruption. When working with political entities, we will build and maintain sound and transparent relationships.

(5) We will help maintain international peace and security through compliance with all applicable laws and regulations concerning import and export, and will operate appropriately according to our internal rules and policies.

(6) We will comply with applicable laws, respect social cultures and practices, and act sincerely and fairly in countries and regions where we have operations. Furthermore, we will do so guided by international norms and standards even in areas where legislation is not adequately enforced.

### 2.2 Relationships with Suppliers

(1) With a global vision, and mindful of the long-term perspective, we will find qualified suppliers and build fair and equal partnerships with them, working together to build mutual understanding and trust.

(2) In selecting suppliers, we will thoroughly review the quality, reliability, delivery time, and price of the materials they provide as well as their business stability and technological capability. We will give due consideration to their adoption of social responsibility practices, including areas such as the abolition of unfair discrimination, the elimination of child labor and forced labor, and environmental



conservation.

(3) We will not accept any personal benefits from suppliers in procurement transactions.

### **2.3 Relationships with Customers**

(1) We will provide products and services that meet the needs and requirements of our customers, complying with relevant laws and standards and ensuring quality and safety by setting additional standards of our own where necessary.

(2) We will communicate with customers sincerely, address defects and customer complaints quickly and in good faith, and strive to determine causes in order to eliminate them and prevent recurrence.

### **3. Respect for Human Rights**

(1) We will promote our understanding of internationally recognized human rights, and will respect and not infringe on the human rights of all those involved in our business activities.

(2) We will implement human rights due diligence appropriate to the social circumstances of the countries and regions where we have operations and the nature of our businesses, products, and services there.

(3) We will assess and prevent potential violations of human rights. In the event of such a violation, we will promptly take internal and external actions to correct and remedy the situation.

(4) We will respect individual human rights in the recruitment and treatment of employees and during all other company activities. We will not engage in any acts that may impair individual dignity or discriminate on bases such as sex, sexual orientation, age, nationality, race, ethnicity, ideology, belief, religion, social status, family origin, disease, disability.

(5) We will hire employees in compliance with the relevant laws and regulations in each country and region, and in accordance with international norms and standards. We will not use child labor that employs children below the minimum working age or forced labor that is against the will of employees.

(6) We will strive to resolve issues through sincere and constructive discussion between management and employees, in compliance with the laws, regulations, and labor practices of each country and region, and in accordance with international norms and standards.

### **4. Building a Work Environment That Brings Out Employee Strengths**

(1) Prioritizing health and safety above all else, we will strive to ensure the safety of employees and the workplace. In addition, we will promote the physical and mental health of employees and their families.

(2) We will support flexible work styles and respect diverse values, creating workplaces that provide employees with a sense of accomplishment and personal growth, and we will promote the sustainable growth of the organization and individuals.

(3) We will invest in educational programs to help employees expand their capabilities and exercise their strengths. Supervisors will fairly and appropriately support, guide, and educate their employees to develop their abilities.

### **5. Information Management and Communication**

(1) We will promote the ethical handling of information, so as to ensure respect for human rights and security, through the proper management of personal information based on our Personal Information Protection Policy.

(2) We will properly manage and protect confidential information related to our business activities in compliance with domestic and international laws and regulations as well as our internal rules and policies.

(3) In order to maintain and expand our trusting relationship with the Hitachi Metals Group's diverse stakeholders, we will disclose information openly and transparently, and respond to stakeholders responsibly through dialogue and other means of communication.

### **6. Protection of Intellectual Property and Brand**

(1) We will protect our own intellectual property, respect third-party intellectual property, and use both effectively for smooth business operations.

(2) We will manage our own and third-party confidential information by importance and manage and

handle it appropriately based on this ranking.

(3) We will protect and enhance the value of the Hitachi Metals Brand, recognizing it as an important management asset.

### **7. Securing Corporate Assets**

We will use all our corporate assets only for business activities and other appropriate purposes, and manage them properly to protect their value.

### **8. Crisis Management**

We will make concerted efforts throughout the Hitachi Metals Group to secure employee safety and business continuity in case of disasters and threats such as earthquakes, tsunamis and floods, cyberattacks, and terrorism.

### **9. Responsibilities of Employees**

Employees shall pledge to comply with the Codes of Conduct. If they become aware of any non-compliant activity, they shall immediately report to their manager or via the internal reporting system.

### **10. Responsibilities of Top Management**

Top managers shall take the initiative in complying with the Codes of Conduct and make their best efforts to conduct business based on corporate ethics and the law. In the event of violation of the Codes of Conduct, top managers shall swiftly take corrective measures and actions to prevent the recurrence of similar incidents, while at the same time strictly disciplining themselves as well as those involved in the violation.

### **Supplementary Provisions to the Hitachi Metals Group Codes of Conduct**

The Hitachi Metals Group Codes of Conduct shall apply to all officers and employees of Hitachi Metals, Ltd. and its consolidated subsidiaries.

Each subsidiary shall streamline its organizational structure and systems (e.g. internal reporting system, disciplinary system, etc.) to comply with the Hitachi Metals Group Codes of Conduct. In the event of any violation, disciplinary action shall be taken in accordance with the related rules and internal procedures.

The Codes of Conduct have been developed based on the Hitachi Group Codes of Conduct.

[\[Return to the corresponding article\]](#)

# IR Policy

## Basic Policy

1. We strive to achieve sustainable growth and enhance corporate value through constructive dialogue with shareholders and investors.
  - We reflect objective assessments and perspectives toward business management, gained from two-way communication with our stakeholders in our corporate activities.
2. We conduct appropriate and timely information disclosure, fulfill our accountability and raise the transparency of business management as well as enhance society's trust in the Company.
  - We explain our management policies and strategies as well as business plans to our stakeholders, including our shareholders and investors, using unequivocal and easily understood language and logic.
3. We communicate with our stakeholders in the feasibility studies of our plans and develop an awareness of commitment.
  - In each business of the Company, we also hold dialogue on plans with the shareholders and investors to develop a companywide awareness of commitment.

## Implementation Guidelines

1. Promotion activities
  - The President and Chief Executive Officer personally hold dialogue with the markets by indicating the Company's management policy and vision to capital markets. As a way of realizing this management policy and vision, the heads (Presidents) of each business unit as well as the Chief Financial Officer and Executive Officer in charge of IR and public relations promote IR activities. They reveal their views and strategies and engage in dialogue with the markets.
  - The division in charge of IR (Corporate Communications Dept.) promotes constructive dialogue by holding briefings both in Japan and overseas as well as by engaging in other IR activities. At the same time, the division coordinates with the related internal divisions to study the content of disclosures and prepare materials. Furthermore, the division gives feedback about the opinions and concerns of stakeholders, which are gathered through IR activities, to top management and to the Company to improve IR activities.
2. Management of insider information, etc.
  - The Company manages insider information and information which is subject to fair disclosure rules in accordance with the Company's rules. The division in charge of IR works with other divisions on appropriate measures to prevent situations that could violate insider-trading regulations or fair disclosure rules.

[\[Return to the corresponding article\]](#)

## **Policies Concerning Dividend Determination**

The Company believes that corporations are responsible for returning profits to their shareholders at an appropriate level on a long-term basis through augmenting corporate value by strengthening international competitiveness in the face of evolving customer needs and technologies and their globalization. With this understanding, it has been the basic policy of the Company to determine distribution of profits to shareholders and retained earnings based on a comprehensive review of business environment, future business developments, and performance, with focus on ensuring growth over the medium- to long-term. With a view to future business development, retained earnings will be invested for the development and commercialization of new materials, generation of new businesses, and the expansion, streamlining of production of competitive products and others. Furthermore, acquisition of treasury stock will be made as deemed appropriate for the purpose of enabling the flexible execution of capital policies, taking into consideration necessity, financial position, share price level and others.

[\[Return to the corresponding article\]](#)

# **Hitachi Metals Group Management Policy and Related Guidelines**

## **(Summary)**

With regard to the operation of the Group companies, the Company utilizes the Group's management resources effectively from the perspective of overall optimization of the entire Group and sustainable growth. Moreover, the Company has established a system for improving consolidated management efficiency as well as maximizing corporate value by creating solid management structures, which enable the entire Group to adjust to a changing management environment.

Specifically, the Company has established the Hitachi Metals Group Management Policy. In an effort to efficiently apply this Policy, the Guidelines on Investment in and Management of Group Companies, the Guidelines on Dividends from Group Companies to the Company, the Guidelines on Fund Management of Group Companies, etc., have been established. The Company conducts Group company operations in accordance with this policy and these guidelines.

### **Hitachi Metals Group Management Policy**

- 1) As the Group, we share a medium- to long-term management vision.
- 2) The Group complies with “ensured information disclosure and transparency” as set forth in the corporate governance code.
- 3) As the entire Group, we fulfill “accountability to the capital market.”
- 4) We utilize the Group's management resources effectively from the perspective of overall optimization of the entire Group and sustainable growth.
- 5) By creating solid management structures, which enable the Group to adjust to a changing environment, we improve consolidated management efficiency as well as maximize corporate value.

### **Related Guidelines**

To ensure the efficient application of the Hitachi Metals Group Management Policy, the Company has established its supplementary guidelines and operates the Group companies.

1. The Guidelines on Investment in and Management of Group Companies (Group Capital Management Guidelines)
  - Investments in Group companies are conducted under each internal company's strategy in line with the overall strategy, upon assessment of the target company's objectives and the validity of business plans.
  - In order to ensure the collection of returns from investments in Group companies, we constantly

follow their performance as well as provide support for their business operations.

- The results of investments in Group companies (profits and retained earnings) are used as sources for reinvestments by the Group and belong to an investor, Hitachi Metals.
- The collection and reinvestment of the Group's interests in profits and retained earnings of Group companies are controlled and determined by Hitachi Metals so that they serve the optimized capital/funding efficiency of the entire Group.

## 2. The Guidelines on Dividends from Group Companies to the Company (Group Dividend Management Guidelines)

- The Company has established and applied a base payout ratio upon consideration of funding and investment efficiency, among others, based on the standpoint that, as seen from the capital markets' point of view, subsidiaries' profits available for dividends, in principle, belong to the Company.

## 3. The Guidelines on Fund Management of Group Companies (Group Fund Management Guidelines)

- The Group fund management conducts financing of working capital and capital investment and utilizes surplus funds to contribute to the maximization of Group funding efficiency.

[\[Return to the corresponding article\]](#)

# **Hitachi Metals Basic Policy**

## **on**

# **Diversity Management**

1. We regard differences in gender, nationality, culture and so forth as unique qualities of the individual, and we ensure diversity through measures such as promoting the career development of women and the utilization of global human resources. Such approaches allow us to promote innovation and enhance the flexibility and speed with which we respond to risks and changes.
2. We encourage the growth of the individual, enhance our ability to act as an organization and reinforce the basis for sustained growth by engaging in active communication and the sharing of values.
3. We aim to become one of the world's top companies in metal materials by designating diversity as a driver of growth, as we transform ourselves into a globally competitive business and challenge ourselves to meet new targets.

[\[Return to the corresponding article\]](#)

## **Policy on the Determination of the Amount of Compensation, etc., of Each Director and Executive Officer**

1. Directors and Executive Officers assuming the management of the Company are compensated for executing management that enhances the Company's corporate value and benefits stakeholders such as shareholders by determining management policies from a long-term perspective, and formulating and executing medium-term management plans and annual business budgets.
  
2. In order to motivate Directors and Executive Officers to exercise their respective management capabilities, know-how and skills to achieve satisfactory results, the compensation system shall reflect the Company's short-term and medium- to long-term business performance and appropriate compensations shall be paid for outstanding achievements.
  
3. Compensation paid by the Company consists of a base compensation and a term-end bonus.
  - (1) Base compensation: Determined individually as consideration for the degree of responsibility for Company management as Director and/or Executive Officer and for the performance of duties utilizing their extensive experience, knowledge, insight, and specialized management skills, etc., acquired from past experience. In order to secure appropriate human resources for the positions of Director and Executive Officer, compensation levels should be comparable to those of other companies.
  - (2) Term-end bonus: Linked to the business performance of the Company.
  
4. In order to share interests with shareholders through the holding of stock of the Company and thereby promote sustainable growth and enhanced corporate value of the Company over the medium to long term, Directors and Executive Officers shall, as a general rule, contribute part of their compensation to the officers' shareholding association and acquire stock of the Company until such stock reach a certain number. The acquired stock shall be held continuously during the term of office of Directors and Executive Officers and, as a general rule, one year after the retirement from their posts.

[\[Return to the corresponding article\]](#)