(Securities code: 5486)
June 1, 2018

To our shareholders:

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

Notice of the 81st Ordinary General Meeting of Shareholders

You are cordially invited to attend the 81st 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., Monday, June 18, 2018**.

Details

1. Date and time: Tuesday, June 19, 2018, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)

2. Venue: 1F, New Pier Takeshiba North Tower, NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo

3. Agenda:

Matters to be reported: Report on Business Report, Non-Consolidated Financial Statements and Consolidated Financial Statements for the 81st business term (from April 1, 2017 to March 31, 2018) and the results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit Committee

Matters to be resolved

<Proposal>

Item: Election of Eight (8) Directors

<Matters regarding exercising voting rights>

(1) If you do not indicate your vote of approval or disapproval for all Items when using the voting form, 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 form 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,

Akitoshi Hiraki
Representative Executive Officer,
President and Chief Executive Officer, Director

○ 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), pursuant to applicable laws and regulations, and the provision of the Articles of Incorporation of the Company. 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).

Procedures for Exercising Voting Rights

There are three ways to exercise your voting rights as follows:

Attending the Ordinary General Meeting of Shareholders

Please submit the enclosed voting form at the reception of the meeting (no seal is necessary).

Date and Time: Tuesday, June 19, 2018, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
Venue: 1F, New Pier Takeshiba North Tower, NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo

Exercising Voting Rights by Mail

Please indicate on the enclosed voting form whether you approve or disapprove of each Item, and return the completed form to us so that it arrives by the following exercise due date (no seal is necessary).

Exercise due date: to be received by 5:00 p.m. on Monday, June 18, 2018 (JST)

Exercising Voting Rights via the Internet

Please access the voting website (https://www.tosyodai54.net) using your PC, smartphone, or mobile phone, enter the "Voting Exercise Code" and the "Password" shown on the enclosed voting form, and then, enter your approval or disapproval by following the guidance on the screen. Please complete the exercise of your voting rights by the following exercise due date (for more details, please read the next page).

Exercise due date: to be received by 5:00 p.m. on Monday, June 18, 2018 (JST)

How to Use the Voting Website	
1.	**Access the voting website** Access the following URL and click the “Next” button. Voting Website https://www.tosyodai54.net
2.	**Login to the voting website** Enter the “Voting Exercise Code” shown on the enclosed voting form and click the “Login” button.
3.	**Enter the password** Enter the “Password” shown on the enclosed voting form and click the “Next” button.
Please enter your approval or disapproval by following the guidance on the screen	

* Please note that each shareholder is required to bear the costs for accessing the voting website (e.g., telephone charges and Internet access fees).

* Exercising voting rights via the Internet may be not available depending on the model of your smartphone or mobile phone.

Contact	For inquiries, please contact: **Tokyo Securities Transfer Agent Co., Ltd.** Phone: **0120-88-0768** (toll free) available 9:00 a.m. – 9:00 p.m., seven days per week, only in Japan

To Institutional Investors	Institutional investors who have applied for the use of the “ICJ platform” for electronic voting exercise 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.

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 determined by the Nominating Committee.

Candidate No.	Name	Attributes	Position and Areas of Responsibilities at the Company
1	Toshikazu Nishino	Newly appointed	-
2	Masaru Igarashi	Re-appointed Outside Independent	Director (member of the Nominating Committee, the Audit Committee, the Compensation Committee)
3	Toshiko Oka	Re-appointed Outside Independent	Director (member of the Nominating Committee, the Audit Committee, the Compensation Committee)
4	Takashi Shimada	Re-appointed Outside Independent	Director (member of the Nominating Committee, the Audit Committee, the Compensation Committee)
5	Katsuro Sasaka	Newly appointed	-
6	Toyoaki Nakamura	Re-appointed	Director
7	Toshitake Hasunuma	Re-appointed	Director (Chairperson of the Audit Committee)
8	Akitoshi Hiraki	Re-appointed	Representative Executive Officer, President and Chief Executive Officer, Director (Chairperson of the Compensation Committee) Overall Operations, General Management

Newly appointed: A candidate who is newly appointed as Director

Re-appointed: A candidate who is re-appointed as Director

Outside: A candidate who is appointed as Outside Director

Independent: A candidate for Director who satisfies the Independence Criteria (page 15) determined by the Company and registered as Independent Director with the Tokyo Stock Exchange, Inc.

<table>
<tr><td>1</td><td>Toshikazu Nishino
(January 9, 1955)</td><td>Newly appointed</td><td>Number of years serving as Director: -
Number of the Company’s shares held: -</td></tr>
</table>

Brief Biography and Significant Concurrent Positions Outside the Company

4/1980	Joined Hitachi, Ltd.	
4/2002	General Manager of Central Research Laboratory of Hitachi, Ltd.	
4/2005	General Manager of Corporate Technology Office, Hitachi Group Headquarters, Deputy General Manager of Management Planning Office of Hitachi, Ltd.	
9/2005	Director, Vice President of Hitachi Displays, Ltd. (current name: Japan Display Inc.)	
10/2008	Managing Director of Hitachi, Ltd.	**Meeting Attendance:**
4/2009	Director of Renesas Technology Corporation (current name: Renesas Electronics Corporation)	Board of Directors: —
4/2011	Vice President and Executive Officer of Hitachi, Ltd.	
6/2012	Outside Director of Hitachi Metals, Ltd. (retired from the position in June 2015)	
4/2013	Senior Vice President and Executive Officer of Hitachi, Ltd.	
4/2015	Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. (current position)	

Position and Areas of Responsibilities at the Company

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Reasons for appointment as a candidate for Director

The Company determined that Mr. Toshikazu Nishino will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting his abundant experience as a corporate manager at Hitachi, Ltd. and its group companies as well as a high level of expertise in advanced technology developments and business planning in the business of the Company, and working to build closer ties with other Hitachi Group companies; therefore, the Company appointed him as a candidate for Director.

2	**Masaru Igarashi** (September 1, 1950)	Re-appointed Outside Independent	Number of years serving as Director: 2 Number of the Company's shares held: 3,600

Brief Biography and Significant Concurrent Positions Outside the Company

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)
6/2016	Outside Director of Hitachi Metals, Ltd. (current position)

Meeting Attendance:
Board of Directors: 16/16 meetings
Nominating Committee: 2/2 meetings
Audit Committee: 16/16 meetings
Compensation Committee: 4/4 meetings

Position and Areas of Responsibilities at the Company
Director (member of the Nominating Committee, the Audit Committee and the Compensation Committee)

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 from a more objective standpoint as Outside Director; therefore, the Company appointed him as a candidate for Outside Director.

3	**Toshiko Oka** (March 7, 1964)	Re-appointed Outside Independent	Number of years serving as Director: 2 Number of the Company's shares held: 1,700

Brief Biography and Significant Concurrent Positions Outside the Company

4/1986	Joined Tohmatsu Touche Ross Consulting Co., Ltd. (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
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
6/2016	CEO of Oka & Company Ltd. (current position) Outside Director of Hitachi Metals, Ltd. (current position) Outside Director of Mitsubishi Corporation (current position)

Meeting Attendance:
Board of Directors: 16/16 meetings
Nominating Committee: 2/2 meetings
Audit Committee: 15/16 meetings
Compensation Committee: 4/4 meetings

Position and Areas of Responsibilities at the Company
Director (member of the Nominating Committee, the Audit Committee and the Compensation Committee)

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 Outside Director; therefore, the Company appointed her as a candidate for Outside Director.

4	**Takashi Shimada** (July 18, 1952)	Re-appointed Outside Independent	Number of years serving as Director: 3 Number of the Company's shares held: 2,400

Brief Biography and Significant Concurrent Positions Outside the Company

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) Vice President of Medtronic Japan Co., Ltd.
5/2008	President of Medtronic Japan Co., Ltd. President of Medtronic Sofamor Danek, Co., Ltd.
5/2015	President of Covidien Japan Inc. President of Nippon Covidien Inc.
6/2015	Outside Director of Hitachi Metals, Ltd. (current position)
6/2017	Senior Advisor of Medtronic Japan Co., Ltd.

Meeting Attendance:
Board of Directors: 16/16 meetings
Nominating Committee: 2/2 meetings
Audit Committee: 16/16 meetings
Compensation Committee: 4/4 meetings

Position and Areas of Responsibilities at the Company
Director (member of the Nominating Committee, the Audit Committee and the Compensation Committee)

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 from a more objective standpoint as Outside Director; therefore, the Company appointed him as a candidate for Outside Director.

5	**Katsuro Sasaka** (June 30, 1957)	Newly appointed	Number of years serving as Director: - Number of the Company’s shares held: 6,700

Brief Biography and Significant Concurrent Positions Outside the Company

4/1980	Joined Hitachi Metals, Ltd.
4/2013	General Manager of Finance Dept. of Finance Center
5/2013	Deputy General Manager of Yasugi Works
6/2013	Deputy General Manager of Yasugi Works and President of HMY, Ltd.
4/2015	Director and President of Hitachi Metals (China), Ltd.
4/2017	Executive Officer, Deputy General Manager of Corporate Management Planning Division, and General Manager of Group Company Auditing Office of Hitachi Metals, Ltd.
4/2018	Associate of Hitachi Metals, Ltd. (current position)

Meeting Attendance:

Board of Directors: －

Position and Areas of Responsibilities at the Company

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Reasons for appointment as a candidate for Director

The Company determined that Mr. Katsuro Sasaka 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 leveraging his abundant experience and in-depth knowledge gained as a senior management of the Company’s finance and business planning operations as well as his thorough knowledge in the Group’s operations gained as Director and President of a subsidiary controlling overseas business operations in China; therefore, the Company appointed him as a candidate for Director.

6	**Toyoaki Nakamura** (August 3, 1952)	Re-appointed	Number of years serving as Director: 3 Number of the Company's shares held: 2,000

Brief Biography and Significant Concurrent Positions Outside the Company

4/1975	Joined Hitachi, Ltd.
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	Director of Hitachi High-Technologies Corporation (Outside Director until June 2016) (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	Director of Hitachi Metals, Ltd. (Outside Director until June 2016) (current position)
12/2015	Board Director, Chairperson of Hitachi Metals, Ltd.
4/2016	Associate of Hitachi, Ltd.
6/2016	Director of Hitachi, Ltd. (current position) Chairperson of the Board of Hitachi Metals, Ltd.

Meeting Attendance:

Board of Directors: 16/16 meetings

Position and Areas of Responsibilities at the Company

Director

Reasons for appointment as a candidate for Director

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 enhancing 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.

7	**Toshitake Hasunuma** (May 10, 1953)	Re-appointed	Number of years serving as Director: 2 Number of the Company's shares held: 1,000

Brief Biography and Significant Concurrent Positions Outside the Company

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.
6/2016	Director of Hitachi Metals, Ltd. (current position)

Meeting Attendance:

Board of Directors: 16/16 meetings

Audit Committee: 16/16 meetings

Position and Areas of Responsibilities at the Company

Director (Chairperson of the Audit Committee)

Reasons for appointment as a candidate for Director

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 in finance and accounting areas obtained through his experience in the finance operations of Hitachi, Ltd. over the years as well as the experience as General Manager of the Internal Auditing Office; therefore, the Company appointed him as a candidate for Director.

8	**Akitoshi Hiraki** (March 2, 1961)	Re-appointed	Number of years serving as Director: 3 Number of the Company's shares held: 6,900

Brief Biography and Significant Concurrent Positions Outside the Company

4/1985	Joined Hitachi Metals, Ltd.
6/2008	President and Director of Hitachi Setsubi Engineering Co., Ltd.
4/2010	Managing Officer, President of Specialty Steel Company, Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.
4/2012	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
4/2015	Vice President and Representative Executive Officer, President of High-Grade Metals Company, and Deputy General Manager of Corporate Export Regulation Office
6/2015	Vice President and Representative Executive Officer, President of High-Grade Metals Company, Deputy General Manager of Corporate Export Regulation Office, and Director
1/2016	Vice President and Representative Executive Officer, General Manager of Technology, Research & Development Division, General Manager of Corporate Quality Assurance Division, and Director
4/2017	Representative Executive Officer, President and Chief Executive Officer, Director (current position)

Meeting Attendance:

Board of Directors: 16/16 meetings

Compensation Committee: 3/3 meetings

Position and Areas of Responsibilities at the Company

Representative Executive Officer, President and Chief Executive Officer, Director (Chairperson of the Compensation Committee)
Overall Operations and General Management

Reasons for appointment as a candidate for Director

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 leveraging his abundant experience and in-depth knowledge obtained as a president of Hitachi Group companies and a head of the Company's business divisions, and since April 2017, as President and Chief Executive Officer responsible for the management of the Company; therefore, the Company appointed him as a candidate for Director.

(Notes)

1. Mr. Toshikazu Nishino is the Representative Executive Officer of Hitachi, Ltd. The Company has a business relationship with Hitachi, Ltd. related to continuous purchase/sale of products, provision of services, provision of technology and loans. The Company has no specific conflict of interest with other candidates.
2. The Company has concluded an agreement with Mr. Masaru Igarashi, Ms. Toshiko Oka, Mr. Takashi Shimada, Mr. Toyoaki Nakamura and Mr. Toshitake Hasunuma to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act, which is required pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act as well as the provisions of Article 24 of the Articles of Incorporation. The Company will continue this agreement if each candidate is elected as Director at this General Meeting of Shareholders. The maximum amount of liability for damages under the agreement is ¥12 million or the amount stipulated by laws and regulations, whichever is higher. If Mr. Toshikazu Nishino and Mr. Katsuro Sasaka are elected as Director, the Company will conclude the same agreement with them.
3. 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) Toshikazu Nishino

   - 4/2013-9/2013 Senior Vice President and Executive Officer of Hitachi, Ltd. (General Manager of Strategy Planning Division)
   - 10/2013-3/2014 Senior Vice President and Executive Officer of Hitachi, Ltd. (CSO, General Manager of Strategy Planning Division, General Manager of Healthcare Business Strategy Division and Business Planning Division, and Deputy General Manager of End-to-End Supply Chain Project Division)
   - 4/2014-9/2014 Senior Vice President and Executive Officer of Hitachi, Ltd. (CSO, General Manager of Strategy Planning Division, and Deputy General Manager of End-to-End Supply Chain Project Division)
   - 10/2014-3/2015 Senior Vice President and Executive Officer of Hitachi, Ltd. (CSO and General Manager of Strategy Planning Division)
   - 4/2015-3/2016 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. (CSO)
   - 4/2016-3/2017 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. Assistant to President [in charge of Building Systems, Railway Systems, Urban Solutions and Defense Systems]; CSO
   - 4/2017-9/2017 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. Assistant to President [in charge of Building Systems, Railway Systems and Urban Solutions]; CSO
   - 10/2017-3/2018 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. Assistant to President [in charge of Building Systems, Railway Systems and Urban Solutions] CSO; CISO
   - 4/2018-Current Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. Assistant to President [in charge of Nuclear Energy and Power]

   * CSO: Chief Strategy Officer; CISO: Chief Information Security Officer

   (2) Toyoaki Nakamura

   - 4/2013-9/2013 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. [in charge of Management Strategies, Finance and Corporate Pension Systems]; General Manager of Consumer Business Division
   - 10/2013-3/2014 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. [in charge of Corporate Pension Systems], CFO; General Manager of Consumer Business Division
   - 4/2014-3/2016 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd., [in charge of Corporate Pension Systems], CFO; General Manager of Smart Life & Ecofriendly Systems Division

   * CFO: Chief Financial Officer

4. The Company has assigned Mr. Masaru Igarashi, Ms. Toshiko Oka and Mr. Takashi Shimada as Independent Director in accordance with the regulations of Tokyo Stock Exchange, Inc. If each candidate is elected as Director at this General Meeting of Shareholders, the Company will reassign all of them as Independent Directors. There are no business relations between each candidate or the companies, etc. for which they have worked as executing persons and the Company during the 81st business term (fiscal 2017).

5. Ms. Toshiko Oka is scheduled to retire from the position of Outside Audit & Supervisory Board Member of Astellas Pharma Inc. on June 15, 2018. Also, she is scheduled to assume the position of Outside Director of Sony Corporation on June 19, 2018.

6. Mr. Toyoaki Nakamura is scheduled to retire from the position of Director of Hitachi High-Technologies Corporation on June 22, 2018.

7. When the Item is approved, the structure and chairperson of each committee are planned as follows:

Nominating Committee:	Toshikazu Nishino (Chairperson), Masaru Igarashi, Toshiko Oka, Takashi Shimada
Audit Committee:	Toshitake Hasunuma (Chairperson), Masaru Igarashi, Toshiko Oka, Takashi Shimada, Katsuro Sasaka
Compensation Committee:	Akitoshi Hiraki (Chairperson), Masaru Igarashi, Toshiko Oka, Takashi Shimada

(Reference) Independence Criteria for Outside Directors

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

(1) a person who has received or who serves or has served within the last one year as an executing person (that is, an executive director, executive officer or employee; hereinafter the same) of a corporation that has received from the Company a payment of 2% or more of the entity's consolidated annual revenues for products or services in the most recent fiscal year;

(2) a person who has paid the Company 2% or more of its consolidated annual revenues for products or services in the most recent fiscal year or who serves or has served within the last one year as an executing person of the corporation;

(3) an attorney, a certified public accountant, a certified tax accountant or a consultant who has received from the Company an annual payment of ¥10 million or more of monetary or other property benefits other than compensation for Directors and Executive Officers within the last one year, or a person who is or has been within the last one year a member, a partner, an associate or an employee of a law firm, an auditing firm, a tax accountant corporation, a consulting firm or other professional advisory firm that has received from the Company a payment of 2% or more of the firm's consolidated annual revenues in the most recent fiscal year;

(4) a person who serves or has served within the last one year as an officer of a not-for-profit organization that has received from the Company discretionary charitable contributions of monetary or other property benefits of ¥10 million or more, or 2% or more of that organization's annual gross revenues or ordinary income, whichever amount is higher, during the most recent fiscal year;

(5) a person who serves or has served within the last one year as an executing person or a non-executive director of the parent company of the Company;

(6) a person who serves or has served within the last one year as an executing person of a sister company of the Company;

(7) a person who is a spouse or a relative within the second degree of kinship of a person (excluding a person who has or had no important position of the following) who falls under the following items:

(i) who falls under the items of the above (1) through (6);

(ii) who is, or has been within the last one year, an executing person of a subsidiary of the Company;

(iii) who is an executing person or non-executive director of the parent company of the Company;

(iv) who is an executing person of a sister company of the Company;

(v) who is, or has been within the last one year, an executing person of the Company; and

(8) a person who has a risk of having material conflicts of interests with ordinary shareholders for reasons other than those stated above.

[Attachments]

Business Report

(April 1, 2017 to March 31, 2018)

1. Current Status of the Hitachi Metals Group

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

During the fiscal year under review, the global economy remained on a modest rebound track primarily in developed countries. Steady economic growth continued in the United States maintained, backed by an improvement in the employment situation and an increase in individual consumption and capital expenditures. European economies, especially in the euro-zone, continued on a moderate recovery path due to an improvement in capital investment and productivity. The Chinese economy also showed some signs of strength due to the effects of the government's various economic measures, and economic growth in other emerging countries in Asia also remained on a recovery track. Amid these conditions, the Japanese economy recovered gradually as a result of the ongoing improvement in the employment and income environment and increased exports and capital investment supported by the steady recovery of the global economy.

Among the industries in which the Hitachi Metals Group (the "Group") operates, in the automobile industry, sales in Japan increased, led by strong demand for new models; and Europe and China also showed firm demand, while sales of new vehicles decreased in the United States compared with the previous fiscal year. Demand for steel increased mainly in the manufacturing sector, including automobiles and industrial machinery. The number of new housing starts increased in the United States but was on a declining trend in Japan. In the electronics field, mobile device shipments increased.

Under the business circumstances described above, for the fiscal year under review, the revenues of the Group increased by 8.5% to ¥988,303 million year on year. This result was affected mainly by a rise in raw materials prices (a sliding-scale raw materials pricing system) and the depreciation of the yen, in addition to an increase in demand for mainstays. Adjusted operating income decreased by ¥853 million to ¥65,130 million year on year mainly due to a rise in costs associated with a drop in profitability of heat-resistant exhaust casting components/ aluminum wheels and a rise in raw materials prices, despite an increase in income associated with increased revenue and the effects of cost reduction activities. Operating income decreased by ¥21,941 million to ¥46,326 million year on year due to the recording of a gain on business reorganization and others as other revenue in the prior consolidated fiscal year, as well as the recording of impairment loss as other expenses during the fiscal year under review. For the fiscal year under review, income before income taxes decreased by ¥19,031 million to ¥46,985 million and net income attributable to shareholders of the parent company decreased by ¥8,383 million to ¥42,210 million year on year.

Revenues	¥988,303 million (up 8.5% year on year)	↑
Adjusted Operating Income	¥65,130 million (down ¥853 million year on year)	↓
Operating Income	¥46,326 million (down ¥21,941 million year on year)	↓

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

Specialty Steel Products

Revenues	¥290,599 million (up 19.5% year on year)	↑
Adjusted Operating Income	¥27,865 million (up ¥4,328 million year on year)	↑
Operating Income	¥26,127 million (up ¥3,956 million year on year)	↑

Business Overview

High-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials, semiconductor and other package materials, and battery-related materials], materials for industrial equipment [automobile related materials, and razor and blade materials] aircraft- and energy-related materials, and precision cast components); rolls for steel mills; injection molding machine parts; structural ceramic products; steel-frame joints for construction; soft magnetic materials (amorphous metals; nanocrystalline magnetic material; and soft ferrite) and applied products

Revenues in the Specialty Steel Products segment for the fiscal year under review, were ¥290,599 million, an increase of 19.5%, and adjusted operating income increased by ¥4,328 million to ¥27,865 million year on year. Operating income of the segment increased by ¥3,956 million to ¥26,127 million for the same period.

<Specialty Steels>

Sales of molds and tool steel exceeded those for the fiscal year ended March 31, 2017, due to a recovery in demand in both Japan and Asia. Sales of industrial equipment materials increased overall compared with those for the year ended March 31, 2017, as sales of environmentally friendly products related to automobiles as well as other industrial components, in particular, components for semiconductor-related equipment, increased. Sales of alloys for electronic products increased significantly year on year due to strong sales of semiconductor package components in addition to increased sales of battery-related and organic EL panel-related components. Aircraft-related and energy-related materials sales were weak.

<Rolls>

In September 2016, the Group discontinued production of rolls at a Chinese subsidiary for the purpose of concentrating management resources on high value-added products. Meanwhile, sales of injection molding machine parts recovered resulting from an increase in demand for mobile devices. As a result, sales of rolls as a whole increased year on year.

<Soft Magnetic Materials and Applied Products>

Sales of soft magnetic materials and applied products as a whole fell below those for the fiscal year ended March 31, 2017, due to a drop in demand for amorphous metals, although sales of applied products for mobile devices and automobiles increased because of robust demand.

Magnetic Materials and Applications

Revenues	¥106,131 million (up 6.4% year on year)	↑
Adjusted Operating Income	¥9,593 million (up ¥279 million year on year)	↑
Operating Income	¥7,286 million (down ¥2,015 million year on year)	↓

Business Overview

Magnets (rare-earth magnets; ferrite magnets; and other magnets and applied products); and ceramic components

Revenues in the Magnetic Materials and Applications segment for the fiscal year under review were ¥106,131 million, an increase of 6.4% year on year, and adjusted operating income increased by ¥279 million to ¥9,593 million year on year. Operating income of the segment decreased by ¥2,015 million to ¥7,286 million year on year due to an increase in other expenses owing to the recognition of impairment losses related to the decreased profitability of the business of certain subsidiaries.

Sales of rare earth magnets overall exceeded those for the fiscal year ended March 31, 2017. The increase in sales is attributable to strong demand for automotive electronic components for electric power steering and hybrid automobiles and solid sales of industrial equipment, supported by increased demand for robots as well as capital investment-related demand for organic EL panels and semiconductors. Sales of ferrite magnets increased year on year due to strong demand for automotive electronic components, reflecting increased automobile production as well as robust demand for household appliance parts.

Functional Components and Equipment

Revenues	¥360,053 million (up 8.0% year on year)	↑
Adjusted Operating Income	¥11,799 million (down ¥5,654 million year on year)	↓
Operating Income	¥607 million (down ¥15,313 million year on year)	↓

Business Overview

Casting components for automobiles (high-grade ductile cast 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, valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)

Revenues in the Functional Components and Equipment segment for the fiscal year under review were ¥360,053 million, an increase of 8.0% year on year, while adjusted operating income decreased by ¥5,654 million to ¥11,799 million due to declined profitability of heat-resistant exhaust casting components and aluminum wheels. Also, operating income of the segment decreased by ¥15,313 million to ¥607 million year on year due to an increase in other expenses such as the recording of impairment losses from the aluminum wheel business.

<Casting Components for Automobiles>

Despite a slowdown in demand for casting components for pickup trucks and other light trucks as well as passenger vehicles in North America, sales of casting components for automobiles increased as a whole year on year. This was due to an increase in demand for casting components for commercial vehicles, farming machinery, and construction machinery in North America, and increased demand for automobiles in Asia.

<Heat-resistant Exhaust Casting Components>

Revenues for heat-resistant exhaust casting components increased year on year due to an increase in demand in the American, European, Asian and Japanese markets, but profits decreased for the same period due to productivity issues and other factors.

<Aluminum Wheels>

Sales of aluminum wheels fell below those for the fiscal year ended March 31, 2017, mainly affected by decreased demand for passenger vehicles in North America and productivity issues.

<Piping Components>

Sales of pipe fittings were robust due to an increased number of new housing starts in the United States, an increase in large construction projects in Japan, and strong performance in devices for semiconductor manufacturing equipment, reflecting an increase in demand for semiconductor-related equipment year on year.

Wires, Cables, and Related Products

Revenues	¥230,532 million (down 1.0% year on year)	↓
Adjusted Operating Income	¥14,947 million (up ¥266 million year on year)	↑
Operating Income	¥11,183 million (down ¥8,876 million year on year)	↓

Business Overview

Electric wires and cables (industrial cables, electronic wires, electric equipment materials, and industrial rubber products); and functional components (cable assemblies, electronic components for automotive and brake hoses)

Due to the effects of a reorganization conducted for the purpose of renewing the Group's business portfolio to the growing business, revenues in the Wires, Cables, and Related Products segment for the fiscal year under review, were ¥230,532 million, a decrease of 1.0% while adjusted operating income increased by ¥266 million to ¥14,947 million year on year because of the expansion of the focused fields. Operating income for the segment decreased by ¥8,876 million to ¥11,183 million for the same period, due to the recording of a gain on business reorganization and others as other operating revenue in the prior year, as well as an increase in other expenses during the fiscal year under review.

<Electric Wires and Cables>

Sales of wires and cables for rolling stock grew significantly, including growth in China. Sales of electric wires for semiconductor manufacturing equipment and FA/robots increased, and magnet wires for automobiles and industrial machinery also posted higher sales.

<High Performance Components>

Demand for various sensors, harnesses for electric parking brakes and hybrid automobiles increased, and demand for brake hoses was also firm. Sales of probe cables for medical use increased over the prior year due to increased overseas demand.

Other

Revenues	¥3,417 million (up 15.3% year on year)	↑
Adjusted Operating Income	¥124 million (down ¥129 million year on year)	↓
Operating Income	¥111 million (down ¥220 million year on year)	↓

Business Overview

Real estate business; software business, etc.

Revenues in the Other segment for the fiscal year under review, were ¥3,417 million, an increase of 15.3%, and adjusted operating income decreased by ¥129 million to ¥124 million year on year. Operating income of the segment decreased by ¥220 million to ¥111 million for the same period.

(Notes)

1. In order to give a true view of the condition of the Company's business without the effects of business restructuring, adjusted operating income is presented as operating income in the table above, wherein said "adjusted operating income" is the operating income recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses.
2. The Group has changed its segment names from "High-Grade Metal Products and Materials" to "Specialty Steel Products" and from "High-Grade Functional Components and Equipment" to "Functional Components and Equipment" effective from April 1, 2017.
3. The Company has changed the business segment of SH Copper Products Co., Ltd., a subsidiary of the Company, and one other subsidiary (hereinafter the "SH Copper Products, etc.") from the Wires, Cables, and Related Products segment to the Specialty Steel Products segment as of July 1, 2017, aiming to strengthen battery-related components in the Specialty Steel Products segment. Due to this change, the results of SH Copper Products, etc. for the fiscal year under review, have been recorded under the Specialty Steel Products segment. In the following year-on-year comparisons, the figures for the fiscal year ended March 31, 2017 have been reclassified into the new segment classification. The results of SH Copper Products Co., Ltd., which became a consolidated subsidiary as of January 5, 2017, have been recorded since the fourth quarter of the year ended March 31, 2017 (January 1, 2017 through March 31, 2017).

(2) Tasks for the Hitachi Metals Group

As for the Group's business environment as a whole, while the Group expects the world economies to continue on a recovery path, there are uncertainties stemming from political instability in many countries, concerns about further economic slowdown in emerging countries such as China, and sudden fluctuations in exchange rates resource prices.

In this business environment, the Group aims to carry out its global growth strategies and build structures for sustainable growth based on the 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 have implemented the action plans described below.

(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* (Craftsmanship) 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. In regard to the declined profitability of heat-resistant exhaust casting components and aluminum wheels in the Functional Components and Equipment Business, there are signs of the beneficial effects of various measures including price corrections and productivity improvements. We will continue to put effort into these measures to stabilize the said business.

(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, empowering people of all types to play an active role, and raising productivity through promotion of "work style reform."

In Fiscal 2018, the final year of the Fiscal 2018 Medium-Term Management Plan, we are working to make Fiscal 2018 "the first year of the new Hitachi Metals Group" aiming the next Medium-Term Management Plan with key issue like further improvements to profitability through price corrections and the early launch and beneficial use of primarily facilities that each business has invested in so far, such as the opening of a new Corporate Research Laboratory (Global Research & Innovative Technology Center; GRIT), in addition to the ongoing implementation of initiatives such as a reform of the business portfolio and the advancement of a Corporate "*Monozukuri* (Craftsmanship) Innovation Project."

(3) Capital Investments at the Hitachi Metals Group

Capital investments in the fiscal year under review totaled ¥91,786 million (based on the purchase cost of property, plant and equipment and intangible assets).

The details by business segment are as follows:

Segment	Investment Purpose	Amount Invested
Specialty Steel Products	To increase production capacity, streamline production systems, and build production systems for high-value added products in Japan	¥27,974 million
Magnetic Materials and Applications	To build innovative production lines for rare-earth/ferrite magnets in Japan	¥20,619 million
Functional Components and Equipment	To streamline and upgrade production systems and equipment focusing on overseas operations	¥24,705 million
Wires, Cables, and Related Products	To upgrade large-scale equipment in Japan and increase production capacity overseas	¥8,710 million
Corporate (head office and others)	To construct a new Corporate Research Laboratory (Global Research & Innovative Technology Center)	¥9,571 million

(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 ¥ 33,613 million year on year to ¥ 160,844 million after the redemption of bonds and 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) 26,029
	Mizuho Bank, Ltd.	11,155
	The San-in Godo Bank, Ltd.	8,400
	Sumitomo Mitsui Trust Bank, Limited	5,660
	The Joyo Bank, Ltd.	4,000
Hitachi Metals MMC Superalloy, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,000
Hitachi Metals America, Ltd.	Hitachi America Capital, Ltd.	(thousands of U.S. dollars) 210,000 (¥22,310 million)
	Mizuho Bank, Ltd.	(thousands of U.S. dollars) 30,000 (¥3,187 million)
PT.HITACHI METALS INDONESIA	Hitachi International Treasury Ltd.	(thousands of U.S. dollars) 13,000 (¥1,381 million)

(Notes)

1. Figures shown in parentheses in the column of "Balance of borrowings" are those converted into the Japanese yen using exchange rates as of March 30, 2018.
2. Hitachi Metals MMC Superalloy, Ltd. was dissolved as of April 1, 2018 as a result of an absorption-type merger, in which the Company is a surviving company.
3. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. as of April 1, 2018.

(5) Significant Corporate Restructuring, etc.

The Company acquired all of the issued shares of Hitachi Metals MMC Superalloy, Ltd., a subsidiary of the Company, held by Mitsubishi Materials Corporation as of October 2, 2017. As a result, Hitachi Metals MMC Superalloy, Ltd. became a wholly-owned subsidiary of the Company.

(Note)

Hitachi Metals MMC Superalloy, Ltd. was dissolved as of April 1, 2018 as a result of an absorption-type merger, in which the Company is a surviving company.

(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	78th business term (Fiscal 2014)		79th business term (Fiscal 2015)	80th business term (Fiscal 2016)	81st business term (Fiscal 2017)
	J-GAAP	IFRS	IFRS	IFRS	IFRS
Revenues (millions of yen)	1,006,301	1,004,373	1,017,584	910,486	988,303
Operating income (millions of yen)	78,216	84,407	99,954	68,267	46,326
Net income attributable to shareholders of the parent company (millions of yen)	66,553	70,569	69,056	50,593	42,210
Earnings per share attributable to shareholders of the parent company (yen)	155.64	165.02	161.50	118.32	98.72
Total equity (millions of yen)	459,727	476,176	504,675	548,746	570,192
Total assets (millions of yen)	1,065,990	1,083,450	1,033,311	1,040,390	1,058,832

(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 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," "Earnings per share attributable to shareholders of the parent company" with "Profit per share," and "Total equity" with "Net assets."
2. "Earnings per share 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	78th business term (Fiscal 2014)	79th business term (Fiscal 2015)	80th business term (Fiscal 2016)	81st business term (Fiscal 2017)
	J-GAAP	J-GAAP	J-GAAP	J-GAAP
Net sales (millions of yen)	500,203	441,103	410,818	467,963
Operating income (millions of yen)	25,929	13,016	12,975	15,222
Net income (millions of yen)	71,293	40,108	31,168	26,960
Net income per share (yen)	166.72	93.80	72.89	63.05
Net assets (millions of yen)	312,251	340,416	360,087	376,053
Total assets (millions of yen)	739,112	723,828	713,495	720,841

(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 Facilities of the Hitachi Metals Group (As of March 31, 2018)

(i) Major Facilities of the Company

Facility		Location	Facility		Location
Head office		Tokyo	Plants	Yasugi Works	Shimane
Sales offices	Eastern Japan Regional Office	Tokyo		Metglas Yasugi Works	Shimane
	Kitanihon Sales Office	Miyagi		Kumagaya Works (Magnetic Materials Company)	Shimane
	Ibaraki Sales Office	Ibaraki		Saga Works	Saga
	Central Japan Regional Office	Aichi		Yamazaki Manufacturing Dept.	Osaka
	Western Japan Regional Office	Osaka		Kyushu Works	Fukuoka
	Chugoku Sales Office	Hiroshima		Kumagaya Light Alloy Plant	Saitama
	Kyushu Sales Office	Fukuoka		Moka Works	Tochigi
				Kuwana Works	Mie
				Ibaraki Works	Ibaraki
			Research institutes	Global Research & Innovative Technology Center	Tokyo
				Metallurgical Research Laboratory	Shimane
				Magnetic Materials Research Laboratory	Osaka
				Casting Technology Research Laboratory	Tochigi
				Cable Materials Research Laboratory	Ibaraki

(Notes)

1. The Company has established the Global Research & Innovative Technology Center (Tokyo) and transferred the functions of the Production System Laboratory (Saitama) to the Global Research & Innovative Technology Center as of April 1, 2017. In addition, the Global Research & Innovative Technology Center was relocated from Tokyo to Saitama Prefecture, while the Magnetic Materials Research Laboratory was relocated from Osaka Prefecture to Saitama Prefecture as of April 1, 2018.
2. The Company has established the Kitakanto branch (Gunma) and the Okegawa Works (Saitama) as of April 1, 2018.

(ii) Major Facilities of Subsidiaries

The locations of key subsidiaries are shown on pages 24 through 26.

(8) Employees of the Hitachi Metals Group (As of March 31, 2018)

(i) Employees of the Hitachi Metals Group

Business segment	Number of employees
Specialty Steel Products	7,273
Magnetic Materials and Applications	4,760
Functional Components and Equipment	8,522
Wires, Cables, and Related Products	9,029
Other	113
Corporate (head office and others)	693
Total	30,390

(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 (6,053 employees).
2. The number of employees listed for “Corporate (head office and others)” refers to employees that cannot be classified into specific business segments such as those in administrative divisions.
3. The number of employees increased by 1,636 compared to the end of the previous fiscal year.

(ii) Employees of the Company

Number of employees	Average age	Average length of service
6,315	44.1	21.7 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 (1,129 employees).
2. The number of employees increased by 457 compared to the end of the previous fiscal year.

(9) Parent Company and Key Subsidiaries (As of March 31, 2018)

(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, the provision of loans and concurrent positions of officers

(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 specialty steels, magnetic materials, forged components and cable materials
SH Copper Products Co., Ltd.	1,000	100	Ibaraki	Manufacturing and sale of copper strips and copper products
Hitachi Metals Tool Steel, Ltd.	100	100	Tokyo	Sale, processing, heat treating and finishing of specialty steels, etc.
Tonichi Kyosan Cable, Ltd.	3,569	100	Ibaraki	Manufacturing, assembling and sale of electric wires, cables and fiber optic cables
NEOMAX KINKI Co., Ltd.	400	100	Hyogo	Manufacturing of rare-earth magnets
Hitachi Metals Neomaterial, Ltd.	400	100	Osaka	Manufacturing and sale of metallic electronic materials, etc.
Hitachi Metals MMC Superalloy, Ltd.	3,808	100	Saitama	Manufacturing and sale of special heat-resistant and corrosion-resistant alloys, abrasion-resistant alloys and special copper alloys
Ibaraki Technos, Ltd.	100	100	Ibaraki	Manufacturing of electric wires and cables, assemblies and rubber-related products
Hitachi Metals Wakamatsu, Ltd.	65	100	Fukuoka	Manufacturing of rolls, construction-related materials, injection molding machine cylinders, ceramics, etc.
NEOMAX Engineering Co., Ltd.	410	100	Gunma	Manufacturing and sale of magnetic application products
Hitachi Metals Precision, Ltd.	300	100	Tokyo	Manufacturing and sale of precision cast components and their assemblies
HMY, Ltd.	144	100	Shimane	Manufacturing and sale of specialty steel precision components

Name of company	Capital	Voting rights	Location	Major business domains
Waupaca Foundry, Inc.	(U.S. dollars) –	100 (100)	USA	Development, manufacturing and sale of cast iron products for transportation machinery
Hitachi Metals America, Ltd.	(thousands of U.S. dollars) 92,000 (¥9,774 million)	100	USA	Sale of specialty steels, magnetic materials and forged components in North America
Hitachi Metals Europe GmbH	(thousands of euros) 2,220 (¥290 million)	100	Germany	Sale of specialty steel products, magnetic materials, forged components and cable materials in Europe
Hitachi Metals (Thailand) Ltd.	(thousands of Thai baht) 1,374,700 (¥4,674 million)	100	Thailand	Manufacturing and sale of IT devices and automotive products
Hitachi Metals (China), Ltd.	(thousands of RMB) 749,021 (¥12,673 million)	100	China	Sale of specialty steel products, magnetic materials, forged components and cable materials in China
Hitachi Cable America Inc.	(thousands of U.S. dollars) 49,947 (¥5,306 million)	100 (100)	USA	Manufacturing and sale of automotive products, wires and cables and medical tubes in North America
Hitachi Metals Singapore Pte. Ltd.	(thousands of U.S. dollars) 16,009 (¥1,701 million)	100	Singapore	Sale of specialty steel products, magnetic materials, forged components and cable materials in Southeast Asia
Hitachi Metals Hong Kong Ltd.	(thousands of Hong Kong dollars) 24,000 (¥325 million)	100	China	Sale of specialty steel products, magnetic materials and cable materials; and manufacturing of ferrite products and application parts in Hong Kong and South China
Namyang Metals Co., Ltd.	(millions of Korean Won) 19,000 (¥1,898 million)	90.8	South Korea	Manufacturing and sale of cast iron products for automobile
AAP St. Marys Corp.	(thousands of U.S. dollars) 20,000 (¥2,125 million)	100 (100)	USA	Manufacturing of aluminum wheels
Hitachi Cable (Suzhou), Co., Ltd.	(thousands of RMB) 338,613 (¥5,729 million)	100	China	Manufacturing and sale of electric wires for electronic devices, industrial cables, electronic components for automobiles, brake hoses, processed electric wires and wiring devices
San Technology, Inc.	(thousands of U.S. dollars) 29,238 (¥3,106 million)	100	Philippines	Manufacturing of rare-earth magnets
Ward Manufacturing, LLC	(thousands of U.S. dollars) 44,074 (¥4,682 million)	100 (100)	USA	Manufacturing of pipe joints
Hitachi Metals Korea Co., Ltd.	(millions of Korean Won) 1,427 (¥143 million)	100	South Korea	Manufacturing and sale of specialty steel products; and sale of electric wire materials in South Korea
Pacific Metals Co., Ltd.	(millions of Korean Won) 15,000 (¥1,499 million)	100	South Korea	Manufacturing and sale of cast magnets, ferrite magnets, etc.

(Notes)

1. The number of consolidated subsidiaries of the Company is 69, including 27 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 30, 2018.
3. Figures shown in parentheses in the column of “Voting rights” are indirect shareholding ratios.
4. Hitachi Magnet Wire Corp. transferred its wire and cable conductor material casting business to the Company by way of absorption-type company split and merged with Ibaraki Technos, Ltd. by way of an absorption-type merger and was dissolved on April 1, 2017.

5. SH Copper Products Co., Ltd. was dissolved by way of an absorption-type merger, in which Hitachi Metals Neomaterial, Ltd. is a surviving company, as of April 1, 2018.
6. The Company acquired all of the issued shares of Hitachi Metals MMC Superalloy, Ltd., a subsidiary of the Company, held by Mitsubishi Materials Corporation as of October 2, 2017. As a result, the share of voting rights in Hitachi Metals MMC Superalloy, Ltd. held by the Company became 100% (direct shareholding). In addition, Hitachi Metals MMC Superalloy, Ltd. was dissolved by way of an absorption-type merger, in which the Company is a surviving company, as of April 1, 2018.
7. 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.
8. The Company acquired all of the issued shares of Hitachi Cable (Suzhou), Co., Ltd. held by Ibaraki Technos, Ltd. as of September 1, 2017. As a result, the share of voting rights in Hitachi Cable (Suzhou), Co., Ltd. held by the Company became 100% (direct shareholding).

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, 2018)

(i) Directors

Position	Name	Responsibilities (Committee membership)	Principal concurrent positions
Chairperson of the Board	Hideaki Takahashi	Nominating Committee Compensation Committee	
Director	Masaru Igarashi	Nominating Committee Audit Committee Compensation Committee	Representative of Global Dynamics Research Lab.
Director	Toshiko Oka	Nominating Committee Audit Committee Compensation Committee	CEO of Oka & Company Ltd. Outside Audit & Supervisory Board Member of Astellas Pharma Inc. Outside Audit & Supervisory Board Member of HAPPINET CORPORATION Outside Director of Mitsubishi Corporation
Director	Takashi Shimada	Nominating Committee Audit Committee Compensation Committee	
Director	Junichi Kamata	Audit Committee	
Director	Toyoaki Nakamura		Director of Hitachi, Ltd. Director of Hitachi High-Technologies Corporation
Director	Toshitake Hasunuma	Audit Committee	
Director	Akitoshi Hiraki	Compensation Committee	

(Notes)

1. Three Directors, Mr. Masaru Igarashi, Ms. Toshiko Oka and Mr. Takashi Shimada are Outside Directors.
2. The Company has assigned Mr. Masaru Igarashi, Ms. Toshiko Oka and Mr. Takashi Shimada as Independent Directors in accordance with the regulations of Tokyo Stock Exchange, Inc. the fact of which has been reported to the Exchange accordingly.
3. The Company and Mitsubishi Corporation, at which Ms. Toshiko Oka holds a principal concurrent position, have a business relationship including purchase of products.
4. The Company appointed Messrs. Junichi Kamata and Toshitake Hasunuma as full-time Audit Committee members 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.
5. Among the Audit Committee members, Ms. Toshiko Oka has abundant experience and in-depth knowledge obtained as a corporate manager of major consulting firms and considerable knowledge in finance and accounting; Mr. Junichi Kamata has past experience in the accounting and finance divisions of the Company and Mr. Toshitake Hasunuma has past experience in the accounting and the finance division of Hitachi, Ltd., and they both have considerable knowledge in finance and accounting.
6. On April 1, 2018, Mr. Hideaki Takahashi assumed the position of Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd.
7. On May 31, 2017, Mr. Takashi Shimada retired from the positions of President of Medtronic Japan Co., Ltd., President of Medtronic Sofamor Danek, Co., Ltd., President of Covidien Japan, Inc. and President of Nippon Covidien Inc.

(ii) Executive Officers

Position	Name	Responsibilities	Principal concurrent positions
Representative Executive Officer President and Chief Executive Officer	*Akitoshi Hiraki	Overall Operations General Management	
Representative Executive Officer Senior Vice President and Executive Officer	Kenichi Nishiie	In charge of Corporate Administration General Manager, Corporate Management Planning Division	
Representative Executive Officer Executive Officer	Hiroaki Nishioka	In charge of Corporate Administration Chief Financial Officer General Manager, Finance Division	
Vice President and Executive Officer	Masato Hasegawa	In charge of Technology General Manager, Corporate Quality Assurance Division	
Executive Officer	Ryouji Akada	In charge of Business President, Magnetic Materials Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Masahiro Otsuka	In charge of Business	Chairman and President, Hitachi Metals (China), Ltd.
Executive Officer	Katsuro Sasaka	In charge of Corporate Administration and Sales and Marketing Deputy General Manager, Corporate Management Planning Division General Manager, Group Company Auditing Office	
Executive Officer	Koji Sato	In charge of Business President, Specialty Steel Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Shigekazu Suwabe	In charge of Corporate Administration and Technology General Manager, Information Systems Division Deputy General Manager, Technology, Research & Development Division	
Executive Officer	Naohiko Tamiya	In charge of Corporate Administration General Manager, Human Resources & General Administration Division Chief Compliance Officer	
Executive Officer	Eiji Nakano	In charge of Technology General Manager, Technology, Research & Development Division	
Executive Officer	Tomoyuki Hatano	In charge of Business	Director & President & CEO, Hitachi Metals America, Ltd.
Executive Officer	Kazuya Murakami	In charge of Business President, Cable Materials Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Hiroshi Watanabe	In charge of Business President, Functional Components Company Deputy General Manager, Corporate Export Regulation Office	

(Notes)

1. Executive Officers marked with * also serve as Directors.
2. Mr. Hiroshi Watanabe assumed the position of Executive Officer on October 1, 2017. The responsibilities of Mr. Masato Hasegawa were changed from being in charge of Business, President, Functional Components Company, and Deputy General Manager, Corporate Export Regulation Office to being in charge of Technology, General Manager, Corporate Quality Assurance Division, while the responsibilities of Mr. Shigekazu Suwabe were changed from being in charge of Corporate Administration and Technology, General Manager, Information Systems Division, Corporate Quality

Assurance Division, Deputy General Manager, Technology, Research & Development Division to being in charge of Corporate Administration and Technology, General Manager, Information Systems Division, and Deputy General Manager, Technology, Research & Development Division.

Executive Officers changed as of April 1, 2018. The new executive members are as follows:

Position	Name	Responsibilities	Principal concurrent positions
Representative Executive Officer President and Chief Executive Officer	*Akitoshi Hiraki	Overall Operations General Management	
Representative Executive Officer Senior Vice President and Executive Officer	Kenichi Nishiie	In charge of Corporate Administration General Manager, Corporate Management Planning Division General Manager, Group Company Auditing Office	
Representative Executive Officer Vice President and Executive Officer	Hiroaki Nishioka	In charge of Corporate Administration Chief Financial Officer General Manager, Finance Division	
Vice President and Executive Officer	Koji Sato	In charge of Business and Technology President, Specialty Steel Company General Manager, Technology, Research & Development Division; Deputy General Manager, Corporate Export Regulation Office	
Vice President and Executive Officer	Naohiko Tamiya	In charge of Corporate Administration General Manager, Human Resources & General Administration Division Chief Compliance Officer	
Executive Officer	Ryouji Akada	In charge of Business President, Magnetic Materials Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Norio Uemura	In charge of Business General Manager, Power Electronics Materials Business Promotion Office	
Executive Officer	Masahiro Otsuka	In charge of Business	Chairman and President, Hitachi Metals (China), Ltd.
Executive Officer	Eiichiro Shoji	In charge of Sales General Manager, Business Activity & Marketing Division	
Executive Officer	Shigekazu Suwabe	In charge of Corporate Administration General Manager, Information Systems Division General Manager, Kumagaya Works	
Executive Officer	Masato Hasegawa	In charge of Technology General Manager, Corporate Quality Assurance Division	
Executive Officer	Tomoyuki Hatano	In charge of Business	Director & President & CEO, Hitachi Metals America, Ltd.
Executive Officer	Kenji Hirano	In charge of Business Vice President, Specialty Steel Company General Manager, Yasugi Works	
Executive Officer	Kazuya Murakami	In charge of Business President, Cable Materials Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Hiroshi Watanabe	In charge of Business President, Functional Components Company Deputy General Manager, Corporate Export Regulation Office	

(Note) Executive Officers marked with * also serve as Directors.

(iii) Outline of Limited Liability Agreement

The Company has concluded an agreement with Mr. Hideaki Takahashi, Mr. Masaru Igarashi, Ms. Toshiko Oka, Mr. Takashi Shimada, Mr. Junichi Kamata, Mr. Toyoaki Nakamura and Mr. Toshitake Hasunuma to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act (hereinafter, the "Liability Agreement"), which is required pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act as well as the provisions of Article 24 of the Articles of Incorporation.

The maximum amount of liability for damages under the Liability Agreement is ¥12 million or the amount stipulated by law, whichever is higher.

(2) Matters Related to Outside Directors

[Major Activities of Outside Directors]

Name	Major activities
Masaru Igarashi	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.
Toshiko Oka	Attended all meetings of the Board of Directors and 15 of 16 meetings of the Audit Committee held during the fiscal year under review, and as needed provided objective comments as Independent Director based on her extensive experience and advanced knowledge of corporate management gained as a management executive of consulting firms.
Takashi Shimada	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 company.

(Note) In addition to the meetings of the Board of Directors as described above, there was a written resolution of the Board of Directors deemed passed in accordance with Article 370 of the Companies Act and Article 22 of the Articles of Incorporation.

(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, 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.

iv) In order to share interests with shareholders through the holding of treasury stock and thereby promote sustainable growth and enhanced corporate value of the Company over the medium to long term, Directors and Executive Officers shall, as a general rule, contribute part of their compensation to the officers' shareholding association and acquire treasury stock until such stock reach a certain number. The acquired stock shall be held continuously during the term of office of Directors and Executive Officers and, as a general rule, one year after the retirement from their posts.

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

Position	Number	Amount
	(Persons)	(millions of yen)
Directors (including Outside Directors)	7 (3)	181 (51)
Executive Officers	12	452
Total	19	633

(Notes)

1. Directors with concurrent post as Executive Officers are compensated as Executive Officers but not as Directors.
2. The number of Directors as of the end of the fiscal year under review was eight (including three Outside Directors) and that of Executive Officers, 14. The number of Directors indicated in the table above excludes one Director who concurrently serves as Executive Officer. In addition, the number of Executive Officers indicated in the table above excludes two Executive Officers to whom compensation, etc. is not paid from the Company.
3. In addition to the above, year-end bonuses related to the previous fiscal year were paid during the fiscal year under review as described below.

   Directors: ¥16 million to six Directors (Including ¥8 million to three Outside Directors)

   Executive Officers: ¥137 million to 11 Executive Officers

   For the amounts shown above, provisions for the year-end bonuses (¥12 million for Directors (including ¥6 million for Outside Directors), ¥133 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. Share Information (As of March 31, 2018)

(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: 29,148

(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)	14,071	3.3
JPMorgan Chase Bank 385632	13,912	3.3
The Master Trust Bank of Japan, Ltd. (Trust account)	12,203	2.9
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,071	1.0
State Street Bank West Client - Treaty 505234	4,011	0.9
JPMCB Omnibus U.S. Pension Treaty Jasdec 380052	3,936	0.9
Japan Trustee Services Bank, Ltd. (Trust Account 7)	3,935	0.9
JPMorgan Chase Bank 385078	3,916	0.9
Japan Trustee Services Bank, Ltd. (Trust Account 1)	3,042	0.7

(Note) Shareholding percentages are calculated excluding treasury stock (1,332,135 shares).

(6) Other Important Matters Concerning Shares

Not applicable

4. Subscription Rights to Shares (As of March 31, 2018)

Not applicable

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	¥120 million
(ii)	Total cash and other financial benefits that should be paid by the Company and its subsidiaries	¥149 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, (9) Parent Company and Key Subsidiaries, (ii) Key Subsidiaries," pages 24 through 26), the financial statements of the foreign subsidiaries other than the U.S. subsidiaries have been audited by accounting auditors other than Ernst & Young ShinNihon LLC.

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

If the Audit Committee determines that the accounting auditor is subject of an event as stipulated in the provisions of Article 340, Paragraph 1 of the Companies Act and judges it necessary to dismiss the accounting auditor immediately, it shall dismiss the accounting auditor, having obtained the approval of all the members of Audit Committee. 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. In addition, if it is deemed impossible for the accounting auditor to perform its duties properly, the Audit Committee may determine the content of a proposal concerning dismissal or non-reappointment of the accounting auditor which will be submitted to the general meeting of shareholders.

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 are 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, 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. 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 provides compliance education for the entire Group in the form of lectures and e-learning on a regular basis. The Company also conducts various events in every October, stating the month as the "Corporate Ethics Month" to raise employees' awareness towards compliance, including compliance training by external instructors for management executives.

During the fiscal year under review, the Company has conducted activities led by the Corporate Division to continuously address tasks in preventing the occurrence of inappropriate issues and further enhancing compliance at a group-wide level. In addition, the Company is fully aware of the global standards of compliance and has partially revised the "Hitachi Metals Global Compliance Program" which stipulates the prohibition of bribery, the compliance with competition acts and the prevention of transactions with antisocial forces. Furthermore, the Company requires all managers and above of the Group to submit a check sheet to confirm their understanding of compliance matters and their commitment to comply with laws and regulations.

(ii) Risk Management

Each Executive Officer identifies and analyzes business risks including changes in political, economic and social situations, currency fluctuations, rapid technological innovations, as well as changes in customer needs, examines measures against such risks, and reviews these measures whenever necessary through discussions at the Board of Directors, the Audit Committee, the Executive Committee and other meeting bodies. In addition, the Company avoids, prevents and manages the risks by each sites of the group companies developing systems to share information of materialized risks relating to compliance, antisocial forces, finance, procurement, the environment, disasters, quality, information security, export control, legal affairs, etc., as well as each corporate administrative division preparing internal rules, guidelines, etc., conducting education and enlightenment activities, preliminary checks, audits on business operations, etc. and cooperating with the relevant internal company business divisions. Furthermore, the Company formulates a Business Continuity Plan (BCP) as well as conducts Business Continuity Management (BCM) to regularly and continuously improve the BCP according to changes to its business structure and associated risks.

During the fiscal year under review, the Company has reviewed and updated the BCP formulated based on the assumption of large-scale earthquakes at the business sites of the Group in Japan. In addition, the Company has expanded and maintained its company-wide safety confirmation system in the event of a disaster.

(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 20 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, 2018)

(Unit: Millions of yen)

(ASSETS)		(LIABILITIES)	
Current assets	**484,032**	**Current liabilities**	**316,960**
Cash and cash equivalents	54,912	Short-term debt	27,203
Trade receivables	207,628	Current portion of long-term debt	27,368
Inventories	190,202	Other financial liabilities	41,060
Other current assets	31,290	Trade payables	172,994
		Accrued expenses	40,313
		Advances received	869
		Other current liabilities	7,153
Non-current assets	**574,800**	**Non-current liabilities**	**171,680**
Investments accounted for using the equity method	27,863	Long-term debts	106,273
Investments in securities and other financial assets	21,385	Other financial liabilities	956
Property, plant and equipment	355,318	Retirement and severance benefits	57,807
Goodwill and intangible assets	141,896	Deferred tax liabilities	3,305
Deferred tax assets	13,280	Other non-current liabilities	3,339
Other non-current assets	15,058	**Total liabilities**	**488,640**
		(EQUITY)	
		Equity attributable to shareholders of the parent company	**562,720**
		Common stock	26,284
		Capital surplus	113,518
		Retained earnings	407,180
		Accumulated other comprehensive income	16,896
		Treasury stock, at cost	(1,158)
		Non-controlling interests	**7,472**
		Total equity	**570,192**
Total assets	**1,058,832**	**Total liabilities and equity**	**1,058,832**

Consolidated Statement of Income (Fiscal year ended March 31, 2018)

(Unit: Millions of yen)

Revenues		988,303
Cost of sales		(803,607)
Gross profit		**184,696**
Selling, general and administrative expenses		(119,566)
Other income		5,401
Other expenses		(24,205)
Operating income		**46,326**
Financial Income		
Interest income	449	
Other financial income	988	1,437
Financial expenses		
Interest charges	(2,334)	
Other financial expenses	(1,150)	(3,484)
Share of profits (losses) of investments accounted for using the equity method		2,706
Income before income taxes		**46,985**
Income taxes		(4,910)
Net income		**42,075**
Net income attributable to:		
Shareholders of the parent company		42,210
Non-controlling interests		(135)
Net income		**42,075**

Consolidated Statement of Changes in Equity (Fiscal year ended March 31, 2018)

(Unit: Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income
Balance at April 1, 2017	26,284	115,806	376,069	19,555
Changes in equity				
Net income	–	–	42,210	–
Other comprehensive income	–	–	–	(2,641)
Dividends to shareholders of the parent company	–	–	(11,117)	–
Dividends to non-controlling interests	–	–	–	–
Acquisition of treasury stock	–	–	–	–
Sales of treasury stock	–	0	–	–
Transactions with non-controlling interests	–	(2,288)	–	–
Transfer to retained earnings	–	–	18	(18)
Total changes in equity	–	(2,288)	31,111	(2,659)
Balance at March 31, 2018	26,284	113,518	407,180	16,896

	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Balance at April 1, 2017	(1,151)	536,563	12,183	548,746
Changes in equity				
Net income	–	42,210	(135)	42,075
Other comprehensive income	–	(2,641)	219	(2,422)
Dividends to shareholders of the parent company	–	(11,117)	–	(11,117)
Dividends to non-controlling interests	–	–	(177)	(177)
Acquisition of treasury stock	(7)	(7)	–	(7)
Sales of treasury stock	0	0	–	0
Transactions with non-controlling interests	–	(2,288)	(4,618)	(6,906)
Transfer to retained earnings	–	–	–	–
Total changes in equity	(7)	26,157	(4,711)	21,446
Balance at March 31, 2018	(1,158)	562,720	7,472	570,192

Non-Consolidated Balance Sheets (As of March 31, 2018)

(Unit: Millions of yen)

(ASSETS)	
Current assets	**272,891**
Cash and deposits	6,334
Notes receivable-trade	2,597
Accounts receivable-trade	95,479
Finished products	15,120
Work in process	33,174
Raw materials and supplies	22,689
Advance payments-trade	14
Prepaid expenses	895
Deferred tax assets	4,019
Accounts receivable-other	56,610
Short-term loans receivable	30,961
Group pooling cash deposits	8,059
Other	63
Allowance for doubtful accounts	(3,123)
Fixed assets	**447,950**
Tangible fixed assets	165,868
Buildings, net	29,470
Structures, net	1,889
Machinery and equipment, net	61,651
Vehicles, net	128
Tools, furniture and fixtures, net	6,560
Land	29,256
Construction in progress	36,914
Intangible assets	27,467
Goodwill	22,741
Leasehold right	603
Patent right	50
Right of trademark	130
Software	2,648
Right of using facilities	100
Other	1,195
Investments and other assets	254,615
Investment securities	1,741
Stocks of subsidiaries and affiliates	205,375
Investments in capital	574
Long-term loans receivable from subsidiaries and affiliates	39,159
Long-term loans receivable from employees	1
Claims provable in bankruptcy, claims provable in rehabilitation and other	2
Long-term prepaid expenses	206
Prepaid pension cost	3,845
Deferred tax assets	11,454
Other	1,823
Allowance for doubtful accounts	(9,312)
Allowance for investment loss	(253)
Total assets	**720,841**

(LIABILITIES)	
Current liabilities	**222,606**
Accounts payable-trade	117,830
Electronically recorded obligations - operating	12,988
Short-term debt	18,507
Current portion of bonds	10,000
Current portion of long-term loans payable	13,724
Accounts payable-other	28,460
Accrued expenses	15,179
Income taxes payable	2,416
Advances received	33
Deposits received	3,263
Allowance for directors' bonuses	136
Other	70
Fixed liabilities	**122,182**
Long-term loans payable	97,760
Provision for retirement benefits	23,280
Provision for environmental measures	622
Other	520
Total liabilities	**344,788**
(NET ASSETS)	
Shareholders' equity	**376,066**
Common stock	26,284
Capital surplus	128,476
Legal capital surplus	36,699
Other capital surplus	91,777
Retained earnings	222,460
Legal retained earnings	6,571
Other retained earnings	215,889
Reserve for special depreciation	1,317
Reserve for advanced depreciation of fixed assets	1,233
General reserve	44,580
Retained earnings brought forward	168,759
Treasury stock, at cost	(1,154)
Valuation, translation adjustments and others	**(13)**
Net unrealized holding gain on securities available-for-sale	(11)
Gain (loss) on deferred hedge transactions	(2)
Total net assets	**376,053**
Total liabilities and net assets	**720,841**

Non-Consolidated Statements of Income (Fiscal year ended March 31, 2018)

(Unit: Millions of yen)

Net sales		467,963
Cost of sales		401,277
Gross profit		**66,686**
Selling, general and administrative expenses		51,464
Operating income		**15,222**
Non-operating income		
Interest and dividends income	19,993	
Other	4,407	24,400
Non-operating expenses		
Interest charges	1,596	
Compensation expenses	4,382	
Other	6,716	12,694
Ordinary income		**26,928**
Extraordinary income		
Gain on sales of property and equipment	491	
Gain on liquidation of subsidiaries and associates	1,586	
Gain on extinguishment of tie-in shares	246	2,323
Extraordinary losses		
Loss on impairment of property and equipment	1,601	
Loss on valuation of shares of subsidiaries and affiliates	1,631	
Loss on structural reform	233	3,465
Income before income taxes		**25,786**
Income taxes-current		2,632
Income taxes-deferred		(3,806)
Net income		**26,960**

Non-Consolidated Statements of Changes in Net Assets (Fiscal year ended March 31, 2018)

(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, 2017	26,284	36,699	91,777	128,476	6,571	1,844	1,109	44,580	152,513	206,617
Changes during the fiscal 2017										
Provision for special depreciation						80			(80)	–
Reversal of reserve for special depreciation						(607)			607	–
Provision of reserve for advanced depreciation of fixed assets							167		(167)	–
Reversal of reserve for advanced depreciation of fixed assets							(43)		43	–
Cash dividends									(11,117)	(11,117)
Net income (loss) for the fiscal 2017									26,960	26,960
Acquisition of treasury stock										
Disposal of treasury stock			0	0						
Net increase/decrease during the fiscal 2017 of non shareholders' equity items										
Total increase/decrease during the fiscal 2017	–	–	0	0	–	(527)	124	–	16,246	15,843
Balance as of March 31, 2018	26,284	36,699	91,777	128,476	6,571	1,317	1,233	44,580	168,759	222,460

	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, 2017	(1,147)	360,230	(3)	(140)	(143)	360,087
Changes during the fiscal 2017						
Provision for special depreciation		–				–
Reversal 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		(11,117)				(11,117)
Net income (loss) for the fiscal 2017		26,960				26,960
Acquisition of treasury stock	(7)	(7)				(7)
Disposal of treasury stock	0	0				0
Net increase/decrease during the fiscal 2017 of non shareholders' equity items			(8)	138	130	130
Total increase/decrease during the fiscal 2017	(7)	15,836	(8)	138	130	15,966
Balance as of March 31, 2018	(1,154)	376,066	(11)	(2)	(13)	376,053

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

Independent Auditors' Report

May 16, 2018

Mr. Akitoshi Hiraki
Representative Executive Officer,
President and Chief Executive Officer
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC

Takashi Ouchida (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, 2017 to March 31, 2018, 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 16, 2018

Mr. Akitoshi Hiraki
Representative Executive Officer,
President and Chief Executive Officer
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC

Takashi Ouchida (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, 2018, and the Non-Consolidated Statements of Income and the Non-Consolidated Statements of Changes in Net Assets for the 81st business term from April 1, 2017 to March 31, 2018, 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, 2018, 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 81st business term from April 1, 2017 to March 31, 2018, 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, 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 18, 2018

The Audit Committee, Hitachi Metals, Ltd.

Member of the Audit Committee (Full-time):	Toshitake Hasunuma	(Seal)
Member of the Audit Committee (Full-time):	Junichi Kamata	(Seal)
Member of the Audit Committee:	Masaru Igarashi	(Seal)
Member of the Audit Committee:	Toshiko Oka	(Seal)
Member of the Audit Committee:	Takashi Shimada	(Seal)

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

The 81st 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: 69 companies

Names of principal consolidated subsidiaries:

Hitachi Metals Trading, Ltd., Waupaca Foundry, Inc., Hitachi Metals America, Ltd., Hitachi Metals Europe GmbH, and Hitachi Metals (Thailand) Ltd.

(Changes in the fiscal year under review)

Added: 1 company

Excluded: 10 companies

3. Equity-method application

Number of equity-method affiliates: 9 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: 0 company

Excluded: 1 company

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.

Financial assets measured at amortized cost

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.

Impairment of financial assets measured at amortized cost

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.

<u>FVTPL financial assets</u>

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.

<u>FVTOCI financial assets</u>

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.

<u>Derecognition of financial assets</u>

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.

<u>Derivatives and hedge accounting</u>

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. 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.

(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:
   ¥776,753 million

2. Pledged assets and collateralized debt
   Pledged assets are as follows:

Investments in securities and other financial assets:	¥122 million
Total:	¥122 million

   Collateralized debt is as follows:

Trade payables:	¥35 million
Total:	¥35 million

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

Guarantee purpose	
Employees (housing loans, etc.):	¥116 million
Japan Aeroforge, Ltd.:	¥3,528 million
Total	¥3,644 million

Notes concerning consolidated statement of income

Details of other expenses

Impairment loss on fixed assets	¥10,611 million
Compensation expenses	¥4,382 million
Loss on disposal of fixed assets	¥3,950 million
Other	¥5,262 million
Total	¥24,205 million

Notes concerning consolidated statement of changes in equity

1. Total number of shares outstanding as of March 31, 2018
   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 30, 2017	Ordinary shares	5,559	Retained earnings	13.0	March 31, 2017	May 31, 2017
Board of directors' meeting on October 24, 2017	Ordinary shares	5,558	Retained earnings	13.0	September 30, 2017	November 29, 2017

   (2) Dividends whose record date is during the fiscal year ended March 31, 2018, 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 29, 2018	Ordinary shares	5,558	Retained earnings	13.0	March 31, 2018	May 31, 2018

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 risk

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, 2018 are as follows:

(Unit: Millions of yen)

	Carrying amounts	Fair values
Cash and cash equivalents	54,912	54,912
Trade receivables	207,628	207,628
Financial assets measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Copper futures contracts	6	6
Non-current		
Securities	1,791	1,791
Derivatives		
Interest rate swap contract	100	100
Put options	6,061	6,061
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Non-current		
Securities (*1)	10,876	10,876
Financial assets measured at amortized cost		
Current		
Short-term loans receivable	1	1
Non-current		
Other debt instruments	1,911	1,911
Long-term loans receivable	612	612
Trade payables	172,994	172,994
Financial liabilities measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Forward exchange contracts	35	35
Non-current		
Derivatives		
Forward exchange contracts	2	2
Financial liabilities measured at amortized cost		
Current		
Short-term debt	27,203	27,203
Current portion of long-term debt		
Current portion of long-term borrowings	17,253	17,390
Current portion of corporate bonds payable	9,997	10,032
Lease obligations (*2)	118	118
Non-current		
Long-term debt		
Long-term borrowings	106,193	107,886
Lease obligations (*2)	80	80

*1 Securities measured at FVTOCI are equity 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) 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 and Current portion of 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	¥1,316.08
2. Earnings per share attributable to shareholders of the parent company	¥98.72

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 are stated at cost as determined by the specific identification method or 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.

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 a certain period of time, which is within the average remaining years of service of the employees. Prior service cost is amortized by the straight-line method over a certain period of time, which is within 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.

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.

2. Notes concerning the non-consolidated balance sheets

(1) Accumulated depreciation on tangible fixed assets:	¥386,398 million
(2) Guarantee obligations	¥8,351 million
(3) Accounts payable and receivable – affiliates	
Accounts receivable-trade:	¥57,695 million
Accounts receivable-other:	¥40,757 million
Short-term loans receivable:	¥30,961 million
Group pooling cash deposits:	¥8,059 million
Group pooling long-term loans receivable:	¥39,159 million
Accounts payable-trade:	¥19,147 million
Accounts payable-other:	¥6,683 million
Short-term debt:	¥14,197 million

3. Notes concerning the non-consolidated statements of income

Transactions with affiliates

Net sales:	¥249,399 million
Purchase of goods:	¥198,692 million
Other transactions:	¥24,070 million

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

Number of treasury stock as of the balance sheet date: 1,332,135 shares of common stock

5. Notes concerning tax effect accounting

Breakdown of significant components of deferred tax assets and deferred tax liabilities:

Deferred tax assets		
Accrued bonuses:	¥1,890	
Allowance for doubtful accounts:	¥3,785	
Provision for retirement benefits:	¥7,089	
Contribution of securities to retirement benefit trust:	¥2,340	
Impairment loss:	¥374	
Accounting depreciation in excess of tax depreciation:	¥4,174	
Loss on devaluation of investment securities:	¥3,103	
Others:	¥4,470	
Deferred tax assets – Subtotal:	¥27,225	million
Valuation allowance:	(¥6,256)	
Deferred tax assets – Total:	¥20,969	million
Deferred tax liabilities		
Reversal of reserve for advanced depreciation of fixed assets:	(¥788)	
Provision for special depreciation:	(¥576)	
Prepaid pension cost:	(¥1,171)	
Investment book value correction:	(¥868)	
Valuation gain – land:	(¥1,269)	
Stocks of subsidiaries:	(¥676)	
Other:	(¥148)	
Deferred tax liabilities – Total:	(¥5,496)	million
Deferred tax assets – Net:	¥15,473	million

6. 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 specialty steel products, magnetic materials, functional components and equipment, wires, cables, and related products, etc.

7. Notes concerning transactions with related parties

7.1. 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]	Withdrawal 76,125*[3]	Group pooling cash deposits	8,059

(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.	Minato-ku, Tokyo	350	Sales of various products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Sales of products *1	68,289	Accounts receivable-trade	18,600
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 *2, 3	Repayment 126 *4	Long-term loans receivable	9,550
Subsidiary	Hitachi Metals America, Ltd *5	New York, U.S.A.	(thousands of U.S. dollars) 92,000	Sales of various products Regional headquarters	Direct: 100.0	Sale of products Purchase of products Performance of concurrent roles as director	Loan of funds *5	Repayment 14,702	Short-term loans receivable	10,624
									Long-term loans receivable	26,560
Subsidiary	SH Copper Products Co., Ltd. *6	Tsuchiura-shi, Ibaraki	1,000	Specialty steel products *7	Direct: 100.0	Purchase of materials, etc. as an agent, etc. Dispatch of officers	Purchase of materials as an agent, etc. *1	33,634	Accounts receivable-other	16,654

(Notes)

1. 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.
2. The long-term loans receivable from Hitachi Cable Film Device, Ltd. are non-interest bearing.
3. The Company recognized an allowance for doubtful accounts of ¥7,614 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 ¥26 million.
4. The transaction amount indicates a difference from the amount at the end of the previous fiscal year.
5. Interest rates on funds are determined with reasonable consideration of market interest rates.
6. SH Copper Products Co., Ltd was non-surviving company in an-absorption-type merger with Hitachi Metals Neomaterial, Ltd. as of April 1, 2018.
7. The Company also changed the business segment of SH Copper Products Co., Ltd, from the Wires, Cables, and Related Products segment to the Specialty Steel Products segment as of July 1, 2017.

7.2. Notes concerning the parent company or significant affiliates

Parent company information

Hitachi, Ltd. (Shares are listed on Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.)

8. Notes concerning per-share information

(1) Net assets per share: ¥879.51

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

Total net assets as per non-consolidated balance sheets	¥376,053 million
Net assets attributable to common stock	¥376,053 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	1,332,135 shares
Number of common shares used as basis of calculation of net assets per share	427,572,217 shares

(2) Net income per share for the period under review: ¥63.05

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	¥26,960 million
Amounts not attributable to common stockholders	– million
Net income for the period attributable to common stock	¥26,960 million
Average number of common shares outstanding during the period	427,573,950 shares