Note: This document has been translated from the Japanese original for reference purposes only.
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(Securities code: 5486)
June 7, 2019

To our shareholders:

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

Notice of the 82nd Ordinary General Meeting of Shareholders

You are cordially invited to attend the 82nd 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 24, 2019**.

Details

1. Date and time: Tuesday, June 25, 2019, 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 82nd business term (from April 1, 2018 to March 31, 2019) 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 Nine (9) 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,

Toshikazu Nishino
Chairperson of the Board

○ Of the documents to be provided with this notice, “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements, and “Non-Consolidated Statements of Changes in Net Assets” and “Notes to Non-Consolidated Financial Statements” in the Non-Consolidated Financial Statements are not provided in this notice because they have been provided to shareholders through postings on the Company’s website (https://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 25, 2019, 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 Form (Enclosed Voting Form)

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 24, 2019 (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 24, 2019 (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, telephone number within Japan) available 9:00 a.m. – 9:00 p.m., seven days per week

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 Nine (9) 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 nine (9) Directors. The following are the nine (9) candidates for the Directors determined by the Nominating Committee.

Candidate No.	Name	Attributes	Position and Areas of Responsibilities at the Company
1	Shinichiro Omori	Newly appointed	-
2	Akitoshi Hiraki	Re-appointed	Deputy Chairperson of the Board (Chairperson of the Compensation Committee)
3	Makoto Uenoyama	Newly appointed Outside Independent	-
4	Toshiko Oka	Re-appointed Outside Independent	Director (member of the Nominating Committee, the Audit Committee and the Compensation Committee)
5	Koichi Fukuo	Newly appointed Outside Independent	-
6	Katsuro Sasaka	Re-appointed	Director (Director who is appointed to provide support for the Audit Committee in the execution of its duties)
7	Koji Sato	Newly appointed	Representative Executive Officer, President and Chief Executive Officer Overall Operations, General Management
8	Toyoaki Nakamura	Re-appointed	Director
9	Kenichi Nishiie	Newly appointed	-

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 16) determined by the Company and registered as Independent Director with the Tokyo Stock Exchange, Inc.

1	**Shinichiro Omori** (February 6, 1956)	Newly appointed	Number of years serving as Director: - Number of the Company’s shares held: -

Brief Biography and Significant Concurrent Positions Outside the Company

4/1978	Joined Hitachi, Ltd.
9/2008	General Manager of Corporate Procurement Division of Hitachi, Ltd.
4/2012	Vice President and Executive Officer of Hitachi, Ltd. Director of Hitachi Automotive Systems, Ltd. (retired from the position in March 2016)
4/2016	Senior Vice President and Executive Officer of Hitachi, Ltd. (retired from the position in March 2019) Director of Hitachi Appliances, Inc. (retired from the position in March 2017) Director of Hitachi Consumer Marketing, Inc. (retired from the position in March 2017)
6/2017	Director of Hitachi Chemical Company, Ltd. (retired from the position in June 2018) Outside Director of Hitachi Capital Corporation (current position) (scheduled to retire from the position on June 2019)
4/2019	Associate of Hitachi Metals, Ltd. (current position)

Meeting Attendance:
Board of Directors: -

Position and Areas of Responsibilities at the Company

—

Reasons for appointment as a candidate for Director

The Company determined that Mr. Shinichiro Omori 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 as a corporate manager at Hitachi, Ltd. and its group companies as well as in-depth knowledge gained in procurement operations, cost restructuring, and governance of global companies; therefore, the Company appointed him as a candidate for Director.

2	**Akitoshi Hiraki** (March 2, 1961)	Re-appointed	Number of years serving as Director: 4 Number of the Company's shares held: 8,900

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. (retired from the position in March 2010)
4/2010	Managing Officer, President of Specialty Steel Company, and 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
4/2019	Deputy Chairperson of the Board (current position)

Meeting Attendance:
Board of Directors: 14/14 meetings
Compensation Committee: 3/3 meetings

Position and Areas of Responsibilities at the Company
Deputy Chairperson of the Board (Chairperson of the Compensation Committee)

Reasons for appointment as a candidate for Director

The Company determined that Mr. Akitoshi Hiraki 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 the head of the Company's Specialty Steel business, etc., as well as his thorough knowledge in the Group's operations gained in general management of the Company's operations as President and Chief Executive Officer of the Company; therefore, the Company appointed him as a candidate for Director.

3	**Makoto Uenoyama** (February 14, 1953)	Newly appointed Outside Independent	Number of years serving as Outside Director: - Number of the Company's shares held: -

Brief Biography and Significant Concurrent Positions Outside the Company

4/1975	Joined Matsushita Electric Industrial Co., Ltd. (current name: Panasonic Corporation)
4/2006	Executive Officer of Matsushita Electric Industrial Co., Ltd. (in charge of Accounting)
6/2007	Director of Matsushita Electric Industrial Co., Ltd. (in charge of Accounting and Finance)
4/2010	Managing Director of Panasonic Corporation (in charge of Accounting and Finance)
6/2012	Managing Executive Officer of Panasonic Corporation (retired from the position in March 2013)
4/2013	Corporate Adviser of Panasonic Corporation (retired from the position in March 2015)
6/2013	Outside Audit & Supervisory Board Member of SOHGO SECURITY SERVICES CO., LTD. (Standing Audit & Supervisory Board Member until June 2017) (current position)

Meeting Attendance:
Board of Directors: -

Position and Areas of Responsibilities at the Company

-

Reasons for appointment as a candidate for Outside Director

The Company determined that Mr. Makoto Uenoyama 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 in finance and accounting areas obtained through his experience in the finance and accounting operations of Panasonic Corporation over the years as well as the experience as Director in charge of accounting and finance, from a more objective standpoint as Outside Director; therefore, the Company appointed him as a candidate for Outside Director.

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

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.
9/2002	Principal of Deloitte Tohmatsu Consulting Co., Ltd. (current name: ABeam Consulting Ltd.) (retired from the position in August 2012)
4/2005	President and Representative Director of ABeam M&A Consulting Ltd. (Chief Executive Officer of the company later reorganized and renamed as PricewaterhouseCoopers Deals Advisory LLC) (retired from the position in March 2016)
6/2008	Outside Director of Netyear Group Corporation (retired from the position in June 2016)
6/2014	Outside Audit & Supervisory Board Member of Astellas Pharma Inc. (retired from the position in June 2018)
6/2015	Outside Audit & Supervisory Board Member of HAPPINET CORPORATION (current position)
4/2016	Partner of PwC Advisory LLC (retired from the position in June 2016)
6/2016	CEO of Oka & Company Ltd. (current position) Outside Director of Hitachi Metals, Ltd. (current position) Outside Director of Mitsubishi Corporation (current position)
6/2018	Outside Director of Sony Corporation (current position)

Meeting Attendance:

Board of Directors: 14/14 meetings

Nominating Committee: 7/7 meetings

Audit Committee: 15/15 meetings

Compensation Committee: 3/3 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 in corporate management and accounting and finance areas obtained through her consulting experience in M&A and the creation of management strategies over the years, as well as her experience as a corporate manager of a consulting firm and as an outside director of several companies, from a more objective standpoint as Outside Director; therefore, the Company appointed her as a candidate for Outside Director.

5	**Koichi Fukuo** (April 17, 1955)	Newly appointed Outside Independent	Number of years serving as Outside Director: - Number of the Company's shares held: -

Brief Biography and Significant Concurrent Positions Outside the Company

4/1978	Joined Honda Motor Co., Ltd.
6/2005	Operating Officer of Honda Motor Co., Ltd. (In charge of quality and certification)
6/2010	Managing Officer of Honda Motor Co., Ltd.
4/2014	Senior Managing Officer of Honda Motor Co., Ltd.
11/2014	Executive Vice President and Director of Honda R&D Co., Ltd.
4/2015	President and Representative Director of Honda R&D Co.,Ltd. (retired from the position in March 2016)
6/2015	Senior Managing Officer and Director of Honda Motor Co., Ltd. (retired from the position in June 2016)
6/2018	Outside Director of Seven Bank, Ltd. (current position)

Meeting Attendance:

Board of Directors: -

Position and Areas of Responsibilities at the Company

-

Reasons for appointment as a candidate for Outside Director

The Company determined that Mr. Koichi Fukuo 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 in the automobile industry, to which our products are mainly supplied, obtained as the head of quality and certification of Honda Motor Co., Ltd. and as a corporate manager of the company and its group companies, from a more objective standpoint as Outside Director; therefore, the Company appointed him as a candidate for Outside Director.

6	**Katsuro Sasaka** (June 30, 1957)	Re-appointed	Number of years serving as Director: 1 Number of the Company's shares held: 7,500

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
6/2013	Deputy General Manager of Yasugi Works and President of HMY, Ltd. (retired from the position in March 2015)
4/2015	Director and President of Hitachi Metals (China), Ltd. (retired from the position in March 2017)
4/2017	Executive Officer, Deputy General Manager of Corporate Management Planning Division, and General Manager of Group Company Auditing Office of Hitachi Metals, Ltd. (retired from the position in March 2018)
6/2018	Director of Hitachi Metals, Ltd. (current position)

Meeting Attendance:

Board of Directors: 12/12 meetings

Position and Areas of Responsibilities at the Company

Director (Director who is appointed to provide support for the Audit Committee in the execution of its duties)

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 in accounting, finance and other areas obtained 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 President etc. of a subsidiary controlling business operations in China; therefore, the Company appointed him as a candidate for Director.

7	**Koji Sato** (July 11, 1961)	Newly appointed	Number of years serving as Director: - Number of the Company's shares held: 2,600

Brief Biography and Significant Concurrent Positions Outside the Company

4/1987	Joined Hitachi Metals, Ltd.	 **Meeting Attendance:** Board of Directors: -
1/2011	President and Representative Director of Japan Aeroforge, Ltd. (retired from the position in June 2013)	
10/2014	General Manager of Metallurgical Research Laboratory of Hitachi Metals, Ltd.	
1/2016	General Manager of Yasugi Works	
4/2017	Executive Officer, President of Specialty Steel Company and Deputy General Manager of Corporate Export Regulation Office	
4/2018	Vice President and Executive Officer, President of Specialty Steel Company, General Manager of Technology, Research & Development Division and Deputy General Manager of Corporate Export Regulation Office	
4/2019	Representative Executive Officer, President and Chief Executive Officer (current position)	

Position and Areas of Responsibilities at the Company

Representative Executive Officer, President and Chief Executive Officer
Overall Operations, General Management

Reasons for appointment as a candidate for Director

The Company determined that Mr. Koji Sato will contribute to the strengthening of the decision-making functions of the Board of Directors and enhancing their effectiveness, with his experience as the head of Specialty Steel business and Technology, Research & Development Division of the Company and his current position as President and Chief Executive Officer since April 2019 in general management of the Company's operations, by sharing the information of business execution divisions at a Board of Directors as a board member, and also by leveraging his abundant experience and in-depth knowledge obtained through aforementioned experiences; therefore, the Company appointed him as a candidate for Director.

8	**Toyoaki Nakamura** (August 3, 1952)	Re-appointed	Number of years serving as Director: 4 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. (retired from the position in June 2012)
6/2011	Director of Hitachi High-Technologies Corporation (retired from the position in June 2018)
4/2012	Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. (retired from the position in March 2016)
6/2012	Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc. (current name: Sompo Japan Nipponkoa Insurance Inc.) (retired from the position in June 2014)
4/2013	Director of Hitachi Consumer Electronics Co., Ltd. (retired from the position in March 2014)
	Director of Hitachi Appliances, Inc. (retired from the position in March 2016)
5/2013	Director of Hitachi Consumer Marketing, Inc. (retired from the position in March 2016)
6/2015	Director of Hitachi Metals, Ltd. (Outside Director until June 2016) (current position)
12/2015	Board Director, Chairperson of Hitachi Metals, Ltd.
6/2016	Director of Hitachi, Ltd. (current position)
	Chairperson of the Board of Hitachi Metals, Ltd.

Meeting Attendance:

Board of Directors: 14/14 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.

9	**Kenichi Nishiie** (August 18, 1956)	Newly appointed	Number of years serving as Director: - Number of the Company's shares held: 4,100

Brief Biography and Significant Concurrent Positions Outside the Company

4/1979	Joined Hitachi Metals, Ltd.
4/2012	General Manager of Internal Auditing Office
4/2013	Deputy General Manager of Magnetic Materials Company and General Manager of Planning Dept.
4/2015	Representative Executive Officer, General Manager of Procurement Center and Corporate Export Regulation Office
1/2016	Representative Executive Officer, General Manager of Human Resources & General Administration Division, Procurement & Value Engineering for Customers Division and Corporate Export Regulation Office
4/2016	Vice President and Executive Officer, General Manager of Human Resources & General Administration Division and Procurement & Value Engineering for Customers Division
4/2017	Representative Executive Officer, Senior Vice President and Executive Officer and General Manager of Corporate Management Planning Division
4/2018	Representative Executive Officer, Senior Vice President and Executive Officer and General Manager of Corporate Management Planning Division and Group Company Auditing Office
4/2019	Associate (current position)

Meeting Attendance:

Board of Directors: -

Position and Areas of Responsibilities at the Company

-

Reasons for appointment as a candidate for Director

The Company determined that Mr. Kenichi Nishiie 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 in finance, accounting and other areas obtained as General Manager of Audit Division, the head of Procurement, Human Resources & General Administration Division, and Corporate Management Planning Division of the Company, as well as his thorough knowledge in the Group's operations; therefore, the Company appointed him as a candidate for Director.

(Notes)

1. The Company has no specific conflict of interest with each candidate.
2. The Company has concluded agreements with Mr. Akitoshi Hiraki, Ms. Toshiko Oka, Mr. Katsuro Sasaka, and Mr. Toyoaki Nakamura to limit their liabilities 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 these agreements if each candidate is elected as Director at this Ordinary General Meeting of Shareholders. The maximum amount of liabilities for damages under the agreements is ¥12 million or the amount stipulated by laws and regulations, whichever is higher. If Mr. Shinichiro Omori, Mr. Makoto Uenoyama, Mr. Koichi Fukuo and Mr. Kenichi Nishiie are elected as Director, the Company will conclude the same agreements 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) Shinichiro Omori

   - 4/2014-9/2015 Vice President and Executive Officer of Hitachi, Ltd. (CPO, General Manager of Corporate Procurement Division, and Direct Material Cost Transformation Project Leader and Indirect Material Cost Transformation Project Leader of Smart Transformation Project Initiatives Division)
   - 10/2015-3/2016 Vice President and Executive Officer of Hitachi, Ltd. (CPO, General Manager of Value Chain Integration Division, Direct Material Cost Reduction Project Leader and Indirect Material Cost Reduction Project Leader of Smart Transformation Project Initiatives Division, and General Manager of Procurement Engineering Center of Value Chain Integration Division)
   - 4/2016-9/2016 Senior Vice President and Executive Officer of Hitachi, Ltd. (CIO, CTrO, General Manager of Smart Transformation Project Initiatives Division, and General Manager of Smart Life & Ecofriendly Systems Division)
   - 10/2016-3/2017 Senior Vice President and Executive Officer of Hitachi, Ltd. (CIO, CTrO, General Manager of Smart Transformation Project Initiatives Division, Digital Transformation Promotion Project Leader, and General Manager of Smart Life & Ecofriendly Systems Division)
   - 4/2017-9/2017 Senior Vice President and Executive Officer of Hitachi, Ltd. (CIO, CTrO, General Manager of Smart Transformation Project Initiatives Division, and the Head of MONOZUKURI Strategy Division and Corporate Quality Assurance Division)
   - 10/2017-3/2018 Senior Vice President and Executive Officer of Hitachi, Ltd. (CIO, General Manager of IT Strategy Division, CTrO, General Manager of Smart Transformation Project Initiatives Division, and the Head of MONOZUKURI Strategy Division and Corporate Quality Assurance Division)
   - 4/2018-3/2019 Senior Vice President and Executive Officer of Hitachi, Ltd. (CIO, General Manager of IT Strategy Division, and General Manager of Smart Transformation Project Initiatives Division)

   * CPO: Chief Procurement Officer; CIO: Chief Information Officer; CTrO: Chief Transformation Officer

   (2) Katsuro Sasaka

   - 4/2015-3/2017 Chairman of Hitachi Cable (Suzhou) Co., Ltd., Chairman of Shanghai Hitachi Metals Cable Materials Co., Ltd., Chairman of Hitachi Metals (Suzhou) Technology, Ltd., and Chairman of Baosteel Hitachi Rolls (Nantong) Ltd.
   - 4/2015-9/2018 Chairman of Shenzhen Hitachi Cable Co., Ltd.
   - 7/2015-9/2017 Chairman and President of Hitachi Cable (China) Trading Co., Ltd.
   - 9/2015-3/2017 Chairman of Hitachi Metals (Shanghai) Ltd.
   - 1/2016-3/2017 Chairman of Hitachi Metals Precision Instruments (Shenzhen), Ltd. and Chairman of Hitachi Metals Taiwan, Ltd.

   (3) Toyoaki Nakamura

   - 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. Mr. Makoto Uenoyama, Ms. Toshiko Oka and Mr. Koichi Fukuo satisfy the Independence Criteria below determined by the Company and are registered as Independent Directors with the Tokyo Stock Exchange, Inc.
   Mr. Makoto Uenoyama was Managing Executive Officer (retired from the position in March 2013) and Corporate Adviser (retired from the position in March 2015) of Panasonic Corporation, a business partner of the Company. The Company has a business relationship with Panasonic Corporation related to sale/purchase of products, but the amount of transactions between the Company and Panasonic Corporation for fiscal 2018 was significantly lower than 1% of the consolidated revenues of the

Company and Panasonic Corporation, respectively. Mr. Koichi Fukuo was Senior Managing Officer and Director of Honda Motor Co., Ltd. (retired from the position in June 2016), and President and Representative Director of Honda R&D Co., Ltd. (retired from the position in March 2016), both of which are business partners of the Company. The Company has a business relationship with Honda Motor Co., Ltd. and Honda R&D Co., Ltd. related to sale of products, but the amount of transactions between the Company and Honda Motor Co., Ltd. and Honda R&D Co., Ltd. for fiscal 2018 was significantly lower than 1% of the consolidated revenues of the Company, Honda Motor Co., Ltd., and Honda R&D Co., Ltd., respectively.

5. Ms. Toshiko Oka is scheduled to retire from the position of Outside Audit & Supervisory Board Member of HAPPINET CORPORATION on June 20, 2019 and assume the position of Outside Director of the company on the same day.

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

Nominating Committee:	Shinichiro Omori (Chairperson), Makoto Uenoyama, Toshiko Oka, Koichi Fukuo
Audit Committee:	Kenichi Nishiie (Chairperson), Makoto Uenoyama (Deputy Chairperson), Shinichiro Omori, Toshiko Oka, Koichi Fukuo
Compensation Committee:	Koji Sato (Chairperson), Makoto Uenoyama, Toshiko Oka, Koichi Fukuo

(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, 2018 to March 31, 2019)

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 recovery continued in the United States, underpinned by a continued improvement in the employment situation and an increase in individual consumption and capital expenditures. Emerging countries in Asia were also generally on a modest recovery path. The Chinese economy gradually slowed down as a result of the trade conflict with the United States and a slowdown in domestic demand, which contributed to keeping production and export levels unchanged in Europe. Amid such circumstances, the Japanese economy was faced with a fall in business confidence due to the impact of the natural disasters that hit the country during the second quarter ended September 30, 2018 (July through September, 2018) and a decrease in the industrial production indexes and export volume indexes starting from the end of 2018, led by the economic slowdown in China and Europe.

Among the industries in which the Group operates, the automobile industry in Japan saw solid sales of new vehicles, mainly light vehicles. In the United States, the industry enjoyed firm sales mainly of commercial vehicles and trucks, against the backdrop of continued economic recovery, whereas in China, there was a significant drop in sales, mainly of passenger vehicles, and in Europe, there continued to be a declining trend in sales that has been seen since the autumn. Demand for steel remained firm, especially in the manufacturing sector. Housing starts remained unchanged both in Japan and the United States. In the electronics field, smartphone shipments decreased.

For the fiscal year under review, although the revenues of the Group increased by 3.6% year on year to ¥1,023,421 million, it can be considered a generally flat performance year on year after removing the impact of the rise in raw material prices (sliding-scale raw material price system). Adjusted operating income decreased by ¥13,703 million to ¥51,427 million year on year. This was mainly due to a slowdown in the electronics-related and semiconductor-related markets, a decline in demand for various manufacturing equipment and industrial machinery, a decrease in sales of new vehicles in China and Europe, and a strengthening of growth investment for the future, despite the successful cost reduction measures. The Group has positioned heat-resistant exhaust casting components and aluminum wheels as “businesses with issues” and is making efforts in structural reforms.

Under the business circumstances described above, the Group has been taking measures, including productivity improvement, correction of selling prices, and adjustment of production volumes, with the aim of improving profitability of heat-resistant exhaust casting components. As a result, profitability improved to a certain extent, but it is expected that the profit forecast made at the beginning of the fiscal year cannot be achieved, mainly because of a sharp decline in demand especially in the Chinese and European markets during the third quarter ended December 31, 2018 (October through December, 2018). Therefore, the Group recorded an impairment loss of ¥6,975 million in the third quarter ended December 31, 2018, following careful examination and estimation of future profitability. Regarding to the aluminum wheels business, the Group announced that it will withdraw from the business by the end of September 2020, and recorded structural reform expenses of ¥3,303 million in the fiscal year under review, as losses associated with the transfer of shares of AAP St. Marys Corp., a consolidated subsidiary manufacturing aluminum wheels. Furthermore, the Group recorded ¥5,710 million in gain on bargain purchase under other income, which was generated from making Santoku Corporation a consolidated subsidiary of the Company as of April 2, 2018, with the aim of further accelerating efforts relating to neodymium magnet alloys and the development of new recycling technologies, which are areas in which the Group has been aggressively investing up until now. As a result, operating income decreased by ¥3,884 million to ¥42,442 million year on year. Income before income taxes decreased by ¥3,946 million to ¥43,039 million and net income attributable to shareholders of the parent company decreased by ¥10,840 million to ¥31,370 million year on year.

Revenues	¥1,023,421 million (up 3.6% year on year)	↑
Adjusted Operating Income	¥51,427 million (down ¥13,703 million year on year)	↓
Operating Income	¥42,442 million (down ¥3,884 million year on year)	↓

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

Specialty Steel Products

Revenues	¥304,562 million (up 4.8% year on year)	↑
Adjusted Operating Income	¥23,163 million (down ¥4,702 million year on year)	↓
Operating Income	¥22,512 million (down ¥3,615 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 across the entire Specialty Steel Products segment for the fiscal year under review, were ¥304,562 million, an increase of 4.8% year on year. This was mainly driven by a rise in raw material prices (sliding-scale raw material price system), despite a decline in demand that had been seen since the third quarter ended December 31, 2018.

<Specialty Steel>

Sales of molds and tool steel increased year on year mainly due to a rise in raw material prices (sliding-scale raw material price system), despite inventory adjustments in Japan from the third quarter ended December 31, 2018, onwards as well as a decrease in demand in international markets especially in China. Sales of industrial equipment materials exceeded those of the fiscal year ended March 31, 2018, on the back of an increase in sales of environment-conscious products related to automobiles. Overall sales of alloys for electronic products remained at the same level as the previous fiscal year, due to a slowdown in demand for organic EL panel-related and semiconductor package components from the third quarter ended December 31, 2018, onward, despite firm sales of battery-related components throughout the period. Sales of aircraft-related and energy-related materials increased year on year overall, due to an increase in sales of aircraft-related materials despite weak results of energy-related materials.

<Rolls>

Both domestic sales and exports of rolls were strong. Sales of injection molding machine parts increased over the entire fiscal year under review, as demand remained at a high level until the end of the third quarter ended December 31, 2018, despite a slowdown in the fourth quarter of the fiscal year under review (January to March, 2019). As a result, overall sales of rolls increased year on year.

<Soft Magnetic Materials and Applied Products>

Overall sales of soft magnetic materials and applied products increased year on year, due to sales of amorphous metals being unchanged from the previous fiscal year and robust sales of applied products for automobiles on the back of increased demand.

Adjusted operating income decreased by ¥4,702 million to ¥23,163 million year on year, due to a sharp decline in demand for the Company's mainstay specialty steel products from the third quarter ended December 31, 2018, onward, and production adjustments in response to this decline as well as an increase in costs from investment in such projects as the 10,000-ton class free forging press*, despite the positive effect of price correction. Operating income of the segment decreased by ¥3,615 million to ¥22,512 million year on year.

*Note: At the Company's Yasugi Works, full-scale operations started in May 2018. Through this project, the Group aims to improve product functionality and productivity of hot work tool steels and strengthen the aircraft- and energy-related materials businesses.

Magnetic Materials and Applications

Revenues	¥109,351 million (up 3.0% year on year)	↑
Adjusted Operating Income	¥3,280 million (down ¥6,313 million year on year)	↓
Operating Income	¥8,766 million (up ¥1,480 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 ¥109,351 million, an increase of 3.0% year on year.

<Rare-Earth Magnets>

Sales of rare-earth magnets exceeded those of the previous fiscal year, as a result of making Santoku Corporation a consolidated subsidiary of the Company. However, on the actual demand front, sales for industrial equipment-related components fell significantly below those of the previous fiscal year, due to a slowdown in the electronics-related and semiconductor-related markets and a decline in demand for various manufacturing equipment and industrial machinery. Sales for automotive electronic components applications also decreased year on year, mainly reflecting a decline in new vehicle sales in China and Europe

<Ferrite Magnets>

Sales of ferrite magnets for household appliance parts decreased. However, sales of ferrite magnets as a whole remained unchanged year on year, as sales for automotive electronic components for the fiscal year under review as a whole increased year on year, despite a decrease in the fourth quarter.

Adjusted operating income decreased by ¥6,313 million year on year to ¥3,280 million, due to an increase in costs associated with rare-earth magnet and ferrite magnet investments, changes in raw material prices as well as a slump in rare-earth magnet demand mainly for industrial equipment-related components. Operating income increased by ¥1,480 million year on year to ¥8,766 million as a result of recording ¥5,710 million in gain on bargain purchase under other income, which was generated from making Santoku Corporation a consolidated subsidiary of the Company.

Functional Components and Equipment

Revenues	¥ 367,563 million (up 2.1% year on year)	↑
Adjusted Operating Income	¥10,489 million (down ¥1,310 million year on year)	↓
Operating Income	¥(2,463) million (down ¥3,070 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; 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 ¥367,563 million, an increase of 2.1% year on year, due in part to a rise in raw material prices (sliding-scale raw material price system) as well as an increase in sales of casting components for automobiles.

<Casting Components for Automobiles>

Overall sales of casting components for automobiles increased year on year. This was due to an increase in demand for casting components manufactured by Waupaca Foundry, Inc. in the United States for commercial vehicles, farming machinery, and construction machinery in North America, and an increase in demand for automobiles in Asia.

<Piping Components>

Overall sales of pipe fittings in the fiscal year under review fell below those of the previous fiscal year. This was because, while in the United States, sales remained unchanged from the previous fiscal year, Japan experienced a decline in demand due to the price revision made at the end of the previous fiscal year. Sales of semiconductor manufacturing equipment decreased year on year due to the delay of some capital investment projects. As a result, overall sales of piping components decreased year on year.

Adjusted operating income decreased by ¥1,310 million year on year to ¥10,489 million, due to a continuation of deficit for heat-resistant exhaust casting components and aluminum wheels and difficulties in securing personnel because of the tough employment environment faced at Waupaca Foundry, Inc. in the United States and a decrease in sales of semiconductor manufacturing equipment. A total of ¥10,278 million was recorded as other expenses, due to the implementation of the structural reforms described on page 17 in the heat-resistant exhaust casting components and aluminum wheels businesses positioned as “businesses with issues.” As a result, operating income decreased by ¥3,070 million year on year to be an operating loss of ¥2,463 million.

Wires, Cables, and Related Products

Revenues	¥240,123 million (up 4.2% year on year)	↑
Adjusted Operating Income	¥12,548 million (down ¥2,399 million year on year)	↓
Operating Income	¥11,598 million (up ¥415 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)

Revenues in the Wires, Cables, and Related Products segment for the fiscal year under review, were ¥240,123 million, an increase of 4.2% year on year. The increase was mainly driven by the expansion of the focused fields and a rise in raw material prices (sliding-scale raw material price system).

<Electric Wires and Cables>

Sales of wires and cables for rolling stock grew mainly in China, and sales of wires and cables for construction increased. Sales of magnet wires were also solid mainly for automobile applications. As a result, overall sales of electric wires and cables increased year on year.

< High Performance Components>

Sales of automobile electronic components increased year on year, due to an increase in demand for various sensors, harnesses for electric parking brakes and hybrid automobiles, despite a decline in demand for brake hoses. Sales of high performance components for medical use also increased year on year, supported by solid demand for both probe cables and tubes. As a result, sales of high performance components as a whole increased year on year.

Adjusted operating income decreased by ¥2,399 million to ¥12,548 million year on year, led in part by increased fixed costs associated with capital expenditure, such as for the continuous casting and rolling line (*), etc. Operating income of the segment increased by ¥415 million to ¥11,598 million year on year, mainly due to a decrease in other expenses, which were recorded in the previous fiscal year.

*Note: The continuous casting and rolling line was completed in April 2018 at the Company's Ibaraki Works. Thus, we now have in place the enhanced core product as well as the mass production structure for the new high-performance pure copper material "HiFC®".

Other

Revenues	¥4,429 million (up 29.6% year on year)	↑
Adjusted Operating Income	¥786 million (up ¥662 million year on year)	↑
Operating Income	¥945 million (up ¥834 million year on year)	↑

Business Overview

Real estate business; software business, etc.

Revenues in the Other segment for the fiscal year under review, were ¥4,429 million, an increase of 29.6%, and adjusted operating income increased by ¥662 million to ¥786 million year on year. Operating income of the segment increased by ¥834 million to ¥945 million year on year.

(Notes)

1. In order to give a true view of the condition of the Company's business without the effects of reorganization, 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 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 materials in the Specialty Steel Products segment. Due to this change, the results of the 81st business term (FY2017), such as for SH Copper Products, etc. have been recorded under the Specialty Steel Products segment. In the bar graphs comparing performance over three fiscal years in the Specialty Steel Products (page 18) and the Wires, Cables, and Related Products (page 21), the figures for the 80th business term (FY2016) have been adjusted to reflect the new segment classification.

(2) Tasks for the Hitachi Metals Group

Since starting business, the Group has contributed to society by delivering distinctive products in diverse industries such as automobile, industrial infrastructure, and electronics.

In recent years, economic structures have changed dramatically on a global scale, and as society's needs diversify, new technologies, products, and services are being generated. In addition, as represented by Sustainable Development Goals (SDGs), there is an increasingly strong demand for each company, as a corporate citizen, to proactively work to help create a sustainable society. Moreover, in the materials industry, which is one of the Group's business areas, customer needs are becoming more sophisticated and diversified in step with changes in society, and new materials are being developed at a faster pace each year to meet these needs.

Under these circumstances, recognizing that our mission is "Being the best enterprise" as stated in our corporate creed, the Company have developed the Fiscal 2021 Medium-Term Management Plan, the final year of which is the fiscal year ending March 31, 2022, to work toward achieving this mission.

Under the Fiscal 2021 Medium-Term Management Plan, with a vision of "Building People, Building Innovation, Building the Future," the Group will pursue its management strategy together with measures with the aim of becoming a high-performance materials company that supports a sustainable society. That is why the Group aim to foster innovation in materials by providing opportunities to balance growth with an affluent social life through our business operations to our human resources, who form the foundation of the Group. At the same time, the Group aims to foster innovation in materials, by collaborating with our customers to enhance and expand our "Only 1, No. 1" business and products, leveraging our strengths. By accumulating the results of these innovations, the Group will help create a sustainable society; that is, building the future of society as a whole.

The specific action plans of the Fiscal 2021 Medium-Term Management Plan are as follows:

(1) Concentrating resources on high-growth and high-revenue areas

The Group will work to develop products and expand businesses in response to market and technological trends such as electrifying and motorizing automobiles, to concentrate our management resources on high-growth, high-revenue areas. The Group will also promote the continuous renewal of our portfolio.

(2) Maximizing synergies through organizational reform

By shifting our company's structure from the current four internal companies to two business divisions and by consolidating our resources and practicing speedy decision making, the Group will work to strengthen synergies between each of our businesses, centered on the markets and businesses the Group will focus on in the future. At the same time, the Group will bolster our cross-sectional functions, and strengthen both our strategic functions and governance by enhancing corporate divisions and energizing personnel exchanges between business divisions.

(3) Strengthening the customer-facing functions and co-creating with customers

The Group will respond to changing needs in market environments and of customers to achieve strong growth, by enhancing the customer-facing functions (sales department and R&D department) to more quickly bring to market our "Only 1, No. 1" businesses and products that are made by combining the Group's creative technologies through co-creation with the customers.

(4) Making full use of large-scale capital investment

The Group will make full use of the large-scale equipment investment undertaken in our previous Medium-Term Management Plan, and will reap early effects. At the same time, the Group will implement selective equipment investment focusing on high-growth, high-revenue areas.

(5) Decisively executing structural reform and measures to strengthen the management base

For businesses and products with low profitability that have little potential for improvement, the Group will encourage the departments responsible for their business execution to shrink or withdraw from them, with utmost efforts promote consolidation and effective utilization of management resources. In addition, the Group will introduce management with Return on Invested Capital (ROIC) as a new indicator and seek to reduce invested capital such as shortening the Cash Conversion Cycle (CCC) or working capital days, in order to improve cash flow and asset efficiency.
Meanwhile, the Group will create an innovative and challenging corporate culture by emphasizing diversity management and work-style reforms and maximizing their effectiveness through such measures as the hiring and fostering of personnel suitable for a global business environment and promoting the participation by woman in active career-track roles.

(3) Research and Development at the Hitachi Metals Group

The Group's research and development expenses in the fiscal year under review and in the preceding two fiscal years are as follows:

Category	80th business term (FY2016)	81st business term (FY2017)	82nd business term (FY2018)
R&D expenses	¥17,971 million	¥17,749 million	18,604 million

Major research tasks and research and development expenses by business in the fiscal year under review are as follows:

Business segment	Major research tasks	Research and development expenses
Specialty Steel Products	To develop products and materials such as high-grade specialty steel products, amorphous metals, nanocrystalline magnetic material, and rolls for steel mills for molds and tools, industrial equipment, aircraft and energy, electronics, and other areas	¥5,501 million
Magnetic Materials and Applications	To develop materials and products such as high-performance magnets, high-frequency parts and components for information devices, and other magnets and ceramics products, and their application products	¥4,193 million
Functional Components and Equipment	To develop high-grade ductile cast iron products, cast iron products for transportation equipment, heat-resistant exhaust casting components, aluminum components, piping and infrastructure components including pipe fittings, valves and others	¥3,589 million
Wires, Cables, and Related Products	To develop materials related to wires, cables, and magnet wires for industrial, vehicles and automobiles, electric equipment, medical and other purposes and their manufacturing process technology and connection technology, as well as electronic components and hoses for automotive, and industrial rubbers, etc.	¥5,321 million

Major results of our research and development activities by business for the fiscal year under review are as follows:

Business segment	Major results
Specialty Steel Products	• The Group developed a clad terminal for a lithium ion battery with processed aluminum and copper (AL/Cu) clad material. The clad terminal will help improve the connection reliability of automotive lithium-ion batteries (LIBs) used under severe conditions, reduce assembly man-hours and lower LIB weight. • The Group developed a motor core structure whereby amorphous metals are used for part of the motor core to achieve a higher rate of efficiency. The Group will promote R&D with an eye to applying this technology to motors for driving EV(*1). • The Group started mass production of a soft ferrite core material with outstanding high-frequency characteristics during the fiscal year under review. The use of this new material is anticipated to be a key element in further downsizing and energy savings related to components for network equipment, automobiles and smartphones.
Magnetic Materials and Applications	The Group developed a high-thermal conductivity silicon nitride substrate with a thermal conductivity of 130 W/m-K for use in power modules that achieves both high thermal conductivity and mechanical characteristics. The development is expected to enable miniaturization and cost reduction of power module cooling mechanisms. In addition, it will also be able to cope with higher temperature operation due to use of SiC semiconductors.
Functional Components and Equipment	The Group developed a ceramics adsorption filter for the seawater reverse osmosis (RO) desalination process in order to minimize fouling of RO membranes(*2). The development is expected to reduce the cost of generating water. The Group will accelerate efforts toward commercial applications, and will expand the business in Singapore, which is the center of research of the water treatment technologies.
Wires, Cables, and Related Products	The Company developed a LAN cable for rolling stock that is compliant with the European railway fire safety standard. The product utilizes the Company's exclusive fire safety design technologies for rolling stock electrical wiring that the Company has developed. With the addition of the product to the Group's new product lineup, the Group will respond broadly to customer demand in Europe, Asia, etc. for higher performance in cables and wiring for use in rolling stock.

*1 An abbreviation for Electric Vehicles (EV), including hybrid electric vehicles (HEV) and plug-in hybrid electric vehicles (PHEV).

*2 An abbreviation for Reverse Osmosis. Two bodies of water of different salinity are placed adjacent to each other via a membrane that allows only water molecules to permeate; if the high salinity side is pressurized, the water molecules move to the low salinity side.

Furthermore, the Company established a new research building for the Global Research & Innovative Technology center (abbreviated as GRIT) in Kumagaya City, Saitama Prefecture, in April 2018 to strengthen the research and development capacity. With the aim of growth over the medium- to long-term, the Company will invest in the research and development of next-generation specialty steel, magnetic materials and applications, functional components and equipment, and wires, cables, and related products, as well as advanced materials research and development themes that contribute to sustainable growth and social contribution.

(4) Capital Investments at the Hitachi Metals Group

Capital investments (figures are based on the purchase cost of property, plant and equipment and intangible assets) in the fiscal year under review and in the preceding two fiscal years are as follows:

Category	80th business term (FY2016)	81st business term (FY2017)	82nd business term (FY2018)
Capital investment	¥63,843 million	¥91,786 million	95,389 million

The major investment purposes and amount invested by business segment in the fiscal year under review are as follows:

Business segment	Investment Purpose	Amount Invested
Specialty Steel Products	To build production systems for alloys for electronic products and industrial equipment sectors in Japan	¥37,504 million
Magnetic Materials and Applications	To build innovative production lines and production lines for increased production for rare-earth magnets in Japan	¥22,523 million
Functional Components and Equipment	To streamline and upgrade production systems and equipment focusing on overseas operations	¥19,551 million
Wires, Cables, and Related Products	To increase production capacity for electric wires and cables, and electronic components in Japan and overseas	¥12,879 million

The Company is investing proactively in next-generation metal products, and the above capital investments include investments that incorporate an element of R&D. At the same time, the Company is taking steps to strengthen its production technologies through the use of IoT.

(5) Financing and Borrowings by the Hitachi Metals Group (As of March 31, 2019)

The Group’s interest-bearing debt at the end of the fiscal year under review increased by ¥41,254 million year on year to ¥202,098 million after the issuance of unsecured bonds 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.	MUFG Bank, Ltd.	(millions of yen) 22,693
	The San-in Godo Bank, Ltd.	8,400
	Mizuho Bank, Ltd.	8,324
	Sumitomo Mitsui Trust Bank, Limited	5,660
	The Joyo Bank, Ltd.	4,000
Hitachi Metals America, Ltd.	Hitachi America Capital, Ltd.	(thousands of U.S. dollars) 315,000 (¥34,962 million)
Hitachi Metals (China), Ltd.	Hitachi (China) Finance Co., Ltd.	(thousands of RMB) 180,000 (¥2,965 million)
Nam Yang Metals Co., Ltd.	MUFG Bank, Ltd.	(thousands of Korean Won) 20,000 (¥1,960 million)

(Note) Figures shown in parentheses in the column of “Balance of borrowings” are those converted into the Japanese yen using exchange rates as of March 29, 2019.

(6) Significant Corporate Reorganization, etc.

(i) The Company acquired a majority of shares issued and outstanding in Santoku Corporation as of April 2, 2018, making it a wholly owned subsidiary through the consolidation of shares as of May 25, 2018. As a result, Santoku Corporation became a consolidated subsidiary of the Company.

(ii) Hitachi Metals America, Ltd., a wholly owned subsidiary of the Company, transferred the entire shares it owned in AAP St. Marys Corp. (“AAP”) to KOSEI ALUMINUM Group as of March 1, 2019, and AAP ceased to be a consolidated subsidiary of the Company.

(7) 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	79th business term (Fiscal 2015)	80th business term (Fiscal 2016)	81st business term (Fiscal 2017)	82nd business term (Fiscal 2018)
	IFRS	IFRS	IFRS	IFRS
Revenues (millions of yen)	1,017,584	910,486	988,303	1,023,421
Operating income (millions of yen)	99,954	68,267	46,326	42,442
Net income attributable to shareholders of the parent company (millions of yen)	69,056	50,593	42,210	31,370
Earnings per share attributable to shareholders of the parent company (yen)	161.50	118.32	98.72	73.37
Total equity (millions of yen)	504,675	548,746	570,192	595,211
Total assets (millions of yen)	1,033,311	1,040,390	1,058,832	1,099,252

(Notes)

1. The name of each item is determined in accordance with the IFRS.
2. "Earnings per share attributable to shareholders of the parent company" 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	79th business term (Fiscal 2015)	80th business term (Fiscal 2016)	81st business term (Fiscal 2017)	82nd business term (Fiscal 2018)
	J-GAAP	J-GAAP	J-GAAP	J-GAAP
Net sales (millions of yen)	441,103	410,818	467,963	535,308
Operating income (millions of yen)	13,016	12,975	15,222	4,913
Net income (millions of yen)	40,108	31,168	26,960	16,421
Net income per share (yen)	93.80	72.89	63.05	38.41
Net assets (millions of yen)	340,416	360,087	376,053	379,638
Total assets (millions of yen)	723,828	713,495	720,841	739,578

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

(8) Major Facilities of the Hitachi Metals Group (As of March 31, 2019)

(i) Major Facilities of the Company

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

(Notes)

1. 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 Sales Office (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 30 through 32.

(9) Employees of the Hitachi Metals Group (As of March 31, 2019)

(i) Employees of the Hitachi Metals Group

Business segment	Number of employees
Specialty Steel Products	7,655
Magnetic Materials and Applications	4,861
Functional Components and Equipment	8,016
Wires, Cables, and Related Products	8,880
Other	124
Corporate (head office and others)	768
Total	30,304

(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 (6,178 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 decreased by 86 compared to the end of the previous fiscal year.

(ii) Employees of the Company

Number of employees	Average age	Average length of service
7,067	43.2	18.4 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 (1,264 employees).
2. The number of employees increased by 752 compared to the end of the previous fiscal year. This was primarily the result of the Company's acquisition of Hitachi Metals MMC Superalloy, Ltd. by way of an absorption-type merger as of April 1, 2018.

(10) Parent Company and Key Subsidiaries (As of March 31, 2019)

(i) Relationship with the Parent Company

Name of company	Capital	Voting rights	Description
Hitachi, Ltd.	(millions of yen) 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 "Transactions with related parties" in the "Notes to Non-Consolidated Financial Statements" are cash withdrawals and borrowings 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 withdrawals and borrowings from Hitachi, Ltd. under the scheme 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 steel products, magnetic materials and applications, functional components and equipment, and wires, cables, and related products
Hitachi Metals Neomaterial, Ltd.	400	100	Osaka	Manufacturing of metallic electronic materials, etc.

Name of company	Capital	Voting rights	Location	Major business domains
Tonichi Kyosan Cable, Ltd.	3,569	100	Ibaraki	Manufacturing, assembling and sale of electric wires, cables and fiber optic cables
Hitachi Metals Tool Steel, Ltd.	100	100	Tokyo	Sale, processing, heat treating and finishing of specialty steels, etc.
Santoku Corporation	1,500	100	Hyogo	Recycling of rare-earth metals, and manufacturing and sale of magnet materials and battery materials
NEOMAX KINKI Co., Ltd.	400	100	Hyogo	Manufacturing of rare-earth magnets
Hitachi Metals Wakamatsu, Ltd.	65	100	Fukuoka	Manufacturing of rolls, construction-related materials, injection molding machine cylinders, ceramics, etc.
Hitachi Metals FineTech, Ltd.	70	100	Mie	Manufacturing of mass flow controllers and piping components
Hitachi Metals Precision, Ltd.	300	100	Tokyo	Manufacturing of precision cast components and their assemblies
NEOMAX Engineering Co., Ltd.	410	100	Gunma	Manufacturing and sale of magnetic application products
HMY, Ltd.	144	100	Shimane	Manufacturing and processing of specialty steels, etc.
Waupaca Foundry, Inc.	(U.S. dollars) –	100 (100)	USA	Development, manufacturing and sale of cast iron products for transportation equipment
Hitachi Metals America, Ltd.	(thousands of U.S. dollars) 92,000 (¥10,211 million)	100	USA	Sale of specialty steel products, magnetic materials and applications, and functional components and equipment in North America
Hitachi Metals Europe GmbH	(thousands of euros) 2,220 (¥277 million)	100	Germany	Sale of specialty steel products, magnetic materials and applications, functional components and equipment, and wires, cables, and related products in Europe
Hitachi Metals (Thailand) Ltd.	(thousands of Thai baht) 1,374,700 (¥4,798 million)	100	Thailand	Manufacturing and sale of IT devices and automotive products
Hitachi Metals (China), Ltd.	(thousands of RMB) 749,021 (¥12,336 million)	100	China	Sale of specialty steel products, magnetic materials and applications, functional components and equipment, and wires, cables, and related products in China
Hitachi Cable America Inc.	(thousands of U.S. dollars) 49,947 (¥5,544 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 (¥1,777 million)	100	Singapore	Sale of specialty steel products, magnetic materials and applications, functional components and equipment, and wires, cables, and related products in Southeast Asia
Hitachi Metals Hong Kong Ltd.	(thousands of Hong Kong dollars) 24,000 (¥339 million)	100	China	Sale of specialty steel products, magnetic materials and applications, wires, cables, and related products; and manufacturing of ferrite products and application parts in Hong Kong and South China
Nam Yang Metals Co., Ltd.	(millions of Korean Won) 19,000 (¥1,862 million)	90.8	South Korea	Manufacturing and sale of cast iron products for automobile
Hitachi Cable (Suzhou) Co., Ltd.	(thousands of RMB) 338,613 (¥5,577 million)	100	China	Manufacturing and sale of electric wires, processed electric wires, wiring devices, and automotive products
Hitachi Metals Korea Co., Ltd.	(millions of Korean Won) 1,427 (¥140 million)	100	South Korea	Manufacturing and sale of specialty steel products; and sale of wires, cables, and related products in South Korea
San Technology, Inc.	(thousands of U.S. dollars) 29,238 (¥3,245 million)	100	Philippines	Manufacturing of rare-earth magnets

Name of company	Capital	Voting rights	Location	Major business domains
Ward Manufacturing, LLC	(thousands of U.S. dollars) 44,074 (¥4,892 million)	100 (100)	USA	Manufacturing and sale of pipe fittings
Pacific Metals Co., Ltd.	(millions of Korean Won) 15,000 (¥1,470 million)	100	South Korea	Manufacturing and sale of cast magnets, ferrite magnets, etc.
PT. HITACHI METALS INDONESIA	(thousands of U.S. dollars) 7,000 (¥777 million)	100	Indonesia	Manufacturing of ferrite magnets

(Notes)

1. The number of consolidated subsidiaries of the Company is 63, including 26 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 29, 2019.
3. Figures shown in parentheses in the column of "Voting rights" are indirect shareholding ratios.
4. 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.
5. 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.
6. Hitachi Metals Neomaterial, Ltd. succeeded the cladding material business from Ibaraki Technos, Ltd. using the company split method as of April 1, 2018.
7. The Company acquired a majority of shares issued and outstanding in Santoku Corporation as of April 2, 2018, making it a wholly owned subsidiary through the consolidation of shares as of May 25, 2018. As a result, Santoku Corporation became a consolidated subsidiary of the Company.
8. Hitachi Metals America, Ltd. transferred the entire shares it owned in AAP St. Marys Corp. to KOSEI ALUMINUM Group as of March 1, 2019, and AAP St. Marys Corp. ceased to be a consolidated subsidiary of the Company.
9. 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.

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, 2019)

(i) Directors

Position	Responsibilities (Committee membership)	Name	Principal concurrent positions
Chairperson of the Board	Chairperson of Nominating Committee	Toshikazu Nishino	Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd.
Director	Nominating Committee Audit Committee Compensation Committee	Masaru Igarashi	Representative of Global Dynamics Research Lab.
Director	Nominating Committee Audit Committee Compensation Committee	Toshiko Oka	CEO of Oka & Company Ltd. Outside Audit & Supervisory Board Member of HAPPINET CORPORATION Outside Director of Mitsubishi Corporation Outside Director of Sony Corporation
Director	Nominating Committee Audit Committee Compensation Committee	Takashi Shimada	
Director		Katsuro Sasaka	
Director		Toyoaki Nakamura	Director of Hitachi, Ltd.
Director	Chairperson of Audit Committee	Toshitake Hasunuma	
Director	Chairperson of Compensation Committee	Akitoshi Hiraki	

(Notes)

1. Mr. Toshikazu Nishino and Mr. Katsuro Sasaka were newly appointed as Directors at the 81st Ordinary General Meeting of Shareholders held on June 19, 2018.
2. Three Directors, Mr. Masaru Igarashi, Ms. Toshiko Oka and Mr. Takashi Shimada are Outside Directors.
3. 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.
4. The Company and Mitsubishi Corporation, at which Ms. Toshiko Oka holds a principal concurrent position, have a business relationship including purchase of products.
5. The Company appointed Mr. Toshitake Hasunuma as a full-time Audit Committee member in charge of collecting information necessary for the execution of duties of the Audit Committee and coordinating between the Audit Committee and other Directors, Executive Officers and employees.
6. 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. Toshitake Hasunuma has past experience in the accounting and the finance division of Hitachi, Ltd., and he has considerable knowledge in finance and accounting.
7. The Company appointed Mr. Katsuro Sasaka, a full-time Director who does not hold the concurrent position as an Executive Officer, as a Director to assist with the duties of the Audit Committee because he has past experience in the accounting and finance division in the Company and considerable knowledge in finance and accounting.
8. On June 15, 2018, Ms. Toshiko Oka retired from the position of Outside Audit & Supervisory Board Member of Astellas Pharma Inc. On June 19, 2018, she assumed the position of Outside Director of Sony Corporation.
9. On June 22, 2018, Mr. Toyoaki Nakamura retired from the position of Director of Hitachi High-Technologies Corporation.
10. On April 1, 2019, Mr. Akitoshi Hiraki assumed the position of Deputy Chairperson of the Board.

(ii) Executive Officers

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

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

Executive Officers changed as of April 1, 2019. The new executive members are as follows:

Position	Responsibilities	Name	Principal concurrent positions
Representative Executive Officer President and Chief Executive Officer	Overall Operations General Management	Koji Sato	
Representative Executive Officer Vice President and Executive Officer	In charge of Corporate Administration Chief Financial Officer General Manager, Finance Division	Hiroaki Nishioka	
Vice President and Executive Officer	In charge of Corporate Administration General Manager, Human Resources & General Administration Division Chief Compliance Officer	Naohiko Tamiya	
Vice President and Executive Officer	In charge of Business General Manager, Advanced Components & Materials Division Deputy General Manager, Corporate Export Regulation Office	Kazuya Murakami	
Vice President and Executive Office	In charge of Business General Manager, Advanced Metals Division Deputy General Manager, Corporate Export Regulation Office	Hiroshi Watanabe	
Executive Officer	In charge of Business	Ryouji Akada	Chairman and President, Hitachi Metals (China), Ltd.
Executive Officer	In charge of Business Deputy General Manager, Advanced Components & Materials Division General Manager, Power Electronics Materials Business Unit	Norio Uemura	
Executive Officer	In charge of Business Deputy General Manager, Advanced Components & Materials Division General Manager, Magnetic Materials Business Unit	Shigekazu Suwabe	
Executive Officer	In charge of Business Deputy General Manager, Advanced Metals Division General Manager, Automotive Casting Business Unit	Toru Taniguchi	
Executive Officer	In charge of Technology and Corporate Administration General Manager, Technology, Research & Development Division	Masato Hasegawa	
Executive Officer	In charge of Business	Tomoyuki Hatano	Director & President & CEO, Hitachi Metals America, Ltd.
Executive Officer	In charge of Business Deputy General Manager, Advanced Metals Division General Manager, Yasugi Works	Kenji Hirano	
Executive Officer	In charge of Corporate Administration General Manager, Corporate Management Planning Division	Hisaki Masuda	
Executive Officer	In charge of Sales General Manager, Business Activity & Marketing Division	Toru Yamamoto	

(Note) As of April 1, 2019, the Company shifted its structure from four internal companies (Specialty Steel Products, Magnet Materials and Applications, Functional Components and Equipment, and Wires, Cables and Related Products) to two business divisions (Advanced Metals and Advanced Components & Materials).

(iii) Outline of Limited Liability Agreement

The Company has concluded agreements with Mr. Toshikazu Nishino, Mr. Masaru Igarashi, Ms. Toshiko Oka, Mr. Takashi Shimada, Mr. Katsuro Sasaka, Mr. Toyoaki Nakamura and Mr. Toshitake Hasunuma to limit their liabilities 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 liabilities for damages under the Liability Agreement is ¥12 million or the amount stipulated by law, whichever is higher.

(Note) As of April 1, 2019, the Company has concluded the same Liability Agreement with Mr. Akitoshi Hiraki.

(2) Matters Related to Outside Directors

[Major Activities of Outside Directors]

Name	Major activities
Masaru Igarashi	Attended all meetings of the Board of Directors, Nominating Committee, Audit Committee, and Compensation 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, Nominating Committee, Audit Committee, and Compensation 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, Nominating Committee, Audit Committee, and Compensation 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 were two written resolutions 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 of Compensation, etc.
	(Persons)	(millions of yen)
Directors (including Outside Directors)	9 (3)	124 (51)
Executive Officers	13	509
Total	22	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, 15. The number of Directors indicated in the table above includes two Directors who retired at the conclusion of the 81st Ordinary General Meeting of Shareholders held on June 19, 2018, and 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: ¥22 million to seven Directors (Including ¥8 million to three Outside Directors)

   Executive Officers: ¥105 million to 12 Executive Officers

   For the amounts shown above, provisions for the year-end bonuses (¥17 million for Directors (including ¥6 million for Outside Directors), ¥120 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, 2019)

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

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

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

(4) Number of Shareholders: 28,053

(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
The Master Trust Bank of Japan, Ltd. (Trust account)	14,362	3.4
Japan Trustee Services Bank, Ltd. (Trust account)	11,011	2.6
Japan Trustee Services Bank, Ltd. (Trust account 9)	7,610	1.8
JPMorgan Chase Bank 385635	5,640	1.3
State Street Bank and Trust Company 505103	4,788	1.1
Goldman Sachs & Co., Regular Account	4,189	1.0
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,179	1.0
Japan Trustee Services Bank, Ltd. (Trust account 7)	3,879	0.9
BNYM AS AGT/CLTS 10 PERCENT	3,481	0.8

(Note) Shareholding percentages are calculated excluding treasury stock (1,334,441 shares).

(6) Other Important Matters Concerning Shares

Not applicable

4. Subscription Rights to Shares

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

Category	Compensation for audit certification services	Compensation for non-auditing services
	(millions of yen)	(millions of yen)
The Company	112	3
Consolidated subsidiary	40	20
Total	152	23

(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 compensation amount stated above based on the Company's audit certification services 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) Details of non-auditing services

The Company entrusted an issuance of comfort letters for the issuance of unsecured bonds to Ernst & Young ShinNihon LLC.

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

Of the key subsidiaries (stated in "1. Current Status of the Hitachi Metals Group, (10) Parent Company and Key Subsidiaries, (ii) Key Subsidiaries," pages 30 through 32), 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.

(5) 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 (Internal Control System) 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. 2) The Board of Directors shall have a Director who does not hold the concurrent position as an Executive Officer to assist with the duties of the Audit Committee as needed. 3) To assist with the duties of the Audit Committee, the Board of Directors Office shall have a person in charge of the Audit Committee. 4) 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 in accordance with the systems 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 management 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 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, with the aim of responding to changes in the business conditions and new social issues, the Company totally revised the Hitachi Metals Group Codes of Conduct, and has conducted educational seminars and provided a portable card describing the summary of the Codes of Conduct to instill it. Moreover, as a continuous effort to further ensure thorough compliance, the Company has asked the Group employees to complete a check sheet to self-check their overall awareness of compliance and observance of 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 ensuring each site of the group companies develop systems to immediately share information of materialized risks relating to compliance, antisocial forces, finance, procurement, the environment, disasters, quality, information security, export control, legal affairs, etc. with respective business divisions in charge, as well as ensuring each corporate administrative division prepare internal rules, guidelines, etc., conduct education and enlightenment activities, preliminary checks, audits on business operations, etc. and cooperate with the relevant internal business divisions. Furthermore, the Company formulates a Business Continuity Plan (BCP) and also 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, for identifying and improving the issues associated with the application of the on-going BCP, the Company was dedicated to preparing for large-scale BCP training in collaboration with the business sites of the Group in Japan, and conducted the training in April 2019. The Company has constantly conducted training to respond to its safety confirmation system for cases of 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 and also collaborates with the Accounting Auditor to promote tripartite cooperation in auditing (audits are conducted at the Company and 15 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, and on an in-principle monthly basis, the audit results. In addition, the Internal Auditing Office requests that the person in charge of business at the respective business division and each department of the corporate division to come together to hold, in principle on a monthly basis, an audit report meeting, and instructs those departments to implement improvements.

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, as a member of the Hitachi Group, centered around Hitachi, Ltd., the parent company, aims to maintain close cooperation with Hitachi, Ltd. through R&D collaboration while remaining independent in its business operations and transactions with Hitachi, Ltd. and by using the Company's 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, 2019)

(Unit: Millions of yen)

(ASSETS)		(LIABILITIES)	
Current assets	**480,331**	**Current liabilities**	**317,384**
Cash and cash equivalents	41,098	Short-term debt	48,844
Trade receivables	195,306	Current portion of long-term debt	34,268
Inventories	214,805	Other financial liabilities	37,730
Other current assets	29,122	Trade payables	155,251
		Accrued expenses	38,018
		Contract Liabilities	534
		Other current liabilities	2,739
Non-current assets	**618,921**	**Non-current liabilities**	**186,657**
Investments accounted for using the equity method	28,563	Long-term debts	118,986
Investments in securities and other financial assets	19,978	Other financial liabilities	923
Property, plant and equipment	402,160	Retirement and severance benefits	58,124
Goodwill and intangible assets	143,558	Deferred tax liabilities	4,964
Deferred tax assets	9,652	Other non-current liabilities	3,660
Other non-current assets	15,010	**Total liabilities**	**504,041**
		(EQUITY)	
		Equity attributable to shareholders of the parent company	**587,979**
		Common stock	26,284
		Capital surplus	115,045
		Retained earnings	425,886
		Accumulated other comprehensive income	21,925
		Treasury stock, at cost	(1,161)
		Non-controlling interests	7,232
		Total equity	**595,211**
Total assets	**1,099,252**	**Total liabilities and equity**	**1,099,252**

Consolidated Statement of Income (Fiscal year ended March 31, 2019)

(Unit: Millions of yen)

Revenues		1,023,421
Cost of sales		(851,029)
Gross profit		**172,392**
Selling, general and administrative expenses		(120,965)
Other income		10,667
Other expenses		(19,652)
Operating income		**42,442**
Financial Income		
Interest income	514	
Other financial income	846	1,360
Financial expenses		
Interest charges	(2,818)	
Other financial expenses	(8)	(2,826)
Share of (losses) profits of investments accounted for using the equity method		2,063
Income before income taxes		**43,039**
Income taxes		(11,796)
Net income		**31,243**
Net income attributable to:		
Shareholders of the parent company		31,370
Non-controlling interests		(127)
Net income		**31,243**

Non-Consolidated Balance Sheets (As of March 31, 2019)

(Unit: Millions of yen)

(ASSETS)	
Current assets	287,734
Cash and deposits	4,503
Notes receivable-trade	3,360
Accounts receivable-trade	97,470
Finished products	19,990
Work in process	53,481
Raw materials and supplies	22,720
Advance payments-trade	60
Prepaid expenses	945
Accounts receivable-other	60,008
Short-term loans receivable	28,506
Other	35
Allowance for doubtful accounts	(3,344)
Fixed assets	**451,844**
Tangible fixed assets	188,496
Buildings, net	51,905
Structures, net	4,600
Machinery and equipment, net	79,243
Vehicles, net	207
Tools, furniture and fixtures, net	7,922
Land	29,224
Lease assets	4
Construction in progress	15,391
Intangible assets	24,554
Goodwill	20,044
Leasehold right	594
Patent right	45
Right of trademark	78
Software	2,724
Right of using facilities	97
Other	972
Investments and other assets	238,794
Investment securities	1,719
Stocks of subsidiaries and affiliates	198,496
Investments in capital	579
Long-term loans receivable from subsidiaries and affiliates	17,133
Claims provable in bankruptcy, claims provable in rehabilitation and other	1
Long-term prepaid expenses	224
Prepaid pension cost	4,236
Deferred tax assets	15,408
Other	1,277
Allowance for doubtful accounts	(26)
Allowance for investment loss	(253)
Total assets	**739,578**

(LIABILITIES)	
Current liabilities	**225,158**
Accounts payable-trade	106,821
Electronically recorded obligations - operating	10,386
Short-term debt	31,836
Current portion of long-term loans payable	31,699
Lease obligations	4
Accounts payable-other	25,448
Accrued expenses	15,366
Income taxes payable	336
Advances received	134
Deposits received	2,927
Allowance for directors' bonuses	146
Other	55
Fixed liabilities	**134,782**
Bonds payable	40,000
Long-term loans payable	67,249
Provision for retirement benefits	0
Lease obligations	25,884
Provision for environmental measures	562
Other	1,087
Total liabilities	**359,940**
(NET ASSETS)	
Shareholders' equity	**379,657**
Common stock	26,284
Capital surplus	128,476
Legal capital surplus	36,699
Other capital surplus	91,777
Retained earnings	226,054
Legal retained earnings	6,571
Other retained earnings	219,483
Reserve for special depreciation	193
Reserve for advanced depreciation of fixed assets	1,214
General reserve	44,580
Retained earnings brought forward	173,496
Treasury stock, at cost	(1,157)
Valuation, translation adjustments and others	**(19)**
Net unrealized holding gain on securities available-for-sale	(23)
Gain (loss) on deferred hedge transactions	4
Total net assets	**379,638**
Total liabilities and net assets	**739,578**

Non-Consolidated Statements of Income (Fiscal year ended March 31, 2019)

(Unit: Millions of yen)

Net sales		535,308
Cost of sales		476,997
Gross profit		**58,311**
Selling, general and administrative expenses		53,398
Operating income		**4,913**
Non-operating income		
Interest and dividends income	22,702	
Other	4,389	27,091
Non-operating expenses		
Interest charges	1,214	
Other	8,558	9,772
Ordinary income		**22,232**
Extraordinary income		
Gain on extinguishment of tie-in shares	2,184	
Gain on liquidation of subsidiaries and affiliates	269	2,453
Extraordinary losses		
Loss on impairment of property and equipment	7,394	
Loss on valuation of shares of subsidiaries and affiliates	431	7,825
Income before income taxes		**16,860**
Income taxes-current		(1,214)
Income taxes-deferred		1,653
Net income		**16,421**

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

Independent Auditors' Report

May 15, 2019

Mr. Koji Sato
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, 2018 to March 31, 2019, 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 15, 2019

Mr. Koji Sato
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, 2019, and the Non-Consolidated Statements of Income and the Non-Consolidated Statements of Changes in Net Assets for the 82nd business term from April 1, 2018 to March 31, 2019, 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, 2019, 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 82nd business term from April 1, 2018 to March 31, 2019, 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 17, 2019

The Audit Committee, Hitachi Metals, Ltd.

Member of the Audit Committee (Full-time):	Toshitake Hasunuma	(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 82nd Ordinary General Meeting of Shareholders

Items Disclosed on the Internet

1. **Consolidated Statement of Changes in Equity**
2. **Notes to Consolidated Financial Statements**
3. **Non-consolidated Statements of Changes in Net Assets**
4. **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.

Consolidated Statement of Changes in Equity (Fiscal year ended March 31, 2019)

(Unit: Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income
Balance at April 1, 2018	26,284	113,518	407,180	16,896
Changes in equity				
Net income	–	–	31,370	–
Other comprehensive income	–	–	–	5,192
Dividends to shareholders of the parent company	–	–	(12,827)	–
Dividends to non-controlling interests	–	–	–	–
Acquisition of treasury stock	–	–	–	–
Sales of treasury stock	–	0	–	–
Transactions with non-controlling interests	–	1,527	–	–
Transfer to retained earnings	–	–	163	(163)
Total changes in equity	–	1,527	18,706	5,029
Balance at March 31, 2019	26,284	115,045	425,886	21,925

	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Balance at April 1, 2018	(1,158)	562,720	7,472	570,192
Changes in equity				
Net income	–	31,370	(127)	31,243
Other comprehensive income	–	5,192	(13)	5,179
Dividends to shareholders of the parent company	–	(12,827)	–	(12,827)
Dividends to non-controlling interests	–	–	(146)	(146)
Acquisition of treasury stock	(3)	(3)	–	(3)
Sales of treasury stock	0	0	–	0
Transactions with non-controlling interests	–	1,527	46	1,573
Transfer to retained earnings	–	–	–	–
Total changes in equity	(3)	25,259	(240)	25,019
Balance at March 31, 2019	(1,161)	587,979	7,232	595,211

Notes to Consolidated Financial Statements

Significant matters for 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: 63 companies

Names of principal consolidated subsidiaries:

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

(Changes in the fiscal year under review)

Added: 3 companies

Excluded: 9 companies

3. Equity-method application

Number of equity-method affiliates: 10 companies

Names of principal equity-method affiliates:

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

(Changes in the fiscal year under review)

Added: 1 company

Excluded: 0 companies

4. Notes concerning accounting policies

(1) Valuation standards and methods for principal assets

(i) Valuation standard and method for financial assets

IFRS 9 "Financial Instruments (amended in July 2014)" has been applied.

Financial assets measured at amortized cost

Financial assets are classified as those measured at amortized cost when they meet the following criteria:

- The financial asset is held in accordance with a business model of 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. Interest accrued on financial assets measured at amortized cost is included in interest income in the consolidated statement of income.

FVTOCI financial assets

The Group holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with investees. These equity instruments are classified as FVTOCI financial assets by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in other comprehensive income. The cumulative amount of other comprehensive income is recognized in equity as accumulated other comprehensive income. Dividends from equity investments designated as FVTOCI are recognized in profit or loss unless they are obviously a return of the investment.

FVTPL financial assets

Equity instruments not classified as FVTOCI financial assets and debt instruments not classified as financial assets measured at amortized cost are all classified as FVTPL financial assets. These instruments are subsequently measured at fair value and any changes in fair value are recognized in profit or loss.

Derecognition of financial assets

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

Impairment of financial assets

The Group evaluates allowance for doubtful accounts depending on whether the credit risk has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the allowance for doubtful accounts is measured at the amount equal to the lifetime expected credit losses on the financial assets. If the credit risk has not increased significantly since initial recognition, the allowance for doubtful accounts is measured at the amount equal to 12-month expected credit losses. However, for trade receivables, contract assets, and lease receivables, allowance for doubtful accounts is always measured at the amount equal to the lifetime expected losses. Whether credit risk has increased significantly is determined based on changes in the risk of default. Changes in expected credit losses are recognized in profit or loss as impairment losses.

Derivatives and hedge accounting

The Group uses derivative instruments, including forward exchange contracts, interest rate swaps, and copper futures trading, in order to hedge currency risks, interest risks, and raw material (copper) price fluctuation risks. 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 profit or loss if the hedge is considered effective.
- Cash flow hedge: a hedge of a forecast transaction or of the variability of cash flow to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in other comprehensive income if the hedge is considered effective. This treatment continues until profit or loss is affected by the variability of cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in profit or loss. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivatives recognized in other comprehensive income are included directly in the acquisition cost or other carrying amount of the asset or liability at which point the asset or liability is recognized.

The Group follows the documentation requirements as prescribed by IFRS 9 "Financial Instruments" (amended in July 2014), which includes the risk management objectives and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge's inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is effective in offsetting changes in fair values or cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes no longer effective.

(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 for 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 to the Changes in Accounting Policies

1. Adoption of IFRS 9 "Financial Instruments" (amended in July 2014)

While the Group had historically adopted IFRS 9 (issued in November 2009, amended in October 2010 and in December 2011), it has adopted IFRS 9 (amended in July 2014) from the beginning of the fiscal year under review. IFRS 9 (amended in July 2014) amends guidance for hedge accounting and classification and measurement of financial instruments and introduces impairment guidance based on expected credit losses on financial assets.

As a transitional measure upon the adoption of IFRS 9 (amended in July 2014), the Group applies this standard with the cumulative effect of initially applying this standard recognized as an adjustment to the beginning balance of retained earnings for the fiscal year under review.

There is no material impact on the Group's financial position and operating results from the application of this standard.

2. Adoption of IFRS 15 “Revenue from Contracts with Customers”

From the beginning of the fiscal year under review, the Group has adopted IFRS 15 “Revenue from Contracts with Customers.” IFRS 15 provides a comprehensive and robust framework for handling issues for recognizing revenue. In accordance with the following five-step approach, revenue is measured based on changes in assets and liabilities arising from contracts with customers and recognized when control over goods or services is transferred to the customer.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

As a transitional measure upon the adoption of IFRS 15, the Group applies this standard retrospectively with the cumulative effect of initially applying this standard recognized as an adjustment to the beginning balance of retained earnings for the fiscal year under review.

There is no material impact on the Group’s financial positon and operating results from the application of this standard.

Advances received from customers, which were previously presented as advances received, are presented as contract liabilities.

Notes concerning consolidated statement of financial position

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

¥ 793,200 million

2. Guarantee obligations

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

Guarantee purpose		
Employees (housing loans, etc.):	¥ 101	million
Japan Aeroforge, Ltd.:	¥3,087	million
Total	¥3,188	million

Notes concerning consolidated statement of income

1. Details of other income

Gain on reorganization	¥5,851	million
Rent income on property, plant and equipment	¥1,371	million
Other	¥3,445	million
Total	¥10,667	million

2. Details of other expenses

Structural reform expenses	¥3,306	million
Loss on disposal of property, plant and equipment	¥3,999	million
Impairment loss on property, plant and equipment	¥7,394	million
Other	¥4,953	million
Total	¥19,652	million

Notes concerning consolidated statement of changes in equity

1. Total number of shares outstanding as of March 31, 2019

   Ordinary shares 428,904,352 shares

2. Dividends paid during the fiscal year ended March 31, 2019

   (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 29, 2018	Ordinary shares	5,558	Retained earnings	13.0	March 31, 2018	May 31, 2018
Board of directors' meeting on October 25, 2018	Ordinary shares	7,269	Retained earnings	17.0	September 30, 2018	November 28, 2018

   (2) Dividends whose record date is during the fiscal year ended March 31, 2019, 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 27, 2019	Ordinary shares	7,269	Retained earnings	17.0	March 31, 2019	May 29, 2019

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, 2019 are as follows:

(Unit: Millions of yen)

	Carrying amounts	Fair values
Cash and cash equivalents	41,098	41,098
Trade receivables	195,306	195,306
Financial assets measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Forward exchange contracts	6	6
Non-current		
Securities	1,734	1,734
Derivatives		
Interest rate swap contract	90	90
Put options	6,061	6,061
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Non-current		
Securities (*1)	9,974	9,974
Financial assets measured at amortized cost		
Current		
Short-term loans receivable	17	17
Non-current		
Other debt instruments	1,448	1,448
Long-term loans receivable	654	654
Trade payables	155,251	155,251
Financial liabilities measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Interest rate swap contract	119	119
Financial liabilities measured at amortized cost		
Current		
Short-term debt	48,844	48,844
Current portion of long-term debt		
Current portion of long-term borrowings	33,124	33,288
Current portion of corporate bonds payable	720	720
Lease obligations (*2)	424	424
Non-current		
Long-term debt		
Long-term borrowings	77,706	78,420
Bonds	39,886	40,264
Lease obligations (*2)	1,394	1,394

*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	¥1,375.16
2. Earnings per share attributable to shareholders of the parent company	¥73.37

Non-Consolidated Statements of Changes in Net Assets (Fiscal year ended March 31, 2019)

(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, 2018	26,284	36,699	91,777	128,476	6,571	1,317	1,233	44,580	168,759	222,460
Changes during the fiscal 2018										
Provision for special depreciation						98			(98)	–
Reversal of reserve for special depreciation						(1,222)			1,222	–
Reversal of reserve for advanced depreciation of fixed assets							(19)		19	–
Cash dividends									(12,827)	(12,827)
Net income (loss) for the fiscal 2018									16,421	16,421
Acquisition of treasury stock										
Disposal of treasury stock			0	0						
Net increase/decrease during the fiscal 2018 of non shareholders' equity items										
Total increase/decrease during the fiscal 2018	–	–	0	0	–	(1,124)	(19)	–	4,737	3,594
Balance as of March 31, 2019	26,284	36,699	91,777	128,476	6,571	193	1,214	44,580	173,496	226,054

	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, 2018	(1,154)	376,066	(11)	(2)	(13)	376,053
Changes during the fiscal 2018						
Provision for special depreciation		–				–
Reversal of reserve for special depreciation		–				–
Reversal of reserve for advanced depreciation of fixed assets		–				–
Cash dividends		(12,827)				(12,827)
Net income (loss) for the fiscal 2018		16,421				16,421
Acquisition of treasury stock	(3)	(3)				(3)
Disposal of treasury stock	0	0				0
Net increase/decrease during the fiscal 2018 of non shareholders' equity items			(12)	6	(6)	(6)
Total increase/decrease during the fiscal 2018	(3)	3,591	(12)	6	(6)	3,585
Balance as of March 31, 2019	(1,157)	379,657	(23)	4	(19)	379,638

Notes to Non-Consolidated Financial Statements

1. Notes concerning matters relating to significant accounting policies

1.1. Valuation standards and methods for assets

(1) Valuation standards and methods for 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 is 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) Valuation standards and methods for derivatives

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 gross average cost 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 trade 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 for 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 changes in presentation

(Non-consolidated balance sheets)

(Changes accompanying application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the current fiscal year. Accordingly, deferred tax assets (if any) were presented under "Investments and other assets" and deferred tax liabilities (if any) were presented under "Fixed liabilities."

3. Notes concerning the non-consolidated balance sheets

(1) Accumulated depreciation on tangible fixed assets:	¥417,024	million
(2) Guarantee obligations	¥4,549	million
(3) Accounts payable and receivable – affiliates		
Accounts receivable-trade:	¥57,736	million
Accounts receivable-other:	¥44,944	million
Short-term loans receivable:	¥28,502	million
Group pooling long-term loans receivable:	¥17,133	million
Accounts payable-trade:	¥19,049	million
Accounts payable-other:	¥6,816	million
Short-term debt:	¥27,526	million

4. Notes concerning the non-consolidated statements of income

Transactions with affiliates

Net sales:	¥274,358 million
Purchase of goods:	¥227,801 million
Other transactions:	¥26,618 million

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

Number of treasury stock as of the balance sheet date: 1,334,441 shares of common stock

6. Notes concerning tax effect accounting

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

Deferred tax assets		
Accrued bonuses:	¥1,674	
Allowance for doubtful accounts:	¥1,027	
Provision for retirement benefits:	¥7,886	
Contribution of securities to retirement benefit trust:	¥2,318	
Impairment loss:	¥309	
Accounting depreciation in excess of tax depreciation:	¥6,673	
Loss on devaluation of investment securities:	¥2,961	
Net operating loss carry-forwards:	¥588	
Other:	¥4,787	
Deferred tax assets – Subtotal:	¥28,223	million
Valuation allowance:	(¥7,701)	
Deferred tax assets – Total:	¥20,522	million
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets:	(¥780)	
Provision for special depreciation:	(¥85)	
Prepaid pension cost:	(¥1,291)	
Investment book value correction:	(¥868)	
Valuation gain – land:	(¥1,269)	
Stocks of subsidiaries:	(¥676)	
Other:	(¥145)	
Deferred tax liabilities – Total:	(¥5,114)	million
Deferred tax assets – Net:	¥15,408	million

7. Notes concerning fixed assets used in leases

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

8. Notes concerning transactions with related parties

8.1. Transactions with related parties

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

Type	Name	Address	Capital or investment (millions of yen)	Business domain or occupation	Voting rights etc. held by or in the Company (%)	Relationship with related parties	Transaction	Transaction amount (millions of yen)	Account	Term-end balance (millions of yen)
Parent Company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	458,791	Manufacture and sales of electrical equipment	Direct: 53.0 Indirect: 0.5	Continuous trade in products Provision of services Provision of technology Provision of loans Concurrent position as officer	Deposit and Debt under the Hitachi Group Pooling Scheme *1, 2	Withdrawal 8,059 Debt 7,724 *3	Short-term debt	7,724

(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 debt 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	84,131	Accounts receivable-trade	21,822
Subsidiary	Tonichi Kyosan Cable, Ltd.	Ishioka-shi, Ibaraki	3,569	Wires, cables, and related products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Debt under the Company Pooling Scheme *2, 3	Borrowings 7,455 *4	Short-term debt	8,824
Subsidiary	Hitachi Metals Neomaterial, Ltd.	Suita-shi, Osaka	400	Specialty steel products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers Purchase of materials, etc. as an agent, etc.	Purchase of products *1	62,925	Accounts payable-trade	5,124
							Purchase of materials as an agent, etc. *1	52,718	Accounts receivable -other	22,348
Subsidiary	Hitachi Metals America, Ltd	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 *3	Repayment 9,436	Short-term loans receivable	11,099
									Long-term loans receivable	16,649

(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. Since June 1999, the Company has adopted a cash pooling scheme for the purpose of centrally managing funds of the Hitachi Metals Group. The term-end balance indicates debt at the end of the fiscal year.
3. Interest rates on funds are determined with reasonable consideration of market interest rates.
4. Fund allocation changes daily. Transaction amount reflect changes compared with the balance at the previous fiscal year end.

8.2. 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.)

9. Notes concerning per-share information

(1) Net assets per share: ¥887.90

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

Total net assets as per non-consolidated balance sheets	¥379,638 million
Net assets attributable to common stock	¥379,638 million
Number of common stock outstanding at the non-consolidated balance sheet date	428,904,352 shares
Number of common stock held as treasury stock	1,334,441 shares
Number of common stock used as basis of calculation of net assets per share	427,569,911 shares

(2) Net income per share for the period under review: ¥38.41

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	¥16,421 million
Amounts not attributable to common stockholders	– million
Net income for the period attributable to common stock	¥16,421 million
Average number of common stock outstanding during the period	427,570,903 shares