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(Securities code: 5486)
June 8, 2020

To our shareholders:

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

Notice of the 83rd Ordinary General Meeting of Shareholders

Notice is hereby given that the 83rd Ordinary General Meeting of Shareholders of Hitachi Metals, Ltd. (the "Company") will be held as follows:

This year, to avoid the risk of shareholders and the Company's officers and employees becoming infected with the novel coronavirus (COVID-19), **we strongly request that you exercise your voting rights in advance in writing or via the Internet and refrain from attending on the day of the General Meeting of Shareholders**. Please review the attached Reference Document for the General Meeting of Shareholders, and exercise your voting rights **no later than 5:30 p.m. (the end of business hours), Monday, June 22, 2020**.

Details

1. Date and time: Tuesday, June 23, 2020, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)

2. Venue: Conference Room at the Head Office of the Company (24F, Shinagawa Season Terrace), 2-70, Konan 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 83rd business term (from April 1, 2019 to March 31, 2020) 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 Six (6) 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,

Shinichiro Omori
Board Director, Chairperson

○ Of the documents to be provided with this notice, “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” in the Business Report, “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements, and “Non-Consolidated Statement 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 Business Report, the Consolidated Financial Statements, and the Non-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, Consolidated Financial Statements, and Non-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. However, the Company strongly requests that you exercise your voting rights in advance in writing or via the Internet and refrain from attending on the day of the General Meeting of Shareholders.

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 23, 2020, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
Venue: Conference Room at the Head Office of the Company (24F, Shinagawa Season Terrace), 2-70, Konan 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 5:30 p.m. (the end of business hours) on Monday, June 22, 2020 (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 5:30 p.m. (the end of business hours) on Monday, June 22, 2020 (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 Six (6) 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 six (6) Directors. The following are the six (6) candidates for the Directors determined by the Nominating Committee.

(Five male (5) Directors and one (1) female Director)

Candidate No.	Name	Attributes	Position and Areas of Responsibilities at the Company
1	Kenichi Nishiie	Re-appointed	Director (Chairperson of the Audit Committee)
2	Makoto Uenoyama	Re-appointed Outside Independent	Director (member of the Nominating Committee, Deputy Chairperson of the Audit Committee, and member of the Compensation Committee)
3	Toshiko Oka	Re-appointed Outside Independent	Director (member of the Nominating Committee, the Audit Committee and the Compensation Committee)
4	Koichi Fukuo	Re-appointed Outside Independent	Director (member of the Nominating Committee, the Audit Committee and the Compensation Committee)
5	Mitsuaki Nishiyama	Newly appointed	Representative Executive Officer, Chairperson, President and Chief Executive Officer; General Manager, Advanced Metals Division Overall Management and Overall Operations
6	Mamoru Morita	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 13) determined by the Company and registered as Independent Director with the Tokyo Stock Exchange, Inc.

1	**Kenichi Nishiie** (August 18, 1956)	Re-appointed	Number of years serving as Director: 1 Number of the Company's shares held: 4,800

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 (retired from the position in March 2019)
6/2019	Director (current position)

Meeting Attendance:

Board of Directors: 12/12 meetings

Audit Committee: 10/10 meetings

Position and Areas of Responsibilities at the Company

Director (Chairperson of the Audit Committee)

Reasons for appointment as a candidate for Director

The Company determined that Mr. 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.

2	**Makoto Uenoyama** (February 14, 1953)	Re-appointed Outside Independent	Number of years serving as Outside Director: 1 Number of the Company’s shares held: 300

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)
6/2019	Outside Director of Hitachi Metals, Ltd. (current position)

Meeting Attendance:

Board of Directors: 12/12 meetings

Nominating Committee: 5/5 meetings

Audit Committee: 10/10 meetings

Compensation Committee: 4/4 meetings

Position and Areas of Responsibilities at the Company

Director (member of the Nominating Committee, Deputy Chairperson of the Audit Committee, and member of the Compensation Committee)

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.

3	**Toshiko Oka** (March 7, 1964)	Re-appointed Outside Independent	Number of years serving as Outside Director: 4 Number of the Company's shares held: 5,700

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 (Outside Director since June 2019 (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) (scheduled to retire from the position in June 2020)
6/2018	Outside Director of Sony Corporation (current position)

Meeting Attendance:

Board of Directors: 15/15 meetings

Nominating Committee: 7/7 meetings

Audit Committee: 13/13 meetings

Compensation Committee: 5/5 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.

<table>
<tr><td>4</td><td>Koichi Fukuo
(April 17, 1955)</td><td>Re-appointed
Outside
Independent</td><td>Number of years serving as Outside Director: 1
Number of the Company’s shares held: 300</td></tr>
</table>

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)
6/2019	Outside Director of Hitachi Metals, Ltd. (current position)

Meeting Attendance:
Board of Directors: 12/12 meetings
Nominating Committee: 5/5 meetings
Audit Committee: 10/10 meetings
Compensation Committee: 4/4 meetings

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

Reasons for appointment as a candidate for Outside Director

The Company determined that Mr. 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.

5	**Mitsuaki Nishiyama** (September 25, 1956)	Newly appointed	Number of years serving as Director: - Number of the Company's shares held: 3,400

Brief Biography and Significant Concurrent Positions Outside the Company

4/1979	Joined Hitachi, Ltd.	
4/2008	General Manager of Finance Department I of Hitachi, Ltd.	
4/2011	Executive Officer and CFO of Hitachi Cable, Ltd.	
6/2012	Executive Officer, CFO, and Director of Hitachi Cable, Ltd.	
4/2013	Vice President and Executive Officer, CFO, CPO, and Director of Hitachi Cable, Ltd. (retired from the position in June 2013)	
7/2013	Vice President and Managing Officer, President of Cable Materials Company, and Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.	**Meeting Attendance:** Board of Directors: -
4/2014	Vice President and Executive Officer, Chief Financial Officer, and General Manager of Finance Center, Human Resources & General Administration Center and Information Systems Center (retired from the position in March 2015)	
4/2015	Vice President and Executive Officer of Hitachi, Ltd.	
6/2015	Outside Director of Hitachi Transport System, Ltd. (retired from the position in June 2016)	
4/2016	Representative Executive Officer, Senior Vice President and Executive Officer, and CFO of Hitachi, Ltd. (retired from the position in March 2020)	
4/2020	Representative Executive Officer, Chairperson and Chief Executive Officer of Hitachi Metals, Ltd.	
6/2020	Representative Executive Officer, Chairperson, President and Chief Executive Officer and General Manager of Advanced Metals Division (current position)	

Position and Areas of Responsibilities at the Company

Representative Executive Officer, Chairperson, President and Chief Executive Officer and General Manager of Advanced Metals Division

Overall Management and Overall Operations

Reasons for appointment as a candidate for Director

The Company determined that Mr. Mitsuaki Nishiyama will contribute to the strengthening of the decision-making function of the Board of Directors and enhancing its effectiveness as a board member, by having him share information of business execution divisions with the Board of Directors and by leveraging his abundant experience and in-depth knowledge obtained as head of accounting division at Hitachi Ltd., as head of finance division and the Cable Materials business at the Company, and at the helm of executive management of the Company as Chairperson from April 2020 and Chairperson and President from June 2020; therefore, the Company appointed him as a candidate for Director.

6	**Mamoru Morita** (April 12, 1959)	Newly appointed	Number of years serving as Director: - Number of the Company's shares held: -

Brief Biography and Significant Concurrent Positions Outside the Company

4/1983	Joined Hitachi, Ltd.
4/2013	Board Director of Hitachi Industrial Equipment Systems Co., Ltd. (current position)
4/2015	General Manager of Strategy Planning Division of Hitachi, Ltd. Director of Hitachi Asia Ltd. (retired from the position in March 2018)
4/2016	Vice President and Executive Officer of Hitachi, Ltd. Director of Hitachi Research Institute (current position)
4/2019	Board Director of Hitachi Industrial Products, Ltd. (retired from the position in March 2020)
6/2019	Director of Hitachi Chemical Company, Ltd. (current position)
4/2020	Senior Vice President and Executive Officer of Hitachi, Ltd. (current position) Director of Hitachi Global Life Solutions, Inc. (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. Mamoru Morita will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by having his abundant experience obtained as an executive manager at Hitachi Ltd. and its group companies and his in-depth knowledge related to management strategy reflected in the management of the Company; 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. Makoto Uenoyama, Ms. Toshiko Oka, Mr. Koichi Fukuo, and Mr. Kenichi Nishiie 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. Mamoru Morita is elected as Director, the Company will conclude the same agreement with him.
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) Mitsuaki Nishiyama

   - 4/2015-3/2016 Vice President and Executive Officer of Hitachi, Ltd. (General Manager of Finance Group and Project Leader of Administrative Operations Transformation Project, Smart Transformation Project Initiatives Division)
   - 4/2016-3/2017 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd. (CFO, General Manager of Finance Group, and Project Leader of Administrative Operations Transformation Project, Smart Transformation Project Initiatives Division)
   - 4/2017-3/2018 Representative Executive Officer, Vice President and Executive Officer of Hitachi, Ltd. (CFO, General Manager of Finance Group, and Project Leader of Administrative Operations Transformation Project, Smart Transformation Project Initiatives Division)
   - 4/2018-3/2020 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd. (CFO and General Manager of Finance Group)

   * CFO: Chief Financial Officer

(2) Mamoru Morita

- 4/2017-3/2018 Vice President and Executive Officer of Hitachi, Ltd. (General Manager of Strategy Planning Division, and Deputy General Manager of Investment Strategy Division and Future Investment Division)
- 4/2018-3/2020 Vice President and Executive Officer of Hitachi, Ltd. (General Manager of Strategy Planning Division, Deputy General Manager of Investment Strategy Division, General Manager of Business Development Office, Investment Strategy Division, and Deputy General Manager of Future Investment Division)
- 4/2020-Current Senior Vice President and Executive Officer of Hitachi, Ltd. (CSO and General Manager of Strategy Planning Division, Future Investment Division, and Business Development Office, Strategy Planning Division)

* CSO: Chief Strategy Officer

4. In April 2020, during the terms of office of Mr. Makoto Uenoyama, Ms. Toshiko Oka, and Mr. Koichi Fukuo, the Company announced the discovery of misrepresentation of test results in the inspection reports submitted to customers of certain products of the Company and its subsidiaries. The three directors were not aware of this matter until it was brought to light; however, prior to this they had spoken out from the perspective of compliance at Board of Directors and Audit Committee meetings, and after the matter was discovered, they made proposals for investigating the facts, studying the cause, and preventing a recurrence. The Company, in light of those proposals, established a special investigation committee comprising outside experts to objectively investigate into the facts and root cause of the matter. In conjunction with that, under the leadership of an internal taskforce, the Company is working towards regaining the trust of its customers by urgently implementing an adequate quality assurance system while implementing recurrence prevention measures such as further enhancing its compliance and quality assurance system based on the investigation findings of said committee.

5. Mr. Makoto Uenoyama, Ms. Toshiko Oka and Mr. Koichi Fukuo satisfy the Independence Criteria on the next page 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 2019 was significantly lower than 1% of the consolidated revenues of the Group and Panasonic Group, respectively. Mr. Koichi Fukuo was Senior Managing Officer and Director (retired from the position in June 2016) of Honda Motor Co., Ltd. (hereinafter referred to as “Honda”), and President and Representative Director (retired from the position in March 2016) of Honda R&D Co., Ltd., a subsidiary of Honda, both of which are business partners of the Company. The Company has a business relationship with Honda and Honda R&D Co., Ltd. related to sale of products, but the amount of transactions between the Company and Honda and Honda R&D Co., Ltd. for fiscal 2019 was significantly lower than 1% of the consolidated revenues of the Group and Honda Group, respectively.

6. Ms. Toshiko Oka is scheduled to assume the position of Outside Director of JXTG Holdings, Inc. on June 25, 2020 (said company’s name will change to ENEOS Holdings, Inc. on the same day).

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

Nominating Committee:	Koichi Fukuo (Chairperson), Makoto Uenoyama, Toshiko Oka, Mitsuaki Nishiyama
Audit Committee:	Makoto Uenoyama (Chairperson), Toshiko Oka, Koichi Fukuo, Kenichi Nishiie
Compensation Committee:	Mitsuaki Nishiyama (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, 2019 to March 31, 2020)

1. Current Status of the Hitachi Metals Group

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

The global economy during the fiscal year under review continued to grow modestly until the end of the third quarter ended December 31, 2019 (April through December 2019). However, the global outbreak of the novel coronavirus disease (COVID-19, hereinafter "COVID-19"), which was first detected in China, and the measures against it, increasingly taken by countries and regions around the world such as lockdowns, started to have a visible impact on the real global economy in the fourth quarter ended March 31, 2020 (January through March 2020). In China, the effects of the COVID-19 outbreak significantly reduced industrial production and individual consumption, and consequently weakened economic growth, which had already been slowing down due to the trade conflict with the United States and slack domestic demand. Weak economies in Europe and Asian emerging countries also slowed down significantly due to the restrictions on economic activities as a result of the COVID-19 outbreak. In the United States, although the employment situation and individual consumption had continued to improve until the end of the third quarter ended December 31, 2019, there was a sharp fall in business confidence towards the end of the fiscal year under review due to the outbreak. Amid such circumstances, the Japanese economy faced a rapidly expanding economic stagnation due to the impact of the COVID-19 outbreak, on top of the already decreased industrial production and export volume.

Among the industries in which the Group operates, sales of new vehicles dropped mainly in China and global sales also decreased as a result of a fall in Japan and the United States. Both domestic and international demand for industrial machinery were weak. Housing starts increased in the United States but declined in Japan. The electronics field showed signs of improvement in smartphone shipments at the end of 2019, but shipments dropped significantly during the fourth quarter ended March 31, 2020.

Under the business circumstances described above, the Group's operating results for the full fiscal year under review were as follows. The COVID-19 outbreak had a limited impact on full-year results for the fiscal year under review, despite a decline in demand in the automotive products business in China and North America, and reduced operation of related manufacturing bases.

Revenues decreased by 13.9% year on year to ¥881,402 million mainly due to a decrease in demand primarily for the Group's mainstays. Other significant reasons for the revenue decline include a fall in raw material prices (sliding-scale raw material price system) and structural reform measures in the Functional Components and Equipment segment. Adjusted operating income for the year ended March 31, 2020 decreased by ¥37,044 million year on year to ¥14,383 million. This was attributable to a major production adjustment implemented in order to address a decrease in demand and to optimize inventories, as part of measures to improve operational efficiency, in addition to a slowdown in the electronics- and semiconductor-related markets, a decline in demand for various manufacturing equipment and industrial machinery, and a decrease in sales of new vehicles, despite measures including a reduction in fixed costs. Operating income for the year ended March 31, 2020 decreased by ¥81,568 million year on year, resulting in an operating loss of ¥39,126 million. This was attributable to the recording of impairment losses of ¥42,581 million in other expenses for the magnetic materials and applications business as a whole in the second quarter ended September 30, 2019 (July through September 2019). This was mainly due to the changes in the operating environment of the rare earth magnet business and the subsequent review of the future profitability of the magnetic materials and applications business. Income before income taxes decreased by ¥83,653 million year on year to a loss before income taxes of ¥40,614 million. Net income attributable to shareholders of the parent company decreased by ¥69,018 million from the same period of the previous year to a net loss attributable to shareholders of the parent company of ¥37,648 million.

The Group introduced business management based on Return on Invested Capital (ROIC) with the aim of improving cash flow and capital efficiency. As one of the measures to address these key management challenges in the fiscal year 2021 Medium-term Management Plan, the Group reduces the level of equity investment mainly by shortening the Cash Conversion Cycle (CCC) to reduce the risk of fluctuations in raw material prices. The group also cuts capital expenditure through carefully selected investment in core business areas. As a result, free cash flow for the fiscal year under review improved by ¥79,205 million from the same period last year.

Revenues	¥881,402 million (down 13.9% year on year)	↓
Adjusted Operating Income	¥14,383 million (down ¥37,044 million year on year)	↓
Operating Loss	¥(39,126) million (down ¥81,568 million year on year)	↓

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

Advanced Metals Division

Specialty Steel Products

Revenues	¥250,643 million (down 9.5% year on year)	↓
Adjusted Operating Income	¥5,474 million (down ¥16,936 million year on year)	↓
Operating Income	¥7,585 million (down ¥14,217 million year on year)	↓

Business Overview

Tool Steel & Roll: Molds and tool steel, Rolls for steel mills, Injection molding machine parts, Structural ceramic products, and Steel-frame joints for construction
Industrial, Aerospace & Energy Materials: Automobile-related materials, Razor and blade materials, Precision cast components, and Aircraft- and energy-related materials
Electronic Materials: Display-related materials, Semiconductor and other package materials, and Battery-related materials

Revenues across the entire Specialty Steel Products segment for the fiscal year ended March 31, 2020, were ¥250,643 million, a decrease of 9.5% compared with those of the fiscal year ended March 31, 2019.

<Tool Steel & Roll>

Sales of molds and tool steel, among the business of tool steel & roll, decreased year on year, due to a decrease in demand in international markets especially in China and inventory adjustments including in a supply chain in Japan. Sales of rolls increased year on year as a result of a rise in demand in Japan. Sales of injection molding machine parts decreased year on year due to a sharp decline in demand in the third quarter ended December 31, 2019 (October through December 2019).

<Industrial, Aerospace & Energy Materials>

Among the business of industrial, aircraft & energy materials, sales of industrial materials decreased year on year, on the back of a decline in demand for products related to automobiles. Sales of aircraft- and energy-related materials increased year on year due to an increase in demand for both materials.

<Electronic Materials>

Overall sales of alloys for electronic products decreased year on year, due to a decline in demand for semiconductor package components, although sales of organic EL panel-related components grew and sales of clad metals for smartphones and batteries increased.

Adjusted operating income decreased by ¥16,936 million to ¥5,474 million compared with the year ended March 31, 2019, primarily due to a decline in demand for the Company’s mainstays including molds and tool steel and industrial materials, a fall in raw material prices, and a reduction of work in process reflecting the decreased market demand. Operating income of the segment decreased by ¥14,217 million year on year to ¥7,585 million.

Advanced Metals Division

Functional Components and Equipment

Revenues	¥299,703 million (down 18.5% year on year)	↓
Adjusted Operating Loss	¥(910) million (down ¥11,399 million year on year)	↓
Operating Loss	¥(9,222) million (down ¥6,759 million year on year)	↓

Business Overview

Automotive Casting: High-grade ductile cast iron products, Cast iron products for transportation equipment, Heat-resistant exhaust casting components, and Aluminum components
Piping 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 across the entire Functional Components and Equipment segment for the fiscal year ended March 31, 2020, were ¥299,703 million, a decrease of 18.5% compared with those of the fiscal year ended March 31, 2019.

<Automotive Casting>

Sales of casting components for automobiles in North America decreased year on year. This was attributable to the fact that demand for light trucks and passenger vehicles continued to decrease and that demand for casting components for commercial vehicles, and construction and agricultural machinery, which remained relatively robust until the end of the second quarter (April through September 2019), has declined since the third quarter ended December 31, 2019. The decrease was also attributable to the COVID-19 outbreak at the end of the fiscal year. Meanwhile in Asia, sales decreased year on year driven by a fall in demand for casting components for automobiles. Sales of heat-resistant exhaust casting components decreased year on year, mainly reflecting a decrease in sales of new vehicles and careful selection of orders in order to improve earnings. It has been determined to withdraw from the aluminum wheels business. Therefore, in March 2019, the Company sold a consolidated subsidiary manufacturing aluminum wheels in the United States, and the termination of production in Japan is also progressing as planned towards the end of September 2020. As a result, overall sales of casting components for automobiles decreased year on year.

<Piping Components>

Among piping components, sales of pipe fittings to both domestic and international markets in the year ended March 31, 2020 remained unchanged year on 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 ¥11,399 million year on year, resulting in an adjusted operating loss of ¥910 million. This was primarily due to the suspension of the Company’s major customers’ operations at fiscal year end amid the COVID-19 outbreak, in addition to a decline in demand in the automotive casting components business in North America, which is the segment’s core business, and ongoing sluggish sales of semiconductor manufacturing equipment. Operating loss was ¥9,222 million, an increase of ¥6,759 million from the same period last year due to mainly recorded impairment losses.

Advanced Components & Materials Division

Magnetic Materials and Applications / Power Electronics

Revenues	¥116,760 million (down 14.8% year on year)	↓
Adjusted Operating Income	¥1,405 million (down ¥2,628 million year on year)	↓
Operating Loss	¥(42,750) million (down ¥52,226 million year on year)	↓

Business Overview

Magnetic Materials: Rare-earth magnets, Ferrite magnets, and Other magnets and applied products
Power Electronics Materials: Soft magnetic materials (amorphous metals, nanocrystalline magnetic material, and soft ferrite) and applied products, and Ceramic components

Revenues in the Magnetic Materials and Applications segment for the fiscal year ended March 31, 2020 were ¥116,760 million, a decrease of 14.8% year on year.

<Magnetic Materials>

Sales of rare earth magnets among magnetic materials and applications decreased year on year. This was due to a slowdown in the electronics- and semiconductor-related markets and a significant decline in demand for various manufacturing equipment and industrial machinery in the industrial equipment-related business. The decline in demand for automotive electronic components also contributed to the decrease in sales. Sales of ferrite magnets decreased year on year due to a decrease in demand for automotive electronic components. As a result, overall sales of magnetic materials and applications decreased year on year.

<Power Electronics Materials>

Among power electronics materials, sales of soft magnetic materials and their applied products decreased year on year due to a decline in demand for amorphous metals for transformers and some components for consumer equipment, despite an increase in demand for the use of electronic vehicles. Meanwhile, sales of ceramic components increased year on year due to an increase in demand mainly for the use of automotive electronic components and medical and security-related devices. As a result, sales of power electronics materials as a whole remained at the same level as the same period last year.

Adjusted operating income decreased by ¥2,628 million year on year to ¥1,405 million, due to a decrease in demand for magnetic materials and applications. Operating income for the year ended March 31, 2020 decreased by ¥52,226 million year on year, resulting in an operating loss of ¥42,750 million. This was attributable to the recording of impairment losses of ¥42,581 million in other expenses for the magnetic materials and applications business as a whole in the second quarter ended September 30, 2019. This was mainly due to the changes in the operating environment of the rare earth magnet business and the subsequent review of the future profitability of the magnetic materials and applications business.

Advanced Components & Materials Division

Wires, Cables, and Related Products

Revenues	¥213,329 million (down 11.2% year on year)	↓
Adjusted Operating Income	¥6,669 million (down ¥5,879 million year on year)	↓
Operating Income	¥5,257 million (down ¥6,341 million year on year)	↓

Business Overview

Electric Wire & Cable: Industrial cables, Electronic wires, Electric equipment materials, Cable assemblies, and Industrial rubber products
Automotive Components: Electronic components for automotive, and Brake hoses

Revenues in the Wires, Cables, and Related Products segment for the fiscal year ended March 31, 2020, were ¥213,329 million, a decrease of 11.2%.

<Electric Wire & Cable>

Sales of medical use increased year on year due to an increase in demand for both tubes and cables. Sales of wires and cables for rolling stock decreased year on year as large-scale projects entered the offseason. Sales of magnet wires decreased year on year due to a decrease in their demand for both automotive and industrial applications. Sales of electronic wires also decreased year on year due to a decline in their demand mainly for FA / robots. As a result, overall sales of wires, cables, and related products decreased year on year.

<Automotive Components>

Sales of automotive components decreased year on year, reflecting a decline in demand for automotive electronic components and brake hoses due to a decrease in global new vehicle sales.

Adjusted operating income decreased by ¥5,879 million to ¥6,669 million, as compared with the year ended March 31, 2019, led in part by a decline in demand. Operating income of the segment decreased by ¥6,341 million year on year to ¥5,257 million for the same period.

Other

Revenues	¥3,371 million (down 23.9% year on year)	↓
Adjusted Operating Income	¥754 million (down ¥32 million year on year)	↓
Operating Income	¥510 million (down ¥435 million year on year)	↓

Business Overview

Real estate business; software business, etc.

Revenues in the other segment for the fiscal year ended March 31, 2020, were ¥3,371 million, a decrease of 23.9%, and adjusted operating income decreased by ¥32 million to ¥754 million, as compared with the fiscal year ended March 31, 2019. Operating income of the segment decreased by ¥435 million to ¥510 million for the same period.

(Notes)

1. In order to give a true view of the condition of the Company's business without the effects of reorganization, adjusted operating income (loss) is presented as operating income (loss) in the table above, wherein said "adjusted operating income (loss)" is the operating income (loss) recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses.
2. The Company transferred soft magnetic components and materials from the Specialty Steel Products segment to the Magnetic Materials and Applications segment, and changed the segment name from the Magnetic Materials and Applications segment to the Magnetic Materials and Applications / Power Electronics segment as of April 1, 2019. Due to this change, the results of soft magnetic components and materials for the previous fiscal year have been recorded under the Magnetic Materials and Applications / Power Electronics segment. In the bar graphs comparing performance with previous fiscal years in the Specialty Steel Products and the Magnetic Materials and Applications / Power Electronics, the figures for the 82nd business term (FY2018) have been adjusted to reflect the new segment classification and a two-fiscal-year comparison is presented.

(2) Tasks for the Hitachi Metals Group

(i) Overview

The Company announced in “Misrepresentation of Test Results in the Inspection Reports with Respect to Certain Products of the Company and Its Subsidiaries,” announced on April 27, 2020, that it discovered conduct including the misrepresentation of test results in the inspection reports submitted to customers of some specialty steel products and the magnetic material products (ferrite magnets and rare earth magnets) manufactured by the Company and its subsidiaries. The Company recognizes that misconduct related to quality, which should especially not occur at a company engaging in manufacturing, has occurred, and takes the fact that significant inconvenience may have been caused to customers and other concerned parties seriously. On April 27, the Company established a special investigation committee comprising outside experts. While this committee is objectively investigating the facts and root cause of the matter, the Company will work toward constructing an adequate quality assurance system under the leadership of an internal taskforce. In addition to the Company working on further transformation in all aspects of the management including organizational and administrative structures, multiple Executive Officers, including the President and one Director, who was previously President retired as of May 31, 2020 for the purpose of ensuring objectivity and fairness in the discussion and implementation of uncovering the facts related to the case and the cause of its occurrence, as well as preventive countermeasures concerning this matter. Furthermore, as a measure to expedite decision making, the Company transitioned to a new management structure effective June 1, 2020, under which the Chairperson will concurrently serve as President and work with new Executive Officers. Under this new management structure, we intend to be reborn as a company that conducts business with an open and honest attitude, and while taking exhaustive measures to explicate the particulars of the matter and the root cause, we will strive to reform the company in various aspects of management.

Moreover, the Group is proceeding with the Fiscal 2021 Medium-Term Management Plan as the medium- to long-term strategy aimed at regrowth at a global level. In the latter half of the fiscal year under review, we got started on our management transformation plan “Hitachi Metals Transformation” and established the Management Transformation Office to take control of management reform on April 1, 2020. Under the directions of Mr. Mitsuaki Nishiyama, Representative Executive Officer, Chairperson and President, who is responsible for that office, we are proceeding enhancement of the earning power and improvement of capital efficiency through measures including optimization of our portfolio, promotion of cost structural reform, and strengthening of sales capabilities.

As for the Group’s business environment, the COVID-19 outbreak is continuously spreading across the world now, and is leading to political, economic and social turmoil causing extreme uncertainty about the future. In the automobile, electronics and industrial infrastructure industries, which are the Group’s main business areas, demand will remain extremely weak. As a result, the Group’s business is anticipated to be significantly more affected during the next fiscal year than the fiscal year under review.

Against that backdrop, the Group will throw all its strength into management reform under the new management structure described above. At the same time, we will boost our Group’s resilience to ride out our earnings slump that has continued for multiple years, and the difficulties that will accompany the current COVID-19 outbreak.

(ii) Quality Assurance System

In response to the aforementioned conduct including the misrepresentation of test results in the inspection reports submitted to customers of some specialty steel products and the magnetic material products (ferrite magnets and rare earth magnets) manufactured by the Company and its subsidiaries, the Company established a special investigation committee comprising outside experts on April 27, 2020, which is objectively investigating the facts and root cause of the matter. The Company plans to consider the investigation findings of that committee and implement recurrence prevention measures, such as taking steps to further strengthen compliance. In conjunction with this, under the leadership of an internal taskforce, the Company will implement improvement measures such as revision of organizations to ensure effective quality auditing, and building an inspection system that prevents improper procedures from occurring by eliminating processes of human intervention, while working on the implementing an adequate quality assurance system urgently that will regain trust. Currently, the Group is proceeding with the introduction of system processes that prevent human intervention at the department where the improper conduct was discovered in order to ensure data protection for the acquired testing and trial data. In addition, at a Group-wide level, we have commenced initiatives to introduce automated systems and data protection systems for testing processes. Also, while achieving the transformations that will bring the Group closer to recovering trust, and enhancing objectivity and fairness in the investigation of this matter and preventive countermeasures concerning this matter, as a measure to expedite decision making, the Company transitioned to a new management structure effective June 1, 2020, under which the Chairperson will concurrently serve as the President.

The Company seriously accepts that significant inconvenience may have been caused to customers and other concerned parties. Our top priority is to implement preventive measures and restore trust, and while explicating the facts and the root cause, we are working to fundamentally revise the quality assurance system and further strengthen compliance.

(iii) Fiscal 2021 Medium-Term Management Plan and its progress and achievements

Since the Company went into business, the Group has contributed to society by delivering distinctive products in each field 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 has developed and has been implementing 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.

In the latter half of the fiscal year under review, we got started on our management transformation plan "Hitachi Metals Transformation" and established the Management Transformation Office to take control of management reform on April 1, 2020. Under the directions of Mr. Mitsuaki Nishiyama, Representative Executive Officer, Chairperson and President, who is responsible for that office, we are proceeding enhancement of the earning power and improvement of capital efficiency through measures including optimization of our portfolio, promotion of cost structural reform, and strengthening of sales capabilities.

Under the Fiscal 2021 Medium-Term Management Plan, with a vision of "Building People, Building Innovation, Building the Future," the Group is pursuing 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 aims 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 and its progress and achievements 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.

[Progress and results in the fiscal year under review]

- The Group enhanced the global production system for EPB harnesses to meet the electrification of automobiles (Vietnam and Thailand bases).
- The Group concluded an agreement with Mitsubishi Materials Corporation (hereinafter "MMC") to transfer all the shares of Mitsubishi Hitachi Tool Engineering, Ltd. (currently MOLDINO Tool Engineering, Ltd.) that it owns to MMC (the transfer was completed on April 1, 2020).

2) Maximizing synergies through organizational reform

By shifting our company's structure from the four internal companies to two business divisions to consolidate our resources and practice 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.

[Progress and achievements in the fiscal year under review]

- The Group shifted the company's structure to two business divisions (in April, 2019).

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.

[Progress and achievements in the fiscal year under review]

- The Group developed a high-power-density technology of on-board chargers, together with Fraunhofer IISB (Germany).
- "Ultrathin copper alloy wires and applied products" were chosen as the winner of the "Awards from Commissioner of the Japan Patent Office" in the Kanto Region Invention Award 2019.
- A series of "MaDC-F™," a soft ferrite core for high-frequency Mn-Zn power supplies, was chosen as the winner of the "2019 Cho-monozukuri (meaning 'super production') Grand Award for Components – Environment-, Resource- and Energy-related Component Award."
- The Group established the AM Solution Center to strengthen the metal additive manufacturing business.
- The Group established the "Hitachi Metals – Oxford UTC of Metallurgy" with the University of Oxford (the United Kingdom)

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.

[Progress and achievements in the fiscal year under review]

- The Company's Ibaraki Works started its continuous casting and rolling line operations on a full-scale basis, strengthening core products and establishing a system for the mass production of "HiFC®," high-performance pure copper (a new material).
- Hitachi Metals Wakamatsu, Ltd. started its casting and processing equipment operations to produce cast rolls for hot strip mills and structural cast steel products.
- Hitachi Metals Neomaterial, Ltd. started its full-scale operations using equipment (e.g. pressing machines and rolling machines) that can produce clad metals. Demand for these metals is expanding in industries such as the electric vehicle industry and the mobile device industry.

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

The Group is proceeding with "Hitachi Metals Transformation," which is led by the Management Transformation Office, and is working to enhance its earning power and improve capital efficiency through measures including optimizing its portfolio, reforming its cost structure, and enhancing its sales and marketing capabilities.

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.

[Progress and achievements in the fiscal year under review]

- Achieved CCC (working capital days) of 87.1 days in the fiscal year under review, 3.6 days shorter than the previous year. Also free cash flow was ¥49,517 million, an improvement of ¥79,181 million compared with the previous year.
- Selected as a "Nadeshiko Brand 2019."

(3) Research and Development at the Hitachi Metals Group

The Group has been investing in advanced materials research and development themes that contribute to sustainable growth and social contribution. The Group has also been shortening the development period by using digital technologies including AI and materials informatics.

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

Category	81st business term (FY2017)	82nd business term (FY2018)	83rd business term (FY2019)
R&D expenses	¥17,749 million	¥18,604 million	¥15,918 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, and rolls for steel mills, which are targeted for molds and tools, electronic materials, industrial equipment materials, aircraft- and energy-related materials, and other areas	¥4,525 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, and piping and infrastructure components including pipe fittings, valves and others	¥3,317 million
Magnetic Materials and Applications / Power Electronics	To develop materials and products such as high-performance magnets, high-frequency parts and components for information devices, amorphous metals and nanocrystalline magnetic materials, and other magnets and ceramics products, as well as their application products	¥3,201 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, industrial rubbers, etc.	¥4,875 million

Major results of our research and development activities by business for the fiscal year under review are as follows. The Group expects that these results will contribute to the provision of lighter weight, fuel saving, and energy saving products not only in the automobile-related industry in which a shift to electrification (xEV) (*1) is progressing, but in the industrial infrastructure-related industry and the electronics-related industry.

Business segment	Major results
Specialty Steel Products	• The Group developed “MVF-5X,” a new Mo alloy featuring high anticorrosion and high adhesion that are necessary for high-performance thin film devices and low stress and flex resistance that are necessary for flexible substrates. This product can be used as a foundation film for ensuring the adhesion of functional thin films and as a cap film for the protection of surfaces. • The Group developed “SLD®-f,” pre-hardened die steel (*2) with a 60HRC-level hardness (versatile hardness of cold press dies) to which the cutting process can be directly applied when dies are produced. This product has the necessary characteristics for die steel and is expected to create new effects in the production of dies. • The Group developed “Tribec®SC,” PVD (Physical Vapor Deposition) coating featuring improved erosion resistance and corrosion resistance using thick-film coating and blocking layers. By applying Tribec®SC to die casting and injection molding dies, users can improve the useful lives of dies.
Functional Components and Equipment	The Group developed electrically operated segment ball valves having an opening/closing speed varying function enabling high-speed openings and closings. By combining the torque characteristics of these valves with those of electric motors inside actuators, users can set a minimum time of one second or a maximum time of 16 seconds for openings or closings.
Magnetic Materials and Applications / Power Electronics	• The Group developed “MaDC-A™,” a magnetic domain control Fe-base amorphous alloy that can contribute to size and weight reduction and higher efficiency of distribution transformers. This product features approximately 25% lower core loss than the Group’s conventional products and is expected to reduce environmental burdens. • The Group developed a series of “MaDC-F™ (*3),” a soft ferrite core for high-frequency power supply that is made of Mn-Zn soft magnetic materials enabling the reduction of core losses (energy losses) even in high-frequency environments. This product is used for power sources, power transformers, etc. for servers, adapters and electric vehicles (EVs), and is expected to prevent a decline in the capability of transformers as core losses are lower even in high-frequency areas. • The Group developed a high-power-density technology applicable to on-board chargers (OBCs) (*4 and 5) that are installed in electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs). A product prototype confirms that the power density is 3.8kW/L showing the operational ability at high output density.
Wires, Cables, and Related Products	The Group developed EN wires with improved identifiability by using its original formulation technology, and thin wall 3 layer wires that applied multi-layer simultaneous extrusion molding technology. The thin wall 3 layer wires are thinner and lighter than conventional EN wires and contribute to space and energy reduction.

*1 A general term for electric vehicles (EVs), hybrid electric vehicles (HEVs), and plug-in hybrid electric vehicles (PHEVs).

*2 Moderately quenched steel materials for dies (featuring lower heat treatment costs, shorter delivery time, and no deformation caused by the quenching process, as no heat treatment is needed)

*3 Received the Environment-, Resource- and Energy-related Components Award at the “CHO” MONOZUKURI (meaning ‘super production’) Innovative Parts and Components Award 2019

*4 AC/DC converter used to convert AC voltage to DC voltage and charge electric vehicle (EV) and plug-in hybrid electric vehicle (PHEV) batteries

*5 The OBC prototype features high output and downsizing at the same time with the use of the Company’s soft magnetic materials and Germany-based Fraunhofer Institute for Integrated Systems and Device Technology IISB’s circuit technology.

(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	81st business term (FY2017)	82nd business term (FY2018)	83rd business term (FY2019)
Capital investment	¥91,786 million	¥95,389 million	¥53,019 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 the electronic materials and industrial materials sectors in Japan	¥19,140 million
Functional Components and Equipment	To streamline and upgrade production systems for the automotive casting and piping components sectors in Japan and overseas	¥14,813 million
Magnetic Materials and Applications / Power Electronics	To build production systems for the power electronics materials sector in Japan	¥7,613 million
Wires, Cables, and Related Products	To increase production capacity for the electric wire & cable and automotive components sectors in Japan and overseas	¥9,874 million

(Notes)

1. 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.
2. In the fiscal year under review, Hitachi Metals Trading, Ltd. sold a warehouse (land and building) that it owned in Ichikawa City, Chiba Prefecture.

(5) Financing and Borrowings by the Hitachi Metals Group (As of March 31, 2020)

The Group's interest-bearing debts at the end of the fiscal year under review decreased by ¥14,512 million year on year to ¥187,586 million after making repayments for borrowings during the fiscal year under review.

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

Name of company	Creditors	Balance of borrowings
Hitachi Metals, Ltd.	MUFG Bank, Ltd.	(millions of yen) 23,877
	Mizuho Bank, Ltd.	9,897
	The San-in Godo Bank, Ltd.	6,400
	Sumitomo Mitsui Trust Bank, Limited	5,210
	The Norinchukin Bank	3,000
Hitachi Metals America, Ltd.	Hitachi America Capital, Ltd.	(thousands of U.S. dollars) 317,566 (¥34,560 million)
Hitachi Cable Vietnam Co., Ltd.	Hitachi International Treasury Ltd.	16,500 (¥1,796 million)
PT. HITACHI METALS INDONESIA	Hitachi International Treasury Ltd.	13,000 (¥1,415 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 31, 2020.

(6) Significant Corporate Reorganization, etc.

Not applicable

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

(i) Income and Assets of the Hitachi Metals Group

Item	80th business term (Fiscal 2016)	81st business term (Fiscal 2017)	82nd business term (Fiscal 2018)	83rd business term (Fiscal 2019)
	IFRS	IFRS	IFRS	IFRS
Revenues (millions of yen)	910,486	988,303	1,023,421	881,402
Operating income (loss) (millions of yen)	68,267	46,326	42,442	(39,126)
Net income (loss) attributable to shareholders of the parent company (millions of yen)	50,593	42,210	31,370	(37,648)
Earnings (loss) per share attributable to shareholders of the parent company (yen)	118.32	98.72	73.37	(88.05)
Total equity (millions of yen)	548,746	570,192	595,211	522,853
Total assets (millions of yen)	1,040,390	1,058,832	1,099,252	977,766
Free cash flow (millions of yen)	53,527	(35,947)	(29,665)	49,540

(Notes)

1. "Earnings (loss) 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.
2. "Free cash flow" is presented for reference purposes.

(ii) Income and Assets of the Company

Item	80th business term (Fiscal 2016)	81st business term (Fiscal 2017)	82nd business term (Fiscal 2018)	83rd business term (Fiscal 2019)
	J-GAAP	J-GAAP	J-GAAP	J-GAAP
Net sales (millions of yen)	410,818	467,963	535,308	471,933
Operating income (loss) (millions of yen)	12,975	15,222	4,913	(10,159)
Net income (loss) (millions of yen)	31,168	26,960	16,421	(18,102)
Net income (loss) per share (yen)	72.89	63.05	38.41	(43.55)
Net assets (millions of yen)	360,087	376,053	379,638	348,127
Total assets (millions of yen)	713,495	720,841	739,578	664,712

(Note) "Net income (loss) 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, 2020)

(i) Major Facilities of the Company

Facility		Location
Head office		Tokyo
Regional Offices and Sales Offices	Eastern Japan Regional Office	Tokyo
	Kitanihon Sales Office	Miyagi
	Ibaraki Sales Office	Ibaraki
	Kitakanto Sales Office	Gunma
	Central Japan Regional Office	Aichi
	Western Japan Regional Office	Osaka
	Chugoku Sales Office	Hiroshima
	Kyushu Sales Office	Fukuoka

Facility		Location
Works	Yasugi Works	Shimane
	Okegawa Works	Saitama
	Kyushu Works	Fukuoka
	Kumagaya Works (Kumagaya Light Alloy Plant)	Saitama
	Moka Works	Tochigi
	Kuwana Works	Mie
	Kumagaya Works (Magnetic Materials Plant)	Saitama
	Saga Works	Saga
	Yamazaki Manufacturing Dept.	Osaka
	Metglas Yasugi Works	Shimane
	Ibaraki Works	Ibaraki
Research institutes	Global Research & Innovative Technology Center	Saitama
	Metallurgical Research Laboratory	
	Specialty Steel Research Dept.	Shimane
	Functional Components Research Dept.	Tochigi
	Advanced Components & Materials Research Laboratory	
	Magnetic Materials Research Dept.	Saitama
	Power Electronics Materials Research Dept.	Tottori
	Cable Materials Research Dept.	Ibaraki

(Note) Effective October 1, 2019, the Company integrated the Metallurgical Research Laboratory (Shimane) and the Casting Technology Research Laboratory (Tochigi) into the Metallurgical Research Laboratory, and established the Specialty Steel Research Dept. (Shimane) and the Functional Components Research Dept. (Tochigi) in that. On the same date, the Company also integrated the Magnetic Materials Research Laboratory (Saitama), the Cable Materials Research Laboratory (Ibaraki), and the Engineering Development Dept. of the Power Electronics Materials Business Unit into the Advanced Components & Materials Research Laboratory, and established the Magnetic Materials Research Dept. (Saitama), the Power Electronics Materials Research Dept. (Tottori), the Cable Materials Research Dept. (Ibaraki), etc. in that.

(ii) Major Facilities of Subsidiaries

The locations of key subsidiaries are shown on pages 31 through 32.

(9) Employees of the Hitachi Metals Group (As of March 31, 2020)

(i) Employees of the Hitachi Metals Group

Business segment	Number of employees
Specialty Steel Products	6,562
Functional Components and Equipment	7,928
Magnetic Materials and Applications / Power Electronics	5,802
Wires, Cables, and Related Products	8,637
Other	127
Corporate (head office and others)	749
Total	29,805

(Notes)

1. The numbers shown in the above table represent the actual numbers of employees (excluding the Group's employees dispatched outside the Group and including loan employees dispatched from outside the Group) excluding temporary employees (5,783 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 499 compared to the end of the previous fiscal year.

(ii) Employees of the Company

Number of employees	Average age	Average length of service
7,022	43.4	18.8 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 (1,108 employees).
2. The number of employees decreased by 45 compared to the end of the previous fiscal year.

(10) Parent Company and Key Subsidiaries (As of March 31, 2020)

(i) Relationship with the Parent Company

Name of company	Capital	Voting rights	Description
	(millions of yen)	%	
Hitachi, Ltd.	459,863	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 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 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, functional components and equipment, magnetic materials and applications / power electronics materials, and wires, cables, and related products
Hitachi Metals Tool Steel, Ltd.	100	100	Tokyo	Sale, processing, heat treating and finishing of specialty steels, etc.
Tonichi Kyosan Cable, Ltd.	3,569	100	Ibaraki	Manufacturing, assembling and sale of electric wires, cables and fiber optic cables
Hitachi Metals Neomaterial, Ltd.	400	100	Osaka	Manufacturing of metallic electronic materials, 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
HMY, Ltd.	144	100	Shimane	Manufacturing and processing of specialty steels, etc.
Hitachi Metals Wakamatsu, Ltd.	65	100	Fukuoka	Manufacturing of rolls, construction-related materials, injection molding machine cylinders, ceramics, etc.
Hitachi Metals America, Ltd.	(thousands of U.S. dollars) 92,000 (¥10,012 million)	100	USA	Sale of specialty steel products, functional components and equipment, and magnetic materials and applications / power electronics materials in North America
Waupaca Foundry, Inc.	(U.S. dollars) –	100 (100)	USA	Development, manufacturing and sale of cast iron products for transportation equipment
Hitachi Cable America Inc.	(thousands of U.S. dollars) 49,947 (¥5,436 million)	100 (100)	USA	Manufacturing and sale of automotive components, wires and cables and medical tubes in North America
Ward Manufacturing, LLC	(thousands of U.S. dollars) 44,074 (¥4,797 million)	100 (100)	USA	Manufacturing and sale of pipe fittings
Hitachi Metals Europe GmbH	(thousands of euros) 2,220 (¥265 million)	100	Germany	Sale of specialty steel products, functional components and equipment, magnetic materials and applications / power electronics materials, and wires, cables, and related products in Europe
Hitachi Metals (China), Ltd.	(thousands of RMB) 749,021 (¥11,468 million)	100	China	Sale of specialty steel products, functional components and equipment, magnetic materials and applications / power electronics materials, and wires, cables, and related products in China
Hitachi Cable (Suzhou) Co., Ltd.	(thousands of RMB) 338,613 (¥5,184 million)	100	China	Manufacturing and sale of electric wires, processed electric wires, wiring devices, and automotive components
Hitachi Metals Hong Kong Ltd.	(thousands of Hong Kong dollars) 24,000 (¥337 million)	100	China	Sale of specialty steel products, magnetic materials and applications / power electronics materials, and wires, cables, and related products; and manufacturing of ferrite products and applied products in Hong Kong and South China
Hitachi Metals Korea Co., Ltd.	(millions of Korean Won) 1,427 (¥127 million)	100	South Korea	Manufacturing and sale of specialty steel products; and sale of wires, cables, and related products in South Korea
Nam Yang Metals Co., Ltd.	(millions of Korean Won) 19,000 (¥1,695 million)	100	South Korea	Manufacturing and sale of cast iron products for automobile

Name of company	Capital	Voting rights	Location	Major business domains
Hitachi Metals Singapore Pte. Ltd.	(thousands of U.S. dollars) 16,009 (¥1,742 million)	100	Singapore	Sale of specialty steel products, functional components and equipment, magnetic materials and applications / power electronics materials, and wires, cables, and related products in Southeast Asia
Hitachi Metals (Thailand) Ltd.	(thousands of Thai baht) 1,374,700 (¥4,591 million)	100	Thailand	Manufacturing and sale of IT devices and automotive components

(Notes)

1. The number of consolidated subsidiaries of the Company is 62, including 20 key subsidiaries that are selected based on their revenues, operating income, etc., shown in the above table.
2. Figures shown in parentheses in the column of "Capital" are those converted into the Japanese yen using exchange rates as of March 31, 2020.
3. Figures shown in parentheses in the column of "Voting rights" are indirect shareholding ratios.
4. The Company acquired 9.2% of the issued shares of Nam Yang Metals Co., Ltd. on February 12, 2020. As a result, the share of voting rights in Nam Yang Metals Co., Ltd. held by the Company became 100% (direct shareholding).
5. 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

(i) Directors (As of March 31, 2020)

Position	Responsibilities (Committee membership)	Name	Principal concurrent positions
Chairperson of the Board	Chairperson of Nominating Committee Audit Committee	Shinichiro Omori	
Deputy Chairperson of the Board		Akitoshi Hiraki	
Director	Nominating Committee Deputy Chairperson of Audit Committee Compensation Committee	Makoto Uenoyama	Outside Audit & Supervisory Board Member of SOHGO SECURITY SERVICES CO., LTD.
Director	Nominating Committee Audit Committee Compensation Committee	Toshiko Oka	CEO of Oka & Company Ltd. Outside Director of Mitsubishi Corporation Outside Director of Sony Corporation Outside Director of HAPPINET CORPORATION
Director	Nominating Committee Audit Committee Compensation Committee	Koichi Fukuo	Outside Director of Seven Bank, Ltd.
Director		Katsuro Sasaka	
Director	Chairperson of Compensation Committee	Koji Sato	
Director		Toyoaki Nakamura	Director of Hitachi, Ltd.
Director	Chairperson of Audit Committee	Kenichi Nishiie	

(Notes)

1. Mr. Shinichiro Omori, Mr. Makoto Uenoyama, Mr. Koichi Fukuo, Mr. Koji Sato and Mr. Kenichi Nishiie were newly appointed as Directors at the 82nd Ordinary General Meeting of Shareholders held on June 25, 2019.
2. Three Directors, Mr. Makoto Uenoyama, Ms. Toshiko Oka and Mr. Koichi Fukuo are Outside Directors.
3. The Company has assigned Mr. Makoto Uenoyama, Ms. Toshiko Oka and Mr. Koichi Fukuo 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 SOHGO SECURITY SERVICES CO., LTD., at which Mr. Makoto Uenoyama holds a principal concurrent position, have a business relationship including equipment rental. In addition, 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. Kenichi Nishiie 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, Mr. Kenichi Nishiie has past experience in the Company's audit division and in the finance division of the Company's subsidiary; Mr. Makoto Uenoyama has past experience as Director of Panasonic Corporation in charge of accounting and finance; and Ms. Toshiko Oka has abundant experience and in-depth knowledge obtained as a corporate manager of major consulting firms; all these members have considerable knowledge in finance and accounting.
7. On June 26, 2019, Mr. Shinichiro Omori retired from the position of Outside Director of Hitachi Capital Corporation. On April 1, 2020, he assumed the position of Board Director, Chairperson of the Company.
8. On June 20, 2019, Ms. Toshiko Oka retired from the position of Outside Audit & Supervisory Board Member of HAPPINET CORPORATION and assumed the position of Outside Director of the company on the same day.
9. On June 25, 2019, Mr. Katsuro Sasaka ceased to be Director responsible for assisting with the duties of the Audit Committee.
10. On May 31, 2020, Mr. Akitoshi Hiraki and Mr. Koji Sato resigned from the position of Director.

(ii) Executive Officers (As of March 31, 2020)

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 Risk Management 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 Officer	In charge of Business General Manager, Advanced Metals Division Deputy General Manager, Corporate Export Regulation Office	Hiroshi Watanabe	
Executive Officer	In charge of Business	Ryoji 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)

1. Executive Officers marked with * also serve as Director.
2. On March 31, 2020, Mr. Ryoji Akada, Mr. Norio Uemura and Mr. Tomoyuki Hatano retired from the position of Executive Officer.
3. On April 1, 2020, Mr. Mitsuaki Nishiyama was appointed Representative Executive Officer, Chairperson, and Chief Executive Officer to take charge of determining new management strategies and Mr. Koji Sato became Representative Executive Officer, President and Chief Operating Officer to take charge of implementing new management strategies.

4. On April 1, 2020, Mr. Kenji Minegishi assumed the position of Executive Officer.
5. On April 1, 2020, the Management Transformation Office was newly established, and both Hiroaki Nishioka and Hisaki Masuda were appointed its Deputy General Manager.
6. On May 31, 2020, Mr. Koji Sato, Mr. Hiroshi Watanabe, Mr. Masato Hasegawa and Mr. Kenji Hirano resigned from the position of Executive Officer.
7. On June 1, 2020, Mr. Mitsuaki Nishiyama assumed the position of Representative Executive Officer, Chairperson, President and Chief Executive Officer. On the same date, Mr. Ryoichi Aita assumed the position of Executive Officer.

In accordance with the changes in Executive Officers stated in notes 2-7 above and the changes in positions and responsibilities of Executive Officers effective June 1, 2020, the new executive officer system effective June 1, 2020 is as follows.

Position	Responsibilities	Name	Principal concurrent positions
Representative Executive Officer Chairperson and President	Overall Management Overall Operations Chief Executive Officer General Manager, Advanced Metals Division	Mitsuaki Nishiyama	
Representative Executive Officer Vice President and Executive Officer	In charge of Corporate Administration Chief Financial Officer General Manager, Finance Division Deputy General Manager, Management Transformation Office	Hiroaki Nishioka	
Vice President and Executive Officer	In charge of Corporate Administration General Manager, Human Resources & General Administration Division Chief Risk Management Officer	Naohiko Tamiya	
Vice President and Executive Officer	In charge of Business and Technology General Manager, Advanced Components & Materials Division General Manager, Technology, Research & Development Division Deputy General Manager, Corporate Export Regulation Office	Kazuya Murakami	
Executive Office	In charge of Technology and Corporate Administration Chief Quality Officer	Ryoichi Aita	
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 Deputy General Manager, Corporate Export Regulation Office	Toru Taniguchi	
Executive Officer	In charge of Corporate Administration General Manager, Corporate Management Planning Division Deputy General Manager, Management Transformation Office	Hisaki Masuda	
Executive Officer	In charge of Business Deputy General Manager, Advanced Components and Materials Division General Manager, Electric Wire & Cable Business Unit	Kenji Minegishi	
Executive Officer	In charge of Sales General Manager, Business Activity & Marketing Division	Toru Yamamoto	

(iii) Outline of Limited Liability Agreement

The Company has concluded agreements with Mr. Shinichiro Omori, Mr. Akitoshi Hiraki, Mr. Makoto Uenoyama, Ms. Toshiko Oka, Mr. Koichi Fukuo, Mr. Katsuro Sasaka, Mr. Toyoaki Nakamura and Mr. Kenichi Nishiie 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.

(2) Matters Related to Outside Directors

[Major Activities of Outside Directors]

Name	Major activities
Makoto Uenoyama	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 comprehensive electronics manufacturer.
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 international consulting firms.
Koichi Fukuo	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 automotive manufacturer.

(Notes)

1. In addition to the meetings of the Board of Directors as described above, there was a written resolution of the Board of Directors deemed passed in accordance with Article 370 of the Companies Act and Article 22 of the Articles of Incorporation.
2. During the fiscal year under review, the Company has discovered conduct including misrepresentation of test results in the inspection reports submitted to customers of certain products of the Company and its subsidiaries, and announced the matter in April 2020. None of the Outside Directors was not aware of this matter until it was brought to light; however, prior to this they had spoken out from the perspective of compliance at Board of Directors and Audit Committee meetings, and after the matter was discovered, they made proposals for investigating the facts, studying the cause, and preventing a recurrence.

(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	12	166
(of which, Outside Directors)	(5)	(52)
Executive Officers	12	380
Total	24	546

(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 nine (including three Outside Directors) and that of Executive Officers, 14. The number of Directors indicated in the table above includes four Directors (including two Outside Directors) who retired at the conclusion of the 82nd Ordinary General Meeting of Shareholders held on June 25, 2019, 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 table above, year-end bonuses related to the previous fiscal year were paid during the fiscal year under review as described below.

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

   Executive Officers: ¥92 million to 14 Executive Officers

   For the amounts shown above, provisions for the year-end bonuses (¥12 million for Directors (including ¥6 million for Outside Directors), ¥134 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.
4. For the purpose of clarifying management responsibilities in light of the significant drop in earnings in the fiscal year under review, the full-time Directors and Executive Officers have returned part of their Director/Executive Officer compensation for the last six months of the fiscal year under review.

3. Share Information (As of March 31, 2020)

(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: 23,162

(5) Major Shareholders (Top 10 Shareholders)

Name	Shareholder's equity in the Company	
	Share ownership	Shareholding percentage
	(thousands of shares)	%
Hitachi, Ltd.	226,233	52.91
The Master Trust Bank of Japan, Ltd. (Trust account)	18,634	4.36
Goldman Sachs & Co., Regular Account	15,164	3.55
Japan Trustee Services Bank, Ltd. (Trust account)	11,215	2.62
JPMorgan Chase Bank 385632	5,768	1.35
Japan Trustee Services Bank, Ltd. (Trust account 7)	4,770	1.12
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,336	1.01
State Street Bank and Trust Company 505103	4,307	1.01
JPMorgan Chase Bank 385151	3,497	0.82
State Street Bank West Client - Treaty 505234	3,236	0.76

(Note) Shareholding percentages are calculated excluding treasury stock (1,337,583 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	117	-
Consolidated subsidiary	60	-
Total	177	-

(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) 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 31 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.

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

If the Audit Committee determines that the accounting auditor is subject of an event as stipulated in the provisions of Article 340, Paragraph 1 of the Companies Act and judges it necessary to dismiss the accounting auditor immediately, it shall dismiss the accounting auditor, having obtained the approval of all the members of Audit Committee. In such case, an Audit Committee member appointed by the Audit Committee will report on the decision of dismissal and its reasons at the first general meeting of shareholders convened after the dismissal.

In addition, if it is deemed impossible for the accounting auditor to perform its duties properly, the Audit Committee may determine the content of a proposal concerning dismissal or non-reappointment of the accounting auditor which will be submitted to the general meeting of shareholders.

6. Policies Concerning Dividend Determination

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

7. 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, 2020)

(Unit: Millions of yen)

(ASSETS)	
Current assets	**406,119**
Cash and cash equivalents	42,353
Trade receivables	157,732
Inventories	179,925
Other current assets	26,109
Non-current assets	**571,647**
Investments accounted for using the equity method	28,354
Investments in securities and other financial assets	13,234
Property, plant and equipment	381,095
Goodwill and intangible assets	118,174
Deferred tax assets	17,816
Other non-current assets	12,974
Total assets	**977,766**

(LIABILITIES)	
Current liabilities	**297,199**
Short-term debt	53,048
Current portion of long-term debt	51,253
Other financial liabilities	26,642
Trade payables	126,640
Accrued expenses	35,042
Contract Liabilities	640
Other current liabilities	3,934
Non-current liabilities	**157,714**
Long-term debts	83,285
Other financial liabilities	978
Retirement and severance benefits	67,560
Deferred tax liabilities	2,420
Other non-current liabilities	3,471
Total liabilities	**454,913**
(EQUITY)	
Equity attributable to shareholders of the parent company	**520,313**
Common stock	26,284
Capital surplus	115,405
Retained earnings	374,820
Accumulated other comprehensive income	4,969
Treasury stock, at cost	(1,165)
Non-controlling interests	**2,540**
Total equity	**522,853**
Total liabilities and equity	**977,766**

Consolidated Statement of Income (Fiscal year ended March 31, 2020)

(Unit: Millions of yen)

Revenues		881,402
Cost of sales		(755,947)
Gross profit		**125,455**
Selling, general and administrative expenses		(111,072)
Other income		8,599
Other expenses		(62,108)
Operating loss		**(39,126)**
Financial Income		
Interest income	456	
Other financial income	122	578
Financial expenses		
Interest charges	(2,646)	
Other financial expenses	(1,087)	(3,733)
Share of (losses) profits of investments accounted for using the equity method		1,667
Loss before income taxes		**(40,614)**
Income taxes		1,076
Net loss		**(39,538)**
Net loss attributable to:		
Shareholders of the parent company		(37,648)
Non-controlling interests		(1,890)
Net loss		**(39,538)**

Non-Consolidated Balance Sheet (As of March 31, 2020)

(Unit: Millions of yen)

(ASSETS)	
Current assets	**238,953**
Cash and deposits	3,605
Notes receivable-trade	2,771
Accounts receivable-trade	86,159
Finished products	21,041
Work in process	40,356
Raw materials and supplies	21,977
Advance payments-trade	68
Prepaid expenses	946
Accounts receivable-other	38,851
Short-term loans receivable	27,170
Other	47
Allowance for doubtful accounts	(4,038)
Fixed assets	**425,759**
Tangible fixed assets	166,471
Buildings, net	48,293
Structures, net	4,333
Machinery and equipment, net	68,881
Vehicles, net	175
Tools, furniture and fixtures, net	6,377
Land	29,236
Construction in progress	9,176
Intangible assets	21,391
Goodwill	17,457
Leasehold right	536
Patent right	35
Right of trademark	26
Software	2,491
Right of using facilities	95
Other	751
Investments and other assets	237,897
Investment securities	1,631
Stocks of subsidiaries and affiliates	198,716
Investments in capital	569
Long-term loans receivable from subsidiaries and affiliates	9,528
Claims provable in bankruptcy, claims provable in rehabilitation and other	0
Long-term prepaid expenses	205
Prepaid pension cost	4,946
Deferred tax assets	21,141
Other	2,166
Allowance for doubtful accounts	(752)
Allowance for investment loss	(253)
Total assets	**664,712**

(LIABILITIES)	
Current liabilities	**228,115**
Accounts payable-trade	93,651
Electronically recorded obligations - operating	7,390
Short-term debt	47,148
Current portion of long-term loans payable	46,483
Lease obligations	0
Accounts payable-other	14,833
Accrued expenses	13,669
Income taxes payable	1,970
Advances received	199
Deposits received	2,639
Allowance for directors' bonuses	89
Other	44
Fixed liabilities	**88,470**
Bonds payable	40,000
Long-term loans payable	20,442
Provision for retirement benefits	26,283
Provision for environmental measures	863
Other	882
Total liabilities	**316,585**
(NET ASSETS)	
Shareholders' equity	**348,204**
Common stock	26,284
Capital surplus	128,476
Legal capital surplus	36,699
Other capital surplus	91,777
Retained earnings	194,605
Legal retained earnings	6,571
Other retained earnings	188,034
Reserve for special depreciation	165
Reserve for advanced depreciation of fixed assets	1,195
General reserve	44,580
Retained earnings brought forward	142,094
Treasury stock, at cost	(1,161)
Valuation, translation adjustments and others	**(77)**
Net unrealized holding gain on securities available-for-sale	(77)
Gain (loss) on deferred hedge transactions	0
Total net assets	**348,127**
Total liabilities and net assets	**664,712**

Non-Consolidated Statement of Income (Fiscal year ended March 31, 2020)

(Unit: Millions of yen)

Net sales		471,933
Cost of sales		(434,124)
Gross profit		**37,809**
Selling, general and administrative expenses		(47,968)
Operating loss		**(10,159)**
Non-operating income		
Interest and dividends income	15,698	
Other	4,262	19,960
Non-operating expenses		
Interest charges	(971)	
Other	(7,572)	(8,543)
Ordinary income		**1,258**
Extraordinary income		
Gain on liquidation of subsidiaries and affiliates	242	242
Extraordinary losses		
Loss on impairment of property and equipment	(19,648)	
Loss on structural reform	(2,764)	
Loss on valuation of shares of subsidiaries and affiliates	(2,476)	(24,888)
Loss before income taxes		**(23,388)**
Income taxes-current		(951)
Income taxes-deferred		5,717
Net loss		**(18,622)**

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

Independent Auditors' Report

May 25, 2020

Mr. Mitsuaki Nishiyama
Representative Executive Officer,
Chairperson
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Takashi Ouchida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Teruyasu Omote (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit opinion

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, 2019 to March 31, 2020, 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.

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.

Basis for audit opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of Emphasis

As stated in "Notes concerning consolidated statement of financial position, 2. Guarantee Obligations, etc. (2) Others," there may be an impact on future financial position and business performance depending on the outcome of the investigation, etc. of the special investigation committee. However, the amount of the impact is difficult to be reasonably estimated at present, and thus is not reflected in the consolidated financial statements.

This matter does not have any impact on our opinion.

Responsibilities of management and the Audit Committee for the consolidated financial statements

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.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing matters related to going concern, if necessary, 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.

The Audit Committee is responsible for overseeing the performance of duties by Executive Officers and Directors within the maintenance and operation of the financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as follows:

- We identify and assess the risks of material misstatement, whether due to fraud or error. In addition, we design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Moreover, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The purpose of an audit of the consolidated financial statements 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 audit in order to design audit procedures that are appropriate in the circumstances.
- We evaluate the appropriateness of accounting policies used by management and the method of their application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- We conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate whether the presentation of the consolidated financial statements and the notes thereto are 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, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests in the Company and its consolidated subsidiaries

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries 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 25, 2020

Mr. Mitsuaki Nishiyama
Representative Executive Officer,
Chairperson
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Takashi Ouchida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Teruyasu Omote (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit opinion

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 Sheet as of March 31, 2020, and the Non-Consolidated Statement of Income and the Non-Consolidated Statement of Changes in Net Assets for the 83rd business term from April 1, 2019 to March 31, 2020, and the related Notes to Non-Consolidated Financial Statements as well as the supporting schedules thereto (the "Financial Statements, etc.").

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the financial position of Hitachi Metals, Ltd. as of March 31, 2020, and the results of its operations for the period then ended in accordance with accounting principles generally accepted in Japan.

Basis for audit opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the Financial Statements, etc." of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of Emphasis

As stated in "Notes concerning the non-consolidated balance sheet, (2) Guarantee Obligations, etc., Others," there may be an impact on future financial position and business performance depending on the outcome of the investigation, etc. of the special investigation committee. However, the amount of the impact is difficult to be reasonably estimated at present, and thus is not reflected in the Financial Statements.

This matter does not have any impact on our opinion.

Responsibilities of management and the Audit Committee for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the Financial Statements, etc. 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 the Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing matters related to going concern, if necessary, in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the performance of duties by Executive Officers and Directors within the maintenance and operation of the financial reporting process.

Auditors' responsibilities for the audit of the Financial Statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the Financial Statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the Financial Statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as follows:

- We identify and assess the risks of material misstatement, whether due to fraud or error. In addition, we design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Moreover, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The purpose of an audit of the Financial Statements, etc. 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 audit in order to design audit procedures that are appropriate in the circumstances.
- We evaluate the appropriateness of accounting policies used by management and the method of their application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- We conclude on the appropriateness of management's use of the going concern basis for preparing the Financial Statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the Financial Statements, etc. or, if the notes to the Financial Statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate whether the presentation of the Financial Statements, etc. and the notes thereto are in accordance with auditing standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the Financial Statements, etc., including the related notes thereto, and whether the Financial Statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

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 83rd business term from April 1, 2019 to March 31, 2020, 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 Sheet, Statement of Income, Statement of Changes in Net Assets, and Notes to Financial Statements), their supporting schedules, and the consolidated financial statements (Consolidated Statements of Financial Position, Consolidated Statement of Income, Consolidated Statement 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 described in the Business Report, it was discovered that a misrepresentation of test results in the inspection reports with respect to certain products of the Company and its subsidiaries was conducted. Accordingly, the Company established a special investigation committee comprising outside experts. While this committee is investigating the facts and root cause of the matter, the Company will work toward constructing an adequate quality assurance system under the leadership of an internal taskforce. We will closely observe future investigation results and a quality assurance system.

      Although at present, the findings of the committee on whether there was any impropriety, etc. regarding the performance of duties by Directors or Executive Officers has not been released, apart from the above, we find no significant evidence of wrongful act or violation of related laws and regulations, nor the Articles of

Incorporation with regard to the performance of duties by Directors or Executive Officers.

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.

However, it was discovered that a misrepresentation of test results in the inspection reports with respect to certain products of the Company and its subsidiaries was conducted. The internal taskforce will play a central role in undertaking initiatives such as revision of organizations to ensure effective quality auditing and building an inspection system that prevents improper procedures from occurring, and work on the implementing an adequate quality assurance system. We will closely observe future measures and their progress.

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 25, 2020

The Audit Committee, Hitachi Metals, Ltd.

Member of the Audit Committee (Full-time):	Kenichi Nishiie	(Seal)
Member of the Audit Committee:	Makoto Uenoyama	(Seal)
Member of the Audit Committee:	Shinichiro Omori	(Seal)
Member of the Audit Committee:	Toshiko Oka	(Seal)
Member of the Audit Committee:	Koichi Fukuo	(Seal)

Note: The Audit Committee members Makoto Uenoyama, Toshiko Oka and Koichi Fukuo are Outside Directors provided for in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

Note: This document has been translated from the Japanese original for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

The 83rd Ordinary General Meeting of Shareholders

Items Disclosed on the Internet

1. **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**
2. **Consolidated Statement of Changes in Equity**
3. **Notes to Consolidated Financial Statements**
4. **Non-consolidated Statement of Changes in Net Assets**
5. **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.

1 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) The Company shall have the Hitachi Metals Group Chief Risk Management Officer as the chief compliance and risk management officer in the Hitachi Metals Group. 2) With respect to risks of loss related to compliance, antisocial forces, investments, finance, procurement, environment, disasters, quality, information management, export control, legal affairs, 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. 3) 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. 4) 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. 5) 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), as well as Item (3) (ii) 1), the following systems are established. 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

Based on the above basic policies for establishing the systems, etc. to ensure appropriate operations (internal control system), the Company implements the systems as follows.

However, the Company has discovered conduct including misrepresentation of test results in the inspection reports submitted to customers of certain products of the Company and its subsidiaries, and announced the matter in April 2020. In response, the Company established a special investigation committee comprising outside experts to objectively investigate into the facts and root cause of the matter. Concurrently with that investigation, under the leadership of an internal taskforce, the Company commenced revising the organization to ensure effective quality auditing and building an inspection system that prevents improper procedures from occurring by eliminating processes of human intervention, and the Company is working towards regaining the trust of its customers by implementing an adequate quality assurance system. Looking forward, when the investigation findings by the said committee are submitted, the Company will implement recurrence prevention measures such as further enhancing its compliance and quality assurance frameworks based on those findings.

(1) Compliance

The Company has prepared and distributed the "CSR Guidebook" to all officers and employees of the Group in order to gain their understanding of compliance. In addition, the Company provides compliance education for the entire Group in the form of lectures and e-learning on a regular basis. The Company also conducts various events in every October, stating the month as the "Corporate Ethics Month" to raise employees' awareness towards compliance, including compliance training by external instructors for management executives.

During the fiscal year under review, the Company released the new version of the CSR Guidebook in order to conform with the Hitachi Metals Group Codes of Conduct that were revised in the previous fiscal year, and to correspond with current conditions. Moreover, as a continuous effort to further ensure thorough compliance, the Company has asked the Group employees in Japan and overseas to complete a check sheet to self-check their overall awareness of compliance and observance of laws and regulations.

(2) 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, investments, 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, the Group has been working on various measures such as developing and enhancing a teleworking environment to implement the ability to work from home with the aim of preventing the spread of the novel coronavirus disease (COVID-19). Moreover, the Company has been continuously conducting exercises for responding to the safety confirmation system in the event that a disaster occurs, and utilizes this system in the event of a disaster such as a large-scale typhoon.

(3) 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.

(4) 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 Audit Committee and the Accounting Auditor to promote tripartite audit (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 requests those departments to implement improvements.

2 Consolidated Statement of Changes in Equity (Fiscal year ended March 31, 2020)

(Unit: Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income
Balance at April 1, 2019	26,284	115,045	425,886	21,925
Cumulative effect of accounting change	–	–	(607)	–
Restated balance	26,284	115,045	425,279	21,925
Changes in equity				
Net loss	–	–	(37,648)	–
Other comprehensive income	–	–	–	(16,940)
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	–	360	–	–
Transfer to retained earnings	–	–	16	(16)
Total changes in equity	–	360	(50,459)	(16,956)
Balance at March 31, 2020	26,284	115,405	374,820	4,969

	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Balance at April 1, 2019	(1,161)	587,979	7,232	595,211
Cumulative effect of accounting change	–	(607)	–	(607)
Restated balance	(1,161)	587,372	7,232	594,604
Changes in equity				
Net loss	–	(37,648)	(1,890)	(39,538)
Other comprehensive income	–	(16,940)	(326)	(17,266)
Dividends to shareholders of the parent company	–	(12,827)	–	(12,827)
Dividends to non-controlling interests	–	–	(22)	(22)
Acquisition of treasury stock	(4)	(4)	–	(4)
Sales of treasury stock	0	0	–	0
Transactions with non-controlling interests	–	360	(2,454)	(2,094)
Transfer to retained earnings	–	–	–	–
Total changes in equity	(4)	(67,059)	(4,692)	(71,751)
Balance at March 31, 2020	(1,165)	520,313	2,540	522,853

3 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: 62 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: 0 companies

Excluded: 1 company

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: 0 companies

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" 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. In addition, the Company depreciates the right-of-use assets using the straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Buildings and structures:	2 to 60 years
Machinery and vehicles:	2 to 20 years
Tools, furniture, and fixtures:	2 to 30 years
Right-of-use assets:	2 to 50 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

Adoption of IFRS 16 "Leases"

From the beginning of the full-year ending March 31, 2020, the Group has adopted IFRS 16 "Leases." IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard introduces a single accounting model under which lessees recognize all leases in the statement of consolidated financial position. As a transitional measure upon the adoption of IFRS 16, 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 full-year ending March 31, 2020.

The leases held by the Group are mainly real estate leases, and the effect of the adoption of IFRS 16 on the condensed statement of consolidated financial position as of the beginning of the full-year ending March 31, 2020 are minor and include: an increase of ¥16,693 million in assets mainly due to recognizing right-of-use assets, an increase of ¥17,300 million in liabilities mainly due to recognizing lease liabilities, and a decrease of ¥607 million in equity due to the adjustment to the beginning balance of retained earnings. The effect of the adoption of IFRS 16 on the consolidated statement of income is minor.

The Group has elected to apply practical expedients that do not require revision regarding whether or not a contract that has been assessed as having applied IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease" contains a lease on the date of initial application of IFRS 16. The Group has elected to apply the following primary practical expedients in retrospectively applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Leases for which the lease term will end within 12 months from the date of initial application are accounted for in the same way as short-term leases
- To use hindsight, such as in determining the lease term of a contract that contains options to extend or terminate the lease

The weighted average of the lessee's incremental borrowing rates applied to the lease liabilities recognized in the Group's consolidated statement of financial position as of the beginning of the fiscal year under review is 1.53%.

The difference between minimum lease payments based on non-cancellable operating lease agreements applying IAS 17 and lease liabilities recognized at the application of IFRS 16 was ¥16,359 million as of March 31, 2019. This was mainly due to the impact from the revision of the target period for the options to extend or terminate the lease, including the lease period.

Notes concerning consolidated statement of financial position

1. Accumulated depreciation and accumulated impairment losses on property, plant and equipment:
¥861,598 million

2. Guarantee obligations, etc.

(1) Guarantee obligations

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

Guarantee purpose		
Employees (housing loans, etc.):	¥77	million
Japan Aeroforge, Ltd.:	¥2,646	million
Total	¥2,723	million

(2) Others

The Company discovered conduct including the misrepresentation of test results in the inspection reports submitted to customers of some specialty steel products and the magnetic material products (ferrite magnets and rare earth magnets) manufactured by the Company and its subsidiaries. The Company has reported the inappropriate conduct to each customer and while continuing to hold discussions on countermeasures, it has established a special investigation committee to investigate the related facts and the root cause. Depending on the outcome of the investigation by the special investigation committee, etc., future financial position and business performance may be affected. However, the amount of the impact is difficult to be reasonably estimated at present, and thus is not reflected in the consolidated financial statements for the fiscal year under review.

Notes concerning consolidated statement of income

1. Details of other income

Profits on sale of property, plant and equipment	¥4,900	million
Rent income on property, plant and equipment	¥1,179	million
Other	¥2,520	million
Total	¥8,599	million

2. Details of other expenses

Structural reform expenses	¥5,460	million
Impairment loss on property, plant and equipment	¥49,179	million
Other	¥7,469	million
Total	¥62,108	million

The main component of the impairment loss recognized in the fiscal year under review was an impairment loss of ¥42,581 million due to a decline in the profitability of Magnetic Materials and Applications in line with changes in the business environment for the rare earth magnet business in the Magnetic Materials and Applications / Power Electronics segment. The impairment loss on property, plant and equipment (mainly machinery) was ¥22,479 million, while the impairment loss on goodwill and intangible assets was ¥20,102 million, and the carrying amounts of the aforementioned assets have been reduced to their recoverable amounts. The recoverable amount is measured based on the value in use, and was estimated to ¥106,313 million as at the end of the second quarter period when the impairment loss was recognized. The aforementioned value in use is calculated by discounting the future estimated cash flows to a present value using a pre-tax weighted average cost of capital of 9.6%.

Notes concerning consolidated statement of changes in equity

1. Total number of shares outstanding as of March 31, 2020
   Ordinary shares 428,904,352 shares

2. Dividends paid during the fiscal year ended March 31, 2020
   (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 27, 2019	Ordinary shares	7,269	Retained earnings	17.0	March 31, 2019	May 29, 2019
Board of directors' meeting on October 29, 2019	Ordinary shares	5,558	Retained earnings	13.0	September 30, 2019	November 29, 2019

(2) Dividends whose record date is during the fiscal year ended March 31, 2020, 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, 2020	Ordinary shares	5,558	Retained earnings	13.0	March 31, 2020	June 30, 2020

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, 2020 are as follows:

(Unit: Millions of yen)

	Carrying amounts	Fair values
Cash and cash equivalents	42,353	42,353
Trade receivables	157,732	157,732
Financial assets measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Put options	6,061	6,061
Non-current		
Securities	1,883	1,883
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Non-current		
Securities (*1)	9,131	9,131
Financial assets measured at amortized cost		
Current		
Short-term loans receivable	13	13
Current portion of long-term receivables		
Current portion of long-term loans receivable	2	2
Non-current		
Other debt instruments	1,368	1,368
Long-term loans receivable	637	637
Trade payables	126,640	126,640
Financial liabilities measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Interest rate swap contract	101	101
Non-current		
Derivatives		
Interest rate swap contract	77	77
Financial liabilities measured at amortized cost		
Current		
Short-term debt	53,048	53,048
Current portion of long-term debt		
Current portion of long-term borrowings	47,507	47,621
Current portion of corporate bonds payable	20	20
Lease liabilities (*2)	3,726	3,726
Non-current		
Long-term debt		
Long-term borrowings	30,346	30,513
Bonds	39,892	40,018
Lease liabilities (*2)	13,047	13,047

*1 Securities measured at FVTOCI are equity instruments.

*2 Since the fair value of lease liabilities 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	¥1,216.92
2. Loss per share attributable to shareholders of the parent company	(¥88.05)

Notes of additional information

In the fiscal year under review, when performing the accounting required for estimates for future cash flows and future taxable profits, such as the impairment testing of non-financial assets and the evaluation of the relative likelihood of achieving deferred tax assets, the Group's circumstances vary by segment and geographic region on account of the broad range of business activities conducted globally. However, the current stalling of economic activity in Japan and overseas on account of the COVID-19 outbreak is assumed to recover in the medium- to long-term.

Although the Company deems that those assumptions are the best estimates as of the end of the fiscal year under review, if those effects are further prolonged or magnified beyond existing assumptions, important accounting estimates and decisions, such as the evaluation of the relative likelihood of achieving non-financial assets and deferred tax assets, may be affected.

4 Non-Consolidated Statement of Changes in Net Assets (Fiscal year ended March 31, 2020)

(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, 2019	26,284	36,699	91,777	128,476	6,571	193	1,214	44,580	173,496	226,054
Changes during the fiscal 2019										
Provision for special depreciation						36			(36)	–
Reversal of reserve for special depreciation						(64)			64	–
Reversal of reserve for advanced depreciation of fixed assets							(19)		19	–
Cash dividends									(12,827)	(12,827)
Net loss for the fiscal 2019									(18,622)	(18,622)
Acquisition of treasury stock										
Disposal of treasury stock			0	0						
Net increase/decrease during the fiscal 2019 of non shareholders' equity items										
Total increase/decrease during the fiscal 2019	–	–	0	0	–	(28)	(19)	–	(31,402)	(31,449)
Balance as of March 31, 2020	26,284	36,699	91,777	128,476	6,571	165	1,195	44,580	142,094	194,605

	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, 2019	(1,157)	379,657	(23)	4	(19)	379,638
Changes during the fiscal 2019						
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 loss for the fiscal 2019		(18,622)				(18,622)
Acquisition of treasury stock	(4)	(4)				(4)
Disposal of treasury stock	0	0				0
Net increase/decrease during the fiscal 2019 of non shareholders' equity items			(54)	(4)	(58)	(58)
Total increase/decrease during the fiscal 2019	(4)	(31,453)	(54)	(4)	(58)	(31,511)
Balance as of March 31, 2020	(1,161)	348,204	(77)	0	(77)	348,127

5 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 cost method or the gross average cost 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 the non-consolidated balance sheet

(1) Accumulated depreciation on tangible fixed assets: ¥430,205 million

(2) Guarantee obligations, etc.

・Guarantee obligations ¥2,723 million

・Others

The Company discovered conduct including the misrepresentation of test results in the inspection reports submitted to customers of some specialty steel products and the magnetic material products (ferrite magnets and rare earth magnets) manufactured by the Company and its subsidiaries. The Company has reported the inappropriate conduct to each customer and while continuing to hold discussions on countermeasures, it has established a special investigation committee to investigate the related facts and the root cause. Depending on the outcome of the investigation by the special investigation committee, etc., future financial position and business performance may be affected. However, the amount of the impact is difficult to be reasonably estimated at present, and thus is not reflected in the non-consolidated financial statements for the fiscal year under review.

(3) Accounts payable and receivable – affiliates

Accounts receivable-trade:	¥53,653 million
Accounts receivable-other:	¥31,727 million
Short-term loans receivable:	¥27,170 million
Group pooling long-term loans receivable:	¥9,528 million
Accounts payable-trade:	¥17,917 million
Accounts payable-other:	¥6,349 million
Short-term debt:	¥28,658 million

3. Notes concerning the non-consolidated statement of income

(1) Transactions with affiliates

Net sales:	¥237,753 million
Purchase of goods:	¥198,467 million
Other transactions:	¥19,613 million

(2) Impairment loss

The main component of the impairment loss recognized in the period under review were impairment losses of ¥15,867 million due to a decline in the profitability of Magnetic Materials and Applications in line with changes in the business environment for the rare earth magnet business in the Magnetic Materials and Applications / Power Electronics segment. The impairment loss on Property, plant and equipment (mainly machinery) was ¥15,804 million, while the impairment loss on Intangible assets was ¥63 million, and the carrying amounts of the aforementioned assets have been impaired to their recoverable amounts. The recoverable amount is measured based on the value in use, and was estimated to ¥20,753 million as at the end of the second quarter period when the impairment loss was recognized. The aforementioned value in use is calculated by discounting the future estimated cash flows to a present value using a pre-tax weighted average cost of capital of 9.6%.

(3) Loss on structural reform

Loss on structural reform of ¥2,764 million mainly consists of special termination benefits for employees taking the early retirement, which was implemented as an emergency performance measure.

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

Number of treasury stock as of the balance sheet date: 1,337,583 shares of common stock

5. Notes concerning tax effect accounting

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

Deferred tax assets		
Accrued bonuses:	¥1,392	
Allowance for doubtful accounts:	¥1,460	
Provision for retirement benefits:	¥8,008	
Contribution of securities to retirement benefit trust:	¥1,913	
Impairment loss:	¥856	
Accounting depreciation in excess of tax depreciation:	¥11,078	
Cost difference adjustment	¥619	
Loss on devaluation of investment securities:	¥3,715	
Gain (loss) on sales of securities:	¥5,490	
Net operating loss carry-forwards:	¥538	
Other:	¥4,702	
Deferred tax assets – Subtotal:	¥39,771	Million
Valuation allowance:	(¥14,197)	
Deferred tax assets – Total:	¥25,574	Million
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets:	(¥772)	
Provision for special depreciation:	(¥72)	
Prepaid pension cost:	(¥1,507)	
Valuation gain – land:	(¥1,270)	
Stocks of subsidiaries:	(¥676)	
Other:	(¥136)	
Deferred tax liabilities – Total:	(¥4,433)	million
Deferred tax assets – Net:	¥21,141	million

(Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)
With regard to the transition to the Group Tax Sharing System established under the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the taxation system to each separate entity was revised in line with the transition to the Group Tax Sharing System, in accordance with the treatment of Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Solution No. 39, March 31, 2020), the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) are not applied, and the amounts of deferred tax assets and deferred tax liabilities are in accordance with the provisions of the Tax Act before the revision.

6. Notes concerning fixed assets used in leases

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

7. Notes concerning transactions with related parties

7.1. Transactions with related parties

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

Type	Name	Address	Capital or investment (millions of yen)	Business domain or occupation	Voting rights etc. held by or in the Company (%)	Relationship with related parties	Transaction	Transaction amount (millions of yen)	Account	Term-end balance (millions of yen)
Parent Company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	459,863	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	Debt under the Hitachi Group Pooling Scheme *1, 2	Repayment 6,541 *3	Short-term debt	1,183

(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	75,929	Accounts receivable-trade	20,942
							Debt and loan under the Company Pooling Scheme *2, 3	Repayment 1,538 Borrowings 8,248 *4	Short-term debt	8,248
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 2,567 *4	Short-term debt	11,391
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	57,371	Accounts payable-trade	5,508
							Purchase of materials as an agent, etc. *1	40,181	Accounts receivable -other	15,819
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 11,423	Short-term loans receivable	10,883
									Long-term loans receivable	5,442

(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.

7.2. Notes concerning the parent company or significant affiliates

Parent company information

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

8. Notes concerning per-share information

(1) Net assets per share: ¥814.20

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

Total net assets as per non-consolidated balance sheet	¥348,127 million
Net assets attributable to common stock	¥348,127 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	1,337,583 shares
Number of common stock used as basis of calculation of net assets per share	427,566,769 shares

(2) Net loss per share for the period under review: (¥43.55)

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

Net loss for the period under review as per non-consolidated statement of income	(¥18,622) million
Amounts not attributable to common stockholders	– million
Net loss for the period attributable to common stock	(¥18,622) million
Average number of common stock outstanding during the period	427,568,334 shares

9. Notes of additional information

In the fiscal year under review, when performing the accounting required for estimates for future cash flows and future taxable profits, such as the impairment of fixed assets and the evaluation of the recoverability of deferred tax assets, the Company’s circumstances vary by segment and geographic region on account of the broad range of business activities conducted globally. However, the current stalling of economic activity in Japan and overseas on account of the COVID-19 outbreak is assumed to recover in the medium- to long-term.

Although the Company deems that those assumptions are the best estimates as of the end of the fiscal year under review, if those effects are further prolonged or magnified beyond existing assumptions, important accounting estimates and decisions, such as the evaluation of the recoverability of fixed assets and deferred tax assets, may be affected.