(Securities code: 5486)
June 6, 2016

To our shareholders:

Hitachi Metals, Ltd.
2-70, Konan 1-chome, Minato-ku, Tokyo

Notice of the 79th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 79th Ordinary General Meeting of Shareholders of Hitachi Metals, Ltd., which will be held as described below:

In the event that you are not able to attend the meeting, you may exercise your voting rights in writing or online. Please review the attached Reference Document for the General Meeting of Shareholders, and exercise your voting rights no later than 5:00 p.m., Wednesday, June 22, 2016.

[Exercising Voting Rights by Mail]
Please indicate your vote of approval or disapproval on each Item using the enclosed voting right card, and return the card to us so that it arrives by the above deadline.

[Exercising Voting Rights via the Internet]
Please read the "Procedures for Exercising Voting Rights via the Internet" shown on page 3, and enter your vote of approval or disapproval on each Item and submit it by the above deadline.

Notice

1. Date: Thursday, June 23, 2016 at 10:00 a.m. (Reception starts from 9:00 a.m.)

2. Location: Kokuyo Hall (2nd floor)
8-35, Konan 1-chome, Minato-ku, Tokyo

3. Agenda:

Items To Be Reported:

Report on the Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements for the 79th business term (from April 1, 2015 to March 31, 2016), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit Committee

Items To Be Resolved:

Item: Election of Eight (8) Directors

4. Matters regarding exercising voting rights:

(1) If you do not indicate your vote of approval or disapproval for all Items when using the voting right card, we will consider that you have accepted any Item on which you did not vote.

(2) If you exercise your voting rights by both using the voting right card and via the Internet, your vote received via the Internet will be treated as valid.

(3) If you exercise your voting rights via the Internet more than once on the same Item, your vote received last will be treated as valid.

(4) You may ask one person, who is a shareholder entitled to exercise the voting rights of the Company, to attend the General Meeting of Shareholders and exercise your voting rights on behalf of you. In this case, we will require the person to submit a document to prove his/her right of proxy.

Very truly yours,

Hideaki Takahashi
Director, Representative Executive Officer,
President and Chief Executive Officer

○ When attending the Ordinary General Meeting of Shareholders, please submit the enclosed voting right card at the reception desk.

○ Pursuant to applicable laws and regulations, and the provision of the Articles of Incorporation of the Company, of the documents to be provided with this notice, "Notes to Non-Consolidated Financial Statements" and "Notes to Consolidated Financial Statements" are not provided in this notice because they have been provided to shareholders through postings on the Company's website (http://www.hitachi-metals.co.jp/ir/ir-stock.html). Therefore, the "Non-Consolidated Financial Statements" and the "Consolidated Financial Statements" attached to this notice are a portion of the financial statements audited by the Accounting Auditor and the Audit Committee in the course of the preparation of their audit reports.

○ Please note that any changes in the items described in Reference Document for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements will be posted on our website (see above).

○ We ask for your kind understanding that, in order to cooperate with the conservation of electric power, we will set the temperature of air conditioners higher than usual. Therefore, Officers and staffs may carry out the meeting in wearing lighter clothes. As such, we would like to ask your kind cooperation in wearing light clothes for the meeting.

Procedures for Exercising Voting Rights via the Internet

<How to exercise your voting rights via the Internet>

1. When you exercise your voting rights via the Internet, please access the following website “Exercise of Voting Rights” using your PC, mobile phone or smartphone.

    Exercise of Voting Rights website: http://www.tosyodai54.net

2. Please input the “Voting Right Exercise Code” and the “Password” indicated in the “Request for Shareholders” column of the enclosed voting right card.
3. Please follow the instructions on the screen and send your vote of approval or disapproval on each Item no later than **5:00 p.m., Wednesday, June 22, 2016.**

<Important reminders when using the Exercise of Voting Rights website>

1. Please note that communications charges (e.g., phone charges) and connectivity fees to the internet providers incurred when accessing the Exercise of Voting Rights website should be borne by the shareholder.
2. Please note that some types of mobile phones will have difficulty in accessing the website.

<For inquiries regarding exercising voting rights via the Internet>

Please contact:	Shareholders Registry Administrator, Tokyo Securities Transfer Agent Co., Ltd.
	Phone: 0120-88-0768 (toll free)
	(Business hours: 9:00 a.m. – 9:00 p.m.)

○ To Institutional Investors:

Institutional investors who have applied for the use of the “ICJ platform” for electronic proxy voting operated by ICJ, Inc. (ICJ) can exercise their voting rights via the platform. ICJ is a joint venture company established by Tokyo Stock Exchange, Inc. and other institutions.

[Attachments]

Business Report

(April 1, 2015 to March 31, 2016)

1. Current Status of the Hitachi Metals Group

(1) Operating Progress and Results of the Hitachi Metals Group

During the consolidated fiscal year under review, while the global economy remained on a modest growth track primarily in advanced countries, the slowdown in emerging economies that began last summer fueled uncertainty over future economic prospects. The U.S. economy continued to experience upturns supported by consumer spending, and the European market continued its slow recovery as a whole. Economies in emerging countries and resource-rich countries continued to grow at a slow pace as a result of the Chinese economy showing more signs of an accelerated slowdown and a drop in resource prices. Amid such situations, the Japanese economy remained in a holding pattern due to factors such as the impact of the slowdown in emerging economies on exports and production.

Among the industries in which the Hitachi Metals Group (the "Group") operates, the automobile industry experienced strong demand in the United States; however, the domestic market saw continued inventory adjustments of small cars and demand was weak in China and some emerging countries. Steel production was on a declining path due to the effects of the worsened balance of supply and demand in Asia accompanied by the inventory adjustments. Further, public investment fell, while the Japanese housing construction market remained unchanged. The demand in the electronics industry fell due to weaker sales of personal computers and air-conditioning units.

The financial results of the Group for the fiscal year under review are as follows: revenues increased by 1.3% year on year to ¥1,017,584 million and operating income increased by ¥15,547 million year on year to ¥99,954 million, partly owing to the conversion of Waupaca Foundry, Inc. into a consolidated wholly owned subsidiary as of November 10, 2014. Operating income increased mainly due to posting gains on business reorganization and others of ¥30,232 million in other income arising from a transfer of shares equivalent to 51% of the issued shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) to Mitsubishi Materials Corporation as of April 1, 2015, despite a decrease in gross profit. Income before income taxes increased by ¥9,842 million year on year to ¥96,233 million and net income attributable to shareholders of the parent company decreased by ¥1,513 million year on year to ¥69,056 million.

Results by business segment are as follows. Note that revenues for each segment include intersegment sales and transfers.

[High-Grade Metal Products and Materials]

Revenues: ¥241,987 million (down 7.2% year on year)
Operating income: ¥53,343 million (up ¥18,682 million year on year)

Revenues in the High-Grade Metal Products and Materials segment for the fiscal year under review decreased by 7.2% year on year to ¥241,987 million. Operating income of the segment increased by ¥18,682 million year on year to ¥53,343 million, partly due to gains on business reorganization and others of ¥25,931 million arising from the transfer of shares in Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) on April 1, 2015.

<Special Steels>

Despite the effect of economic slowdown on sales of tool steels in Asia, overall sales remained flat year on year, due to robust demand for automotive mold materials in Japan as well as a further shift towards high-value-added products in product lines. For industrial equipment materials, despite the expanded sales of environmentally friendly products and steady demand for other industrial components for overseas markets, sales decreased year on year, due to a continued partial production adjustment for automobile-related materials. Sales of aircraft-related and energy-related materials considerably increased because of continuing robust demand, as well as reflecting the performance of Hitachi Metals MMC Superalloy, Ltd., which became a consolidated subsidiary of the Group as of July 1, 2014. Sales of alloys for electronic products, both display-related materials and semiconductors and other package materials, decreased year on year.

<Rolls>

Sales of rolls showed an increase due to growth in exports during the fiscal year under review. Despite a decrease in demand for mobile devices, sales of injection molding machine parts remained steady year on year, thanks to robust demand mainly for large machinery.

<Amorphous Materials>

Sales of amorphous metals decreased year on year, due to a drop in demand for China, the major market for the products.

[Magnetic Materials and Applications]

Revenues: ¥119,944 million (down 11.5% year on year)
Operating income: ¥9,574 million (down ¥1,918 million year on year)

Revenues in the Magnetic Materials and Applications segment for the fiscal year under review decreased by 11.5% year on year to ¥119,944 million. Operating income of the segment decreased by ¥1,918 million year on year to ¥9,574 million.

<Magnets>

Sales of rare earth magnets decreased year on year because of the slowdown in demand for industrial equipment and household appliances, despite strong demand in automotive electronic components for electric power steering and hybrid automobiles. Sales of ferrite magnets increased due to solid demand for automotive electronic components and household appliance parts, both in Japanese and overseas markets.

<Soft Magnetic Materials and Applied Products>

Sales of ferrite applied products experienced a decline in demand for solar power generation systems parts. Sales of ferrite core were weak, affected by a slowdown in demand in the Chinese market. Sales of FINEMET® diminished due to a decrease in demand for automotive electronic components and the production adjustment of air-conditioners.

[High-Grade Functional Components and Equipment]

Revenues: ¥365,118 million (up 29.3% year on year)
Operating income: ¥25,479 million (down ¥2,595 million year on year)

Revenues in the High-Grade Functional Components and Equipment segment for the fiscal year under review increased by 29.3% year on year to ¥365,118 million. Operating income of the segment decreased by ¥2,595 million year on year to ¥25,479 million, due to the gains on business reorganization and others of ¥9,684 million posted in the previous fiscal year following the transfer of all shares of Hitachi Metals Techno, Ltd. (currently named SENQCIA Corporation).

<Casting Components for Automobiles>

Sales of casting components for automobiles increased significantly year on year, reflecting the incorporation of the performance of Waupaca Foundry, Inc., which became a consolidated wholly owned subsidiary. Sales of heat-resistant exhaust casting components increased year on year, due to an increase in demand in both Europe and North America beginning from the second half of the fiscal year under review, despite a temporary decline in demand during the first half of the same year. Sales of aluminum wheels increased year on year supported by robust demand in the United States.

<Piping Components>

Sales of casting iron fittings remained flat year on year in both the Japanese and overseas markets. Despite strong demand for gas piping components, sales of stainless steel and plastic piping components remained flat year on year due to a decline in housing starts.

[Wires, Cables, and Related Products]

Revenues: ¥288,246 million (down 12.1% year on year)
Operating income: ¥17,682 million (down ¥2,163 million year on year)

Revenues in the Wires, Cables, and Related Products segment for the fiscal year under review decreased by 12.1% year on year to ¥288,246 million. Operating income of the segment decreased by ¥2,163 million year on year to ¥17,682 million.

<Electric Wires and Cables>

While revenues from electric wires and cables decreased due to review of the Group’s business portfolio, sales grew significantly for wires and cables for rolling stock, which is one of the focused areas of the Group, especially in overseas markets. There was also an increase in sales of probe cables for medical use.

<Automotive Products>

Sales of automotive products increased year on year, since both electronic components and brake hoses showed a steady increase, supported by continuing brisk demand for automobiles, especially in North America.

<Information Systems>

Sales of information system devices and materials decreased year on year, as a result of weak demand in network products and wireless systems, due to prolonged sluggish capital investments in infrastructure by telecommunications carriers.

[Others]

Revenues: ¥3,547 million (down 18.6% year on year)
Operating income: ¥143 million (down ¥63 million year on year)

(Note) The Company has adopted the International Financial Reporting Standards (IFRS) for the consolidated financial statements of the Group effective from the fiscal year under review.

Accordingly, the above figures used in the business report for a year-on-year comparison were calculated based on the figures in the consolidated financial statements presented in the Company's annual securities report for the fiscal year ended March 31, 2015, which was prepared in accordance with the IFRS.

(2) Tasks for the Hitachi Metals Group

As for the Group's business environment, although the Group expects the U.S. and European economies to continue on a recovery path, caution is required going forward, as there are many uncertainties stemming from concerns about further economic slowdown in emerging countries, such as China and resource-rich countries, sudden fluctuations in exchange rates, and declines in the price of crude oil and other resources.

In this business environment, the Group will implement its newly formulated Fiscal 2018 Medium-Term Management Plan, the final year of which is the fiscal year ending March 31, 2019, to position itself as a top-class global manufacturer of highly functional materials.

Under the Fiscal 2018 Medium-Term Management Plan, we aim to "Change" to be a competitive business and "Challenge" ourselves to meet new targets. With these key words, we will build a stronger business base and pursue our growth strategies as we aim to become the top-class global manufacturer of highly functional materials and grow sustainably over the long term.

Our specific action plans are as follows:

(1) Accelerate the creation and execution of growth strategies

We will promote new product developments and growth strategy investments (including M&As) through proactive R&D based on a market-in perspective that is attuned to what markets and customers are looking for. We will pick up the speed from development to commercial release, mass production, and sales expansion, and accelerate the creation and cultivation of new products that will become our next core products. In addition to strengthening the business base, we will invest strategically for growth to expand our global business and thereby increase profitability. These will make us more competitive and able to develop in global markets, and help us expand our business domains in industrial infrastructure, energy, automotive, and electronics fields.

(2) Achieve a robust business structure and highly efficient business management

To build a robust business structure capable of responding flexibly to changes in the market environment, we will be concentrating management resources on fields where growth is expected, promoting efficient business operations, and increasing our corporate value.

By continually remodeling our business portfolio, we aim to further strengthen our business base and establish a business structure that can compete and win on the global market. Moreover, we will advance a Corporate Monozukuri Innovation Project that merges GEMBA (workplace) improvements and technology developments and will further strengthen profitability to become the top-class global manufacturer of highly functional materials.

(3) Strive to establish a business base that is sustainable over the long term

By achieving the "creation and execution of growth strategies" and a "robust business structure and highly efficient business management"–the action plans in Fiscal 2018 Medium-Term Management Plan–we will enhance management efficiency to maintain sound financial strength and become a company that is sustainable over the long term.

We will additionally build an innovative corporate culture and achieve sustained growth by practicing a diversity management and empowering people of all types to play an active role.

(3) Capital Investments at the Hitachi Metals Group

Capital investments in the fiscal year under review totaled ¥59,602 million (based on the purchase cost of property, plant and equipment and intangible assets). The details by business segment are as follows:

- High-Grade Metal Products and Materials: ¥23,160 million invested mainly for the enhancement and rationalization of production systems in Japan and the enhancement of production systems for high-value added products.
- Magnetic Materials and Applications: ¥6,795 million invested mainly for the enhancement of magnet production systems in Japan.
- High-Grade Functional Components and Equipment: ¥16,819 million invested mainly for the enhancement of production systems in Japan and the rationalization of overseas production systems.
- Wires, Cables, and Related Products: ¥11,524 million invested mainly for the renewal and rationalization of large-scale facilities in Japan and the establishment of production systems for new products overseas.

(4) Financing and Borrowings by the Hitachi Metals Group

The Group’s interest-bearing debt at the end of the fiscal year under review decreased by ¥34,974 million year on year to ¥220,376 million after making repayments for borrowings during the fiscal year under review.

Main borrowings as of the end of the fiscal year under review are as follows:

Name of company	Creditors	Balance of borrowings
Hitachi Metals, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	(millions of yen) 46,988
	Mizuho Bank, Ltd.	21,747
	The San-in Godo Bank, Ltd.	8,400
	Sumitomo Mitsui Trust Bank, Limited	6,480
	The Joyo Bank, Ltd.	4,820
Hitachi Metals MMC Superalloy, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,500
Hitachi Metals America, LLC	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	(thousands of U.S. dollars) 36,900 (millions of yen) (4,158)
	Mizuho Bank, Ltd.	(thousands of U.S. dollars) 36,900 (millions of yen) (4,158)

(Note) Figures shown in parentheses in the column of “Balance of borrowings” are those converted into the Japanese yen using exchange rates as of March 31, 2016.

(5) Significant Corporate Restructuring, etc.

Not applicable

(6) Assets and Income of the Hitachi Metals Group and the Company for the Most Recent Three Business Terms

(i) Assets and Income of the Hitachi Metals Group

Item	76th business term (Fiscal 2012)	77th business term (Fiscal 2013)	78th business term (Fiscal 2014)		79th business term (Fiscal 2015)
	J-GAAP	J-GAAP	J-GAAP	IFRS	IFRS
Revenues (millions of yen)	535,779	807,952	1,006,301	1,004,373	1,017,584
Operating income (millions of yen)	21,079	59,536	78,216	84,407	99,954
Net income attributable to shareholders of the parent company (millions of yen)	12,955	39,417	66,553	70,569	69,056
Basic earnings per share (EPS) attributable to shareholders of the parent company (yen)	36.20	95.65	155.64	165.02	161.50
Total equity (millions of yen)	259,865	373,198	459,727	476,176	504,675
Total assets (millions of yen)	541,286	840,742	1,065,990	1,083,450	1,033,311

(Notes)

1. The name of each item is determined in accordance with the IFRS. Figures in the category of the “Japanese generally accepted accounting principles (J-GAAP)” for the 76th business term through the 78th business term are determined in accordance with the J-GAAP. For these figures, “Revenues” can be replaced with “Net sales,” “Net income attributable to shareholders of the parent company” with “Net income,” “Basic EPS attributable to shareholders of the parent company” with “Net income per share,” and “Total equity” with “Net assets.”
2. “Basic EPS attributable to shareholders of the parent company” and “Net income per share” is calculated using the average total number of issued shares during the term after deduction of treasury stock.

(ii) Assets and Income of the Company

Item	76th business term (Fiscal 2012)	77th business term (Fiscal 2013)	78th business term (Fiscal 2014)	79th business term (Fiscal 2015)
	J-GAAP	J-GAAP	J-GAAP	J-GAAP
Net sales (millions of yen)	316,468	431,526	500,203	441,103
Operating income (millions of yen)	386	23,452	25,929	13,016
Net income (millions of yen)	5,790	27,891	71,293	40,108
Net income per share (yen)	16.18	67.68	166.72	93.80
Net assets (millions of yen)	152,139	250,211	312,251	340,416
Total assets (millions of yen)	373,796	599,341	739,112	723,828

(Note) "Net income per share" is calculated using the average total number of issued shares during the term after deduction of treasury stock.

(7) Major Businesses of the Hitachi Metals Group (As of March 31, 2016)

Business segment	Principal products
High-Grade Metal Products and Materials	High grade specialty steel products (molds and tool steel and alloys for electronic products [display-related materials and semiconductor and other package materials], industrial equipment materials [automobile-, aircraft-, and energy-related materials], and razor and blade materials) Precision cast components Rolls for steel mills Injection molding machine parts Structural ceramic products Steel-frame joints for construction Amorphous metals
Magnetic Materials and Applications	Magnets (rare-earth magnets, ferrite magnets, other magnets and applied products) Soft magnetic materials (soft ferrite and nanocrystalline magnetic material) and applied products Amorphous metals and applied products IT materials and components Materials and components for medical equipment
High-Grade Functional Components and Equipment	Casting components for automobiles (high-grade ductile iron products; cast iron products for transportation equipment; and heat-resistant exhaust casting components) Aluminum wheels and other aluminum components Forged components for automobiles Piping and infrastructure components (pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
Wires, Cables, and Related Products	Electric wires and cables (electric power and industrial systems; electronic and telecommunication materials; electric equipment materials; and industrial rubber products) Automotive products (electronic components and brake hoses) Information systems (information networks and wireless systems)
Others	Real estate business Software business, etc.

(Note) Businesses relating to soft magnetic materials and applied products are transferred from "Magnetic Materials and Applications" to "High-Grade Metal Products and Materials" as of April 1, 2016.

(8) Major Facilities of the Hitachi Metals Group (As of March 31, 2016)

(i) Major Facilities of the Company

<table>
<tr><th colspan="2">Facility</th><th>Location</th><th colspan="2">Facility</th><th>Location</th></tr>
<tr><td colspan="2">Head office</td><td>Tokyo</td><td rowspan="6">Plants</td><td rowspan="6">Kyushu Works
Moka Works
Kuwana Works
Yasugi Works
Kumagaya Works
(High-Grade Functional Components Company)
Yamazaki Manufacturing Dept.
Kumagaya Works
(Magnetic Materials Company)
Saga Works
Metglas Yasugi Works
Ibaraki Works
Takasago Works
Hitaka Works
Toyoura Works
Densen Works</td><td rowspan="6">Fukuoka
Tochigi
Mie
Shimane
Saitama

Osaka
Saitama

Saga
Shimane
Ibaraki
Ibaraki
Ibaraki
Ibaraki
Ibaraki</td></tr>
<tr><td rowspan="7">Sales offices</td><td>Kansai Sales Office
Shikoku Sales Office</td><td>Osaka
Kagawa</td></tr>
<tr><td>Kyushu Sales Office
Okinawa Sales office</td><td>Fukuoka
Okinawa</td></tr>
<tr><td>Chubu-Tokai Sales Office
Hokuriku Sales Office
Hamamatsu Sales Office
Shizuoka Sales Office</td><td>Aichi
Toyama
Shizuoka
Shizuoka</td></tr>
<tr><td rowspan="3">Chugoku Sales Office</td><td rowspan="3">Hiroshima</td></tr>
<tr></tr>
<tr><td rowspan="3">Research institutes</td><td rowspan="3">Production System Laboratory
Casting Technology Research Laboratory
Metallurgical Research Laboratory
Magnetic Materials Research Laboratory
Cable Materials Research Laboratory</td><td rowspan="3">Saitama
Tochigi
Shimane
Osaka
Ibaraki</td></tr>
<tr><td>Kitanihon Sales Office
Hokkaido Sales Office
Niigata Sales Office</td><td>Miyagi
Hokkaido
Niigata</td></tr>
<tr><td>Ibaraki Sales Office</td><td>Ibaraki</td></tr>
</table>

(Notes)

1. The Kitakanto Sales Office (Gunma) was closed as of October 31, 2015.
2. The Takasago Works (Ibaraki), the Hitaka Works (Ibaraki), the Toyoura Works (Ibaraki), and the Densen Works (Ibaraki) were consolidated into the Ibaraki Works (Ibaraki) as of April 1, 2016. On the same day, we conducted the restructuring of sales offices. The new organization system is as follows:

<table>
<tr><th colspan="2">Facility</th><th>Location</th></tr>
<tr><td rowspan="3">Sales offices</td><td>Eastern Japan Regional Office
Kitanihon Sales Office
Ibaraki Sales Office</td><td>Tokyo
Miyagi
Ibaraki</td></tr>
<tr><td>Central Japan Regional Office
Hokuriku Sales Office
Shizuoka Sales Office</td><td>Aichi
Toyama
Shizuoka</td></tr>
<tr><td>Western Japan Regional Office
Chugoku Sales Office
Kyushu Sales Office</td><td>Osaka
Hiroshima
Fukuoka</td></tr>
</table>

(ii) Major Facilities of Subsidiaries

The locations of key subsidiaries are shown on pages 12-13.

(9) Employees of the Hitachi Metals Group (As of March 31, 2016)

(i) Employees of the Hitachi Metals Group

Business segment	Number of employees
High-Grade Metal Products and Materials	6,004
Magnetic Materials and Applications	4,709
High-Grade Functional Components and Equipment	8,240
Wires, Cables, and Related Products	9,549
Others	164
All Companies (Combined)	491
Total	29,157

(Notes)

1. The numbers shown in the above table represent the actual numbers of employees (excluding the Group's employees dispatched outside the Group and including loan employees dispatched from outside the Group) excluding temporary employees (5,428 employees).
2. The number of employees listed for "All Companies (Combined)" refers to employees that cannot be classified into specific business segments such as those in administrative divisions.
3. The number of employees decreased by 1,121 compared to the end of the previous fiscal year. This is due mainly to the exclusion of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) from consolidated subsidiaries of the Company as a result of transfer of the shares of Hitachi Tool Engineering, Ltd. held by the Company on April 1, 2015.

(ii) Employees of the Company

Number of employees	Average age	Average length of service
5,966	43.5	20.6 years

(Notes)

1. The numbers shown in the above table represent the actual numbers of employees (excluding the Company's employees dispatched outside the Company and including loan employees dispatched from outside the Company) excluding temporary employees (710 employees).
2. The number of employees decreased by 340 compared to the end of the previous fiscal year.

(10) Parent Company and Key Subsidiaries (As of March 31, 2016)

(i) Relationship with the Parent Company

Name of company	Capital	Voting rights	Description
	(millions of yen)	%	
Hitachi, Ltd.	458,791	53.5 (0.5)	The Company and Hitachi, Ltd. engage on an ongoing basis in transactions that include trade in products, provision of services, provision of technology, and the provision of loans.

(Notes)

1. The figure shown in parentheses in the column of "Voting rights" refers to the percentage of indirect ownership (included in the total), which is held by subsidiaries of the parent company.
2. The transactions with Hitachi, Ltd. stated in the "Transactions with related parties" in the "Notes to Non-Consolidated Financial Statements" are cash deposits under the Hitachi Group Pooling Scheme. The Company adopted the policy that regulates transactions with Hitachi, Ltd. to be fairly carried out, based on market prices. The Company's Board of Directors confirmed that the above transactions were carried out in accordance with such policy based on the fact that the interest rates on cash deposits to Hitachi, Ltd. were reasonably set taking market interest rates into consideration, and hence, determined that there was no harm to the interests of the Company.

(ii) Key Subsidiaries

Name of company	Capital	Voting rights	Location	Major business domains
(Subsidiaries)	(millions of yen)	%		
Hitachi Metals Trading, Ltd.	350	100	Tokyo	Sale of special steels, magnetic materials and applications, molded goods, electric wires and cables, chemically fabricated products, etc.
Hitachi Magnet Wire Corp.	300	100	Ibaraki	Manufacturing of magnet wires, special steel wires and copper wires
Hitachi Metals Tool Steel, Ltd.	100	100	Tokyo	Sales, heat treating and processing of special steel, etc.
Tonichi Kyosan Cable, Ltd.	3,569	100	Ibaraki	Manufacturing, assembling and sale of electric wires and cables, and fiber optic cables
NEOMAX KINKI Co., Ltd.	400	100	Hyogo	Manufacturing and sale of magnetic materials and applications
Hitachi Metals MMC Superalloy, Ltd.	3,808	51	Saitama	Manufacturing and sale of special heat-resistant and corrosion-resistant alloys, abrasion-resistant alloys, and special copper alloys
Hitachi Metals Wakamatsu, Ltd.	65	100	Fukuoka	Manufacturing and sale of rolls, injection molding machine cylinders, ceramics, etc.
NEOMAX MATERIALS Co., Ltd.	400	100	Osaka	Manufacturing and sale of metallic electronic materials, etc.
Hitachi Cable Networks, Ltd.	320	100	Tokyo	Design, development, operation and monitoring services of information network system
NEOMAX Engineering Co., Ltd.	410	100	Gunma	Manufacturing and sale of magnetic application products
Waupaca Foundry, Inc.	(U.S. dollars) 0	100 (100)	USA	Development, manufacturing and sale of cast iron products for transportation machinery
Hitachi Metals America, LLC	(thousands of U.S. dollars) 92,000 (millions of yen) (10,367)	100 (100)	USA	Processing and sale of special steels, magnetic materials and applications, and molded goods in North America
Hitachi Metals Hong Kong Ltd.	(thousands of Hong Kong dollars) 24,000 (millions of yen) (349)	100	China	Sale of magnet materials, wires and cables; manufacturing and sale of ferrite products and application parts in Hong Kong and South China
Hitachi Metals Europe GmbH	(thousands of euros) 2,220 (millions of yen) (283)	100	Germany	Sale of high-grade casting components for automobiles, automotive products, high-grade specialty steel products, magnetic materials and applications and cable materials in Europe

Name of company	Capital	Voting rights	Location	Major business domains
Hitachi Cable America Inc.	(thousands of U.S. dollars) 49,947 (millions of yen) (5,628)	100 (100)	USA	Manufacturing and sale of automotive sensors, brake hoses, wires, cables, and optic fiber cables in North America
Hitachi Metals Singapore Pte. Ltd.	(thousands of U.S. dollars) 16,009 (millions of yen) (1,804)	100	Singapore	Sale of high-grade metal products, magnetic materials and applications, high-grade functional components and equipment and cable materials in Southeast Asia
Hitachi Metals (Thailand) Ltd.	(thousands of Thai baht) 1,374,700 (millions of yen) (4,385)	100	Thailand	Manufacturing and sale of IT devices, automotive products and cutting tools
AAP St. Marys Corp.	(thousands of U.S. dollars) 20,000 (millions of yen) (2,254)	100 (100)	USA	Manufacturing of aluminum wheels
Hitachi Metals (China), Ltd.	(thousands of RMB) 749, 021 (millions of yen) (13,025)	100	China	Manufacturing, processing and sale of special steels and molded goods, etc. and sale of magnetic materials and applications in China
Namyang Metals Co., Ltd.	(millions of Korean Won) 19,000 (millions of yen) (1,873)	90.8	South Korea	Manufacturing and sale of cast iron products for automobile
San Technology, Inc.	(thousands of U.S. dollars) 29,238 (millions of yen) (3,295)	100	Philippines	Manufacturing of rare-earth magnets
Hitachi Metals Automotive Components USA, LLC	(thousands of U.S. dollars) 35,800 (millions of yen) (4,034)	100 (100)	USA	Manufacturing of cast iron products for automobile
Hitachi Cable (Suzhou), Co., Ltd.	(thousands of RMB) 338,613 (millions of yen) (5,888)	100 (5.0)	China	Manufacturing and sale of electric wires for electronic devices, processed electric wires, and wiring devices
Ward Manufacturing, LLC	(thousands of U.S. dollars) 44,074 (millions of yen) (4,966)	100 (100)	USA	Manufacturing of pipe joints
Thai Hitachi Enamel Wire Co., Ltd.	(thousands of Thai baht) 240,000 (millions of yen) (766)	49.4	Thailand	Manufacturing and sale of winding wires
Pacific Metals Co., Ltd.	(millions of Korean Won) 15,000 (millions of yen) (1,479)	100	South Korea	Manufacturing and sale of cast magnets, ferrite magnets, etc.
Hitachi Metals Korea Co., Ltd.	(millions of Korean Won) 1,427 (millions of yen) (141)	100	South Korea	Manufacturing and sale of target materials; sale of special steels
Hitachi Metals (India) Private Limited	(thousands of rupee) 9,000 (millions of yen) (15)	100	India	Manufacturing and sale of amorphous metal products; sale of rolls and special steels

(Notes)

1. The number of consolidated subsidiaries of the Company is 89, including 28 key subsidiaries that are selected based on their revenues, operating income, etc., shown in the above table.

2. Figures shown in parentheses in the column of “Capital” are those converted into the Japanese yen using exchange rates as of March 31, 2016.

3. Figures shown in parentheses in the column of “Voting rights” are indirect shareholding ratios.

4. Hitachi Metals Admet, Ltd., being as a surviving company, merged with Hitachi Densen Shoji, Ltd. on April 1, 2015, and changed its trade name to Hitachi Metals Trading, Ltd.

5. NEOMAX MATERIALS Co., Ltd. merged with Toyo Seihaku Co., Ltd., one of the subsidiaries of the Company, by way of an absorption-type merger on October 1, 2015. The company merged with Hitachi Metals Nanotech Co., Ltd., one of the subsidiaries of the Company, by way of an absorption-type merger on April 1, 2016, and changed its trade name to Hitachi Metals Neomaterial, Ltd.

6. All amounts of paid-in capital for the issuance of shares by Waupaca Foundry, Inc. are recognized as capital surplus; therefore, the capital of the company is US$0. The company merged with Hitachi Metals Automotive Components USA, LLC, one of the subsidiaries of the Company, by way of an absorption-type merger on April 1, 2016.

7. Hitachi Metals America, LLC merged with Hitachi Metals America, Ltd, one of the subsidiaries of the Company, by way of an absorption-type merger on April 1, 2015. The company completed a capital increase of US$42,000 thousand during the fiscal year under review.

8. Hitachi Metals (Thailand) Ltd. completed a capital increase of 6,000 thousand baht during the fiscal year under review.

2. Matters Related to Directors and Executive Officers of the Company

(1) Name, Position and Responsibilities, etc. of Directors and Executive Officers (As of March 31, 2016)

(i) Directors

Position	Name	Responsibilities (Committee membership)	Principal concurrent positions
Board Director (Chairperson)	Toyoaki Nakamura		Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. Director (Outside Director) of Hitachi High-Technologies Corporation
Director	Keiji Kojima		Vice President and Executive Officer of Hitachi, Ltd.
Director	Takashi Shimada	Nominating Committee Audit Committee Compensation Committee	President of Medtronic Japan Co., Ltd. President of Medtronic Sofamor Danek, Co., Ltd. President of Covidien Japan, Inc. President of Nippon Covidien Inc.
Director	Hisashi Machida	Nominating Committee Audit Committee Compensation Committee	
Director	Junichi Kamata	Audit Committee	
Director	Kazuyuki Konishi		
Director	Hideaki Takahashi	Nominating Committee Compensation Committee	
Director	Akitoshi Hiraki		

(Notes)

1. Five (5) Directors, Messrs. Toyoaki Nakamura, Keiji Kojima, Takashi Shimada, Junichi Kamata and Akitoshi Hiraki were newly appointed as Directors at the 78th Ordinary General Meeting of Shareholders held on June 23, 2015.
2. Four (4) Directors, Messrs. Toyoaki Nakamura, Keiji Kojima, Takashi Shimada and Hisashi Machida are Outside Directors.
3. The Company has assigned Messrs. Takashi Shimada and Hisashi Machida as Independent Directors in accordance with the regulations of Tokyo Stock Exchange, the fact of which has been reported to the Exchange accordingly.
4. Relationships with the Company and corporations with which Outside Directors hold principal concurrent positions are as follows.
   (1) The Company and Hitachi, Ltd. have a business relationship including continuous trading of products, provision of services, provision of technology, and provision of loans.
   (2) Hitachi High-Technologies Corporation is a subsidiary of Hitachi, Ltd., the Company’s parent company. The Company and Hitachi High-Technologies Corporation have a business relationship including continuous trading of products and provision of services by Hitachi High-Technologies Corporation to the Company.
5. The Company appointed Mr. Junichi Kamata as a full-time Audit Committee member in charge of collecting information necessary for the execution of duties of the Audit Committee and coordinating between the Audit Committee and other Directors, Executive Officers and employees. Mr. Kamata has past experience in the accounting and finance divisions of the Company and considerable knowledge in finance and accounting.
6. On December 24, 2015, Mr. Kazuyuki Konishi retired from his post of Chairman of the Board and assumed the position of Director, and Mr. Toyoaki Nakamura assumed the position of Board Director, Chairperson. On the same day, Mr. Kazuyuki Konishi retired from his post of Nominating Committee member, and Mr. Hideaki Takahashi assumed the position of Nominating Committee member.

(ii) Executive Officers

Position	Name	Responsibilities	Principal concurrent positions
Representative Executive Officer President and Chief Executive Officer	*Hideaki Takahashi	Overall Operations General Management	
Representative Executive Officer Vice President and Executive Officer	*Akitoshi Hiraki	Overall Operations General Manager, Technology, Research & Development Division General Manager, Corporate Quality Assurance Division	

Position	Name	Responsibilities	Principal concurrent positions
Representative Executive Officer Executive Officer	Kenichi Nishiie	In charge of Corporate Administration In charge of Business General Manager, Human Resources & General Administration Division General Manager, Procurement & Value Engineering for Customers Division General Manager, Corporate Export Regulation Office	
Executive Officer	Masashi Aisa	In charge of Sales and Marketing General Manager, Corporate Sales & Marketing Division	
Executive Officer	Masahiro Otsuka	In charge of Corporate Administration General Manager, Corporate Management Planning Division	
Executive Officer	Hiroyuki Okada	In charge of Corporate Administration Chief Financial Officer General Manager, Finance Division General Manager, Information Systems Division	
Executive Officer	Fumio Kanaya	In charge of Business Deputy General Manager, Cable Materials Company General Manager, Metal Materials & Component Products Unit	
Executive Officer	Yasuhiko Sakamoto	In charge of Business Vice President, Cable Materials Company General Manager, Ibaraki Works General Manager, Takasago Works General Manager, Hitaka Works General Manager, Toyoura Works General Manager, Densen Works	
Executive Officer	Shigekazu Suwabe	In charge of Business President, Magnetic Materials Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Takehisa Seo	In charge of Business President, High-Grade Metals Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Eiji Nakano	In charge of Business President, High-Grade Functional Components Company Deputy General Manager, Corporate Export Regulation Office	Director & President & CEO of Hitachi Metals Foundry America, Inc. Director & Executive Chairman of Waupaca Foundry, Inc.
Executive Officer	Masato Hasegawa	In charge of Business President, Cable Materials Company Deputy General Manager, Corporate Export Regulation Office	

(Notes)

1. Executive Officers marked with * also serve as Directors.
2. Messrs. Fumio Kanaya and Yasuhiko Sakamoto assumed the position of Executive Officer on June 23, 2015. On the same day, the Company abolished the managing officer system.
3. Mr. Takehisa Seo assumed the position of Executive Officer on October 1, 2015.
4. The Company changed the responsibilities of some executive officers on January 1, 2016. Their new responsibilities are shown in the above table, and their previous responsibilities are as follows:
    - Mr. Akitoshi Hiraki: In charge of High-Grade Metals Business; Corporate Administration, Technology, Environment, and Energy; President, High-Grade Metals Company; Deputy General Manager, Corporate Export Regulation Office
    - Mr. Kenichi Nishiie: In charge of Corporate Administration and High-Grade Functional Components Business; General Manager, Procurement Center; General Manager, Corporate Export Regulation Office
    - Mr. Masahiro Otsuka: In charge of Corporate Administration; General Manager, Corporate Management Planning Center
    - Mr. Hiroyuki Okada: In charge of Corporate Administration; Chief Financial Officer; General Manager, Finance Center; General Manager, Information Systems Center
    - Mr. Masashi Aisa: In charge of Sales and Marketing; General Manager, Corporate Sales Administration Center
    - Mr. Takehisa Seo: In charge of High-Grade Metals Business; Vice President, High-Grade Metals Company; General Manager, Yasugi Works

Executive Officers changed as of April 1, 2016. The new executive members are as follows:

Position	Name	Responsibilities	Principal concurrent positions
Representative Executive Officer President and Chief Executive Officer	*Hideaki Takahashi	Overall Operations General Management	
Representative Executive Officer Vice President and Executive Officer	*Akitoshi Hiraki	Overall Operations General Manager, Technology, Research & Development Division General Manager, Corporate Quality Assurance Division	
Representative Executive Officer Executive Officer	Masahiro Otsuka	In charge of Corporate Administration General Manager, Corporate Management Planning Division General Manager, Corporate Export Regulation Office Chief Compliance Officer	
Vice President and Executive Officer	Hiroyuki Okada	In charge of Corporate Administration Chief Financial Officer General Manager, Finance Division General Manager, Information Systems Division	
Vice President and Executive Officer	Kenichi Nishiie	In charge of Corporate Administration General Manager, Human Resources & General Administration Division General Manager, Procurement & Value Engineering for Customers Division	
Executive Officer	Masashi Aisa	In charge of Sales and Marketing General Manager, Corporate Sales & Marketing Division	
Executive Officer	Shigekazu Suwabe	In charge of Business President, Magnetic Materials Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Takehisa Seo	In charge of Business President, High-Grade Metals Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Eiji Nakano	In charge of Business	Director & President & CEO, Hitachi Metals Foundry America, Inc. Director & Chairman & CEO, Ward Manufacturing, LLC
Executive Officer	Masato Hasegawa	In charge of Business President, High-Grade Functional Components Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Kazuya Murakami	In charge of Business President, Cable Materials Company Deputy General Manager, Corporate Export Regulation Office	

(Notes)

1. Executive Officers marked with * also serve as Directors.
2. On June 1, 2016, Mr. Ryoji Akada was newly appointed as Executive Officer (in charge of Business; President, Magnetic Materials Company; and Deputy General Manager, Corporate Export Regulation Office), and responsibilities of Mr. Shigekazu Suwabe were changed to being in charge of Technology and Vice President, the Technology, Research & Development Division.

(iii) Outline of Limited Liability Agreement

In accordance with the provisions of the Articles of Incorporation, the Company has concluded limited liability agreements with each of Messrs. Toyoaki Nakamura, Keiji Kojima, Takashi Shimada, Hisashi Machida, Junichi Kamata and Kazuyuki Konishi to limit their liability as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability under the said agreements shall be the higher of (a) ¥12 million or (b) the amount provided for in laws and regulations.

(2) Matters Related to Outside Directors

[Major Activities of Outside Directors]

Name	Major activities
Toyoaki Nakamura	Attended all meetings of the Board of Directors after being newly appointed as Director at the 78th Ordinary General Meeting of Shareholders, and as needed provided comments based on his extensive experience and advanced knowledge of corporate management gained as a management executive of an international manufacturing company.
Keiji Kojima	Attended nine out of ten meetings of the Board of Directors after being newly appointed as Director at the 78th Ordinary General Meeting of Shareholders, and as needed provided comments based on his extensive experience and advanced knowledge of corporate management gained as a management executive of an international manufacturing company.
Takashi Shimada	Attended all meetings of the Board of Directors and the Audit Committee after being newly appointed as Director at the 78th Ordinary General Meeting of Shareholders, and as needed provided objective comments as Independent Director based on his extensive experience and advanced knowledge of corporate management gained as a management executive of an international company.
Hisashi Machida	Attended all meetings of the Board of Directors and the Audit Committee held during the fiscal year under review, and as needed provided objective comments as Independent Director based on his extensive experience and advanced knowledge of corporate management gained as a management executive of an international manufacturing company.

(3) Compensation for Directors and Executive Officers

(i) Policies Concerning the Determination of Compensation, etc., for Directors and Executive Officers

1) Method of determination of policies

Pursuant to the stipulations of the Companies Act, the Compensation Committee establishes the policies for the determination of amounts of compensation, etc. for individual Directors and Executive Officers.

2) Summary of policies

Policies concerning the determination of compensation, etc., for Directors and Executive Officers for the fiscal year under review are as follows.

i) 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.

ii) 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.

iii) Compensation paid by the Company consists of a base compensation and a term-end bonus.

(a) 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.

(b) Term-end bonus: Linked to the business performance of the Company.

(ii) Total Amount of Compensation, etc. for Directors and Executive Officers

Position	Number	Amount
	(Persons)	(millions of yen)
Directors (including Outside Directors)	11 (7)	148 (45)
Executive Officers	12	447
Total	23	595

(Notes)

1. Directors with concurrent post as Executive Officers are compensated as Executive Officers but not as Directors.
2. During the fiscal year under review, year-end bonuses related to the previous fiscal year were paid as described below.

   Directors: ¥10 million to five Directors (Including ¥6 million to four Outside Directors)

   Executive Officers: ¥97 million to five Executive Officers

   For the amounts shown above, provisions for the year-end bonuses (¥15 million for Directors (including ¥6 million for Outside Directors), ¥72 million for Executive Officers) were included in "Total Amount of Compensation, etc. for Directors and Executive Officers" in the Business Report for the previous fiscal year.
3. Total amount of compensation etc., received by Outside Directors with concurrent post as Officers of the Company's parent company or its subsidiaries as officers of the parent company or its subsidiaries (excluding the Company) during the terms of Outside Directors in this business term was ¥171 million.

3. Share Information (As of March 31, 2016)

(1) Total Number of Authorized Shares: 500,000,000 shares

(2) Total Number of Outstanding Shares: 428,904,352 shares

(3) Share Issuance During the Fiscal Year Under Review: None

(4) Number of Shareholders: 28,582

(5) Major Shareholders (Top 10 Shareholders)

Name	Shareholder's equity in the Company	
	Share ownership	Shareholding percentage
	(thousands of shares)	%
Hitachi, Ltd.	226,233	52.9
Japan Trustee Services Bank, Ltd. (Trust account)	14,174	3.3
The Master Trust Bank of Japan, Ltd. (Trust account)	10,099	2.4
JPMorgan Chase Bank 385078	5,320	1.2
State Street Bank and Trust Company 505225	3,753	0.9
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	3,549	0.8
JPMorgan Chase Bank 385632	3,213	0.8
MSCO CUSTOMER SECURITIES	2,933	0.7
Japan Trustee Services Bank, Ltd. (Trust Account 7)	2,928	0.7
Nippon Life Insurance Company	2,801	0.7

(Note) Shareholding percentages are calculated excluding treasury stock (1,324,420 shares).

(6) Other Important Matters Concerning Shares

(i) Change of Number of Shares per Unit

On July 1, 2015, the Company changed the number of shares per unit from 1,000 shares to 100 shares, taking into account the fact that stock exchanges nationwide have been working on the transition to a single trading unit of 100 common shares based on the "Action Plan for Consolidating Trading Units" for the purpose of increasing investment opportunities for individual investors and improving market liquidity.

(ii) Sale of Shares of Shareholders Whose Whereabouts Are Unknown

The Company sold its 162,507 shares held by 849 untraceable shareholders in accordance with Article 197, Paragraphs 1 and 2 of the Companies Act for the rationalization of share-handling operations.

4. Subscription Rights to Shares (As of March 31, 2016)

Not applicable

(Note) On March 31, 2016, the Company redeemed all the outstanding Euro yen convertible bond-type bond (2019) with subscription rights to shares with acquisition clause (net share settlement) of Hitachi Metals, Ltd. before maturity. The exercise period of stock acquisition rights pertaining to this bond expired on March 28, 2016.

5. Information Concerning the Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Compensation, etc. of the Accounting Auditor

(i)	Compensation	¥109 million
(ii)	Total cash and other financial benefits that should be paid by the Company and its subsidiaries	¥167 million

(Notes)

1. The audit agreement between the Company and the accounting auditor contains no clear distinction between auditing compensation for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act, and the distinction is not possible in practice. The amount stated in Item (i) therefore includes both.
2. The Company's Audit Committee confirmed the audit plans and performances as well as the hours and compensation

amounts required for audits conducted over the past years, and examined the appropriateness of the estimated hours and compensation amount required for the audits conducted in the fiscal year under review. As a result, the committee has given the consent with regard to the amount of compensation, etc. for the accounting auditor in accordance with Article 399, Paragraphs 1 and 4, of the Companies Act.

(3) Subsidiaries of the Company Whose Financial Statements are Subject to Audit by Certified Public Accountants Other Than the Company's Accounting Auditor

Of the key subsidiaries (stated in "1. Current Status of the Hitachi Metals Group, (10) Parent Company and Key Subsidiaries, (ii) Key Subsidiaries," pages 12 and 13), the financial statements of the following foreign subsidiaries have been audited by accounting auditors other than Ernst & Young ShinNihon LLC: Hitachi Metals Hong Kong Ltd., Hitachi Metals Europe GmbH, Hitachi Metals Singapore Pte. Ltd., Hitachi Metals (Thailand) Ltd., Hitachi Metals (China), Ltd., Namyang Metals Co., Ltd., San Technology, Inc., Hitachi Cable (Suzhou), Co., Ltd., Thai Hitachi Enamel Wire Co., Ltd., Pacific Metals Co., Ltd., Hitachi Metals Korea Co., Ltd. and Hitachi Metals (India) Private Limited.

(4) Business Suspension Order to Which the Accounting Auditor Was Subject During Past Two Years

Outline of Administrative Order Announced by the Financial Services Agency on December 22, 2015

(i) Subject of Administrative Order

Ernst & Young ShinNihon LLC

(ii) Content of Administrative Order

1) Suspension from accepting new engagements for three months (from January 1, 2016, to March 31, 2016)

2) Order for improvement of business operations (improvement of business management system)

(iii) Reason for Administrative Order

1) In regard to the audit of financial documents for TOSHIBA CORPORATION for the fiscal years ended March 31, 2010, 2012 and 2013, Ernst & Young ShinNihon LLC's certified public accountants, in negligence of due care, attested that the financial statements contained no material misstatement, when in fact the statements contained material misstatement.

2) The operation of services of Ernst & Young ShinNihon LLC was found to be grossly inappropriate.

(5) Policies for Determination to Dismiss or Not to Re-Appoint the Accounting Auditor

(i) Dismissal

1) In case the accounting firm serving as accounting auditor is ordered by the Prime Minister to suspend all or part of its auditing operations of financial statements or to dissolve its operations in accordance with the stipulations of Article 34-21, Paragraph 2, of the Certified Public Accountants Act, the accounting auditor is automatically dismissed since this order corresponds to a disqualifying cause as accounting auditor as stipulated in Article 337, Paragraph 3, Item 1, of the Companies Act.

2) In addition to Item 1) above, if circumstances exist that give rise to reasonable expectations that an order will be issued by the Prime Minister to the accounting auditor to suspend all or part of its auditing operations of financial statements or to dissolve its operations, and the Audit Committee determines that the accounting auditor is subject of an event as stipulated in Article 340, Paragraph 1, Item 1 or Item 2, of the Companies Act, the Audit Committee determines the contents of a proposal for the general meeting of shareholders regarding the dismissal of the accounting auditor.

3) With respect to Item 2) above, if circumstances exist that give rise to reasonable expectations that the auditing of financial statements will suffer great interference, the accounting auditor is dismissed by unanimous consent of the Audit Committee members. In such case, an Audit Committee member appointed by the Audit Committee will report on the decision of dismissal and its reasons at the first general meeting of shareholders convened after the dismissal.

(ii) Determination Not to Re-Appoint

1) With respect to the person appointed by the accounting firm from among its members who is in charge of the affairs of an accounting auditor, if any of the events stipulated under Article 340, Paragraph 1, of the Companies Act becomes applicable or a breach of duties as certified public accountant stipulated in the Certified Public Accountants Act is committed, and if the accounting firm fails to appoint promptly other person to replace the said person who is in charge of the affairs of an accounting auditor, the Audit

Committee determines the contents of a proposal for the general meeting of shareholders regarding not to re-appoint the accounting auditor.

2) If it is determined that the appropriate execution of duties cannot be ensured with respect to matters concerning the execution of duties as accounting auditor stipulated in Article 131 of the Ordinance on Accounting of Companies, the Audit Committee determines the contents of a proposal for the general meeting of shareholders regarding not to re-appoint the accounting auditor.

The Audit Committee of the Company determined that there was no fact that falls under the reasons for dismissal or non-reappointment as specified in the policies after comprehensively examining the content of the administrative order in (4) above and the business improvement plan, etc. The committee will continue monitoring of the progress of the accounting auditor's business improvement plan, etc.

6. 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.

7. Summary of Resolutions of the Board of Directors on Establishing Systems, etc., to Ensure Appropriate Operations and the Implementation Status of the Systems

(1) Summary of the Systems, etc. to Ensure Appropriate Operations

(1) Requirements Stipulated in Ordinance of the Ministry of Justice for the Execution of Duties by the Audit Committee of the Company	
(i) Matters Concerning Directors and Employees to Assist with the Duties of the Company's Audit Committee	1) The Audit Committee shall appoint full-time Audit Committee members as needed. In case a position of a full-time Audit Committee member becomes vacant or a member has not been appointed, if the Audit Committee requests that an appointment be made from among the Directors to assist in the duties of the Audit Committee, the Board of Directors shall make such appointment. 2) To assist with the duties of the Audit Committee, the Board of Directors Office shall have a person in charge of the Audit Committee. 3) The Audit Committee may, when necessary for performing audits, have the Internal Audit division under the responsibility of Executive Officers assist with the execution of duties of the Audit Committee.
(ii) Matters to Ensure the Independence of Directors and Employees Referred to in the Above Item (i) from Executive Officers, as well as the Effectiveness of Instructions of the Company's Audit Committee Given to the Said Directors and Employees	1) The person in charge of the Audit Committee at the Board of Directors Office shall not concurrently serve in any position at any other business operating division. Appointment, dismissal, and disciplinary action regarding the person in charge of the Audit Committee are carried out by the Executive Officers with the consent either of the Audit Committee or an Audit Committee member appointed by the Audit Committee (in the following, "Appointed Audit Committee Member"). Personnel assessment and appraisal of the person in charge of the Audit Committee is performed by the Executive Officers taking into account the opinion of either the Audit Committee or an Appointed Audit Committee Member. 2) Appointment, dismissal, disciplinary action, and personnel assessment and appraisal regarding the head of the Internal Audit division are performed by the Executive Officers. The reasons for any of these actions shall be explained in advance either to the Audit Committee or to an Appointed Audit Committee Member. 3) Persons who assist with the duties of the Audit Committee shall not be subject to orders and instructions of the Executive Officers when providing such assistance.

(iii) Systems for Reporting to the Company's Audit Committee and Systems to Ensure Prohibition of Disadvantageous Treatments of a Person Who Made Such Reports	1) Executive Officers shall submit the following documents to the Audit Committee: Executive Committee meeting materials, documents for approval by the Executive Officers, medium-term management plan and budget deliberation materials, monthly and quarterly financial statements, and the operational audit reports from the Internal Audit division 2) The Company's Internal Audit division shall conduct audits on the business operations of the Company and its subsidiaries (including foreign entities; the same shall apply hereinafter), and report the audit results to the Audit Committee or the Appointed Audit Committee Members. 3) If Executive Officers detect any fact likely to cause substantial detriment to the Company, they shall immediately report such fact to the Audit Committee members. 4) Any reports by the Company's Executive Officers and employees as well as its subsidiaries' Directors, Auditors, and employees to the Audit Committee shall be made by reporting to the Appointed Audit Committee Members. 5) The Company shall establish a system that enables persons engaged in operations for the Company or its subsidiaries to report facts related to illegal or improper acts that violate the laws and regulations, etc. in the course of operations of the Company or its subsidiaries (hereafter, "illegal or improper acts") through a specified channel (hereafter, "Compliance Hotline"), when discovered. Upon receiving a report on an illegal or improper act, the person in charge of the Compliance Hotline shall promptly report the facts to the Appointed Audit Committee Members. A system shall also be established to enable the reporting of discovered illegal or improper acts directly to the Audit Committee. The Company shall ensure that anyone who has reported an illegal or improper act will not receive disadvantageous treatments as a result of the report.
(iv) Matters Concerning the Policy on Prepayment or Reimbursement Procedures and Other Treatments of Expenses or Debt that Are Incurred in the Course of Executing the Duties of the Company's Audit Committee Members	The Board of Directors Office shall be responsible for the payment of expenses and other administrative operations arising in relation to the execution of duties by the Audit Committee members, and shall process the payments of those expenses and debt promptly, except when these are explicitly found to be unnecessary for the execution of the committee member's duties.
(v) Other Systems to Ensure the Effective Execution of Audits by the Company's Audit Committee	1) When the head of the Internal Audit division formulates the audit plan for the next fiscal year, Appointed Audit Committee Members may state their opinions on the contents of such audit plan. The head of the Internal Audit division should report the formulated audit plan to the Audit Committee. 2) The Audit Committee or Appointed Audit Committee Members shall engage in an exchange of opinions with the accounting auditor, Executive Officers, head of the Internal Audit division, and persons in charge of business operating divisions.

(2) Systems to Ensure the Compliance of the Execution of Duties by the Company's Executive Officers with Laws and Regulations and the Articles of Incorporation	
	1) The Company shall establish and communicate a code of conduct in order to assure compliance with laws and regulations and the Articles of Incorporation and adherence to social norms in the course of business activities of the Company and its subsidiaries. 2) The Company's Executive Officers shall organize the Executive Committee, which deliberates and/or receives reports on matters considered to have a material impact on the Company or the corporate group consisting of the Company and its subsidiaries (the "Hitachi Metals Group"). 3) The Company shall establish a Compliance Hotline. When a report of an illegal or improper act is received, the division in charge of the Compliance Hotline shall investigate the facts in the report, and when deemed necessary, request the Company's Executive Officers to examine appropriate corrective measures, and take the necessary steps to prevent future recurrence.

	4) The Hitachi Metals Group has a policy of taking a firm stance against antisocial forces that pose a threat to the order and safety of civil society, and cut off all ties with them. In order to ensure the effectiveness of this policy, the Hitachi Metals Group shall establish a responsible division, create systems for managing relevant information, preventing relevant transactions, and implementing other measures with respect to antisocial forces, and work closely with external specialized agencies such as the police department.

(3) Other Systems Established at the Company to Ensure Appropriate Operations by the Company and the Corporate Group Consisting of the Company, the Parent Company and Subsidiaries of the Company	
(i) Systems for the Retention and Management of Information Related to the Execution of Duties by the Company's Executive Officers	1) Executive Committee meeting documents, documents for approval, and any other documents related to the execution of duties by Executive Officers shall be retained and managed at the respective business operating divisions in accordance with internal rules on document retention and management. 2) Appointed Audit Committee Members may inspect, transcribe or copy the documents related to the execution of duties by Executive Officers that are retained and managed at the respective business operating divisions.
(ii) Rules and Other Systems for Managing the Risk of Loss of the Company and its Subsidiaries	1) With respect to risks of loss related to compliance, antisocial forces, finance, procurement, environment, disasters, quality, information management, and export control, etc., the Company's Executive Officers shall direct respective business operating divisions, and as needed, establish internal rules and guidelines, etc., prepare and distribute manuals, provide training, and perform operational audits in order to avoid, prevent, and manage risks of loss to the Company. The Company shall provide these internal rules, etc. to its subsidiaries, and cause them to establish their own internal rules, etc. equivalent to those of the Company according to the scale of operations, etc. 2) The Company's Executive Officers shall establish an organization that receives reports on and promptly handles the risk of loss realized in the Company and its subsidiaries. 3) In order to handle the risk of loss arising in the Company and its subsidiaries, the Company's Executive Officers shall direct to the relevant business operating divisions as needed, and promptly appoint persons in charge of handling such risks. 4) The Company's Executive Officers shall immediately report to the Audit Committee if any risk of loss is realized in the Company and its subsidiaries.
(iii) Systems to Ensure the Efficient Execution of Duties of Executive Officers of the Company and Directors of its Subsidiaries	——— In addition to Item (2) 2), the following systems are established. 1) The Company shall stipulate basic policies for consolidated group management to maximize the group corporate value of the Hitachi Metals Group. 2) The Company's Board of Directors shall, in order to strengthen the Company's market competitiveness and to enhance corporate value by way of strategic and systematic operation of the Company's business activities, determine medium-term management plans and budgets, and manage business results of the Company. In order to ensure the effectiveness of such management efforts, Executive Officers shall establish systems for budget and business results management. The Company shall mutually share with its subsidiaries the information in formulating consolidated medium-term management plans and consolidated budgets in an effort to optimize strategies not only at individual level but also at group-wide level and manage consolidated performance. 3) The Company's Executive Officers shall establish internal rules that clearly define the authorities and responsibilities of persons in charge of each business operating division and control the procedures for decision-making and the execution of duties. 4) The Company shall ensure consistent execution and verification of documented business operation processes with respect to all information to be incorporated in financial reporting with its parent company and subsidiaries. 5) The Company shall establish a division in charge of the management of subsidiaries to communicate business policies and measures, collect information, and support subsidiaries' business operations.

(iv) Systems to Ensure Compliance of Employees of the Company as well as Directors and Employees of its Subsidiaries in Executing Their Duties with Laws and Regulations and the Articles of Incorporation	——— In addition to Items (2) 1), 3), and 4), the following systems are established. 1) The Company shall designate the chief compliance officer in charge of overseeing the division in charge of compliance and establishing compliance systems. The position of the chief compliance officer shall be served by the Representative Executive Officer of the Company. 2) The Company's Executive Officers shall establish the Internal Audit division to conduct audits of business operations of the Company and its subsidiaries. In addition, the Company shall cooperate with the Internal Audit division of its parent company when the division conducts audits on the business operations of the Company and its subsidiaries to ensure appropriate operations of the corporate group consisting of the parent company and its subsidiaries. The Company shall review the results of these audits and make improvements to its business operations.
(v) Systems for Reporting Matters Relating to the Execution of Duties by Directors of Subsidiaries to the Company	——— In addition to Item (2) 2) and Item (3) (iii) 5), the following systems are established. 1) The Company shall dispatch its employees, etc. as Directors and Auditors to its subsidiaries as needed. Such Directors and Auditors shall report on the status of execution of their duties to the Company's Executive Officers or the Appointed Audit Committee Members if requested from them.
(vi) Other Systems to Ensure Appropriate Operations of the Company as well as the Corporate Group Consisting of the Company, its Parent Company and Subsidiaries	1) It is a policy of the Company in its business operations and transactions to remain independent of the parent company. In case of transactions between the Company and its parent company or implementing policies and measures that may arise risk of a material conflict of interest between the parent company and shareholders other than the parent company, the matter shall be determined subject to review by the Board of Directors without fail. 2) It is a policy of the Company to carry out fair transactions with the parent company and subsidiaries based on market prices. 3) The Company shall cause its subsidiaries to establish systems according to their scale of operations, etc. based on the systems of the Company, in order to ensure the appropriateness of their operations.

(2) Summary of the Implementation Status of the Systems to Ensure Appropriate Operations

(i) Compliance

The Company has prepared and distributed the "CSR Guidebook" to all officers and employees of the Group in order to gain their understanding of compliance. In addition, the Company conducts the "Corporate Ethics Month" in every October, providing compliance training by external instructors for management executives as well as compliance training for the officers and employees of the Company and its subsidiaries in Japan and overseas (at the Company and 70 subsidiaries in Japan and overseas during the fiscal year under review). Furthermore, the Company holds a meeting of the Compliance Management Committee consisting of members including the heads of compliance promotion department at corporate divisions and internal companies on a quarterly basis. The Company also hosts Compliance Conferences for group companies. In this way, the Company confirms the company-wide policies and information regarding various compliance matters and shares such information with group companies, and ensures the strict and consistent compliance of officers and employees by formulating and implementing the measures to prevent the recurrence of inappropriate issues.

In this fiscal year under review, the Company has formulated a unified compliance program for the Hitachi Metals Group ("Hitachi Metals Global Compliance Program") which includes the provisions for not only the prohibition of bribery but also the compliance with competition acts and the prevention of antisocial transactions. The Company also established regional compliance divisions in each of its regional headquarters, provided compliance training in Japan and overseas, and obtained a written pledge from those in the position of manager or above.

(ii) Risk Management

With respect to risk management, the Company prepared internal rules, guidelines, etc. for each corporate administrative division regarding the risks relating to compliance, antisocial forces, finance, procurement, environment, disasters, quality, information management, export control, etc. The Company also conducts education and enlightenment activities, audits on business operations, etc. and cooperates with the relevant internal company business divisions to avoid, prevent and manage the risks. In addition, the Company prepared business continuity plans (BCPs) based on the assumptions of large-scale earthquakes and outbreaks of a new strain of influenza in Japan, as well as other BCPs for overseas sites taking into account the risks of greatest concern projected at each site. The Company continuously works to enhance the effectiveness of these BCPs by implementing regular BCP training (at the Company and 15 domestic subsidiaries during the fiscal year under review), as well as BCP checkups and updates.

(iii) Evaluation on the Effectiveness of Internal Controls over Financial Reporting

The Company has set up the Internal Controls Committee chaired by an Executive Officer and its secretariat at the Internal Auditing Office, in order to enhance internal controls functions within the Company.

The secretariat formulates the evaluation policy for internal controls every fiscal year, and evaluates the development and implementation status of internal controls over financial reporting. The Internal Controls Committee reviews the evaluation results at its meetings (five meetings during the fiscal year under review) and provides necessary instructions for the relevant divisions. The committee's review results are reported to the Executive Committee and the Audit Committee.

(iv) Internal Audit

The Internal Auditing Office formulates annual audit policies and audit implementation plans for internal audits on the Group. Based on these policies and plans, the office conducts audit on the status of business management and execution of the Company's offices and subsidiaries in Japan and overseas over the course of three years in principle (at the Company and 22 subsidiaries in Japan and overseas during the fiscal year under review). In addition to these audits, a special audit may be conducted upon special request of the President and Chief Executive Officer, etc. The Internal Auditing Office also reports to the President and Chief Executive Officer and the Audit Committee its audit policies and audit implementation plans in advance in addition to reporting the audit results on a monthly basis in principle.

8. Basic Policies for Parties who Exercise Control Over Decisions on the Financial and Operating Policies of the Company

The Company positions itself as a development-driven corporation continually advancing and pioneering basic and new technologies, and in doing so, creates new products and businesses and continues to provide new values to the society. This is the basis of the business activities of the Company. In order to promote these activities, the Company aims to maintain close cooperation through R&D collaboration, etc. with the group companies of the Hitachi Group, centered around Hitachi, Ltd., the parent company, of which the Company is a group member, while remaining independent in its business operations and transactions with Hitachi, Ltd. and by using its management resources effectively, the Company seeks to provide high-quality products and services. Furthermore, as an exchange-listed corporation, the Company constantly recognizes the expectations and evaluations by the shareholders, investors, and the stock markets, and strives to disclose information in a timely and appropriate manner. Moreover, the Company understands the importance of maintaining rational and vigilant management by establishing management plans that contribute to realization of sustained growth and strengthening corporate governance. Through these measures, the Company will work to enhance the corporate value and maximize the value provided not only to the parent company but for all shareholders.

Consolidated Statement of Financial Position (As of March 31, 2016)

(Unit: Millions of yen)

(ASSETS)		(LIABILITIES)	
Current assets	**483,855**	**Current liabilities**	**276,714**
Cash and cash equivalents	120,300	Short-term debt	25,251
Trade receivables	178,281	Current portion of long-term debt	27,131
Inventories	146,964	Other financial liabilities	26,714
Other current assets	38,310	Trade payables	148,999
		Accrued expenses	38,067
		Advances received	2,426
		Other current liabilities	8,126
Non-current assets	**549,456**	**Non-current liabilities**	**251,922**
Investments accounted for using the equity method	36,437	Long-term debts	167,994
Investments in securities and other financial assets	22,446	Other financial liabilities	3,482
Property, plant and equipment	304,292	Retirement and severance benefits	66,820
Goodwill and intangible assets	158,915	Deferred tax liabilities	7,933
Deferred tax assets	12,552	Other non-current liabilities	5,693
Other non-current assets	14,814	**Total liabilities**	**528,636**
		(EQUITY)	
		Equity attributable to shareholders of the parent company	**495,865**
		Common stock	26,284
		Capital surplus	115,806
		Retained earnings	336,141
		Accumulated other comprehensive income	18,780
		Treasury stock, at cost	(1,146)
		Non-controlling interests	**8,810**
		Total equity	**504,675**
Total assets	**1,033,311**	**Total liabilities and equity**	**1,033,311**

Consolidated Statement of Income (Fiscal year ended March 31, 2016)

(Unit: Millions of yen)

Revenues		1,017,584
Cost of sales		(819,433)
Gross profit		**198,151**
Selling, general and administrative expenses		(122,090)
Other income		36,416
Other expenses		(12,523)
Operating income		**99,954**
Financial Income		
Interest income	847	
Other financial income	385	1,232
Financial expenses		
Interest charges	(3,692)	
Other financial expenses	(1,689)	(5,381)
Share of profits (losses) of investments accounted for using the equity method		428
Income before income taxes		**96,233**
Income taxes		(27,253)
Net income		**68,980**
Net income attributable to:		
Shareholders of the parent company		69,056
Non-controlling interests		(76)
Net income		**68,980**

Consolidated Statement of Changes in Equity (Fiscal year ended March 31, 2016)

(Unit: Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income
Balance at April 1, 2015	26,284	115,805	277,856	47,519
Changes in equity				
Net income	—	—	69,056	—
Other comprehensive income	—	—	—	(28,392)
Dividends to shareholders of the parent company	—	—	(11,118)	—
Dividends to non-controlling interests	—	—	—	—
Acquisition of treasury stock	—	—	—	—
Sales of treasury stock	—	1	—	—
Transfer to retained earnings	—	—	347	(347)
Total changes in equity	—	1	58,285	(28,739)
Balance at March 31, 2016	26,284	115,806	336,141	18,780

	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Balance at April 1, 2015	(1,105)	466,359	9,817	476,176
Changes in equity				
Net income	—	69,056	(76)	68,980
Other comprehensive income	—	(28,392)	(506)	(28,898)
Dividends to shareholders of the parent company	—	(11,118)	—	(11,118)
Dividends to non-controlling interests	—	—	(425)	(425)
Acquisition of treasury stock	(41)	(41)	—	(41)
Sales of treasury stock	0	1	—	1
Transfer to retained earnings	—	—	—	—
Total changes in equity	(41)	29,506	(1,007)	28,499
Balance at March 31, 2016	(1,146)	495,865	8,810	504,675

Non-Consolidated Balance Sheets (As of March 31, 2016)

(Unit: Millions of yen)

(ASSETS)	
Current assets	**287,828**
Cash and deposits	5,303
Notes receivable-trade	2,214
Accounts receivable-trade	80,725
Finished products	12,603
Work in process	24,285
Raw materials and supplies	15,775
Advance payments-trade	86
Prepaid expenses	958
Deferred tax assets	3,330
Accounts receivable-other	47,918
Short-term loans receivable	29,520
Group pooling cash deposits	65,869
Other	152
Allowance for doubtful accounts	(910)
Fixed assets	**436,000**
Tangible fixed assets	117,503
Buildings, net	29,334
Structures, net	1,693
Machinery and equipment, net	37,831
Vehicles, net	119
Tools, furniture and fixtures, net	7,102
Land	29,450
Lease assets	1
Construction in progress	11,973
Intangible assets	38,286
Goodwill	28,136
Leasehold right	628
Patent right	74
Right of trademark	235
Software	7,479
Right of using facilities	94
Other	1,640
Investments and other assets	280,211
Investment securities	3,251
Stocks of subsidiaries and affiliates	200,409
Investments in capital	714
Long-term loans receivable from subsidiaries and affiliates	70,844
Long-term loans receivable from employees	12
Claims provable in bankruptcy, claims provable in rehabilitation and other	4
Long-term prepaid expenses	249
Prepaid pension cost	3,941
Deferred tax assets	8,656
Other	2,325
Allowance for doubtful accounts	(9,941)
Allowance for investment loss	(253)
Total assets	**723,828**

(LIABILITIES)	
Current liabilities	**203,936**
Accounts payable-trade	100,774
Electronically recorded obligations - operating	11,439
Short-term debt	29,711
Current portion of bonds	5,000
Current portion of long-term loans payable	21,868
Lease obligations	1
Accounts payable-other	15,794
Accrued expenses	12,966
Income taxes payable	2,591
Advances received	496
Deposits received	3,077
Allowance for directors' bonuses	128
Other	91
Fixed liabilities	**179,476**
Bonds payable	30,000
Long-term loans payable	125,106
Lease obligations	1
Provision for retirement benefits	22,416
Provision for environmental measures	909
Provision for product warranties	11
Provision for loss on guarantees	200
Other	833
Total liabilities	**383,412**
(NET ASSETS)	
Shareholders' equity	**340,185**
Common stock	26,284
Capital surplus	128,476
Legal capital surplus	36,699
Other capital surplus	91,777
Retained earnings	186,567
Legal retained earnings	6,571
Other retained earnings	179,996
Reserve for special depreciation	1,759
Reserve for advanced depreciation of fixed assets	1,175
General reserve	44,580
Retained earnings brought forward	132,482
Treasury stock, at cost	(1,142)
Valuation, translation adjustments and others	**231**
Net unrealized holding gain on securities available-for-sale	246
Gain (loss) on deferred hedge transactions	(15)
Total net assets	**340,416**
Total liabilities and net assets	**723,828**

Non-Consolidated Statements of Income (Fiscal year ended March 31, 2016)

(Unit: Millions of yen)

Net sales		441,103
Cost of sales		377,304
Gross profit		**63,799**
Selling, general and administrative expenses		50,783
Operating income		**13,016**
Non-operating income		
Interest and dividends income	24,714	
Other	4,223	28,937
Non-operating expenses		
Interest charges	2,562	
Other	7,274	9,836
Ordinary income		**32,117**
Extraordinary income		
Gain on sales of property and equipment	429	
Gain on sales of stocks of subsidiaries and affiliates	17,632	18,061
Extraordinary losses		
Loss on impairment of property and equipment	160	
Loss on valuation of stocks of subsidiaries and affiliates	161	
Loss on sales of shares of subsidiaries and affiliates	496	
Loss on structural reform	2,607	
Provision for loss on guarantees	200	3,624
Income before income taxes		**46,554**
Income taxes-current		5,401
Income taxes-deferred		1,045
Net income		**40,108**

Non-Consolidated Statements of Changes in Net Assets (Fiscal year ended March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earning	Reserve for special deprecia-tion	Reserve for advanced deprecia-tion of fixed assets	General reserve	Retained earnings brought forward	Total retained earning
Balance as of April 1, 2015	26,284	36,699	91,776	128,475	6,571	1,720	1,168	44,580	103,538	157,577
Changes during the fiscal 2015										
Provision of reserve for special depreciation						39			(39)	—
Provision of reserve for advanced depreciation of fixed assets							28		(28)	—
Reversal of reserve for advanced depreciation of fixed assets							(21)		21	—
Cash dividends									(11,118)	(11,118)
Net income (loss) for the fiscal 2015									40,108	40,108
Acquisition of treasury stock										
Disposal of treasury stock			1	1						
Net increase/decrease during the fiscal 2015 of non shareholders' equity items										
Total increase/decrease during the fiscal 2015	—	—	1	1	—	39	7	—	28,944	28,990
Balance as of March 31, 2016	26,284	36,699	91,777	128,476	6,571	1,759	1,175	44,580	132,482	186,567

	Shareholders' equity		Valuation, translation adjustments and others			
	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities available-for-sale	Gain (loss) on deferred hedge transactions	Total valuation, translation adjustments and others	Total net assets
Balance as of April 1, 2015	(1,101)	311,235	1,024	(8)	1,016	312,251
Changes during the fiscal 2015						
Provision of reserve for special depreciation		—				—
Provision of reserve for advanced depreciation of fixed assets		—				—
Reversal of reserve for advanced depreciation of fixed assets		—				—
Cash dividends		(11,118)				(11,118)
Net income (loss) for the fiscal 2015		40,108				40,108
Acquisition of treasury stock	(41)	(41)				(41)
Disposal of treasury stock	0	1				1
Net increase/decrease during the fiscal 2015 of non shareholders' equity items			(778)	(7)	(785)	(785)
Total increase/decrease during the fiscal 2015	(41)	28,950	(778)	(7)	(785)	28,165
Balance as of March 31, 2016	(1,142)	340,185	246	(15)	231	340,416

[English Translation of the Accounting Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 17, 2016

Hideaki Takahashi
Representative Executive Officer,
President and Chief Executive Officer
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC

Koichi Tsuji (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Seiji Kuzunuki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Hitachi Metals, Ltd. for the fiscal year from April 1, 2015 to March 31, 2016, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity, and the related Notes to Consolidated Financial Statements.

Management's responsibility for the consolidated financial statements, etc.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the provisions of Article 120, the second sentence of Paragraph 1 of the Ordinance on Accounting of Companies, which permits the preparation of consolidated financial statements with the omission of certain disclosure items required under international accounting standards. These include the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the above consolidated financial statements, which have been prepared in accordance with the provisions of Article 120, the second sentence of Paragraph 1 of the Ordinance on Accounting of Companies by omitting certain disclosure items required under international accounting standards, present fairly and accurately, in all material respects, the financial position of Hitachi Metals, Ltd. and its consolidated subsidiaries as well as the results of their operations for the fiscal year under review.

Interests in the Company

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

[English Translation of the Accounting Auditors’ Report Originally Issued in the Japanese Language]

Independent Auditors’ Report

May 17, 2016

Hideaki Takahashi
Representative Executive Officer,
President and Chief Executive Officer
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC

Koichi Tsuji (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Seiji Kuzunuki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements of Hitachi Metals, Ltd., which comprise the Non-Consolidated Balance Sheets as of March 31, 2015, and the Non-Consolidated Statements of Income and the Non-Consolidated Statements of Changes in Net Assets for the 79th business term from April 1, 2015 to March 31, 2016, and the related Notes to Non-Consolidated Financial Statements as well as the supporting schedules thereto.

Management’s responsibility for the financial statements, etc.

Management is responsible for the preparation and fair presentation of these financial statements and supporting schedules in accordance with accounting principles generally accepted in Japan; this includes the development, implementation, and maintenance of internal control deemed necessary by management for the preparation and fair presentation of financial statements and supporting schedules that are free from material misstatement, whether due to fraud or error.

Independent auditors’ responsibility

Our responsibility is to express an opinion on the financial statements and supporting schedules based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supporting schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and supporting schedules. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and supporting schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity’s internal control. However, in making those risk assessment, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements and supporting schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and supporting schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the financial statements and supporting schedules referred to above present fairly, in all material respects, the financial position of Hitachi Metals, Ltd. as of March 31, 2016, and the results of its operations for the period then ended in accordance with accounting principles generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Audit Committee's Report

The Audit Committee has conducted an audit concerning the execution of duties by directors and executive officers for the 79th business term from April 1, 2015 to March 31, 2016, and hereby reports the auditing methods and their results as follows.

1. Auditing methods and their contents

   The Audit Committee observed and examined the resolutions of the Board of Directors regarding the organization of the system stipulated in (b) and (e), Item 1, Paragraph 1 of Article 416 of the Companies Act and the system based on said resolutions (internal control systems), we have received periodic reports about the status of the construction and operation of the system from Directors, Executive Officers, and employees, etc., and we have requested explanations from them as necessary, expressed our views on these matters and conducted audits in the following manner.

   (1) Pursuant to the audit policy, assigned duties and other rules that the audit committee decided, and in cooperation with related departments, we have attended the important meetings; received reports on the execution of duties of directors, executive officers and others from them and inquired about them, inspected important documents of management's decision making and others; and investigated the status of the business operations and assets at the head office and other main places of business. Meanwhile, we communicated and exchanged information with Directors, Corporate Auditors, etc. of subsidiaries, and received reports from subsidiaries on their operations whenever necessary.

   (2) We examined, based on the status of deliberations at the Board of Directors meetings and other meetings, the contents of 1) the Basic Policies for Parties who Exercise Control Over Decisions on the Financial and Operating Policies of the Company described in the Business Report pursuant to the provisions of Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act, 2) matters taken into consideration so as not to harm the interests of the Company in executing transactions with the parent company described in the Business Report pursuant to the provisions of Article 118, Item 5 of the Ordinance for Enforcement of the Companies Act, and 3) the determination by the Board of Directors whether such transactions harm the interests of the Company and the grounds for such determination.

   (3) We also observed and verified that the Accounting Auditors implemented appropriate audits while maintaining independence, received reports from the Accounting Auditors on the execution of their duties, and sought explanations whenever necessary. Furthermore, we received notice from the Accounting Auditors that "The system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance on Accounting of Companies) is organized in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council; October 28, 2005), etc., and sought explanations whenever necessary.

   Based on the above methods, we examined the business report, the non-consolidated financial statements (Balance Sheets, Statements of Income, Statements of Changes in Net Assets, and Notes to Financial Statements), their supporting schedules, and the consolidated financial statements (Consolidated Statements of Financial Position, Consolidated Statements of Income, Consolidated Statements of Changes in Equity, and Notes to the Consolidated Financial Statements) for the fiscal year under review.

2. Audit results

   (1) Results of audit of Business Report, etc.

   i. We regard that the business report and the supporting schedules fairly present the state of the Company in accordance with the related laws and regulations and the Articles of Incorporation.

   ii. As for the performance of duties by Directors or Executive Officers, we find no significant evidence of wrongful act or violation of related laws and regulations, nor the Articles of Incorporation.

   iii. We regard the content of the resolution by the Board of Directors regarding internal control systems as appropriate, and, furthermore, the descriptions in the Business Report and all actions of Directors and Executive Officers with respect to executing internal control systems were carried out appropriately.

   iv. Pursuant to the provisions of Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act, we regard the basic policies for parties who exercise control over decisions on the financial and operating policies of the Company described in the Business Report as appropriate.

v. With regard to the transactions with the parent company described in the Business Report pursuant to the provisions of Article 118, Item 5 of the Ordinance for Enforcement of the Companies Act, the matters taken into consideration in executing such transactions so as not to harm the interests of the Company as well as the determination by the Board of Directors whether such transactions harm the interests of the Company and the grounds for such determination were appropriate.

(2) Results of the audit of non-consolidated financial statements and the supporting schedules

We regard that the auditing methods and results by Ernst & Young ShinNihon LLC are appropriate.

(3) Results of the audit of consolidated financial statements

We regard that the auditing methods and results by Ernst & Young ShinNihon LLC are appropriate.

May 20, 2016

The Audit Committee, Hitachi Metals, Ltd.

Member of the Audit Committee (Full-time):	Junichi Kamata	(Seal)
Member of the Audit Committee:	Takashi Shimada	(Seal)
Member of the Audit Committee:	Hisashi Machida	(Seal)

Note: The Audit Committee members Takashi Shimada and Hisashi Machida are Outside Directors provided for in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

Reference Document for the General Meeting of Shareholders

Item: Election of Eight (8) Directors

The term of office of all Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders; therefore, the Company proposes the election of eight (8) Directors. The following are the eight (8) candidates for the Directors.

No.	Name (Date of Birth)	Brief Biography and Significant Concurrent Positions Outside the Company		Number of Shares of the Company Held
1	Toyoaki Nakamura (August 3, 1952) 	4/1975	Joined Hitachi, Ltd.	2,000 shares
		1/2006	General Manager of Finance Department I of Hitachi, Ltd.	
		4/2007	Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd.	
		6/2007	Representative Executive Officer, Senior Vice President and Executive Officer, and Director of Hitachi, Ltd.	
		6/2009	Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd.	
		6/2010	Outside Director of Hitachi Metals, Ltd. (resigned in June 2012)	
		6/2011	Outside Director of Hitachi High-Technologies Corporation (current position)	
		4/2012	Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd.	
		6/2012	Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc. (current name: Sompo Japan Nipponkoa Insurance Inc.)	
		4/2013	Director of Hitachi Consumer Electronics Co., Ltd.	
			Director of Hitachi Appliances, Inc.	
		5/2013	Director of Hitachi Consumer Marketing, Inc.	
		6/2015	Outside Director of Hitachi Metals, Ltd. (current position)	
		12/2015	Board Director, Chairperson of Hitachi Metals, Ltd. (current position)	
		4/2016	Associate of Hitachi, Ltd. (current position)	
		<Position and Areas of Responsibilities at the Company> Board Director, Chairperson		
	[Reasons for appointment] The Company determined that Mr. Toyoaki Nakamura will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancement of their effectiveness, by reflecting his abundant experience and in-depth knowledge obtained as a corporate manager at Hitachi, Ltd. and its group companies, and working to build closer ties with other Hitachi Group companies; therefore, the Company appointed him as a candidate for Director. He has been serving as Director of the Company for one (1) year.			

No.	Name (Date of Birth)	Brief Biography and Significant Concurrent Positions Outside the Company	Number of Shares of the Company Held
2	Masaru Igarashi (September 1, 1950)  <Newly appointed> <Candidate for Outside Director>	4/1973 Joined Bridgestone Tire Co., Ltd. (current name: Bridgestone Corporation) 9/1981 Visiting Assistant Professor at the University of Utah 8/1982 Joined Suzuki Motor Co., Ltd. (current name: Suzuki Motor Corporation) 4/2003 General Manager, Automobile Engineering Administration Division II of Suzuki Motor Corporation 6/2003 Director of Suzuki Motor Corporation 12/2008 Director of Asanuma Giken Co, Ltd. 2/2009 Corporate Advisor of KPIT Cummins Infosystems Ltd. (current name: KPIT Technologies Ltd.) (current position) 7/2010 Representative of Global Dynamics Research Lab. (current position) 10/2010 Director of KPIT Infosystems Inc. (current position)	1,000 shares
	[Reasons for appointment as a candidate for Outside Director] The Company determined that Mr. Masaru Igarashi will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting his abundant experience and in-depth knowledge obtained as a corporate manager of an international manufacturing company in the automotive industry from a more objective standpoint as Independent Director; therefore, the Company appointed him as a candidate for Outside Director.		
3	Toshiko Oka (March 7, 1964)  <Newly appointed> <Candidate for Outside Director>	4/1986 Joined Tohmatsu Touche Ross Consulting (current name: ABeam Consulting Ltd.) 7/2000 Joined Asahi Arthur Andersen Ltd. 7/2002 Joined Deloitte Tohmatsu Consulting Co., Ltd. (current name: ABeam Consulting Ltd.) 9/2002 Principal of Deloitte Tohmatsu Consulting Co., Ltd. 4/2005 President and Representative Director of ABeam M&A Consulting Ltd. 6/2008 Outside Director of Netyear Group Corporation (current position) 6/2014 Outside Audit & Supervisory Board Member of Astellas Pharma Inc. (current position) 6/2015 Outside Audit & Supervisory Board Member of HAPPINET CORPORATION (current position) 4/2016 Partner of PwC Advisory LLC (current position)	0 share
	[Reasons for appointment as a candidate for Outside Director] The Company determined that Ms. Toshiko Oka will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting her abundant experience and in-depth knowledge obtained as a corporate manager of major consulting firms from a more objective standpoint as Independent Director; therefore, the Company appointed her as a candidate for Outside Director.		

No.	Name (Date of Birth)	Brief Biography and Significant Concurrent Positions Outside the Company	Number of Shares of the Company Held
4	Takashi Shimada (July 18, 1952)  <Candidate for Outside Director>	4/1976 Joined The Boston Consulting Group 10/1987 Vice President of The Boston Consulting Group 1/1994 Vice President of Hilti Japan 11/1996 President of Walt Disney Television International Japan 7/1998 Vice President of A.T. Kearney 10/2005 Vice President of Medtronic, Inc. (current name: Medtronic plc) (current position) Vice President of Medtronic Japan Co., Ltd. 5/2008 President of Medtronic Japan Co., Ltd. (current position) President of Medtronic Sofamor Danek, Co., Ltd. (current position) 5/2015 President of Covidien Japan Inc. (current position) President of Nippon Covidien Inc. (current position) 6/2015 Outside Director of Hitachi Metals, Ltd. (current position) <Position and Areas of Responsibilities at the Company> Director (member of the Nominating Committee, the Audit Committee, and the Compensation Committee)	700 shares
	[Reasons for appointment as a candidate for Outside Director] The Company determined that Mr. Takashi Shimada will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting his abundant experience and in-depth knowledge gained as a corporate manager at international companies in the medical device industry and other fields from a more objective standpoint as Independent Director; therefore, the Company appointed him as a candidate for Outside Director. He has been serving as Director of the Company for one (1) year.		
5	Junichi Kamata (November 28, 1953) 	4/1978 Joined Hitachi Metals, Ltd. 1/2005 General Manager of Human Resources & General Administration Dept. of Corporate Business Center 4/2008 Managing Officer, General Manager of Corporate Management Planning Office 4/2011 Managing Officer, President of Piping Components Company 4/2012 Managing Officer, General Manager of Piping Components Division 4/2014 Vice President and Managing Officer of Hitachi Metals, Ltd. President & CEO of Hitachi Metals America, Ltd. 4/2015 Vice President and Managing Officer, Assistant to President of Hitachi Metals, Ltd. 6/2015 Director of Hitachi Metals, Ltd. (current position) <Position and Areas of Responsibilities at the Company> Director (Chairperson of the Audit Committee)	300 shares
	[Reasons for appointment] The Company determined that Mr. Junichi Kamata will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness as a Board member, by reflecting his conversance and in-depth knowledge obtained through his experience in the human resources, financing, and corporate management planning of the Company as well as the experience as a head of business divisions and president of U.S. subsidiaries; therefore, the Company appointed him as a candidate for Director. He has been serving as Director of the Company for one (1) year.		

<table>
<tr><th>No.</th><th>Name
(Date of Birth)</th><th>Brief Biography and
Significant Concurrent Positions Outside the Company</th><th>Number of Shares of the Company Held</th></tr>
<tr><td rowspan="3">6</td><td rowspan="2">Hideaki Takahashi
(August 20, 1952)
</td><td>4/1978 Joined Hitachi, Ltd.
4/2005 President and Representative Director of Hitachi Building System Co., Ltd.
4/2007 Vice President and Executive Officer of Hitachi, Ltd.
4/2011 Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd.
6/2011 Representative Executive Officer, President and Chief Executive Officer, Director of Hitachi Cable, Ltd.
6/2013 Director of Hitachi Metals, Ltd.
7/2013 Representative Executive Officer and Executive Vice President, Director
4/2014 Representative Executive Officer, President and Chief Executive Officer, Director (current position)</td><td rowspan="2">2,800 shares</td></tr>
<tr><td><Position and Areas of Responsibilities at the Company>
Representative Executive Officer, President and Chief Executive Officer, Director (Chairperson of the Nominating Committee, Chairperson of the Compensation Committee)
Overall Operations, General Management</td></tr>
<tr><td colspan="3">[Reasons for appointment]
The Company determined that Mr. Hideaki Takahashi will contribute to the strengthening of the decision-making functions of the Board of Directors and enhancing their effectiveness, by sharing the information of business execution divisions at the Board of Directors as a Board member and reflecting his abundant experience and in-depth knowledge obtained as a corporate manager at Hitachi Ltd., a president of Hitachi Group companies, and since April 2014, as President and Chief Executive Officer of the Company; therefore, the Company appointed him as a candidate for Director.
He has been serving as Director of the Company for three (3) years.</td></tr>
<tr><td rowspan="2">7</td><td>Toshitake Hasunuma
(May 10, 1953)

<Newly appointed></td><td>4/1977 Joined Hitachi, Ltd.
4/2004 General Manager of Finance Division of Information & Telecommunication Group of Hitachi, Ltd.
7/2006 Executive Audit Manager of Internal Auditing Office of Hitachi, Ltd.
4/2010 General Manager of Internal Auditing Office of Hitachi, Ltd.
4/2016 Corporate Chief Manager of Internal Auditing Office of Hitachi, Ltd. (current position)</td><td>0 share</td></tr>
<tr><td colspan="3">[Reasons for appointment]
The Company determined that Mr. Toshitake Hasunuma will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness as a Board member, by reflecting his conversance and in-depth knowledge obtained through his experience in the finance operations of Hitachi Ltd. over the years as well as the experience as a head of the Internal Auditing Office; therefore, the Company appointed him as a candidate for Director.</td></tr>
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<table>
<tr><th>No.</th><th>Name
(Date of Birth)</th><th colspan="2">Brief Biography and
Significant Concurrent Positions Outside the Company</th><th>Number of Shares of the Company Held</th></tr>
<tr><td rowspan="10">8</td><td rowspan="9">Akitoshi Hiraki
(March 2, 1961)
</td><td>4/1985</td><td>Joined Hitachi Metals, Ltd.</td><td rowspan="9">4,800 shares</td></tr>
<tr><td>6/2008</td><td>President and Director of Hitachi Setsubi Engineering Co., Ltd.</td></tr>
<tr><td>4/2010</td><td>Managing Officer, President of Specialty Steel Company, Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.</td></tr>
<tr><td>4/2012</td><td>Vice President and Managing Officer, President of High-Grade Metals Company, General Manager of Specialty Steel Division, and Deputy General Manager of Corporate Export Regulation Office</td></tr>
<tr><td>4/2015</td><td>Vice President and Representative Executive Officer, President of High-Grade Metals Company, and Deputy General Manager of Corporate Export Regulation Office</td></tr>
<tr><td>6/2015</td><td>Vice President and Representative Executive Officer, President of High-Grade Metals Company, Deputy General Manager of Corporate Export Regulation Office, and Director</td></tr>
<tr><td>1/2016</td><td>Vice President and Representative Executive Officer, General Manager of Technology, Research & Development Division, General Manager of Corporate Quality Assurance Division, and Director (current position)</td></tr>
<tr><td colspan="2"><Position and Areas of Responsibilities at the Company>
Vice President and Representative Executive Officer, Director
Overall Operations
General Manager of Technology, Research & Development Division and General Manager of Corporate Quality Assurance Division</td></tr>
<tr></tr>
<tr><td colspan="4">[Reasons for appointment]
The Company determined that Mr. Akitoshi Hiraki will contribute to the strengthening of the decision-making functions of the Board of Directors and enhancing their effectiveness, by sharing the information of business execution divisions at the Board of Directors as a Board member and reflecting his abundant experience and in-depth knowledge obtained as a president of Hitachi Group companies and General Manager of the Company’s business divisions, and since April 2015, as Vice President and Executive Officer responsible for the management of the Company; therefore, the Company appointed him as a candidate for Director.
He has been serving as Director of the Company for one (1) year.</td></tr>
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(Notes)

1. In accordance with the provisions of the Articles of Incorporation, the Company has concluded a limited liability agreement with Messrs. Toyoaki Nakamura, Takashi Shimada, and Junichi Kamata to limit their liability as provided for in Article 423, Paragraph 1 of the Companies Act. If they are elected as Director at this General Meeting of Shareholders, the Company will continue the said agreement. The maximum amount of liability under the said agreement shall be the higher of (a) ¥12 million or (b) the amount provided for in laws and regulations. If Messrs. Masaru Igarashi, Toshiko Oka, and Toshitake Hasunuma are elected as Directors, the Company will conclude the same agreement with them.
2. The candidates for Directors are serving or have served during the past five years at Hitachi, Ltd., the parent company of the Company, or its subsidiaries (excluding the Company), as executing persons assuming the following positions and duties other than those stated in the above Brief Biography:

(1) Toyoaki Nakamura

4/2010-3/2012	Representative Executive Officer, Senior Vice President and Executive Officer, in charge of Corporate Pension System; General Manager of Finance & Accounting Group of Hitachi, Ltd.
4/2012-7/2012	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Management Strategy and Corporate Pension System; General Manager of Finance & Accounting Group of Hitachi, Ltd.
8/2012-3/2013	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Management Strategy and Corporate Pension System; General Manager of Finance & Accounting Group; Deputy General Manager of Smart Transformation Project Initiatives Division; and Project Leader of Administrative Operations Transformation Project of Hitachi, Ltd.
4/2013-9/2013	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Management Strategy, Finance and Corporate Pension System; and General Manager of Consumer Business Division of Hitachi, Ltd.
10/2013-3/2014	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Corporate Pension System; Chief Financial Officer; and General Manager of Consumer Business Division of Hitachi, Ltd.
4/2014-3/2016	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Corporate Pension System; Chief Financial Officer; and General Manager of Smart Life & Ecofriendly Systems Division of Hitachi, Ltd.
4/2016-present	Associate of Hitachi, Ltd.

(2) Hideaki Takahashi

4/2011-3/2013	Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd.
4/2013-6/2013	Representative Executive Officer, President and Chief Executive Officer, General Manager of Corporate Export Regulation Office of Hitachi Cable, Ltd.

(Note) Hitachi Cable, Ltd. was merged with the Company on July 1, 2013 and dissolved.

(3) Toshitake Hasunuma

4/2010-3/2016	General Manager of Internal Auditing Office of Hitachi, Ltd.
4/2016-present	Corporate Chief Manager of Internal Auditing Office of Hitachi, Ltd.

3. The Company has assigned Mr. Takashi Shimada as Independent Director in accordance with the regulations of Tokyo Stock Exchange, Inc. If Mr. Masaru Igarashi, Ms. Toshiko Oka, and Mr. Takashi Shimada are elected as Director at this General Meeting of Shareholders, the Company shall assign them as Independent Directors. There are no business relations between them or the companies, etc. for which they have worked as executing persons and the Company during the 79th business term (fiscal 2015).
4. When this Item is approved, the structure and chairperson of each committee are planned as follows:

Nominating Committee:	Hideaki Takahashi (Chairperson), Masaru Igarashi, Toshiko Oka, Takashi Shimada
Audit Committee:	Toshitake Hasunuma (Chairperson), Masaru Igarashi, Toshiko Oka, Takashi Shimada, Junichi Kamata
Compensation Committee:	Hideaki Takahashi (Chairperson), Masaru Igarashi, Toshiko Oka, Takashi Shimada

The 79th Ordinary General Meeting of Shareholders

Items Disclosed on the Internet

1. Notes to Consolidated Financial Statements
2. Notes to Non-Consolidated Financial Statements

Hitachi Metals, Ltd.

Pursuant to applicable laws and regulations, and the provision of the Articles of Incorporation of the Company, the items listed above are provided to our shareholders through postings on the Company's website.

Notes to Consolidated Financial Statements

Significant matters presenting Consolidated Financial Statements

1. Standards for the preparation of consolidated financial statements

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") pursuant to Article 120, Paragraph 1 of the Corporate Accounting Regulations. Pursuant to the provision of the second sentence of the same paragraph, information and notes required by IFRS are partially omitted.

2. Scope of consolidation

Number of consolidated subsidiaries: 89 companies

Names of principal consolidated subsidiaries:

Hitachi Metals Trading, Ltd., Hitachi Metals Tool Steel, Ltd., Waupaca Foundry, Inc., Hitachi Metals America, LLC, and Hitachi Metals Hong Kong Ltd.

(Changes in the fiscal year under review)

Added: 4 companies

Excluded: 12 companies

3. Equity-method application

Number of equity-method affiliates: 13 companies

Names of principal equity-method affiliates:

Sumiden Hitachi Cable Ltd., and Aoyama Special Steel Co., Ltd.

(Changes in the fiscal year under review)

Added: 1 company

Excluded: 2 companies

4. Notes concerning accounting policies

(1) Valuation standards and methods for principal assets

(i) Valuation standard and method for financial assets

IFRS 9 "Financial Instruments (issued in November 2009, and amended in October 2010 and December 2011)" has been applied earlier than the mandatory effective date.

<u>Financial assets measured at amortized cost</u>

Financial assets are subsequently measured at amortized cost when they meet the following criteria:

- The financial asset is held in accordance with a business model of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") whose objective is to hold the asset in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method, less impairment losses when necessary.

<u>Impairment of financial assets measured at amortized cost</u>

The Group evaluates financial assets measured at amortized cost for possible impairment on a periodic basis, but no less frequently than at the end of each quarterly reporting period when there is objective evidence of impairment resulting from one or more events occurring after the initial recognition and when the estimated future cash flows from the financial assets or group of assets can be reliably measured. Objective evidence of impairment includes historical credit loss; the existence of overdue payments; extended payment terms; a negative evaluation by third-party credit rating agencies; excessive debts; and findings indicating a deteriorating financial position or operating results.

The amount of an impairment loss is estimated based on the present value of estimated future cash flows of the financial asset discounted at the effective interest rate or an observable market price.

In addition, an impairment loss is recognized based on the actual bad debt ratio calculated based on factors such as historical experience, or the estimated collectible amount, after assessing multiple potential risks associated with the business environment, including special business customs particular to a country or region in which a debtor of the financial asset conducts its business.

In the consolidated statement of financial position, impairment losses of debt securities are directly deducted from their carrying amount and impairment losses of financial assets other than debt securities are indirectly decreased through the allowance account. For financial assets other than debt securities, account balances are generally written off against the allowance only after all means of collection have been exhausted and the recoverability of the asset is considered remote. Write-offs are generally recognized only when a debtor commences bankruptcy or liquidation proceedings because it is considered that all collection efforts will have been exhausted by that time.

FVTPL financial assets

The Group classifies equity instruments not designated at FVTOCI financial assets at the initial recognition and debt instruments not classified as financial assets measured at amortized cost as FVTPL financial assets. These instruments are subsequently measured at fair value and any changes in fair value are recognized in profit or loss.

FVTOCI financial assets

The Group holds certain equity instruments to expand its revenue base by maintaining and strengthening business relations with investees. The Group makes an irrevocable election to designate these equity instruments as FVTOCI financial assets at initial recognition. They are measured at fair value after initial recognition and changes in fair value are recognized in other comprehensive income. The cumulative amount of the changes in fair value is recognized in accumulated other comprehensive income. Dividends from equity instruments designated as FVTOCI financial assets are recognized in profit or loss unless it is obviously a return of investment.

Derecognition of financial assets

The Group derecognizes financial assets in transactions where the contractual rights to cash flows from the financial assets expire or are transferred, and substantially all the risks and rewards of ownership of the financial assets are transferred.

Derivatives and hedge accounting

The Group uses derivative instruments, including forward exchange contracts, interest rate swaps, and copper futures trading, in order to hedge currency risks, interest risks, and raw material (copper) price fluctuation risks, respectively. All these derivatives are recorded at fair value, regardless of the purpose or intent for holding them.

The Group applies hedge accounting as follows:

- Fair value hedge: a hedge against changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment. The changes in the fair value of the recognized assets or liabilities, or unrecognized firm commitments, and the related derivatives are recognized in net profit or loss if the hedge is considered highly effective.
- Cash flow hedge: a hedge against variability in future cash flows attributable to a forecasted transaction or related to a recognized asset or liability. The changes in the fair value of derivative instruments designated as cash flow hedges are recorded in other comprehensive income (loss) if the hedge is considered highly effective. This treatment is continued until net income is affected by the variability in future cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative instruments are recognized in profit or loss.

The Group documents the risk management policy including objectives and strategies for using derivatives stipulated in the guidance. In addition, the Group assesses whether the derivative used in hedging activities is highly effective in offsetting changes in fair value or future cash flows of the hedged item at the hedge's inception and periodically on an ongoing basis. If a hedge is no longer effective, hedge accounting is discontinued and the ineffective portion is immediately recognized in profit or loss.

(ii) Valuation standard and method for non-financial assets

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or gross average cost method for merchandise and finished products, and work in process, and generally by the moving average cost method or gross average cost method for raw materials and supplies. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated associated selling costs.

Property, plant and equipment

The Group applies the cost model to property, plant and equipment and states such assets at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the direct cost of acquisition, and the cost of its dismantlement, removal, and restoration.

Goodwill and other intangible assets

- Goodwill
  Goodwill is stated at cost, less any accumulated impairment losses.
- Intangible assets (excluding goodwill)
  The cost model is applied to measure intangible assets, and such assets are stated at cost, less accumulated amortization and impairment losses.

Impairment of non-financial assets

The Group performs impairment testing for non-financial assets whenever changes in events or circumstances have occurred that indicate that the carrying amount of the assets may not be recoverable. The Group tests goodwill and intangible assets with indefinite lives for impairment annually, generally during the fourth quarter, irrespective of whether there is any indication of impairment. The Group performs impairment testing by estimating the recoverable amount per cash generating unit (CGU), to which the asset belongs. When performing an impairment test, assets are grouped into the smallest identifiable group whose cash flows are independent.

In determining the recoverable amount, the Group uses available quoted market prices or the income approach (a present value technique) based on the estimated future cash flows expected to result from the use of the asset and their eventual disposition. If the carrying amount of the asset allocated to a CGU exceeds the recoverable amount, an impairment loss on the assets of that CGU is recognized.

When there is a significant change in the facts and circumstances used to calculate the recoverable amount of an asset other than goodwill, and there is an indication that an impairment loss previously recognized on the asset may no longer exist or be decreased, the recoverable amount of the asset or the CGU is estimated. If the recoverable amount of the asset or the CGU exceeds its carrying amount, then the impairment loss is reversed to the extent of the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

(2) Depreciation or amortization method and estimated useful lives for principal assets

Property, plant and equipment

Property, plant and equipment are principally depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures:	2 to 60 years
Machinery and vehicles:	2 to 20 years
Tools, furniture, and fixtures:	2 to 30 years

The estimated useful lives and the method of depreciation are reviewed at each fiscal year-end. Changes in estimated useful lives or depreciation method are accounted for as a change in an accounting estimate and applied prospectively.

Intangible assets

Intangible assets with finite useful lives are amortized principally using the straight-line method over the following estimated useful lives:

Software:	2 to 10 years
Other intangible assets:	2 to 20 years

(3) Standards for principal provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated.

When the time to settle an obligation is expected to be long and the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is a pre-tax rate that reflects the time value of money and the risks specific to the liability.

(i) Asset retirement obligations

The Group recognizes asset retirement obligations principally based on estimated future expenditures using historical trends when the Group has a legal obligation required by laws and regulations or contracts in association with the retirement of property, plant and equipment used in normal operation, such as obligations to restore the site in relation to lease agreements for plant facilities and premises.

(ii) Provision for environmental measures

A provision for environmental measures is provided for disposal costs anticipated to be incurred with respect to the Law Concerning Special Measures Against PCB Waste.

(4) Accounting method for retirement benefits

The Company and its consolidated subsidiaries have contributory defined benefit pension plans and funded and unfunded lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method.

The effects of remeasurements of the net defined benefit asset or liability are recognized in other comprehensive income when incurred. Past service cost is immediately recognized in profit or loss.

The net amount of a defined benefit asset or liability is calculated as the present value of the defined benefit obligation, less the fair value of the plan assets, and is recognized as an asset or liability in the consolidated statement of financial position.

Additionally, the Company and certain consolidated subsidiaries have defined contribution pension plans, recognizing the contributions to the defined contribution plans as expenses during the fiscal year when employees have rendered service. Further, certain consolidated subsidiaries participate in multi-employer defined benefit plans, accounting for the plans in the same manner as a defined contribution pension plan when sufficient information is not available to account for the plans as a defined benefit pension plan.

(5) Other significant matters presenting consolidated financial statements

(i) Standards for the yen conversion of principal of foreign-denominated assets and liabilities

Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of the Group using exchange rates prevailing at the dates of the transactions or rates that approximate such rates. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from currency translation and settlement are recognized in profit or loss.

Translation of the financial statements of foreign operations

Assets and liabilities of the Company’s foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expense items are translated at the average exchange rate prevailing during the year.

Foreign exchange gains and losses resulting from the translation of financial statements of foreign operations are included in other comprehensive income.

(ii) Accounting treatment of consumption taxes

Consumption taxes that are collected from customers and paid to the tax authority are excluded from revenues, cost of sales and expenses in the consolidated statement of income.

(iii) Application of the consolidated taxation system

The Company files consolidated tax returns.

Notes concerning consolidated statement of financial position

1. Accumulated depreciation and accumulated impairment losses on property, plant and equipment:

¥696,030 million

2. Pledged assets and collateralized debt

Pledged assets are as follows:

Investment securities:	¥105 million
Total:	¥105 million

Collateralized debt is as follows:

Other short-term payables:	¥149 million
Total:	¥149 million

3. Guarantee obligations

The Company provides guarantees for loans from financial institutions to companies other than consolidated subsidiaries.

Guarantee purpose	Amount
Employees (housing loans, etc.):	¥193 million
Japan Aeroforge, Ltd.:	¥4,410 million
SH Electronics Suzhou Co., Ltd.:	¥1,369 million
Niihama Materials Co., Ltd.:	¥1,225 million
Suzhou SH Precision Co., Ltd.:	¥828 million
Zhongtian Hitachi Radio Frequency Cable Co., Ltd.:	¥609 million
MALAYSIAN SH PRECISION SDN. BHD.:	¥152 million
SH Materials Co., Ltd.:	¥82 million
Total	¥8,868 million

Notes concerning consolidated statement of income

1. Details of other income

Gain on business reorganization and others	¥30,232	million
Other	¥6,184	million
Total	¥36,416	million

Gain on business reorganization and others includes the gain or loss recognized in association with a change in ownership interest resulting from loss of control of a consolidated subsidiary (before tax effects) of ¥29,079 million, of which a gain or loss recognized from remeasurement of the remaining ownership interest at fair value (before tax effects) was ¥6,740 million.

2. Details of other expenses

Restructuring expenses	¥3,250	million
Loss on disposal of property, plant and equipment	¥2,538	million
Impairment losses	¥1,372	million
Other	¥5,363	million
Total	¥12,523	million

Notes concerning consolidated statement of changes in equity

1. Total number of shares outstanding as of March 31, 2016

Ordinary shares 428,904,352 shares

2. Dividends paid during the fiscal year

(1) Dividends paid

Resolution adopted	Type of shares	Aggregate amount (millions of yen)	Appropriation from	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting on May 28, 2015	Ordinary shares	5,559	Retained earnings	13.0	March 31, 2015	May 29, 2015
Board of directors' meeting on October 27, 2015	Ordinary shares	5,559	Retained earnings	13.0	September 30, 2015	November 30, 2015

(2) Dividends whose record date is during the fiscal year ended March 31, 2016, but whose effective date is in the following fiscal year

Resolution adopted	Type of shares	Aggregate amount (millions of yen)	Appropriation from	Dividends per share (yen)	Record date	Effective date
Board of directors' meeting on May 30, 2016	Ordinary shares	5,559	Retained earnings	13.0	March 31, 2016	May 31, 2016

Notes concerning financial instruments

1. Status of financial instruments

(1) Risk management policy

(i) Interest rate risk

The Group is exposed to risks of fluctuations in interest rates related principally to long-term liabilities. In order to minimize interest rate risks, the Group enters into interest rate swap agreements to hedge future cash flow exposures to fluctuations in interest rates. Those interest rate swaps are receive-floating, pay-fixed interest rate swaps. For interest rate swaps, the Group receives floating interest rate payments on long-term liabilities, including borrowings, and pays fixed interest rate payments, thereby creating fixed interest rate long-term liabilities.

(ii) Currency exchange rate

The Group holds assets and liabilities exposed to currency exchange risks. In order to hedge currency exchange risks, the Group utilizes forward exchange contracts.

In order to stabilize future net cash flows from transactions denominated in foreign currencies for trade receivables and payables as well as forecast transactions, each month the Group measures the net amount of future cash flows on the settlement date for each currency and hedges fluctuation risk mainly using forward exchange contracts for a portion of these transactions. As per the Group's policy, these contracts generally expire in one year.

Hedge relationships between forward exchange contracts and hedged items are highly effective, and thus effects on hedged items (assets and liabilities denominated in foreign currencies) arising from changes in foreign currency exchange rates are offset.

(iii) Credit risk

Credit risk refers to the risk that the Group will incur a financial loss because customers or counterparties fail to discharge their contractual obligations related to a financial instrument or contract. The Group is exposed to credit risks because of its operating activities (primarily trade receivables) and financing activities, including deposits at financial institutions, currency transactions, and other financial instruments. No significant concentration of credit risk is present, as the Group has a diverse group of trading parties situated in many different regions.

The Group sets credit limits according to the credit risks of certain instruments or customers by periodically reviewing relevant factors, such as financial conditions and ratings.

(iv) Liquidity risk

The Group's fundamental financial policy is to maintain an appropriate level of liquidity and flexibly and efficiently secure adequate funds for current and future business operations. The Group works to optimize capital utilization for its business operations through the efficient management of working capital. Further, the Group endeavors to improve the efficiency of group-wide cash management by centralizing this management function of the Company.

(2) Supplemental explanation concerning fair value, etc. of financial instruments

With regard to the contract amount relating to the derivative transaction in "2. Fair value, etc. of financial instruments," that amount itself does not indicate the market risk relating to the derivative transaction.

2. Fair value, etc. of financial instruments

The amounts recorded in the consolidated statement of financial position and fair values as of March 31, 2016 are as follows:

(Unit: Millions of yen)

	Carrying amounts	Fair values
Cash and cash equivalents	120,300	120,300
Trade receivables	178,281	178,281
Financial assets measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Forward exchange contracts	179	179
Copper futures contracts	1	1
Non-current		
Securities	2,220	2,220
Derivatives		
Forward exchange contracts	1	1
Put options	6,061	6,061
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Non-current		
Securities (*1)	11,799	11,799
Financial assets measured at amortized cost		
Non-current		
Securities (*1)	1,624	1,624
Long-term loans receivable	688	688
Trade payables	148,999	148,999
Financial liabilities measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Interest rate swaps	52	52
Forward exchange contracts	16	16
Copper futures contracts	4	4
Non-current		
Derivatives		
Interest rate swaps	2,210	2,210
Forward exchange contracts	28	28
Financial liabilities measured at amortized cost		
Current		
Short-term debt	25,251	25,251
Current portion of long-term debt		
Current portion of long-term borrowings	21,868	22,010
Current portion of corporate bonds payable	4,987	5,055
Lease obligations (*2)	276	276
Non-current		
Long-term debt		
Long-term borrowings	137,556	141,852
Corporate bonds payable	29,967	30,777
Lease obligations (*2)	471	471

*1 Securities measured at FVTOCI are equity instruments, whereas those measured at amortized cost are debt instruments.

*2 Since the fair value of finance lease obligations is not material to the statement of financial position, it is measured at the present value of the minimum lease payments discounted by the interest rates used at the initial recognition of lease obligations. Accordingly, the fair value is based on the relevant carrying amount.

(Note 1) Calculation method of the fair value of financial instruments and matters relating to securities and derivatives transactions

(i) Cash and cash equivalents, trade receivables, short-term loans receivable, short-term debt and trade payables

Carrying amount of these assets and liabilities approximates their estimated fair value because of their short-term maturity.

(ii) Long-term loans receivable

Fair value of long-term loans receivable is estimated based on the present value of future cash flows using interest rates applicable to obtain an additional loan under similar contractual term.

(iii) Long-term debt

Fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using market interest rates under similar contractual terms.

(iv) Securities and other financial assets (excluding long-term loans receivable), and other financial liabilities

Financial instruments measured at fair value on a recurring basis after initial recognition are classified into three levels of a fair value hierarchy based on observability and materiality of inputs used for fair value measurement. The three levels of the hierarchy are as follows:

Level 1: Fair value measured using quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Fair value measured using direct or indirect observable inputs other than the quoted prices included in Level 1.

Level 3: Fair value measured using significant, unobservable inputs.

When several inputs are used for a fair value measurement, the measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels are deemed to have occurred at the beginning of each quarter period.

Securities

Securities that can be measured at fair value through quoted market prices are included in Level 1. Those securities include listed stocks, government bonds or other debt securities, and listed investment trust funds.

In the absence of an active market for securities, the following are used as inputs for fair value measurement: quoted prices for similar securities; quoted prices for transactions that are not distressed for identical or similar securities; or other relevant information, including observable interest rates and yield curves, credit spreads, and default rates. These inputs are included in Level 2. Included in Level 2 are short-term investments and listed stocks traded over-the-counter.

Shares of non-listed companies and other instruments, whose significant inputs for fair value measurement are unobservable, are included in Level 3. The Group uses price information provided by financial institutions to evaluate these investments. The Group corroborates the information using an income approach based on its own valuation model or a market approach, such as comparison with prices of similar securities.

Derivatives

Derivatives measured in a model using the following are included in Level 2: quoted prices under transactions that are not distressed, quoted prices in market that are not active, and observable interest rates and yield curves or forward and spot prices for currencies and commodities. Level 2 derivatives mainly include interest rate swaps, forward foreign exchange contracts, and commodity futures contracts. Derivatives whose significant inputs for fair value measurement are unobservable, are included in Level 3. The Group uses price information provided by financial institutions to evaluate these investments. The Group corroborates the information using an income approach based on its own valuation model or a market approach, such as comparison with prices of similar securities.

Financial assets and liabilities measured at amortized cost

Estimated fair values of financial assets and liabilities measured at amortized cost are included primarily in Level 2 or Level 3.

Notes concerning per-share information

1. Equity per share attributable to shareholders of the parent company	¥1,159.70
2. Basic earnings per share attributable to shareholders of the parent company	¥161.50

Notes to Non-Consolidated Financial Statements

1. Notes concerning matters relating to significant accounting policies

1.1. Valuation standards and methods for assets

(1) Securities

Stocks of subsidiaries and affiliates are stated at cost as determined by the moving average method.

Available-for-sale securities:

Available-for-sale securities with market value are stated at fair value based on market prices on the balance sheet date. (Valuation differences are taken in the full amount to net assets; the cost of securities sales are calculated based on the moving average method.)

Available-for-sale securities without market value are stated at cost as determined by the moving average method.

(2) Derivatives are stated at fair value.

(3) Valuation standards and methods for inventories

Inventories held for ordinary sales:

Inventories held for ordinary sales are stated at cost. (Balance sheet book values are written down to adjust for declines in sales value.)

Finished products, and work in process:

Certain high-grade metal products and materials, fixtures, and construction materials are stated at values determined by specific identification method.

Other inventories are stated at cost as determined by the periodic average method.

Raw materials and supplies are stated at cost as determined by the moving average method or the periodic average method.

1.2. Depreciation on fixed assets

Tangible fixed assets (excluding lease assets):

The Company uses the straight-line method.

Intangible assets (excluding lease assets):

The Company uses the straight-line method. Software for own use is amortized over an internal useful life of five years based on the straight-line method.

Lease assets:

Lease assets under finance leases transactions involving the transfer of ownership are depreciated in the same manner as own fixed assets.

Lease assets under finance leases transactions not involving the transfer of ownership are depreciated on the straight-line method using the lease period as the useful life and assuming no residual value.

Also, the accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008, follows same method as for treating ordinary operating leases.

1.3. Standards for provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts such as receivables and loans receivable are made for general receivables based on historical default rates and for specific receivables such as delinquent claims in the expected non-recoverable amounts based on an assessment of recoverability.

(2) Allowance for investment loss

Provision for losses from investments in affiliates, etc., is made in the necessary amounts taking into account the financial status of the investee.

(3) Allowance for directors' bonuses

Allowance for directors' bonuses is recognized in the estimated amount payable at the end of the current fiscal year.

(4) Provision for retirement benefits

The Company recognizes provisions for retirement benefits of employees based on projected benefit obligations and estimated plan assets at the balance sheet date.

The plan assets to be recognized at the end of the period under review are included in investments and other assets as prepaid pension cost, when their amount exceeds that of the projected benefit obligations after the actuarial gains or losses have been reflected.

• Method of periodical allocation of expected future retirement benefits

To calculate the amount of retirement benefit obligations, expected future retirement benefits are allocated to each period through the balance sheet date of the fiscal year under review based on the benefit formula.

• Method for recognizing actuarial gains or losses and prior service cost in profit or loss

Actuarial gains or losses of the retirement benefit plan are amortized from the year following the year in which the gain or loss is recognized primarily by the straight-line method over the average remaining years of service of the employees. Prior service cost is amortized by the straight-line method over the average remaining years of service of the employees or recognized in profit or loss in the fiscal year in which it is incurred.

(5) Provision for environmental measures

Provision in the estimated necessary amounts was made for the cost of PCB waste disposal expected for the future under the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

(6) Provision for product warranties

Provision for product warranties has been made in anticipation for expenditure for repair, etc. related to product warranties in the amount of estimated cost for repair, etc. related to product warranties based on product life and the contractual terms of warranties provided by subcontractors.

(7) Provision for loss on guarantees

Provisions for losses from guarantees for affiliates have been made in the amount of estimated losses to the Company with consideration of the financial status of the affiliates that are the subject of such guarantees.

1.4. Other significant matters presenting non-consolidated financial statements

(1) Hedge accounting methods

Hedge accounting methods:

As a rule, hedge transactions are subject to deferred hedge accounting. Interest swaps that satisfy the required conditions are subject to accounting under special exception.

Hedging instruments and hedge objects:

Hedging instruments: Interest swaps; forward exchange contracts

Hedge objects: Interest on loans payable; foreign-denominated receivables and payables, etc.

Hedging policy:

Subject to hedging within the scope of hedge objects are foreign exchange risk and interest rate risk.

Method of hedge effectiveness assessment:

Hedge effectiveness is assessed by comparing at each six-month the variation in the value of the cumulative cash flow or cumulative price variation of the hedge object and the variation in the value of the cumulative cash flow or cumulative price variation of the hedging instrument. The assessment of hedge effectiveness of interest swaps subject to accounting under special exception is omitted.

(2) Accounting treatment of consumption taxes

Consumption taxes are not accounted for.

(3) Consolidated taxation

The Company files consolidated tax returns.

(4) Amortization of goodwill

Goodwill is amortized based on the estimated duration of investment effects for individual investments in even amounts over periods of up to 20 years after accounting recognition.

Goodwill associated with the acquisition of additional equity in NEOMAX Co., Ltd. under a tender offer in fiscal 2006 is amortized in even amounts over a period of 20 years. Other goodwill is amortized over five years in even amounts.

1.5. Change in significant matters presenting non-consolidated financial statements

Not applicable.

2. Notes concerning changes in recording method

(Non-consolidated balance sheets)

From the fiscal year under review, “electronically recorded obligations - operating” is recorded as an accounting item due to higher amounts of the gains, although it was recorded as a part of “Other” in “current liabilities” at the end of the previous fiscal year.

The amount of “electronically recorded obligations - operating” was ¥4,105 million during the previous fiscal year.

3. Notes concerning the non-consolidated balance sheets

(1) Accumulated depreciation on tangible fixed assets:	¥374,031	million
(2) Guarantee obligations, etc.		
Guarantee obligations:	¥22,208	million
(3) Accounts payable and receivable – affiliates		
Accounts receivable-trade:	¥44,680	million
Accounts receivable-other:	¥39,561	million
Short-term loans receivable:	¥29,520	million
Group pooling cash deposits:	¥65,869	million
Long-term loans receivable:	¥70,844	million
Long-term accounts receivable-other:	¥512	million
Accounts payable-trade:	¥21,816	million
Electronically recorded obligations - operating:	¥62	million
Accounts payable-other:	¥6,484	million
Short-term debt:	¥18,640	million
Advances received:	¥39	million

4. Notes concerning the non-consolidated statements of income

(1) Transactions with affiliates

Net sales:	¥198,937	million
Purchase of goods:	¥219,658	million
Other transactions:	¥28,375	million

(2) Loss on structural reform

As a part of business structural reform, extra retirement payments and other payments were made in association with measures to streamline personnel in Japan.

5. Notes concerning the statement of non-consolidated change in net assets

Number of treasury stock as of the balance sheet date: 1,324,420 shares of common stock

6. Notes concerning tax effect accounting

(1) Breakdown of significant components of deferred tax assets and deferred tax liabilities:

Deferred tax assets		
Accrued bonuses:	¥1,811	million
Allowance for doubtful accounts:	¥3,364	million
Provision for retirement benefits:	¥6,817	million
Provision for directors' retirement benefits:	¥16	million
Contribution of securities to retirement benefit trust:	¥2,281	million
Impairment loss:	¥532	million
Accounting depreciation in excess of tax depreciation:	¥4,161	million
Loss on devaluation of investment securities:	¥5,810	million
Loss carry-forwards for corporate income tax:	¥351	million
Others:	¥4,831	million
Deferred tax assets – Subtotal:	¥29,974	million
Valuation allowance:	(¥12,189)	million
Deferred tax assets – Total:	¥17,785	million
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets:	(¥763)	million
Reserve for special depreciation:	(¥772)	million
Prepaid pension cost:	(¥1,206)	million
Investment book value correction:	(¥870)	million
Valuation gain – land:	(¥1,269)	million
Stocks of subsidiaries:	(¥676)	million
Other:	(¥243)	million
Deferred tax liabilities – Total:	(¥5,799)	million
Deferred tax assets – Net:	¥11,986	million

(2) Adjustment to the amounts of deferred tax assets and deferred tax liabilities due to changes in the corporate income tax rate

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) were enacted by Diet on March 29, 2016 and the reduction of corporate tax rate, etc. became effective for fiscal years starting on or after April 1, 2016.

Accordingly, the statutory effective tax rate to be used to calculate deferred tax assets and deferred tax liabilities will be changed from 32.1% to 30.7% for the temporary differences expected to be reversed in the fiscal years starting on April 1, 2016 and on April 1, 2017, and to 30.5% for the temporary differences expected to be reversed in the fiscal years starting on or after April 1, 2018.

As a result, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥1,297 million, the amount of income taxes-deferred increased by ¥1,297 million.

7. Notes concerning fixed assets used in leases

In addition to the fixed assets recorded in the balance sheets, fixed assets used in lease transactions consist of a portion of manufacturing equipment for high-grade metal products and materials, magnetic materials, high-grade functional components and equipment, wires, cables, and related products, etc.

8. Notes concerning transactions with related parties

8.1. Transactions with related parties

(a) Parent company and principal shareholders (companies only)

Type	Name	Address	Capital or investment (millions of yen)	Business domain or occupation	Voting rights etc. held by or in the Company (%)	Relationship with related parties	Transaction	Transaction amount (millions of yen)	Account	Term-end balance (millions of yen)
Parent Company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	458,791	Manufacture and sales of electrical equipment	Direct: 53.0 Indirect: 0.5	Continuous trade in products Provision of services Provision of technology Provision of loans Concurrent position as officer	Deposit under the Hitachi Group Pooling Scheme *[1, 2]	Deposit 41,298*[3]	Group pooling cash deposits	65,869

(Notes)

1. Since October 2001, the Company participates in the Hitachi Group Pooling Scheme for the centralized management of funds. The fiscal year-end balance indicates deposit amounts of the Company held in that scheme as of the balance sheet date.
2. Interest rates on funds are determined with reasonable consideration of market interest rates.
3. Fund allocation changes daily. Transaction amount reflect changes compared with the balance at the previous fiscal year end.

(b) Subsidiaries and affiliate companies

Type	Name	Address	Capital or investment (millions of yen)	Business domain or occupation	Voting rights etc. held by or in the Company (%)	Relationship with related parties	Transaction	Transaction amount (millions of yen)	Account	Term-end balance (millions of yen)
Subsidiary	Hitachi Metals Trading, Ltd. *1	Minato-ku, Tokyo	350	Sales of various products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Sales of products *2	55,287	Accounts receivable-trade	15,142
Subsidiary	Hitachi Magnet Wire Corp.	Hitachi-shi, Ibaraki	300	Wires, Cables, and Related Products High-Grade Metal Products and Materials	Direct: 100.0	Purchase of materials, etc. as an agent, etc. Purchase of products Dispatch of officers	Purchase of materials, etc. as an agent, etc. *2	95,411	Accounts receivable -other	8,452
							Purchase of products *2	60,535	Accounts payable-trade	5,452
Subsidiary	Hitachi Cable Film Device, Ltd.	Chuo-shi, Yamanashi	10	Wires, Cables, and Related Products	Direct: 100.0	Loan of funds Dispatch of officers	Loan of funds *3, 4	Repayment 181 *5	Long-term loans receivable	9,826
Subsidiary	Hitachi Metals America, LLC *6	New York, U.S.A.	(thousands of U.S. dollars) 92,000	Sales of various products Regional headquarters	Indirect: 100.0	Sale of products Purchase of products Performance of concurrent roles as director	Guarantees for loans *7	8,685	–	–
							Loan of funds *8	–	Short-term loans receivable	6,761
Subsidiary	Hitachi Metals America, Holding Inc.	New York, U.S.A.	(thousands of U.S. dollars) 0	Regional headquarters	Direct: 100.0	Performance of concurrent roles as director	Loan of funds *8	Repayment 14,110	Short-term loans receivable	11,268
									Long-term loans receivable	55,777
Affiliate	SH Copper Products Co., Ltd.	Tsuchiura -shi, Ibaraki	1,000	Wires, Cables, and Related Products	Direct: 50.0	Purchase of materials, etc. as an agent, etc. Dispatch of officers	Purchase of materials as an agent, etc. *2	27,448	Accounts receivable -other	11,537

(Notes)

1. Hitachi Metals Admet, Ltd. and Hitachi Densen Shoji, Ltd. merged on April 1, 2015 and the name was changed to Hitachi Metals Trading, Ltd.
2. Sales and purchase of products and purchase of materials, etc. as an agent are determined with consideration of market prices and in accordance with general terms and conditions of trade.
3. The long-term loans receivable from Hitachi Cable Film Device, Ltd. are non-interest bearing.
4. The Company recognized an allowance for doubtful accounts of ¥7,659 million for long-term loans receivable from Hitachi Cable Film Device, Ltd. In the fiscal year under review, the Company recognized a gain on reversal of allowance for doubtful accounts of ¥45 million.
5. The transaction amount indicates a difference from the amount at the end of the previous fiscal year.
6. Hitachi Metals America, Ltd. was the non-surviving company in an absorption-type merger with Hitachi Metals America, LLC.
7. The Company provided guarantees for loans from banks and received no fees.
8. Interest rates on funds are determined with reasonable consideration of market interest rates.

8.2. Notes concerning the parent company or significant affiliates

Parent company information

Hitachi, Ltd. (Shares are listed on exchanges in Tokyo and Nagoya.)

9. Notes concerning per-share information

(1) Net assets per share: ¥796.15

The basis of calculation of net assets per-share is as follows.

Total net assets as per non-consolidated balance sheets	¥340,416 million
Net assets attributable to common stock	¥340,416 million
Number of common shares outstanding at the non-consolidated balance sheet date	428,904,352 shares
Number of common shares held as treasury stock	1,324,420 shares
Number of common shares used as basis of calculation of net assets per share	427,579,932 shares

(2) Net income per share for the period under review: ¥93.80

The basis of calculation of net income per share for the period under review is as follows.

Net income for the period under review as per non-consolidated statements of income	¥40,108 million
Amounts not attributable to common stockholders	–
Net income for the period attributable to common stock	¥40,108 million
Average number of common shares outstanding during the period	427,583,545 shares

[Reference]

The amount of capital for Hitachi Metals America, LLC (US $92,000 thousand) stated in “8.1 (b) Subsidiaries and affiliate companies” translated in Japanese yen using the exchange rate as of March 31, 2016, is ¥10,367 million.