

**Hitachi Metals Group**

# **CSR Detailed Activity Report 2021**

**Published: December 2021**

## Table of Contents

About This Document.....	1	(2) Promoting Diversity .....	42
Disclaimer .....	1	(3) Occupational Health and Safety .....	43
Hitachi Metals Group Codes of Conduct .....	2	(4) Human Resources Training .....	44
I. Message from the Management .....	6	(5) Employee Benefits and Welfare .....	45
II. About the Hitachi Metals Group .....	7	(6) Life Plan Support.....	45
1. Corporate Profile .....	7	4. Responsibility to Shareholders and Investors.....	46
2. Consolidated Operating Performance .....	7	(1) Shares and Shareholders.....	46
3. Business Bases.....	7	(2) Basic Policy on Profit Allocation.....	46
4. Business Domains and Major Product Applications.....	8	(3) Information Disclosure and IR Activities .....	46
III. Corporate Governance .....	9	VI. Report on Environmental Aspects .....	47
1. Basic Views .....	9	1. Environmental management.....	47
2. Overview of the Corporate Governance Structure.....	9	(1) The Hitachi Metals Group's Environmental Vision ...	47
3. Basic Views on Internal Control System and Progress of		(2) Hitachi Metals Group Basic Environmental Protection	
System Development .....	19	Policies .....	48
4. Basic Approach and Development Status Regarding		(3) The Hitachi Metals Group's Environmental	
Elimination of Antisocial Forces.....	23	Management Promotion Structure .....	49
IV. CSR Management .....	24	(4) Fiscal 2019–Fiscal 2021 Medium-Term Environmental	
1. CSR Activities at the Hitachi Metals Group.....	24	Action Plan and Fiscal 2020 Results.....	50
(1) Guidelines for CSR Activities .....	24	(5) Environmental Accounting .....	51
(2) Hitachi Metals Group Stakeholders .....	25	(6) Integrated Environmental Management System	
(3) System for Promoting CSR.....	25	(Integrated EMS <sup>*1</sup> ).....	52
(4) CSR Activity Results and Plans .....	25	(7) Environmental Auditing.....	52
(5) Economic Performance .....	29	(8) Environmental Education and Awareness Promotion.....	52
2. Compliance.....	30	(9) Environmental Management Level “GREEN21-2021”	
(1) Basic Approach.....	30	Activities .....	53
(2) Compliance Education Activities .....	30	(10) The State of External Communications about the	
(3) Compliance Audits .....	31	Environment .....	54
3. Information Protection and Management.....	32	(11) Consideration for the Preservation of Biodiversity ..	55
(1) Basic Approach.....	32	2. Environmental Consideration in Products .....	56
(2) Promotion Organization .....	33	(1) Environmentally Conscious Vision in Products and	
(3) Information System Security Measures .....	33	Services.....	56
(4) Employee Education .....	34	(2) Expansion of Key Environmentally Conscious Products	
(5) Self-audit.....	34	.....	57
(6) Protection and Respect for Intellectual Property.....	35	(3) The Hitachi Metals Group's Environment- and Energy-	
4. Respect for Human Rights and Compliance with		related Products .....	58
International Norms .....	35	3. Environmental Consideration in Manufacturing.....	61
V. Report on Social Aspects.....	36	(1) Material Balance.....	61
1. Together with Our Suppliers .....	36	(2) Climate Change Prevention.....	62
(1) Basic Policy of CSR Procurement .....	36	(3) Effective Use of Resources .....	64
(2) Response to Globalization.....	38	(4) Chemical Substance Management.....	67
2. In Cooperation with Society and the Local Community		(5) Eco-Factory Case Study.....	71
.....	39	(6) Site Data.....	72
(1) Basic Approach.....	39		
(2) Our Social Contribution Activities in Fiscal 2020.....	39		
3. Responsibility to Employees.....	42		
(1) Labor and Management Relations.....	42		

## About This Document

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### Purpose of Publication

This report is published for the purpose of comprehensive disclosure of the Hitachi Metals Group's basic approach to corporate social responsibility (CSR), and the content of its related activities.

Note: The main activities for fiscal 2020 are detailed in "The Hitachi Metals Group Report 2021 (Integrated Report)."

### Publication Date

December 2021

### The Scope of This Report

Period covered: The report focuses on fiscal 2020 (April 1, 2020 to March 31, 2021).

Organizations covered: Hitachi Metals, Ltd. and consolidated subsidiaries

Scope of recorded data: **Finance** Hitachi Metals, Ltd., 61 consolidated subsidiaries, and 9 equity method companies

**Social** Unless stated otherwise, Hitachi Metals, Ltd.

**Environment** The extent of the data on the environmental burden created by the Hitachi Metals Group is described later.

Major changes occurring within the reporting period: None applicable

### Underlying Guidelines

GRI Standards (Global Reporting Initiative)

ISO 26000: 2010 (International Organization for Standardization)

### Disclaimer

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This report contains forward-looking statements and descriptions of plans, estimates, and projections, as well as facts about the Hitachi Metals Group in the past and at present. Such statements and descriptions reflect our current assumptions and expectations of future events based on information available at present. Accordingly, they are inherently susceptible to uncertainties and changes in circumstances, and future performance and events may differ.

## Hitachi Metals Group Codes of Conduct

### Preface

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

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

### 1. Toward a Sustainable Society

- (1) We will contribute to resolving social issues by promoting innovative solutions, accelerating collaborative creation with partners and stakeholders, and further integrating social and environmental responsibility into our business activities.
- (2) We will strive to develop technologies that contribute to social development and use them with due consideration of their impact on society.
- (3) We envision a low-carbon society, a resource efficient society, and a harmonized society with nature. To this end, we will endeavor to reduce CO<sub>2</sub> emissions, use water and other resources efficiently, and minimize impacts on natural capital throughout our value chain.
- (4) As a corporate citizen, we will make efforts to build a rapport with communities and contribute to their development by working together to resolve social issues.

### 2. Sincere and Fair Business Activities

#### 2.1 Fair Trading

- (1) To ensure fair and open competition, we will observe the fundamental rules of trade, including domestic and overseas competition laws and regulations, and act in compliance with legislation and sound corporate ethics.
- (2) We will have no relationship whatsoever with antisocial forces anywhere in the world, and resolutely reject involvement in improper or antisocial transactions.
- (3) We will not trade shares using undisclosed information regarding the Group, affiliated companies, business partners, or customers that could affect the judgment of investors (insider information).
- (4) We strictly prohibit and will have no involvement in bribery and other corrupt business practices. We will neither give or receive gifts nor extend or accept invitations to business entertainment beyond socially accepted limits, as we recognize that such practices can foster corruption. When working with political entities, we will build and maintain sound and transparent relationships.

- (5) We will help maintain international peace and security through compliance with all applicable laws and regulations concerning import and export, and will operate appropriately according to our internal rules and policies.
- (6) We will comply with applicable laws, respect social cultures and practices, and act sincerely and fairly in countries and regions where we have operations. Furthermore, we will do so guided by international norms and standards even in areas where legislation is not adequately enforced.

## **2.2 Relationships with Suppliers**

- (1) With a global vision, and mindful of the long-term perspective, we will find qualified suppliers and build fair and equal partnerships with them, working together to build mutual understanding and trust.
- (2) In selecting suppliers, we will thoroughly review the quality, reliability, delivery time, and price of the materials they provide as well as their business stability and technological capability. We will give due consideration to their adoption of social responsibility practices, including areas such as the abolition of unfair discrimination, the elimination of child labor and forced labor, and environmental conservation.
- (3) We will not accept any personal benefits from suppliers in procurement transactions.

## **2.3 Relationships with Customers**

- (1) We will provide products and services that meet the needs and requirements of our customers, complying with relevant laws and standards and ensuring quality and safety by setting additional standards of our own where necessary.
- (2) We will communicate with customers sincerely, address defects and customer complaints quickly and in good faith, and strive to determine causes in order to eliminate them and prevent recurrence.

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

- (1) We will promote our understanding of internationally recognized human rights, and will respect and not infringe on the human rights of all those involved in our business activities.
- (2) We will implement human rights due diligence appropriate to the social circumstances of the countries and regions where we have operations and the nature of our businesses, products, and services there.
- (3) We will assess and prevent potential violations of human rights. In the event of such a violation, we will promptly take internal and external actions to correct and remedy the situation.
- (4) We will respect individual human rights in the recruitment and treatment of employees and during all other company activities. We will not engage in any acts that may impair individual dignity or discriminate on bases such as sex, sexual orientation, age, nationality, race, ethnicity, ideology, belief, religion, social status, family origin, disease, or disability.
- (5) We will hire employees in compliance with the relevant laws and regulations in each country and region, and in accordance with international norms and standards. We will not use child labor that employs children below the minimum working age or forced labor that is against the will of employees.

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

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

- (1) Prioritizing health and safety above all else, we will strive to ensure the safety of employees and the workplace. In addition, we will promote the physical and mental health of employees and their families.
- (2) We will support flexible work styles and respect diverse values, creating workplaces that provide employees with a sense of accomplishment and personal growth, and we will promote the sustainable growth of the organization and individuals.
- (3) We will invest in educational programs to help employees expand their capabilities and exercise their strengths. Supervisors will fairly and appropriately support, guide, and educate their employees to develop their abilities.

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

- (1) We will promote the ethical handling of information, so as to ensure respect for human rights and security, through the proper management of personal information based on our Personal Information Protection Policy.
- (2) We will properly manage and protect confidential information related to our business activities in compliance with domestic and international laws and regulations as well as our internal rules and policies.
- (3) In order to maintain and expand our trusting relationship with the Hitachi Metals Group's diverse stakeholders, we will disclose information openly and transparently, and respond to stakeholders responsibly through dialogue and other means of communication.

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

- (1) We will protect our own intellectual property, respect third-party intellectual property, and use both effectively for smooth business operations.
- (2) We will manage our own and third-party confidential information by importance and manage and handle it appropriately based on this ranking.
- (3) We will protect and enhance the value of the Hitachi Metals Brand, recognizing it as an important management asset.

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

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

#### **8. Crisis Management**

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

**9. Responsibilities of Employees**

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

**10. Responsibilities of Top Management**

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

Formulated: September 17, 2010

Revised: October 1, 2018

# I. Message from the Management

The Hitachi Metals Group Report 2021 Integrated Report has been created primarily to help our stakeholders, such as investors, understand how we are working to enhance our corporate value with the aim of achieving regrowth. As such, this document has compiled in a systematic fashion our medium- to long-term management strategies coupled with financial and non-financial information that is considered important for continuous growth. In a bid to achieve effective information disclosure, all departments worked closely together to consolidate and report the Group's cross-organizational approaches to various topics. This document, the Hitachi Metals Group CSR Detailed Activity Report 2021, reports in detail our environmental, social, and governance activities.

I hope that this report will provide many readers with useful information and help promote a better understanding of the activities of the Hitachi Metals Group.

Chairperson, President and CEO:

**Mitsuaki Nishiyama**



## II. About the Hitachi Metals Group

### 1. Corporate Profile

<b>Corporate Name</b>	Hitachi Metals, Ltd.
<b>Established</b>	April 10, 1956
<b>Head office</b>	2-70, Konan 1-chome, Minato-ku, Tokyo 108-8224, Japan
<b>Representative</b>	Chairperson, President and CEO: Mitsuaki Nishiyama
<b>Share capital</b>	¥26,284 million (As of March 31, 2021)
<b>Number of Employees</b>	Hitachi Metals, Ltd., Non-consolidated: 6,623 Hitachi Metals Group, Consolidated: 28,620 (As of March 31, 2021)
<b>Products and businesses</b>	Manufacture and marketing of metallic materials and advanced components and materials
<b>Group companies</b>	61 consolidated subsidiaries (23 in Japan, 38 outside Japan) Nine equity method companies (five in Japan, four outside Japan) (As of March 31, 2021)

### 2. Consolidated Operating Performance

	FY2019	FY2020
Revenues	¥881,402 million	¥761,615million
Adjusted operating income*	¥14,383 million	(¥4,977million)
IFRS operating income	(¥39,126 million)	(¥49,213million)
Total assets	¥977,766 million	¥972,249 million
Interest-bearing debt	¥187,586 million	¥195,318 million
Total equity	¥522,853 million	¥492,118 million
Capital expenditure	¥54,019 million	¥28,806 million
R&D expenses	¥15,918 million	¥14,475 million

Note: Adjusted operating income: Revenues – Cost of sales – Selling, general and administrative expenses

### 3. Business Bases

Please see the following links on the Hitachi Metals website.

**WEB** Main Sales Bases

<http://www.hitachi-metals.co.jp/e/corp/bases01.html>

**WEB** Major Operation Bases / R&D Bases


















<http://www.hitachi-metals.co.jp/e/corp/bases02.html>

**WEB** The Hitachi Metals Group

<http://www.hitachi-metals.co.jp/e/corp/corp08.html>

## 4. Business Domains and Major Product Applications

The Hitachi Metals Group specializes in the development of high-performance materials. Leveraging this expertise, we supply materials and products mainly to customers in the industrial infrastructure-, automotive-, and electronics-related segments.

	Business Segments	Industrial Infrastructure	Automobiles	Electronics
Advanced Metals Division	Specialty Steel Products	 Turbine cases  Rolls for steel mills	 Molds and tool steel	Specialty  CVT belt materials  Clad metals  Lead frame materials
	Functional Components and Equipment	 Piping components Pipe fittings	 Automotive casting Cast iron products  Polyethylene gas piping systems	 "HERCUNITE"™ heat-resistant cast components
Advanced Components and Materials Division	Magnetic Materials and Applications / Power Electronics	 "NEOMAX"® neodymium magnets	Magnetic materials  "NMF"® ferrite magnets	 Silicon nitride substrate
	Wires, Cables, and Related Products	 Electrical wire for rolling stock	 Cables for FA/industrial robots	Power electronics  "Metglas"® amorphous metals
			Electric wires and cables  Automotive components Harnesses for electric parking brakes	

# III. Corporate Governance

## 1. Basic Views

The underlying basis for corporate governance at Hitachi Metals (the “Company”) is to ensure transparent, sound, and efficient management, meet the needs of our stakeholders, and increase corporate value. We believe increasing corporate value to be one of our most important management challenges.

Accordingly, it is imperative that we create an organizational structure in which management supervision and business execution both function effectively and are balanced. We also believe that timely, high-quality information disclosure contributes to the improvement of corporate governance. In pursuit of this philosophy, we go beyond simple financial disclosure, regularly publishing the details of individual businesses and medium-term management plans.

We acknowledge that compliance is the linchpin of corporate governance. Because of this, we must go beyond mere compliance with laws and internal regulations, extending to the role we must fulfill as a member of society while staying aware of the corporate activities that we engage in, based on respect for social ethics and morality.

The Company established the “Hitachi Metals Group Codes of Conduct” (<https://www.hitachi-metals.co.jp/e/corp/corp15.html>), which materializes the above details and serves as specific standards to guide its Directors, Executive Officers, and employees on what is the appropriate conduct.

Directors and Executive Officers are compensated for executing management that enhances the Company’s corporate value and benefits stakeholders by formulating, determining, and executing management policies from a medium- to long-term perspective, medium-term management plans, and annual business budgets, and the compensation system reflects the Company’s short-term and medium- to long-term business performance.

The Company’s corporate governance framework is established in the Corporate Governance Guidelines (the “Guidelines”) and the basic policy on the internal control system determined by the Board of Directors based on Japan’s Companies Act. An overview of this basic policy is provided in “IV. Matters Related to Internal Control System, 1. Basic Views on Internal Control System and Progress of System Development” in our Corporate Governance Report. Furthermore, the Guidelines are also provided on the Company’s website (<https://www.hitachi-metals.co.jp/e/ir/ir-csr.html>).

## 2. Overview of the Corporate Governance Structure

(Status of Supervisory System)

The Company adopts the statutory organizational structure of a company with Nominating Committee, etc. This is because we concluded that this structure would contribute to the bold and speedy execution of measures relating to the Group-wide management, such as business restructuring and strategic investments, and also that the transparency, soundness and efficiency of management would be effectively improved through strengthening the decision-making and supervisory functions by Outside Directors, who are well versed in social norms and have a broader perspective, abundant experience and in-depth knowledge, in each of the Nominating Committee, the Audit Committee and the Compensation Committee, and the Board of Directors. Under this system, five Directors (of which two are Outside Directors) have been appointed, and the Company has established the Board of Directors, Nominating Committee, Audit Committee and Compensation Committee pursuant to the provisions of the Companies Act of Japan. Furthermore, the Company has established the Board of Directors Office to assist with the execution of duties by the Board of Directors and each Committee. The Board of Directors Office has persons in charge of the Board of Directors and each Committee. The purpose, authority, names of constituent members and other details of each organ are as follows.

(1) The Board of Directors is an organ with purposes to make decisions on the Company’s business execution and supervise the execution of duties by Directors and Executive Officers, and is

authorized to decide matters provided in the Articles of Incorporation of the Company and the Board of Directors Rules as well as in laws and regulations. In fiscal 2020, the Board of Directors held a total of 16 meetings, and Directors, who had been in service during fiscal 2020, attended all the meetings held during terms of their office, received reports from Executive Officers and each Committee about the status of their execution of duties and made decisions on matters that cannot be delegated to Executive Officers pursuant to the provisions of laws and regulations and the Articles of Incorporation as well as on important matters provided in the Board of Directors Rules, and so forth.

As of the filing date of this document, the Board of Directors consists of the following five Directors (of which two are Outside Directors):

Kenichi Nishiie, Director (Chairperson of the Board)    Mitsuaki Nishiyama, Director  
Makoto Uenoyama, Director (Outside Director)        Mamoru Morita, Director  
Koichi Fukuo, Director (Outside Director)

- (2) The purpose of the Nominating Committee is to make decisions on matters relating to items concerning election and dismissal of Directors to be submitted at a General Meeting of Shareholders. The Committee is authorized to decide such matters as well as to designate persons to be entitled to convene a Board of Directors meeting and persons to report about the status of the Committee's execution of duties to the Board of Directors from among its Committee members, and others. In fiscal 2020, the Nominating Committee held a total of six meetings, and Directors, who had been in service during fiscal 2020, attended all the meetings held during terms of their office, determined candidates for Directors and reviewed the executive officer system, and discussed the succession plan for corporate managers, and so forth.

As of the filing date of this document, the Nominating Committee consists of the following three Directors (of which two are Outside Directors):

Koichi Fukuo, Director (Chairperson/Outside Director)  
Makoto Uenoyama, Director (Outside Director)  
Mitsuaki Nishiyama, Director

For policies and procedures of the Nominating Committee in determining candidates for Directors, please refer to "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information," "1. Basic Views," "[Disclosure Based on the Principles of Japan's Corporate Governance Code]," "[Principle 3-1] Full Disclosure" (iv) in our Corporate Governance Report. The Corporate Governance Report is available from the Company's website (<https://www.hitachi-metals.co.jp/e/ir/ir-csr.html>).

- (3) The purposes of the Audit Committee are to audit the execution of duties by Directors and Executive Offices and resolve issues such as matters relating to items concerning appointment, dismissal and non-reappointment of the Accounting Auditor to be submitted at a General Meeting of Shareholders, in order for the Company's business to be operated lawfully and properly. The Committee is authorized to resolve such issues as well as to determine policies for determination to dismiss or not to re-appoint the Accounting Auditor; nominate persons to be entitled to convene a Board of Directors meeting from among its Committee members; and others. Moreover, under the Article 405 of the Companies Act of Japan, the Audit Committee is also authorized to appoint Committee members to be entitled to request reports about the business and matters relating execution of duties of the Company or its subsidiaries, and to investigate the status of their business operations and assets. For the status of the Audit Committee's activities and others, please refer to "(Status of the Audit Committee as an Audit Organization)" later in this document.

As of the filing date of this document, the Audit Committee consists of the following three Directors (of which two are Outside Directors).

Makoto Uenoyama        Director (Chairperson/Outside Director)  
Koichi Fukuo            Director (Outside Director)  
Kenichi Nishiie         Director

(4) The purpose of the Compensation Committee is to determine the compensation and its details for each Director and Executive Officer. The Committee is authorized to decide such matters as well as to determine policy on the determination of compensation, etc., for each Director and Executive Officer; designate persons to be entitled to convene a Board of Directors meeting and persons to report about the status of the Committee's execution of duties to the Board of Directors from among its Committee members; and others. In fiscal 2020, the Compensation Committee held a total of six meetings, and Directors, who had been in service during fiscal 2020, attended all the meetings held during terms of their office to determine policy on the determination of compensation, etc., for each Director and Executive Officer, and the compensation and the details of their individual compensation based on that policy.

As of the filing date of this document, the Compensation Committee consists of the following three Directors (of which two are Outside Directors).

Koichi Fukuo                      Director (Chairperson, Outside Director)

Makoto Uenoyama              Director (Outside Director)

Mitsuaki Nishiyama          Director

For policies and procedures of the Compensation Committee in determining compensation for Directors and Executive Officers, please refer to "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information," "1. Basic Views," "[Disclosure Based on the Principles of Japan's Corporate Governance Code]," "[Principle 3-1] Full Disclosure" (iii) in our Corporate Governance Report. The Corporate Governance Report is available from the Company's website (<https://www.hitachi-metals.co.jp/e/ir/ir-csr.html>).

(Status of Business Execution System)

Regarding business execution, the Board of Directors delegates a great deal of decision-making authority concerning business execution to the 11 executive officers (10 males and one female) to achieve prompt decision-making. The Company has established the Executive Committee to ensure that the Chairperson makes decisions on and executes business operations in compliance with laws and regulations and the Articles of Incorporation, and does so efficiently. The Committee deliberates on important matters related to the business delegated from the Board of Directors to the Chairperson, and then the Chairperson makes decisions regarding the matters. The Executive Committee consists of 11 executive officers, as listed below.

Mitsuaki Nishiyama	Representative Executive Officer; Chairperson, President and CEO
Hiroaki Nishioka	Representative Executive Officer; Vice President and Executive Officer
Naohiko Tamiya	Vice President and Executive Officer
Kazuya Murakami	Vice President and Executive Officer
Ryoichi Aita	Executive Officer
Yoshie Asaki	Executive Officer
Toru Taniguchi	Executive Officer
Hisaki Masuda	Executive Officer
Kenji Minegishi	Executive Officer
Hajime Murakami	Executive Officer
Toru Yamamoto	Executive Officer

#### (Status of Internal Audit Organization)

The Company has the Internal Auditing Office (with nine dedicated staff members) that is in charge of internal audits. 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 on-site audits on the status of execution of the Company's offices and subsidiaries in Japan and overseas and business management over the course of three years in principle and also collaborates with the Audit Committee and the Accounting Auditor to promote tripartite cooperation in tripartite audit function. In addition to these audits, a special audit may be conducted upon special request, etc. of the Chairperson. The Internal Auditing Office also reports to the Chairperson and the Audit Committee its audit implementation plans in advance, and report the audit results mostly once in a month. In addition, the Internal Auditing Office holds an audit report meeting mostly once in a month to the person in charge of business at the respective business division and each department of the corporate division, and suggests those departments to implement improvements. If necessary, it also carries out on-site audits in collaboration with divisions in charge of the environment, safety, information systems and risk compliance within the Company.

#### (Status of the Audit Committee as an Audit Organization)

The Audit Committee is in charge of auditing business execution by Directors or Executive Officers in accordance with laws and regulations or the Articles of Incorporation, the appropriateness of management's judgments, the adequacy of internal control systems, and accounting audit. The execution of duties by the Audit Committee is assisted by a person in charge of the Audit Committee at the Board of Directors Office. To ensure independence from Executive Officers, the person in charge of the Audit Committee does not concurrently serve in any position at any other business operating division. The Audit Committee formulates annual auditing policies and audit implementation plans, and performs audits based on said policies and plans by hearing reports on important items and having Audit Committee members visit each facility, etc., and each subsidiary to conduct audits as regular audits. In addition, the Audit Committee conducts special audits if it finds possibility of violations of laws and regulations or the Articles of Incorporation by the Directors or the Executive Officers.

In fiscal 2020, the Audit Committee held a total of 13 meetings, and all the Committee members attended all the meetings. Main agendas for the Audit Committee meetings were as shown below. The Audit Committee engaged in essential discussions and actively discussed governance and management issues.

- (i) Reporting and discussions on the Accounting Auditor's audit plans, the results of its quarterly review, and its audit results
  - (ii) The Internal Audit Division's audit policies and plans, reporting on the results of respective internal audits, and reporting and discussions on the status of follow-up on the management and operational challenges identified over the course of internal audit
  - (iii) Policies and plans for promoting internal control over financial reporting; reporting on the results of evaluation on the effectiveness of internal control (three times); and discussion towards improving the effectiveness on internal control and business management
  - (iv) Reporting on challenges that business execution divisions currently face and the status of their efforts to address such challenges, and discussions towards improving the corporate governance
- Also, the Audit Committee conducts a pre-review of materials concerning the important agendas for the Board of Directors meetings to ensure effective discussions.

Further, all the Audit Committee members who are Outside Directors engage in an exchange of opinions with the President twice a year to align their recognitions about the challenges, etc. that the Company currently faces.

The Chairperson of the Audit Committee and full-time Audit Committee members engage primarily in the following activities:

- (i) Audit the business report, verify the financial statements, etc., hearing from the Accounting Auditor on procedures and views about important issues, and report to the Audit Committee on findings concerning the business report and views on the Accounting Auditor's auditing
- (ii) Conduct on-site audits of the Group's facilities and subsidiaries based on the audit implementation plans stated above; report the issues detected through such on-site audits to the Internal Audit Division and the Accounting Auditor; and report challenges in the context of corporate governance to the Board of Directors

Through a wide range of activities mentioned above, the full-time Audit Committee members have been committed to strengthening the Company's internal control and improving the quality of business execution. Of the Audit Committee members, Mr. Makoto Uenoyama has served as director in charge of accounting and finance at Panasonic Corporation; and Mr. Kenichi Nishiie has experience having worked in the audit division of the Company and the finance division of the Company's subsidiary in the past. Based on such facts, each member above has a substantial expertise in finance and accounting.

#### (Status of the Accounting Auditor)

Certified public accountants who conducted accounting audits for the Company in fiscal 2020 were Mr. Takashi Ouchida, Engagement partner, and Mr. Teruyasu Omote, Engagement partner, from Ernst & Young ShinNihon LLC. The consecutive number of years they have audited has not exceeded seven years. Under the direction of said certified public accountants, as necessary, certified public accountants, certified public accountant assistants, and other personnel from Ernst & Young ShinNihon LLC assisted with the execution of accounting audit duties. Eight certified public accountants and 35 other personnel assisted with the Company's accounting audit duties.

#### (Cooperation among Audit Committee, Accounting Auditor, and Internal Audit Division)

The Audit Committee (1) receives explanations about audit implementation plans from the Accounting Auditor and carries out a discussion on and adjustments to the detail as needed, (2) receives reports on audit results and engages in an exchange of opinions with the Accounting Auditor, and (3) receives reports from the Accounting Auditor in cases where, as for the performance of duties by Executive Officers, they find any significant evidence of wrongful act or violation of related laws and regulations, or the Articles of Incorporation in the course of performing their duties. The Audit Committee also receives reports on audit implementation plans and periodic reports from the Internal Audit Division. In addition, to promote coordination with audits performed by the Audit Committee, the Audit Committee may instruct the Internal Audit Division to (1) conduct a special audit for any division that the Audit Committee deems necessary and (2) set key audit items for audits performed by the Internal Audit Division. As specified by the Board of Directors, for matters required for the Audit Committee to execute its duties, the Internal Auditing Office of the Internal Audit Division shall assist the Audit Committee in executing its duties in accordance with the Committee's instructions. Furthermore, the Internal Auditing Office is also in charge of assessment of internal control and reports the status to the Audit Committee. Moreover, besides the Internal Audit Division, the corporate divisions, etc. in charge of finance, compliance, risks, and other areas also play certain roles in internal control and report the status of performance of their duties to the Audit Committee. The Company regards "promotion of tripartite audit function" as a paramount theme for the audit and supervision functions. The Audit Committee, the Accounting Auditor, and the Internal Audit Division mutually share information on issues detected by each of them, and the Company promotes a "mutual check and balance system and mutual evaluation," taking a step further from a one-way evaluation from the Company to the Accounting Auditor based on the evaluation standards for Accounting Auditors. Notably, the Company considers the function of detecting risks by the Accounting Auditor as an external agency is particularly important in the entire risk detecting process of the Group. To strengthen the said function, the mutual evaluation is implemented between the Accounting Auditor and the Company's finance division or the Internal Audit Division or the Audit Committee, respectively. Specifically, based on the evaluation standards for accounting auditors defined by the Audit Committee,

the Audit Committee performs a comprehensive evaluation considering the following major factors evaluated by the Company: the Accounting Auditor's communications with the Audit Committee, the senior management, the Internal Audit Division and others; audit quality control system; audit plans; audit team; audit reports and quarterly review reports; and consistency between audit plans and audit hours as a basis of determining the amount of auditing compensation. The Accounting Auditor, on the other hand, evaluates basic operations of the finance division, the Internal Audit Division, and the Audit Committee of the Company, handling of audit requirements, cooperation, risk recognition, activity status, resources and other factors, and reports the results to the relevant counterparties. The Company utilizes the above feedback to strengthen the Company's functions. In addition, the Company carries out mutual evaluations between the finance divisions of the Company's facilities or subsidiaries and the Accounting Auditor.

#### (Functions and Roles of Outside Directors)

Two out of five Directors of the Company, Mr. Makoto Uenoyama and Mr. Koichi Fukuo are Outside Directors. The Outside Directors carry out activities as constituent members of the Board of Directors and as members (and as Chairperson after the 84th Ordinary General Meeting of Shareholders) of each of the Nominating Committee, Audit Committee, and Compensation Committee. The Outside Directors are considered to be well versed in social norms and to have abundant experience and in-depth knowledge. They are also considered to be able to contribute to the strengthening of the decision-making function and supervisory function as well as the improvement of efficiency in the Company's management through applying their broader perspective.

Furthermore, with respect to the Tender Offer for the Company's common stock by K.K. BCJ-52 and the decision to implement a series of transactions related to the Tender Offer, from the standpoint of increasing corporate value and benefitting general shareholders, Outside Directors fulfill their roles expected by the Company as members of the Special Committee by examining and determining the pros and cons of the transactions, the appropriateness of the terms of the transactions, and the fairness of the procedures, including the process of selecting the purchaser (partner), etc., from a more objective perspective.

#### (Independence of Outside Directors)

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

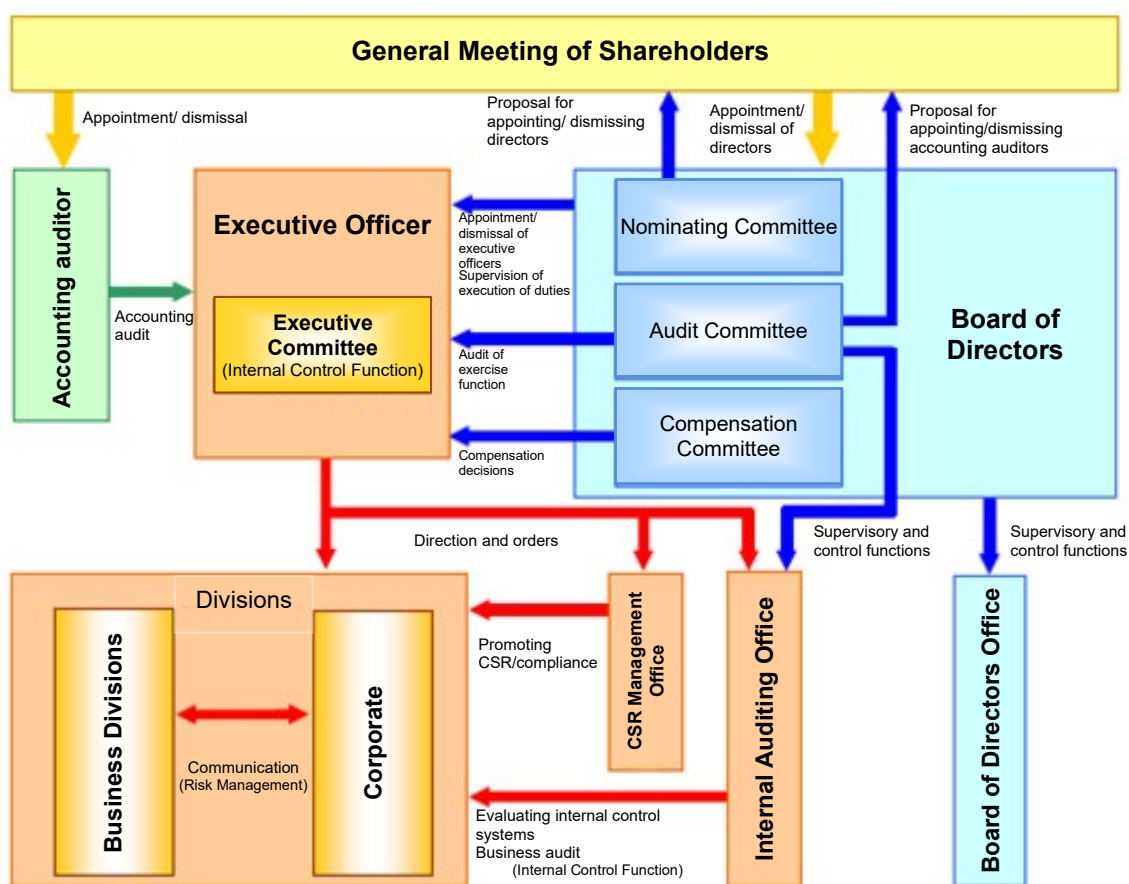
- (1) a person who has received or who serves or has served within the last one year as an executing person (that is, an executive director, executive officer or employee; hereinafter the same) of a corporation that has received from the Company a payment of 2% or more of the entity's consolidated annual 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 yen 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 yen or more, or 2% or more of that organization's annual gross revenues or ordinary income, whichever amount is higher, during the most recent fiscal year;



- (5) a person who serves or has served within the last one year as an executing person or a non-executive director of a parent company of the Company;
- (6) a person who serves or has served within the last one year as an executing person of a 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 items of the following:
  - 1) who falls under the items of the above (1) through (6);
  - 2) who is, or has been within the last one year, an executing person of a subsidiary of the Company;
  - 3) who is an executing person or non-executive director of a parent company of the Company;
  - 4) who is an executing person of a sister company of the Company;
  - 5) 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.

All Outside Directors qualifying as Independent Directors are designated by the Company as Independent Directors.

## Corporate Governance Structure



### (Compensation for Directors and Executive Officers)

The Basic Policy on the Determination of Compensation, etc., for each Director and Executive Officer set forth by the Compensation Committee is as follows:

- (1) Directors and Executive Officers assuming the management of the Company are compensated for executing management that enhances the Company's corporate value and the benefits of stakeholders, such as shareholders, by determining management policies from a long-term perspective, and formulating and executing medium-term management plans and annual business budgets.
- (2) The compensation system shall be commensurate with roles and responsibilities of each Director and Executive officer. Compensation for Directors shall be such that it enables them to exercise functions of supervision of management effectively. Compensation for Executive Officers shall reflect the Company's short-term and medium- to long-term business performance and appropriate compensations shall be paid for outstanding achievements in order to motivate Executive Officers to exercise their respective management capabilities, or management know-how and skills to achieve satisfactory results.
- (3) 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. The Compensation Committee utilizes outside experts to gain expert advice and an objective viewpoint, if necessary, for deciding the details and amounts of compensation.

The "Basic Policy on the Determination of Compensation, etc., for each Director and Executive Officer" was revised at the meeting of the Compensation Committee held on May 13, 2021. As a result, the amount of compensation presented in "Supplementary Explanation" in "Compensation for Directors and Executive Officers" in the Corporate Governance Report was paid based on the policy prior to revision. The details of the policy prior to revision are as follows:

- (1) Directors and Executive Officers assuming the management of the Company are compensated for executing management that enhances the Company's corporate value and benefits stakeholders such as shareholders by determining management policies from a long-term perspective, and formulating and executing medium-term management plans and annual business budgets.
- (2) In order to motivate Directors and Executive Officers to exercise their respective management capabilities, know-how and skills to achieve satisfactory results, the compensation system shall reflect the Company's short-term and medium- to long-term business performance and appropriate compensations shall be paid for outstanding achievements.
- (3) Compensation paid by the Company consists of a base compensation and a term-end bonus.
  - 1) Base compensation: Determined individually as consideration for the degree of responsibility for Company management as Director and/or Executive Officer and for the performance of duties utilizing their extensive experience, knowledge, insight, specialized management skills, etc., acquired from past experience. In order to secure appropriate human resources for the positions of Director and Executive Officer, compensation levels should be comparable to those of other companies.
  - 2) Term-end bonus: Linked to the business performance of the Company. If it is found that an executive officer has been engaged in misconduct during his/her term of office, the Company demands, as necessary, return of paid compensation from the executive officer.

Total amount of compensation, etc. by each category of position, total amount of compensation, etc. by type and number of recipients disclosed in the annual securities report for the 84th business term (from April 1, 2020 to March 31, 2021) are as follows:

Category of Position	Total amount of Compensation, etc.	Base Compensation	Term-end Bonus	Number of Recipients
Directors (excluding Outside Directors)	¥46 million	¥39 million	¥7 million	5
Executive Officers	¥354 million	¥276 million	¥78 million	17
Outside Directors	¥62 million	¥54 million	¥8 million	3

Notes:

1. Directors with concurrent post as Executive Officers are compensated as Executive Officers but not as Directors.
2. The base compensation for full-time Directors and Executive Officers was reduced as an emergency measure to improve business performance from October 2020 to March 2021. It was also reduced in relation to the matter of misconduct regarding the quality of products of the Company and its subsidiaries from January 2021 to March 2021.
3. Compensation received as a member of the Special Committee, which consists of four members: three Independent Outside Directors, Mr. Makoto Uenoyama, Ms. Toshiko Oka (retired from the position of Director of the Company as of June 18, 2021), and Mr. Koichi Fukuo, who are independent of the Tender Offeror, Hitachi, Ltd. and the Company, and one outside expert for the purpose of eliminating arbitrariness in the Company's decision-making process, examining and determining the pros and cons of the transactions, the appropriateness of the terms of the transactions, and the fairness of the procedures, including the process of selecting the purchaser (partner), etc., in the decision to implement a series of transactions related to the Tender Offer for the Company's common stock by K.K. BCJ-52, was added to the amount of base compensation for Outside Directors in the chart above. Ms. Toshiko Oka resigned as a member of the Special Committee on March 26, 2021, at her own request, from the perspective of avoiding any suspicion of a conflict of interest and ensuring the fairness of the transactions since there are concerns over conflicts of interest with the company for which she concurrently serves as Director.

(Special Circumstances Which May Have Material Impact on Corporate Governance)

The Company is a member of the Hitachi Group, centered around Hitachi, Ltd., the parent company. Within the Hitachi Group, the parent company and the listed subsidiaries all share the common objective of improving the Group's overall value through strengthening the competitiveness of each company, and the listed subsidiaries are able to reap the benefits derived through participating in measures contributing to the strengthening of the business base. Moreover, with respect to management relating to listed subsidiaries, so that each company's autonomy and originality is fully respected and the parent company's involvement in such management is limited except in cases where matters are required to be put before each company's general meeting of shareholders, the management decisions of those subsidiaries are carried out pursuant to the respective company's decision making processes. Accordingly, the Company aims to maintain close cooperation with the group companies 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.

With regard to personal relationship with Hitachi, Ltd., one Executive Officer of Hitachi, Ltd. concurrently serves as Director of the Company. The Company may encounter circumstances where, through the participation in statements of opinion and resolutions at the Company's Board of Directors, Hitachi, Ltd. could influence the determination of management policies, etc. of the Company. However, two Outside Directors, who have been designated as Independent Directors in accordance with the regulations of the stock exchange on which the Company is listed, assumed office, and a more diverse range of opinions can be reflected when carrying out deliberations at the Board of Directors; therefore, it is recognized that the Company is in a position where independent management judgments can be made. Executive Officers who execute business of the Company have not concurrently served as Director and Executive Officer of Hitachi, Ltd. With regard to the business relationship with Hitachi, Ltd., the Company does have loan agreements, etc. with Hitachi, Ltd. under the Hitachi Group Pooling Scheme, but the business activities of the Company are not heavily dependent on transactions with Hitachi, Ltd. The Company adopted the policy that regulates transactions with Hitachi, Ltd. to be fairly carried out, based on market prices.

As announced on April 28, 2021, a tender offer, etc. for the common stock of the Company by K.K. BCJ-52 (hereinafter referred to as the "Tender Offer") is scheduled in the future, and the Company expressed its opinion, as of the same date, in favor of the Tender Offer, if it is initiated. K.K. BCJ-52 intends to make the Company its wholly-owned subsidiary through the Tender Offer and a series of transactions to be conducted thereafter. As a result, the Company will be separated from the Hitachi Group and its common stock will be delisted.

(Note) K.K. BCJ-52 is a wholly owned subsidiary of G.K. BCJ-51 (the "Parent Company of Tender Offeror"), which was established on April 23, 2021 for the primary purpose of holding all of the shares of the Company as well as controlling and managing the business activities of the Company. As of April 28, 2021, the investment funds advised by Bain Capital Private Equity, LP and its group (hereinafter collectively referred to as "Bain Capital") indirectly owns all of the equity of the Parent Company of Tender Offeror; however, the Parent Company of Tender Offeror will accept investments from the funds managed, operated, and provided with information by Japan Industrial Partners, Inc. (hereinafter referred to as "JIP"), an investment fund for which Bain Capital provides investment advice, as well as the funds operated by Japan Industrial Solutions Co., Ltd. (hereinafter referred to as "JIS," the investments by those funds collectively referred to as "Investments") after the expiration date of the period for the purchase, etc. of the Tender Offer and before the commencement date of settlement for the Tender Offer. After such Investments, the funds provided with investment advice by Bain Capital, the funds managed, operated, and provided with information by JIP, and the funds operated by JIS will indirectly own the entire outstanding shares of the Parent Company of Tender Offeror.

### **3. Basic Views on Internal Control System and Progress of System Development**

The Company resolved its basic policy on the internal control system pursuant to the Companies Act at a meeting of the Board of Directors, and is now implementing this system. The specific details of this basic policy are as follows:

1. Requirements Stipulated in Ordinance of the Ministry of Justice for the Execution of Duties by the Audit Committee of the Company
  - (1) 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.
  - (2) Matters to Ensure the Independence of Directors and Employees Referred to in the Above Item (1) 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.
  - (3) 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 introduce an internal reporting system that enables persons engaged in operations for the Company, any of its subsidiaries, or any trading partner of the aforementioned companies to report illegal or improper acts of the Company or its subsidiaries (hereafter, "illegal or improper acts") through an externally established reporting channel. Upon receiving notice of receipt of a report, the person responsible for the division in charge of the internal reporting system shall promptly report the

facts to the Appointed Audit Committee Members. Moreover, the Company shall establish a system to enable the reporting of discovered illegal or improper acts directly to the Audit Committee.

- 6) The Company shall ensure that anyone who makes a report to the Audit Committee will not receive disadvantageous treatment for making the report.

(4) 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.

(5) 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 introduce an internal reporting system that enables persons engaged in operations for the Company, any of its subsidiaries, or any trading partner of the aforementioned companies to report illegal or improper acts through an externally established reporting channel. Upon receiving notice of receipt of a report, the division in charge of the internal reporting system shall investigate the related facts, and when deemed necessary, request the Company's Executive Officers to examine appropriate corrective measures, and take the necessary steps to prevent future recurrence. The Company shall also ensure that anyone who makes such a report will not receive disadvantageous treatment for making the report.
- 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

- (1) 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.

- (2) 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.

(3) 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.

(4) 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), 4) and 3. (2) 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.

(5) Systems for Reporting Matters Relating to the Execution of Duties by Directors of Subsidiaries to the Company

In addition to Items 2. 2) and 3. (3) 5), the following systems are established.

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.

- (6) 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.

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.

For compliance, based on the principle of "obeying the law and walking the path of virtue," the Company has established the "Hitachi Metals Group Codes of Conduct" as the basis for judgment and behavior that should be followed by all Hitachi Metals Group officers and employees, and we have created a "CSR Guidebook" in order to deepen understanding of compliance, which has been distributed to all officers and employees of the Group. Compliance training is regularly conducted group-wide in lecture and e-learning formats. The Company has established an internal reporting system, prioritizing the protection of whistleblowers, aimed at early detection and improvement of inappropriate problems in corporate activities, and striving to prevent recurrence. 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 fiscal 2020, as a measure to prevent the recurrence of misconduct related to quality in particular, the Company strengthened governance of the quality assurance system by appointing a Chief Quality Officer (CQO) who is a dedicated Executive Officer for quality, ensuring the independence of the Quality Assurance Division. In addition, with the aim of raising awareness and reforming behavior with an emphasis on quality, the Company disseminated messages by management executives, continued to hold town hall meetings, adopted company rules for the "Company-Wide Quality Activity Philosophy," and established quality assurance-related rules such as the "Hitachi Metals Group Corporate Ethics and Compliance Code" that complements the "Hitachi Metals Group Codes of Conduct," as well as conducting quality compliance training. Also, as a measure of strengthening the internal reporting system, the Company has newly introduced a whistleblower system in which an outside contractor serves as the collection agent for whistleblower reporting for the purpose of preventing concealment of whistleblower information by Company officers and preventing disadvantageous treatment of whistleblowers.

In April 2021, the "Quality Compliance Committee" was established as an advisory body to the Board of Directors, including outside experts as members, with the aim of strengthening future recurrence prevention measures and enhancing effectiveness of the measures. Under this committee, the Company will conduct additional verification of portions that were not completed in the investigation of the Special Investigation Committee, implement recurrence prevention measures, and verify the effects.

For 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. In addition to ongoing formulation of, training for and review of BCPs assuming large-scale of earthquake etc., the Company established a safety confirmation system for confirming the safety of employees and their families via the internet in the event of a disaster.

Continuing from the previous fiscal year, during fiscal 2020, in order to prevent the spread of COVID-19 infections, the Company worked on initiatives including working from home, thorough adherence to mask-wearing while in the office, setting maximum limits on attendance rates for each division, and managing the health of employees on a regular basis.

Regarding misconduct related to quality, the monitoring function for quality compliance risk did not function adequately, and it was unable to fully grasp the possibility of misconduct or the occurrence of misconduct as a problem, which we believe is one of the main factors for misconduct continued. Therefore, the Company has put forward strengthening monitoring related to quality compliance as one measure to prevent recurrence, and will implement the following: (1) in addition to the first line of defense, which is the internal control system for sales, development, design, and manufacturing, also review the second line of defense, which is internal audits (integrity audits) by the Corporate Quality Assurance Division, and conduct audits of the Corporate Quality Assurance Division by the Internal Auditing Office, which is the third line of defense, (2) establish a process whereby the Audit Committee expresses opinions regarding the results of the aforementioned audits by the Corporate Quality Assurance Division and the Internal Auditing Office in (1), and in the event that improvement is required, follow up on how improvement was carried out, and establish an operational system for confirmation from an objective point of view, and (3) regarding details of risk management activities conducted by the Corporate Quality Assurance Division and Chief Quality Officer (CQO), information will be regularly shared among management executives, the suitability and necessity of cross-divisional measures will be discussed, and made the subject of internal audits.

#### **4. Basic Approach and Development Status Regarding Elimination of Antisocial Forces**

The Company's policy is to take a resolute stance against antisocial forces that pose a threat to the order and safety of civil society, and cut off all ties with them. The following systems have been put in place to ensure the efficacy of this policy.

- (1) The Compliance Department will address risks involving antisocial forces, and an officer and a person in charge will be appointed for each Company's office. These people will collect and provide risk-related information, and explain response procedures for risk scenarios.
- (2) To ensure close liaison with the Tokyo Metropolitan Police Department and other police departments with jurisdiction, Tokubouren, and other external agencies, the Company will keep up visits and other links to build up information on antisocial forces. If there is the possibility of harm from such forces, the Company will promptly notify these agencies, consult with them, and act in partnership with them.
- (3) To eliminate antisocial transactions, the Company will work to enact rules on the prevention of such transactions, establish a system for the Compliance Department in all divisions to vet new trading partners, and introduce clauses for the elimination of gang activity into contracts and transaction terms. The Compliance Department will conduct internal audits to confirm the state of compliance.
- (4) To raise awareness among employees on how to handle antisocial forces, the Company distributes the Hitachi Metals Group CSR Guidebook which declares, "We absolutely refuse all contacts and demands from antisocial forces and groups," and strives to make all employees aware of the declaration.

# IV. CSR Management

## 1. CSR Activities at the Hitachi Metals Group

Since our independence from Hitachi, Ltd. in October 1956, we at Hitachi Metals have operated under our Corporate Philosophy of “Wa sureba tsuyoshi” (united by respect), and our Corporate Creed of contributing to society by being “the best enterprise.” Accordingly, we have worked to help solve social issues by utilizing our advanced technologies and capabilities.

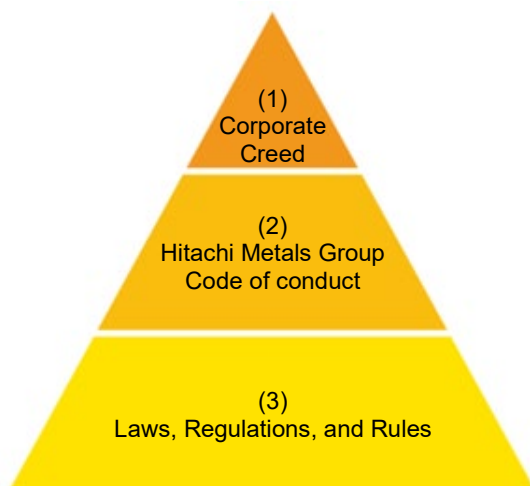
CSR management, which calls on corporations not only to pursue profitability but also to meet stakeholders’ expectations and contribute to the development of society, is literally consistent with our aspiration declared in our Corporate Creed. It is fair to say that the guiding principles of CSR are the Corporate Creed that we have embraced since our independence.

We at the Hitachi Metals Group promote CSR activities based on our Corporate Creed, aiming to contribute to society through our business operations.

### (1) Guidelines for CSR Activities

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The Hitachi Metals Group systematically established guidelines for CSR activities as follows:



- (1) The Corporate Creed governs all corporate activities of the Hitachi Metals Group. It also functions as the guiding principles of our CSR activities.
- (2) The Hitachi Metals Group Codes of Conduct defines the basis for the decision making and conduct carried out by all Hitachi Metals Group directors and employees in order to realize the Hitachi Metals WAY, based on our Corporate Creed and Corporate Philosophy, adhering to the principle of “obey the law and walk the path of virtue.” It is a declaration to society concerning in which direction our Group should move forward and it also serves as the standard of our corporate ethics.
- (3) Laws and regulations are the basic rules of corporate activity. It should be noted, however, that they stipulate minimum requirements only.

The Hitachi Metals Group aims to carry out its social responsibility and realize its Corporate Creed through the observance and implementation of laws and regulations, as well as the Hitachi Metals Group Codes of Conduct, by all Directors and employees in their daily duties.

## **(2) Hitachi Metals Group Stakeholders**

The business of the Hitachi Metals Group is materialized through engagement with stakeholders. The Hitachi Metals Group considers stakeholders strongly associated with its business activities as “customers,” “shareholders and investors,” “suppliers,” “employees,” and “society and local communities,” and develops its CSR activities by responding to requests and expectations from those stakeholders and contributing to society’s connectivity.

## **(3) System for Promoting CSR**

As the business domains of the Hitachi Metals Group have expanded rapidly on a global scale due to M&A and other activities, thorough compliance has assumed increasing importance as the management foundation that enables the Group to fulfill its social responsibility. The CSR Management Office, an organization that is independent from other corporate and business divisions, plays a central role in working with divisions involved in business activities and Group companies, in order to address compliance issues in response to the demands and expectations of stakeholders.

As an organization to achieve these goals, we have appointed a Hitachi Metals Group Risk Management Officer to supervise the compliance activities of the entire Group, and have also established compliance promotion departments at each of our business divisions and appointed risk management officers at all Group companies, thereby creating a structure that encourages business divisions and Group companies to carry out compliance activities autonomously. These departments cooperate with other corporate divisions to resolve socially important challenges such as human rights issues and environmental problems.

## **(4) CSR Activity Results and Plans**

### **(a) Framework for CSR Activities**

Every year since fiscal 2015, the Hitachi Metals Group has self-assessed its activity results for initiatives implemented against targets set by each division in the previous year. By repeating this cycle of setting and implementing road maps based on self-assessment results, the Group is continually enhancing the quality of management.

## (b) Fiscal 2020 Initiative Results and Fiscal 2021 Plans

★★★ Achieved ★★ 90% achieved ★ Not achieved

Some of the FY2020 measures (planned) have been reviewed.

FY2020 Measures (Planned)	FY2020 Measures (Results)	Self-assessment	Measures Planned for FY2021
<b>1. Organizational Governance</b>			
<ul style="list-style-type: none"> <li>Hold regular meetings regarding compliance, formulate preventative measures, and share information (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Held compliance management meetings semiannually to analyze matters related to compliance and risks involving our businesses, formulate preventative measures, and share information</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Hold regular meetings regarding compliance, formulate preventative measures, and share information (ongoing)</li> </ul>
<ul style="list-style-type: none"> <li>Conduct compliance training at the Hitachi Metals Group (ongoing)</li> <li>Conduct environmental education at the Head Office and each business site (ongoing)</li> <li>Conduct Hitachi Insights, the Hitachi Group employee satisfaction survey targeting all back-office workers (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Conducted online compliance training for all back-office workers in group companies in Japan, and provided e-learning programs regarding compliance codes for all back-office workers in group companies in Japan and overseas (participation rate: 100%)</li> <li>Implemented environmental auditor development training (once)</li> <li>Provided environmental e-learning programs (participation rate: 92%)</li> <li>Conducted Hitachi Insights, the Hitachi Group employee satisfaction survey targeting all back-office workers in September and October (7,522 employees responded on a consolidated basis)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Conduct compliance training at the Hitachi Metals Group (ongoing)</li> <li>Implement environmental auditor development training (once or more)</li> <li>Provide environmental e-learning programs (ongoing)</li> <li>Conduct Hitachi Insights, the Hitachi Group employee satisfaction survey targeting all back-office workers (ongoing)</li> </ul>
<b>2. Human Rights</b>			
<ul style="list-style-type: none"> <li>All employees receive human rights training every three years, based on the Hitachi Metals Group Human Rights Policy, according to the Hitachi Group's policies</li> </ul>	<ul style="list-style-type: none"> <li>Conducted human rights training in a planned manner throughout the entire Hitachi Metals Group (6,623 employees participated on a consolidated basis)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Conduct human rights training in a planned manner throughout the entire Hitachi Metals Group (ongoing)</li> </ul>
<b>3. Labor Practices</b>			
<ul style="list-style-type: none"> <li>Further improve operational efficiency by implementing initiatives related to the Back-office Operations Reform Project, aiming to achieve the target of increasing the total number of annual leave days used per person to 14</li> <li>Set a target rate of 50% or more for employment diversity (ongoing)</li> <li>Set a target ratio of 5% for women in career-track positions (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>At 13.6 days, failed to achieve the target for the total number of annual leave days used per person, despite expanding usage of tools for improving back-office operations to further increase operational efficiency.</li> <li>At 11%, failed to achieve the diversity employment target rate</li> <li>At 5.3% (up by 0.2% from the previous year), achieved the target ratio of women in career-track positions</li> </ul>	★★	<ul style="list-style-type: none"> <li>Further improve operational efficiency through the Back-office Operations Reform Project and consider and practice new work styles bearing in mind a post-COVID-19 society, mainly in the Head Office, regional offices, and sales offices.</li> <li>Set a target rate of 50% or more for employment diversity (ongoing)</li> <li>Set a target ratio of 5% for women in career-track positions (ongoing)</li> </ul>
<ul style="list-style-type: none"> <li>Formulate an action plan integrating the Act for Measures to Support the Development of the Next Generation and the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and proactively disclose related figures to the public (ongoing)</li> <li>Increase the ratio of women in management positions (ongoing)</li> <li>Hold Hitachi Metals Women's Forums for information exchange between women in career-track positions and strengthen coordination among them (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Formulated an integrated action plan and announced it to the public. Related figures were also disclosed as widely as possible.</li> <li>Received the <i>Eruboshi</i> certification for fiscal 2020</li> <li>At 1.5%, failed to achieve the target ratio of women in management positions</li> <li>Held Hitachi Metals Women's Forum (two online sessions targeting women in planning-related positions)</li> <li>Sent to cross-industrial exchange programs and external seminars for women in management positions</li> </ul>	★★	<ul style="list-style-type: none"> <li>Formulate an action plan integrating the Act for Measures to Support the Development of the Next Generation and the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and proactively disclose related figures to the public (ongoing)</li> <li>Increase the ratio of women in management positions (ongoing)</li> <li>Hold Hitachi Metals Women's Forums for information exchange between women in career-track positions and strengthen coordination among them (ongoing)</li> </ul>
<ul style="list-style-type: none"> <li>Exceed the legal employment rate of employees with disabilities (2.2%)</li> </ul>	<ul style="list-style-type: none"> <li>The actual figure for FY2020 was 2.27%, achieving the target</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Exceed the legal employment rate of 2.3% (raised from March 2021)</li> </ul>

3. Labor Practices			
<ul style="list-style-type: none"> <li>Confirm activities regarding Hitachi Metals Group's key health and safety measures, as well as the state of legal compliance through health and safety audits of business offices, and implement health and safety training for supervisors (ongoing)</li> <li>Conduct stress checks throughout the Hitachi Metals Group and enhance feedback (ongoing)</li> <li>Enhance measures for health management (ongoing)</li> <li>Full-scale operation of Hitachi Group accident investigation system (strengthening disaster analysis and countermeasures)</li> </ul>	<ul style="list-style-type: none"> <li>Cancelled on-site health and safety audits due to the COVID-19 situation, and conducted communication online with some offices, instead. Also, started online health and safety training.</li> <li>Continued to conduct stress checks and result feedback throughout the Hitachi Metals Group</li> <li>Major measures implemented for health management: steps taken against secondhand smoking; smoking-cessation programs; established smoking areas; and designated smoking times</li> <li>Started using the Hitachi Group accident investigation system across the Company, for the purpose of analyzing causes to prevent recurrence and improving the process to address root issues, thus enhancing the operation of the system</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Confirmed activities regarding Hitachi Metals Group's key health and safety measures, as well as the state of legal compliance through health and safety audits of business offices</li> <li>Major health and safety training implemented: specialized training programs targeting line managers and safety managers; and online video programs for employees in general</li> <li>Full-scale operation of Hitachi Group accident investigation system (strengthening disaster analysis and countermeasures)</li> <li>Conduct stress checks throughout the Hitachi Metals Group and enhance feedback (ongoing)</li> <li>Enhance measures for health management (ongoing)</li> </ul>
<ul style="list-style-type: none"> <li>Send individuals selected from among those at the general manager level to external training for executives</li> <li>Conduct training of individuals selected from among those at the manager level to develop global leaders (ongoing)</li> <li>In addition to securing a determined number of human resources by hiring new graduates, conduct midcareer hiring in the interest of personnel rotation and adjusting the age composition (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Cancelled plans for sending individuals selected from among those at the general manager level to external training for executives due to the COVID-19 situation and for other reasons (plans postponed)</li> <li>Conducted training of individuals selected from among those at the manager level to develop global leaders</li> <li>Secured a determined number of human resources by hiring new graduates. Suspended midcareer hiring during the structural reform period</li> </ul>	★	<ul style="list-style-type: none"> <li>Resume the program to send individuals selected from among those at the general manager level to external training for executives</li> <li>Conduct training of individuals selected from among those at the manager level to develop global leaders (ongoing)</li> <li>Secure a determined number of human resources by hiring new graduates. Reduce midcareer hiring to the minimum levels required.</li> </ul>
4. The Environment			
<ul style="list-style-type: none"> <li>Increase the sales ratio of key environmentally conscious products*1 (24%)</li> </ul>	<ul style="list-style-type: none"> <li>Increased the sales ratio of key environmentally conscious products (21.4%)</li> </ul>	★	<ul style="list-style-type: none"> <li>Increase the sales ratio of key environmentally conscious products (25%)</li> </ul>
<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions per production unit (6% compared to base year FY2010)</li> </ul>	<ul style="list-style-type: none"> <li>Reduced CO<sub>2</sub> emissions per production unit (-2.3% compared to base year FY2010)</li> </ul>	★	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions per production unit (7% compared to base year FY2010)</li> </ul>
<ul style="list-style-type: none"> <li>Reduce the ratio of waste and valuables generation per production unit (13% compared to base year FY2010)</li> <li>Waste landfill rate (13%)</li> </ul>	<ul style="list-style-type: none"> <li>Reduced active mass per production unit of waste/valuables generation (15.2% compared to base year FY2010)</li> <li>Waste landfill rate (10.9%)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Reduce the ratio of waste and valuables generation per production unit (14% compared to base year FY2010)</li> <li>Waste landfill rate (12%)</li> </ul>
<ul style="list-style-type: none"> <li>Reduce the ratio of chemical substance emissions per production unit (27% compared to base year FY2010)</li> </ul>	<ul style="list-style-type: none"> <li>Reduced the ratio of chemical substance emissions per production unit (34.2% compared to base year FY2010)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Reduce the ratio of chemical substance emissions per production unit (25% compared to base year FY2010)</li> </ul>
5. Fair Operating Practices			
<ul style="list-style-type: none"> <li>Conduct Compliance audits (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Accompanied internal audits done by the Auditing Office and conducted compliance audits</li> </ul>	★★	<ul style="list-style-type: none"> <li>Conduct Compliance audits (ongoing)</li> </ul>
<ul style="list-style-type: none"> <li>Disseminate the CSR Guidelines to suppliers not only in the countries and regions described at left, but also in the Asia and European regions, and conduct a survey on the status of compliance with the CSR Guidelines for suppliers in the above countries and regions</li> </ul>	<ul style="list-style-type: none"> <li>Conducted a survey on the compliance status for high-risk suppliers selected in the Asia and European regions</li> </ul>	★★	<ul style="list-style-type: none"> <li>Plan to revise the CSR Procurement Guidelines in response to progress in the implementation of human rights and environmental initiatives, and disseminate the revised Guidelines</li> </ul>

<ul style="list-style-type: none"> <li>Conduct information security education (ongoing)</li> <li>Conduct information security self-audits (ongoing)</li> <li>Make an online pledge not to retain business information on privately-owned computers (ongoing)</li> <li>Conduct targeted e-mail attack simulations (ongoing)</li> <li>Implement measures against the sending of e-mails to unintended recipients (ongoing)</li> <li>Comply with personal information protection laws in relevant countries, including the EU General Data Protection Regulation (GDPR) (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Conducted information security education</li> <li>Conducted information security self-audits</li> <li>Make an online pledge not to retain business information on privately-owned computers</li> <li>Conducted targeted e-mail attack simulations</li> <li>Implement measures against the sending of e-mails to unintended recipients (ongoing)</li> <li>Comply with personal information protection laws in relevant countries, including the EU General Data Protection Regulation (GDPR)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Conduct information security education (ongoing)</li> <li>Conduct information security self-audits (ongoing)</li> <li>Make an online pledge not to retain business information on privately-owned computers (ongoing)</li> <li>Conduct targeted e-mail attack simulations (ongoing)</li> <li>Implement measures against the sending of e-mails to unintended recipients (ongoing)</li> <li>Comply with personal information protection laws in relevant countries, including the EU General Data Protection Regulation (GDPR) (ongoing)</li> <li>Revise rules related to information security</li> <li>Enhance countermeasures against unauthorized access</li> </ul>
<b>6. Customers (Consumer Issues)</b>			
<ul style="list-style-type: none"> <li>Create new products/businesses that can contribute to a sustainable society (implement tasks in companywide research themes and select themes) (ongoing)</li> <li>Process research (development of industrial technologies using AI and robotics) (ongoing)</li> <li>Promote cooperation and collaboration with customers and research institutions in Japan and overseas (expand open innovation) (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Promoted SBC*2 themes (ongoing:4; new:2; complete:9)</li> <li>Process research (promoted development of advanced inspection equipment, etc., using AI and robotics)</li> <li>Promoted cooperation and collaboration with customers and research institutions in Japan and overseas (conducted joint research with institutions in Japan and overseas and developed energy-saving products and technologies)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Create new products/businesses that can contribute to a sustainable society (implement tasks in SBC themes and select themes) (ongoing)</li> <li>Process research (promote development of industrial technologies using AI and robotics) (ongoing)</li> <li>Promote cooperation and collaboration with customers and research institutions in Japan and overseas (expand open innovation) (ongoing)</li> </ul>
<b>7. Community Involvement and Development</b>			
<ul style="list-style-type: none"> <li>Consider social contribution activities enabling a closer relationship with regional citizens and culture (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Conducted regional contribution activities mainly in regions where offices and factories are located (social contributions amounted to 80 million yen)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Consider social contribution activities enabling a closer relationship with regional citizens and culture (ongoing)</li> </ul>
<ul style="list-style-type: none"> <li>Contribute to material science technical research through the support of Hitachi Metals' Materials Science Foundation (ongoing)</li> <li>Support <i>tatara</i> method of iron manufacture (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Contributed to material science technical research through support of Hitachi Metals' Materials Science Foundation</li> <li>Supported <i>tatara</i> method of iron manufacture (operations and personnel) conducted by the Society for Preservation of Japanese Art Swords at Nittoho Tatara in Okuizumo, Shimane Prefecture</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Contribute to material science technical research through the support of Hitachi Metals' Materials Science Foundation (ongoing)</li> <li>Support <i>tatara</i> method of iron manufacture (ongoing)</li> </ul>
<b>8. Review and Improvement of CSR Activities</b>			
<ul style="list-style-type: none"> <li>Improve responses to the Carbon Disclosure Project (CDP)*3 (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Responded to the Carbon Disclosure Project (CDP)</li> </ul>	★★★	<ul style="list-style-type: none"> <li>Improve responses to the Carbon Disclosure Project (CDP) (ongoing)</li> </ul>

\*1. Products that are targeted for growth based on a management strategy and that make a significant contribution to resolving environmental issues such as climate change and resource recycling

\*2. Strategic Business Creation (SBC) Project refers to a company-wide business development project organized for two purposes: 1) to create new businesses in areas that are not covered by any existing business categories or covered by more than one category; and 2) to develop strategic businesses targeting new strategically important products from a company-wide point of view

\*3. This project is promoted through collaboration among institutional investors and calls for information about climate change from major corporations

## **(5) Economic Performance**

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### **(a) Direct Economic Value Generated and Distributed**

Please refer to the following pages.

**WEB** Financial closing information

<http://www.hitachi-metals.co.jp/e/ir/library/ifrs.html>

Social Contribution Activities	V. Report on Social Aspects 2. In cooperation with Society and the Local Community (2) Social Contribution Activities carried out in fiscal 2020
Environmental Accounting	VI. Report on Environmental Aspects 1. Environmental Management (5) Environmental Accounting

## 2. Compliance

### (1) Basic Approach

To foster a deeper understanding of compliance, the Company has prepared and distributed the CSR Guidebook to all officers and employees of the Hitachi Metals Group, and provides compliance education in online and e-learning formats on a regular basis. In addition, the Company has set October of each year as Hitachi Metals Group Corporate Ethics Month, and holds compliance lectures delivered by outside instructors, primarily for employees in management-level positions, as well as providing various other programs to cultivate an awareness of compliance.

### (2) Compliance Education Activities

#### (a) Hitachi Metals Group Corporate Ethics Month

To thoroughly instill compliance, we designated October as the Hitachi Metals Group Corporate Ethics Month, as in past years, and carried out the following measures, in addition to conducting compliance training.

- i) The “President’s Message for the Hitachi Metals Group Corporate Ethics Month,” prepared in his own words to call for adherence to compliance, was distributed online and by other methods to officers and employees in the Group.
- ii) We held compliance lectures (led by outside instructors) for those in management-level positions. (Targets were executive officers and other management executives, and general managers at the head office or regional offices.)
- iii) We distributed workplace compliance education materials for use in the workplace during morning assemblies and departmental meetings.

#### (b) Compliance Training

Each year, the Compliance Department conducts compliance training for officers and employees of the Hitachi Metals Group. This training covers compliance with the Codes of Conduct and competition laws and regulations, prevention of acts of bribery, prevention of transactions with antisocial forces, and the whistleblowing system.

Training related to compliance was included in the curriculum for new employees and in education for specific levels and positions, etc.

No.	Type	Substance	Target employees
1	Education for all members	Compliance training	Hitachi Metals Group employees
2		Compliance lectures for employees in management-level positions (led by outside instructors)	Executive officers and general managers at the head office or regional offices
3		Hitachi Group Compliance e-learning	Back-office workers
4	Education for new hires	Training for new hires	New hires
5	Education for midcareer hires	Training for midcareer hires	Midcareer hires
6	Education for specific levels and positions	Training for newly promoted managers	Newly promoted line managers
7		Training for employees on overseas assignments	Employees on overseas assignments



### **(3) Compliance Audits**

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The Internal Auditing Office conducted internal audits of all of offices. The Compliance Department joins this audit activity in order to conduct compliance audits to check whether there is any suspicion of practices that violate either laws or company rules.

Also, the Group companies conducted self-audits of their compliance.

### **(4) Export Controls**

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In its Codes of Conduct, Hitachi Metals sets “Obey the law and walk the path of virtue” as the basis of its actions. Accordingly, our basic policy on export controls is to “Strictly observe export-related laws and contribute to the maintenance of international peace and security,” and under this policy, we formulated and resolutely apply a compliance program that includes Rules on Security Export Controls. Specifically, we scrutinize the destination countries and regions, applications, and customers of all exported goods and technologies as we perform procedures on the basis of relevant laws. We guide global Group companies in enacting export control rules and establishing systems to ensure that they control exports appropriately, in line with the policy. We also provide educational assistance and perform internal audits.

Hitachi Metals will make exhaustive efforts to carry out our social responsibility for the maintenance of international peace and security in the future.

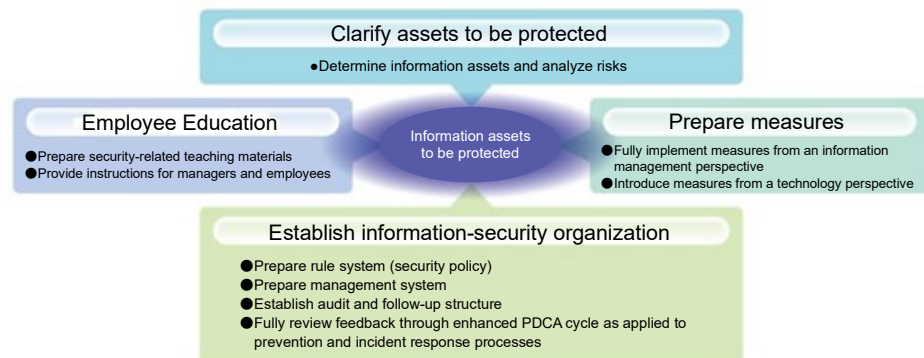
In fiscal 2020, the Hitachi Metals Group committed no major violations of export controls.

### 3. Information Protection and Management

#### (1) Basic Approach

As utilization of IT has become essential to increasing the profitability of many business corporations, such corporations are facing a growing exposure to increasing and ever more sophisticated cyberattacks aiming to access personal information of customers and important technology information held by the corporations. It is becoming ever more important for corporations to appropriately manage and protect corporate information, including personal information, as part of their social responsibility. The Hitachi Metals Group established the “Basic Policy of Information Security” in April 2004, followed by the “Personal Information Protection Policy” in January 2005, establishing an organization of personal information protection/information security based on these policies. The Company has continued to update information security measures in line with these policies.

Basic concept of information asset protection >>



In January 2016, private companies along with local governments and other organizations across Japan began using the My Number system, a social security and tax information system for individuals.

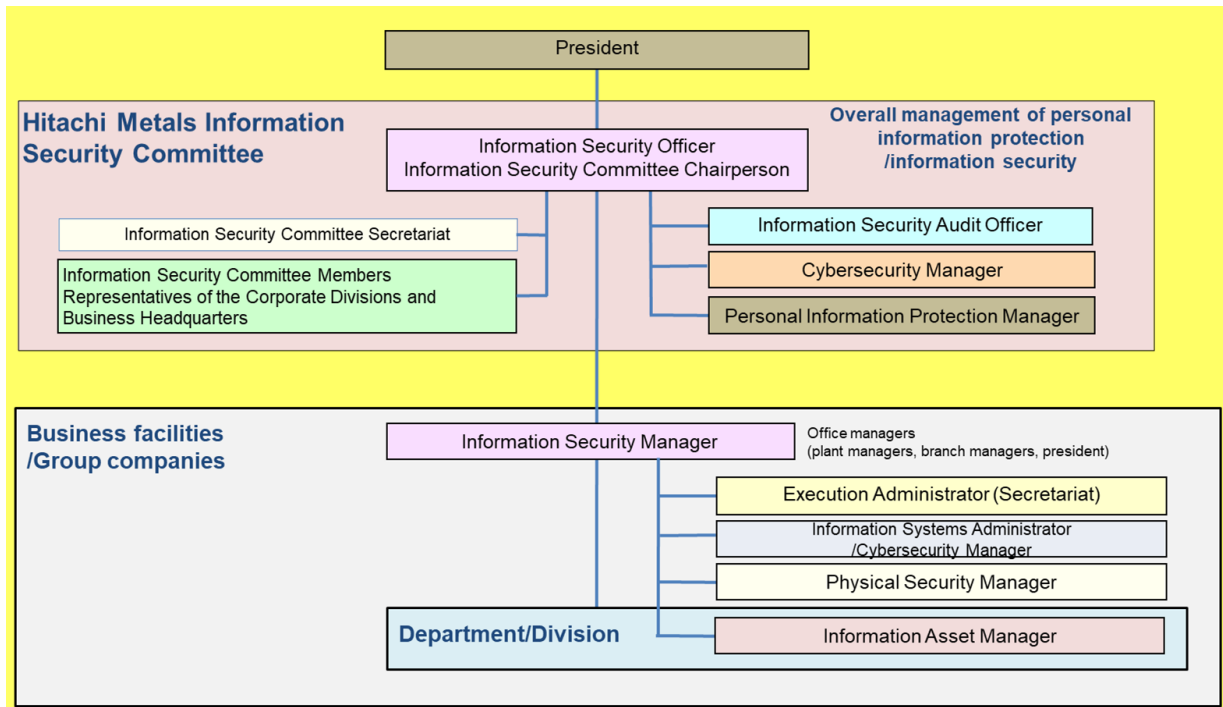
At corporations, human resources and general administration departments deal with employees' My Number information, legal departments handle investors' My Number information, and procurement departments collect My Number data on sole proprietors. Consequently, the My Number launch precipitated the need to amend personal information protection policy along with regulations on the management of personal information as well as peripheral rules, detailed regulations, guidelines, and other administrative formalities. However, personal information, including that of the My Number system, is a valuable asset that companies must manage and safeguard. To date, Hitachi Metals has applied a two-pillared approach—rules pertaining to information security that hinged on the Basic Policy for Information Security and rules pertaining to the management of personal information that hinged on the Personal Information Protection Policy. Two corporate structures—the Personal Information Protection Committee and the Information Security Committee—worked as one to expediently promote measures. Consequently, the introduction of My Number provided an opportunity to implement a system with a single set of rules and to integrate the corporate structures as well.

In December 2015, Hitachi Metals unified existing rules related to information security and rules related to the management of personal information along with rules related to the handling of confidential documents, and then merged them into rules related to information security, which are the mainstay of information security management rules.

Hitachi Metals' efforts to enhance information security are driven by four considerations: 1) establish an information security organization, 2) clarify assets to be protected, 3) educate employees, and 4) maintain various security measures. The Company works steadily to implement steps to achieve each one. Particular emphasis, however, is placed on prevention, responding quickly if a situation arises, heightening employees' sense of ethics, and making them more security conscious. In addition, Hitachi, Ltd. leads the Hitachi Group, of which Hitachi Metals is a part, in promoting information security management and working toward a higher level of security throughout the wider group organization.

## **(2) Promotion Organization**

Following the integration of related rules in December 2015, the Personal Information Protection Committee and the Information Security Committee were reorganized into a new Information Security Committee. As a function to reinforce the Information Security Committee, the Cybersecurity Manager was appointed in 2017 to address the growing threats of cyberattacks, and the Privacy Protection Manager appointed in 2020 to cope with privacy-related risk and compliance issues.



## **(3) Information System Security Measures**

Hitachi Metals has systematically implemented measures against external risks such as targeted attacks and other unauthorized access and computer viruses, internal risks such as the unauthorized removal, loss, or theft of company information or the sending of e-mails to unintended recipients, and other risks including natural disasters, etc.

Since fiscal 2006, the Company has been continuously inspecting the personal computers of employees who have a Group e-mail address to find and delete business information, and this was done again in fiscal 2020. At the same time, the Company instructed its employees to submit, through the website, a written pledge not to retain business information in personal computers and other devices which they own. Since fiscal 2007, the Company has also requested that its business partners deploy equivalent measures to prevent leaks of business information from personal computers owned by their employees. Since fiscal 2009, we have introduced a filtering system to monitor all e-mails sent externally to prevent external leaks of business information. Further efforts have also been made to enhance measures preventing information leaks, such as reviewing and improving our management system for portable information terminals to prevent losses of increasingly capable mobile phones, smartphones, and other devices. In addition, as a countermeasure against the sending of e-mails to unintended recipients, erroneous transmission prevention software has been installed on all business PCs of the Hitachi Metals Group.

As countermeasures against cyberattacks, quarantine programs were introduced in 2018 to increase capabilities to address the vulnerability of company computers, and Endpoint Detection and Response (EDR) software was introduced in 2020 to improve endpoint security.

Despite these measures, in the Hitachi Metals Group in fiscal 2020, some e-mails were sent to unintended recipients. Nevertheless, there were no incidents involving breach of customer privacy or leaked customer information.

#### **(4) Employee Education**

Each year, the Company provides information security education for all employees (including temporary staff, etc.) who use IT equipment. This education is designed to instill an understanding of rules related to the use of IT equipment, including the handling of information (including personal information) and the prohibition against using personal computers for work. The education has been provided in the e-learning format since fiscal 2020 to replace the previous on-site visits, as a measure to control COVID-19 infection. In order to improve capabilities to protect from targeted e-mail attacks, which have been becoming ever more sophisticated and posing a growing threat of malware infection, relevant training is run on an ongoing basis to raise the security awareness of individual employees.

	e-learning training in Japan and overseas	Training using simulated e-mails about targeted attacks
Implementation timing	September 2020–March 2021	February–March 2021
Stocktaking required	Hitachi Metals Group employees	Employees at business offices connected to the Hitachi Metals Group network

#### **(5) Self-audit**

Each year, the Company conducts a self-audit of personal information protection/information security, confirming the status of compliance with the rules, and improving any areas that need to be addressed. Our fiscal 2020 audit was performed between January and March 2021.

## **(6) Protection and Respect for Intellectual Property**

Hitachi Metals practices the principle set forth in its Codes of Conduct that reads: “We will protect our own intellectual property, respect third-party intellectual property, and use both effectively for smooth business operations.”

Specifically, to appropriately protect and effectively apply intellectual property created in such processes as research, development, and manufacturing, Hitachi Metals acquires the rights to inventions and ideas devised by employees in the course of their work, in accordance with the Company’s rules, which have been established through legally stipulated procedures. With the global expansion of our business, we acquire and maintain the rights to these inventions and ideas as intellectual property rights inside and outside Japan, forming assets that will support the sustainable growth of the Hitachi Metals Group. We take appropriate action against infringements of our own intellectual property rights, including exercise of our rights through legal action.

At the same time, we strive to prevent infringements of the intellectual property rights of others and smoothly advance our business. To that end, we investigate the intellectual property rights of others globally, in advance of all stages of research, development, design, etc., for new products and technologies, in accordance with Hitachi Metals rules. If that investigation reveals a need to use the intellectual property rights of others, we acquire licenses.

We also provide our employees with ongoing education and training about intellectual property, to instill awareness of the protection and respect of our intellectual property rights and those of others.

## **4. Respect for Human Rights and Compliance with International Norms**

The Hitachi Metals Group stipulates respect for human rights in both the Hitachi Metals Group Codes of Conduct and the supplementary Hitachi Metals Group Human Rights Policy. Our basic stance is to respect and work to refrain from infringing on the rights of all persons involved in our business operations. In December 2013, the Hitachi Metals Group formulated the Hitachi Metals Group Human Rights Policy. This Policy recognizes the human rights stated in the International Bill of Human Rights and the ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work as the minimum levels of these rights. Our policy clearly states that the Hitachi Metals Group pursues measures to observe the international principles of human rights. Specifically, we will implement human rights due diligence and appropriate education based on the UN Guiding Principles on Business and Human Rights, while strictly observing the laws of the regions and countries in which we do business. We put the Hitachi Metals Group Human Rights Policy into practice, and are continuously working on initiatives such as raising the awareness of our officers and employees, and establishing hotlines to promote the creation of a corporate culture in which human rights abuses do not occur.

We regularly utilize e-learning to conduct human rights education and training at each employee level, in order to systematically raise awareness of human rights (with a total of 6,623 employees, on a consolidated basis, receiving human rights-related training in fiscal 2020). In addition, we have established various harassment hotlines, in order to incorporate the Hitachi Metals Group Human Rights Policy into all of our activities.

As our business activities expand rapidly on a global basis, we will continue to enhance human rights awareness and support measures to prevent the occurrence of human rights abuses based on differences in religion or nationality, the presence or absence of disabilities, gender, or other factors.

# V. Report on Social Aspects

## 1. Together with Our Suppliers

### (1) Basic Policy of CSR Procurement

Based on the Corporate Creed of contributing to society by being “the best enterprise,” Hitachi Metals has formulated its procurement policy to outline its basic concepts regarding material procurement, and published this policy on its website. As our business progresses globally, we share this procurement policy among all of the companies in the Hitachi Metals Group, in order to encourage them to contribute to society through their own business activities. We will continue striving to comply with laws and regulations as well as social norms, and to fulfill our social responsibility with consideration for human rights and the environment, while building a fair and impartial business culture based on relationships of trust with our suppliers.

#### Procurement Policy

##### Basic Concept of Material Procurement

- **Open global procurement**

We procure materials from suppliers regardless of their nationality, size, and performance based on the principle of free competition.

- **Fair clean trading**

We select suppliers on a fair and equitable basis according to their economic rationality such as quality, prices, delivery time, technologies, the credibility of management and services. We never receive any personal gifts or offers from them.

- **Maintain partnerships**

We cultivate fair business relations with all of our suppliers on an equal footing. We constantly strive to deepen mutual understanding and trust, and aim to achieve growth, development, and a working partnership with them from a long-term perspective.

- **Compliance with laws**

We conduct procurement activities in compliance with applicable laws and regulations as well as social norms. We are determined not to have any relations with antisocial forces that threaten the order and safety of civil society.

- **Take human rights, occupational safety, and health into consideration**

We take special care to ensure human rights, occupational safety, and health in our procurement activities. We also ask our suppliers to make the same efforts.

- **Maintain confidentiality**

We treat all confidential information of our suppliers obtained through procurement activities as being strictly private and confidential, by using the same degree of care we use to safeguard our own proprietary information. We do not disclose their information to a third party nor use it for purposes other than the original intent without their prior consent.

- **Preserve the environment**

We give priority to suppliers who positively work on environmental preservation as well as to environmentally friendly materials and components.

**(a) Issuance of the Hitachi Metals Group Supply Chain CSR Procurement Guideline**

Hitachi Metals revised the Hitachi Metals Group Supply Chain CSR Procurement Guideline in May 2017 and published the revised version on its website. The Guideline encompasses a wide range of CSR concepts recognized as a company's social responsibility, including respect for human rights, consideration of the environment, fair trading and ethics, occupational health and safety, product quality and safety, information security, and social contributions. In addition, the Guideline includes a rule that requires correction when a clear violation is discovered. In fiscal 2018, to ensure the understanding of above content among our suppliers, we distributed our CSR Procurement Guideline and checklist to major suppliers (excluding Hitachi Group companies) accounting for 80% of the transaction amounts by business offices and affiliates in Japan, and confirmed the compliance of each. In fiscal 2019, we started sending and collecting check sheets for the CSR Procurement Guideline to our business partners in North America and China to increase awareness regarding the Guideline and to grasp issues. When starting new business relationships, we request compliance with the Guideline, and at the same time conduct corporate surveys regarding bribery risks based on the Hitachi Metals Global Compliance Program (HMGCP) to promote the strengthening of supplier reviews. In fiscal 2021, we will revise the CSR Procurement Guideline in response to progress in the implementation of human rights and environmental initiatives.

**[WEB]** Hitachi Metals Group Sustainable Procurement Guidelines

[http://www.hitachi-metals.co.jp/e/corp/corp11\\_04.html](http://www.hitachi-metals.co.jp/e/corp/corp11_04.html)

**(b) Compliance**

Acquiring knowledge of laws, regulations, and accurate business knowledge is of utmost importance in conducting procurement transactions. We regularly assemble the staffs at the procurement departments of business offices to provide seminars and study meetings to increase their awareness of laws and internal regulations. In addition to these activities, every year, we put together a list of the problems which has been pointed out during past internal audits and conduct mutual audits at all business offices and Group companies in Japan. We annually instruct auditors dispatched from the Head Office and other business offices to conduct such practical mutual audits to further improve the quality of our management levels.

The staffs of the procurement departments are continuously working on improving operations.

**(c) Green Purchasing**

In 1998, Hitachi Metals created its Green Procurement Guidelines in order to share our approach to environmental consciousness with our suppliers, including the prevention of climate change, recycling of resources, and conservation of biodiversity and ecosystems. Since then, we have revised these Guidelines repeatedly in response to the latest laws and regulations including those related to chemicals. We have notified our suppliers of the details of these revisions. We work to comply with laws and regulations, respond to customer demands, and reduce environmental impacts (conserving resources, saving energy, recycling, and appropriate management of chemical substances contained in products) by regularly sharing the latest information.

**(d) Procurement BCP Initiatives**

Hitachi Metals seeks to enhance its risk preparedness in the face of earthquakes, wind and flood damage, and other natural disasters, as well as new strains of influenza, fires, electrical outages, and other factors that could halt its business. For this reason, we engage in procurement BCP activities. We are working to minimize procurement risks by promoting procurement protection measures, such as diversifying our sources of procurement while asking our suppliers to establish their own BCP measures.

## **(2) Response to Globalization**

The Hitachi Metals Group strives to establish a global procurement network across Europe, North America, and Asia, while expanding its procurement base. We are working to support the optimization of procurement activities overall and reinforcement of monozukuri, while enhancing CSR risk management and increasing concentration and consolidation of purchasing across the Group. We have also set up Global Procurement Offices (GPOs) in four locations—Europe, the United States, Asia, and China—tasked with seeking out excellent suppliers with a focus on carrying out transparent procurement activities with optimal suppliers worldwide. In fiscal 2019, we started measures to strengthen governance which involve GPOs periodically conducting an audit on each overseas Group company that is based on the procurement standards common to overseas Group companies. In fiscal 2020, audits were conducted mainly in China.

In addition, the Hitachi Metals Group is working on responsible mineral procurement. We seek to make the supply chain transparent in response to the conflict mineral problem—an issue raising concerns of a serious human rights violation. The Group is conducting a survey to identify the country of origin and smelter of minerals. We strive to carry out responsible procurement activities, requiring our suppliers to procure from conflict-free smelters (CFSs)\* that are certified as not using conflict minerals. Starting from fiscal 2019, we include cobalt in survey targets in response to requirements from customers.

\* CFS (conflict-free smelter): A smelter that is certified as having no involvement in regional conflicts by the Responsible Minerals Initiative (RMI), established by RBA/GeSI.



## 2. In Cooperation with Society and the Local Community

### (1) Basic Approach

The Hitachi Metals Group pursues social contribution activities in fields such as sports promotion, environmental protection, social welfare, arts and culture, community activities, and support at time of disasters, to bring progress to communities around the world where the Group is active. We also work together with social welfare organizations and educational institutions to gain a sense of what communities want from the Hitachi Metals Group as we carry on with our activities.

Besides social contribution activities as a company, we support volunteer activities by employees through volunteer leave and a system of volunteer awards as part of our efforts to nurture a corporate culture that helps create a better society.

Hitachi Metals' characteristic social contribution activities include support for Japan's research into materials science and technology by supporting the Hitachi Metals' Materials Science Foundation, which was established largely with funds willed by Dr. Kakunosuke Miyashita (a former Hitachi Metals vice president). We also contribute to the preservation of Japan's traditional culture through our work with the operations of Nittoho Tatara, which was revived in 1977 by the Society for Preservation of Japanese Art Swords.

### (2) Our Social Contribution Activities in Fiscal 2020

In fiscal 2020, the Hitachi Metals Group carried out social contribution activities worth a total of 80 million yen,\* including donations, while reducing the number of programs and sessions organized for sporting and other events, environmental protection activities, factory tours, among others, compared with fiscal 2019, principally due to the spread of COVID-19. The main content of our contribution activities was as follows:

\* This figure includes the calculated equivalent values of employees and company facilities required for activities.

	Category and description of activity	Company name and business office name
Social welfare	Donation of wheelchairs, etc. to social welfare councils and social welfare facilities	Hitachi Metals head office
	Central Community Chest of Japan, Year-End Mutual Aid Fund	Hitachi Metals and domestic Group companies
	Ran blood drives, provided cooperation to activities to prevent the spread of COVID-19*1	Hitachi Metals, Ltd. and global Group companies
	Made donations, mainly of food, clothing, and blankets, to low-income families through charitable organizations. Made donations to welfare organizations.*1	Waupaca Foundry, Inc. Hitachi Cable America, Inc.
	Supported patients with amyotrophic lateral sclerosis (ALS) and acute myeloid leukemia (AML)	Waupaca Foundry, Inc.
	Made donations to local facilities (hospitals, fire stations, churches, recreation facilities)	Waupaca Foundry, Inc. Ward Manufacturing, LLC
	Supported cancer foundations and participated in associated events	Waupaca Foundry, Inc.
	Sponsored activities of the local food bank (for providing free meals to low-income people and others)	Hitachi Cable America, Inc PT. HITACHI METALS INDONESIA
	Christmas gifts for low-income children*2	Waupaca Foundry, Inc
	Gave food and gifts to children with disabilities	Hitachi Cable Vietnam Co., Ltd
	Supported low-income students	Namyang Metals Co., Ltd.
	Supported Boy Scout and Girl Scout activities	Waupaca Foundry, Inc
	Supported elderly people	Pacific Metals Co., Ltd.

Health, medicine, sports	Supported the Tokyo 2020 Olympic and Paralympic Games through the Sports Promotion Fund	Electric Wire & Cable Business Unit, Casting and Rolling Production Dept., Advanced Components & Materials Division,
	Sponsored the Mie Prefecture Rubber Baseball Association Kuwana Branch Junior High School Baseball Pennant Tournaments*2	Kuwana Works, Hitachi Metals, Ltd.
	Sponsored the Boys' Baseball Western Regional Tournament	Kuwana Works, Hitachi Metals, Ltd.
	Dispatched employees to local competitions	Various Hitachi Metals works
	Company sports teams hosted sports clinics for elementary, junior high and senior school students	Various Hitachi Metals works and global Group companies
	Supported local sporting events and sports teams	Various Hitachi Metals works and global Group companies
Academic and research education	Support through Hitachi Metals' Materials Science Foundation	Electric Wire & Cable Business Unit, Casting and Rolling Production Dept., Advanced Components & Materials Division,
	Donation of education and research funds to universities	Hitachi Metals, Ltd. and global Group companies
	Visiting lecture program and internships for local schools	Hitachi Metals, Ltd. and global Group companies
	Hosted factory tours by schools and other groups	Various Hitachi Metals works and global Group companies
	Scholarship support for students	Waupaca Foundry, Inc.
	Support for local school boards for education promotion*3	Yasugi Works, Hitachi Metals, Ltd.
	Supported Hitachi Future Innovator Program's activities (sent instructors to elementary school classes)	Electric Wire & Cable Business Unit, Casting and Rolling Production Dept., Advanced Components & Materials Division,
	Donated books to libraries, etc.	Waupaca Foundry, Inc. Hitachi Cable Vietnam Co., Ltd.
Environmental conservation	Made donations to forest conservation activities (Shimane CO <sub>2</sub> absorption certification system)	Yasugi Works, Hitachi Metals, Ltd.
	Tree planting activities	Hitachi Cable Vietnam Co., Ltd.
	Cleaning activities in areas near business offices*4	Various Hitachi Metals works and global Group companies
Community activities, preservation of historical sites and traditional culture	Participated in Eco Forums in Sendai and Tagajo	Tohoku Rubber Co., Ltd.
	Supported Nittoho Tataro operations, guided operations of mini-tataro	Yasugi Works, Hitachi Metals, Ltd. HMY, Ltd.
	Sponsored regional festivals and sporting events	Various Hitachi Metals works and global Group companies
Support to disaster-affected areas	Supported victims of the eruption of Taal Volcano	San Technology, Inc.
Disaster prevention Community development	Participated in traffic safety and disaster prevention events	Various Hitachi Metals works and global Group companies
	Support for local fire stations	Waupaca Foundry, Inc. Ward Manufacturing, LLC
Facility open days	Opened sports grounds, gymnasias, tennis courts, welfare facilities, parking lots, etc. to local communities	Various Hitachi Metals works and domestic Group companies
	Opened facilities to local events	Various Hitachi Metals works and domestic Group companies
Other	Sponsored Christmas light-up event	Hitachi Metals Singapore Pte. Ltd.
	Sponsored various organizations, including the Hitachi Global Foundation	Hitachi Metals, Ltd. and global Group companies



\*1. Donated masks (NEOMAX Kinki Co., Ltd.)



\*2. Sponsored the Mie Prefecture Rubber Baseball Association Kuwana Branch Junior High School Baseball Pennant Tournaments (Kuwana Works, Hitachi Metals, Ltd.)



\*3. Support for local school boards for education promotion (Yasugi Works, Hitachi Metals, Ltd.)



\*4. Cleaning activities in areas near business offices (Hitachi Ferrite Electronics, Ltd.)

### 3. Responsibility to Employees

#### (1) Labor and Management Relations

Hitachi Metals sincerely addresses common management-labor issues, respecting the basic rights and responsibilities of each, built on a “foundation of mutual trust.” The Company provides full explanations of management policies, business plans, management measures, etc., at various meetings, while at the same time listening to feedback from the employee union as Company management works for the rapid implementation of various corporate measures. We will advance and deepen our labor-management relations by building a labor and management structure that corresponds to the business division system and by fostering closer communication. The employee unions of the Hitachi Metals Group companies have formed a union council, using the forum to periodically exchange opinions and clarifying Group management policies and plans, enhancing mutual understanding.

#### (2) Promoting Diversity

Hitachi Metals considers diversity and inclusion to be important management strategies, and is pursuing various measures based on the belief that “resolutely implementing diversity management will increase corporate value.”

In particular, we are actively implementing measures to promote the participation and advancement of women in the workplace, based on our management’s firm commitment regarding this issue as an important theme in diversity promotion.

[Policy on promoting the participation and advancement of women in the workplace]

- 1) Setting targets for the ratio of women among newly hired graduates  
(Technical positions: 10%, administrative positions: 40%)
- 2) Enhancing support for retention (Career support, awareness-raising for those in management-level positions, networking among women in career-track positions, etc.)
- 3) Systematic promotion of female employees  
(Target ratio for women in management-level positions: 1.8% in fiscal 2020)

In May 2020, in recognition of the above efforts, the Company was certified as an excellent employer with respect to women’s empowerment (generally referred to as the *Eruboshi* certification) based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace. We will continue working to promote diversity, and to create an environment in which all employees can participate fully.

#### (a) Promoting Employment of People with Disabilities

Regarding the hiring of people with disabilities, Hallow, Ltd. (currently, Hitachi Metals Hallow, Ltd.), a special subsidiary, was established in 1998, to support the employment of people with disabilities and help them become socially and financially independent. In addition, in 2006, Kuwana Create Co., Ltd. (currently, Hitachi Metals FineTech, Ltd.) received special government certification as a company offering employment opportunities to people with disabilities.

The Hitachi Metals Group has received high marks for these efforts, including awards from local communities. Meanwhile, HMY, Ltd. maintains a program through which supervisors themselves acquire qualification as employees of private companies who assist disabled co-workers at the job site. In addition, HMY has a history of actively hiring people with disabilities through job centers, independent living support centers, special needs schools, and “Hello Work” Public Employment Security Offices. In fiscal 2020, the employment ratio of people with disabilities for Hitachi Metals (non-consolidated) in Japan was 2.27%, exceeding the legally required ratio of 2.2%. We plan to continue working to further expand employment throughout the Hitachi Metals Group.

**(b) The Act on Advancement of Measures to Support Raising Next-Generation Children, and the Act on the Promotion of Female Participation and Career Advancement in the Workplace**

Starting from fiscal 2008, the Company has established a child allowance benefit for employees as a policy for supporting the development of the next generation, strengthening our support of employees who are raising children.

In 1992, Hitachi Metals was also one of the first companies to adopt a system to reemploy individuals who had to give up their jobs due to childbirth or home care, demonstrating once again our proactive and forward-thinking policies. With regard to leave related to child care, nursing care for the elderly, and time needed to care for someone who is sick, we have created a supportive environment that enables employees to address various family responsibilities without worrying about job security. For example, since fiscal 2018, child care leave has been extended, with a limit of three years, to the end of the month in which a child completes the first year of the elementary school, and for employees taking nursing care leave, we now provide an amount equivalent to 50% of their salary as family care leave benefits during this leave of absence. In addition, we provide employees with generous conditions in terms of the scope and period of leave that exceed the requirements under the revised Child and Family Care Leaves Act. As such, employees can take leave for a variety of reasons: nursing care, child care, or to look after their parents, spouse, same-sex partner, or the parents of their spouse or same-sex partner. Furthermore, following the introduction of the Act on the Promotion of Female Participation and Career Advancement in the Workplace, effective from April 2016, we prepared an integrated action plan covering that Act as well as the Act on Measures to Support Raising Next-Generation Children. We have disclosed the content of this action plan, namely, initiatives over the three years to reduce overall annual work hours in back-office departments and establish diversity-oriented hiring ratio targets.

**Number of Employees Using Work-Life Balance Support Systems**

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees taking child care leave	25	32	27	32	41
Number of employees using shorter working hours for child care	35	40	45	55	46
Number of employees taking nursing care leave	1	1	2	5	2
Number of employees using shorter working hours for nursing care	0	1	1	1	1

**(3) Occupational Health and Safety**

**(a) Action to Eliminate Work Accidents**

The safety results for the Hitachi Metals Group in 2020 revealed three accidents involving lost working time at Hitachi Metals and four such accidents in the Hitachi Metals Group in Japan. Although the number of cases decreased by two from 2019, it remained high. In particular, accidents involving inexperienced workers (with less than three years' experience) were still dominant, accounting for more than 50% of the total, and there were also incidents that could have resulted in serious disasters if something had gone wrong. Given this situation, in fiscal 2021, we are promoting occupational health and safety activities throughout the entire Group, under the slogan, "Entrench the concept of 'Safety always comes first' in the culture of the Hitachi Metals Group with all-out efforts by each employee." For promoting activities to eliminate work accidents, we have specified four priority areas: 1) eliminate similar accidents; 2) abide by health and safety rules, laws and regulations, and basic rules; 3) reinforce safety culture; and 4) pursue health management.

### Frequency of Occupational Injuries

	2016	2017	2018	2019	2020
All industries	1.63	1.66	1.83	1.80	1.95
Manufacturing	1.15	1.02	1.20	1.20	1.21
Steel	0.69	0.83	1.16	0.89	0.87
Hitachi Metals Group	0.27	0.55	0.42	0.27	0.23

#### (b) Promoting Everyone's Mental and Physical Health

We actively support health management that promotes good mental and physical aspects of health.

To promote physical health, we recommend that all employees undertake a secondary checkup following their regular medical examination, and we focus on lifestyle diseases and other health guidance. Regarding mental health, the stress check system is implemented every year. In addition to encouraging individuals to pay attention to their own mental health, we strive to improve the work environment through Groupwide analysis of the stress check results.

#### (4) Human Resources Training

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##### (a) Basic Approach

Bearing in mind its corporate creed to "contribute to society by being the best enterprise," Hitachi Metals is striving to grow business globally. To grow as a global company amid turbulent market conditions, we need to cultivate human resources who can constantly develop and put on the global market products that are original.

Our approach to our people is the distillation of "Wa sureba tsuyoshi" (united by respect), our fundamental spirit since the inception of our company. Based on this philosophy, we continue to develop "People of action with global perceptions at Hitachi Metals" who are able to demonstrate their own personality and values through good teamwork.

Under the determination for each and every employee within the organization to be a key driver of growth, a sentiment incorporated into our communications symbol "Materials Mag!c," we support our employees in developing their expertise so that they become an efficient workforce who can actively seek out challenges and take action to achieve success or solve problems, as well as being shining examples for the Company.

##### (b) Training and Education Systems

We are building a personnel education system that links three elements: OJT, a personnel system that supports OJT, and OFF-JT for training, etc. OFF-JT training, etc., in planning fields sets personnel targets and requirements based on Hitachi Metals' Corporate Creed and Corporate Philosophy, plans training to match requirements, and implements training accordingly. We have formulated a training system by global categories of management, planning/administration, technical, sales, and core business divisions.

##### (c) Developing the Next Generation of Human Resources

In the interest of sustainable corporate growth, we are deliberately cultivating the next generation of human resources who will take responsibility for operations on a global scale.

- **Cultivating the next generation of human resources**

We have formulated a plan for cultivating the personnel who will take responsibility for the Company in the next generation, and are conducting regular employee rotations, tough assignments, and OFF-JT training programs. We also support employees who study abroad to earn MBAs.

- **Cultivating local management personnel at each location**

At Group companies outside Japan, we are supporting efforts to cultivate locally hired personnel, with an emphasis on future executive candidates. We are also proceeding with measures to cultivate such personnel and promote them into positions of responsibility.

## **(5) Employee Benefits and Welfare**

To make the lives of employees and their families more affluent and stable, Hitachi Metals offers a comprehensive range of measures to support them. These include housing support systems such as providing dormitories and housing allowances, as well as asset-building savings and group insurance.

As one of the employee benefits and welfare initiatives to support self-help efforts and the independence of employees, in 2003, the Company implemented the “Cafeteria Plan System” (selective benefit and welfare system). This system offers options to meet the different lifestyles and needs of individual employees such as ability and skill development, child rearing, nursing, and health development, in addition to such conventional benefits as dormitories for single employees and company-run houses and the provision of medical services for employees. Each employee can choose the type of support they desire, when necessary, based on “Cafeteria Points” they have earned.

## **(6) Life Plan Support**

In this day of declining birthrates and an aging population, and as lifestyles in old age become more diversified, having a definitive life plan is becoming more and more important. Hitachi Metals provides information to serve as the basis for life planning after retirement (retirement benefits, company pension, welfare pension, health insurance, employment insurance, etc.) and hosts Life Plan Seminars as an opportunity to think about one’s current work style and one’s lifestyle after retirement.

## **(7) Composition of Employees**

	FY2016 (As of the end of March 2017)	FY2017 (As of the end of March 2018)	FY2018 (As of the end of March 2019)	FY2019 (As of the end of March 2020)	FY2020 (As of the end of March 2021)
Number of employees	5,858	6,315	7,067	7,022	6,623
Male	5,241	5,654	6,227	6,215	5,826
Female	617	661	790	807	797
Ratio of female employees	10.5	10.5	11.2	11.5	12.0
Average age (years)	43.9	43.6	43.1	43.5	43.4
Average service (years)	21.0	21.0	18.4	18.8	20.1
Number of female managers	12	16	19	19	18
Employment rate of people with disabilities	2.40	2.31	2.21	2.26	2.27

## 4. Responsibility to Shareholders and Investors

### (1) Shares and Shareholders

The total number of outstanding shares in the Company as of March 31, 2021 was 428,904,352, and there were 20,782 shareholders (including shareholders who only hold odd lots). The distribution of shares between owners is as follows:

Classification	Number of shareholders	Number of shares held (hundreds of shares)	Percentage of shares held
Financial institutions	44	584,981	13.66
Other domestic corporations	472	2,333,912	54.48
Foreign nationals	496	1,020,643	23.82
Individuals and others	16,787	264,385	6.17

1. Shares representing less than one unit are not included.

2. Treasury shares (13,407 share units) are included in "Individuals and others."

### (2) Basic Policy on Profit Allocation

As customer needs and technologies evolve and globalize, we regard it as our responsibility as a company to return appropriate profits to our shareholders in the long term, by strengthening our international competitiveness and expanding corporate value. With that responsibility in mind, our basic policy is to determine profit allocations to shareholders and internal reserves with the emphasis on medium- and long-term growth, giving overall consideration to the management environment, future business expansion, and business performance.

Internal reserve funds are used to invest in the development and commercialization of new materials, the creation of new businesses, the increased production and streamlining of competitive products, and other applications, with a view to future business expansion. We will also acquire our own shares, where appropriate, for purposes such as enabling dynamic capital policy, taking into account the necessity of such acquisition, the financial situation, the share price level, and other factors.

### (3) Information Disclosure and IR Activities

To earn trust as a highly transparent "open firm," the Hitachi Metals Group is working to enhance in-house systems to appropriately implement prompt, accurate, and fair disclosure of company information and publish information in a timely manner.

Divisions work together, centered on the Hitachi Metals Corporate Communications Department, to disclose quarterly operating and financial results information, and hold presentations including operating results briefings for institutional investors and analysts. This effort extends beyond information on operating results, and we also actively disclose information on topics by separate businesses and our medium-term management plans via briefings and the corporate website, etc. The Hitachi Metals Group also communicates our management policies via integrated reports, corporate websites, and numerous other communications channels.



# VI. Report on Environmental Aspects

## 1. Environmental management

### **(1) The Hitachi Metals Group's Environmental Vision**

The Hitachi Metals Group promotes a "Decarbonized Society," "Resource Efficient Society," and "Harmonized Society with Nature" as the three key pillars of its Environmental Vision. We aim to achieve higher quality lifestyles and a sustainable society alike by resolving environmental issues in collaboration with our stakeholders. The Group will implement the FY2020 Environmental Action Plan by category, working together with Works, in order to reduce CO<sub>2</sub> emissions, use water and other resources efficiently, and minimize impacts on natural capital throughout its value chain. In addition, we have set long-term targets to achieve carbon neutrality—effectively zero carbon emissions—by 2050, an approach to realizing the vision of a decarbonized society by 2050.

#### **Hitachi Metals Group Codes of Conduct (excerpt)**

##### **Toward a Sustainable Society**

1. We will contribute to resolving social issues by promoting innovative solutions, accelerating collaborative creation with partners and stakeholders, and further integrating social and environmental responsibility into our business activities.
2. We will strive to develop technologies that contribute to social development and use them with due consideration of their impact on society.
3. We envision a low-carbon society, a resource efficient society, and a harmonized society with nature.  
To this end, we will endeavor to reduce CO<sub>2</sub> emissions, use water and other resources efficiently, and minimize impacts on natural capital throughout our value chain.
4. As a corporate citizen, we will make efforts to build a rapport with communities and contribute to their development by working together to resolve social issues.

## **(2) Hitachi Metals Group Basic Environmental Protection Policies**

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### **Hitachi Metals Group Basic Environmental Protection Policies**

#### **Philosophy**

Hitachi Metals' Corporate Creed is to "contribute to society by being the best enterprise." In line with this, we regard it as crucial to ensure that humanity's shared environmental resources can be passed down to future generations in the best possible condition. Accordingly, throughout our operations we treat environmental considerations as an issue of the highest importance and strive actively to promote environmental protection efforts on both the global and local community levels.

#### **Slogan**

- With a deep awareness that environmental protection is a major issue for all humanity, fulfill social responsibilities by striving to establish a sustainable society in harmony with the environment, regarding it as one of the essential aspects of corporate activity.
- Contribute to society by developing highly reliable technologies and products in response to needs for environmental protection and the limited nature of resources.

#### **Business Conduct Guidelines**

##### **1. Compliance with environmental laws and regulations, and prevention of pollution**

Comply with all applicable laws and regulations concerning environmental issues on all levels, from international laws to national, regional, and local pacts. Establish voluntary environmental standards as needed in order to assure compliance.

Identify potential environmental problems and take action to prevent pollution. In the event that environmental problems have happened, take appropriate countermeasures to minimize environmental impact.

##### **2. Maintenance of environmental organizational structure and enhancement of environmental supervision**

Maintain an organizational structure that includes leadership by an executive responsible for managing environmental issues, as well as an underlying administrative structure. Promote environmental protection activities by applying voluntary environmental standards and establishing clear environmental-related goals.

Additionally, strive to continually improve our environmental management through confirming that our environmental protection activities are being carried out in an adequate, effective, and proper manner.

##### **3. Promotion of global manufacturing with consideration of LCA (Life Cycle Assessment)**

Endeavor to reduce the environmental burden in the entire life cycle, including R&D, product design, manufacture, distribution, sale, use, and disposal. Promote the following as global manufacturing priorities:

1) Environment-conscious products, 2) prevention of climate change, 3) conservation and recycling of resources, 4) chemical management, and 5) conservation of biodiversity.

##### **4. Environmental consideration at sites all over the world**

Consider environmental impact in the areas around our manufacturing sites, and strive to carry out policies responsive to the requirements and needs of the local communities.

##### **5. Education and training to increase environmental awareness**

Educate and train employees about environmental protection and the importance of compliance with environmental laws and regulations to raise employees' awareness of environment with a broad perspective.

##### **6. Information disclosure**

Promote positive communication through the disclosure of information regarding environmental protection activities to stakeholders, and strengthen the mutual understanding and collaborative relationship.

Formulated: April 1, 2010

Revised: December 1, 2016

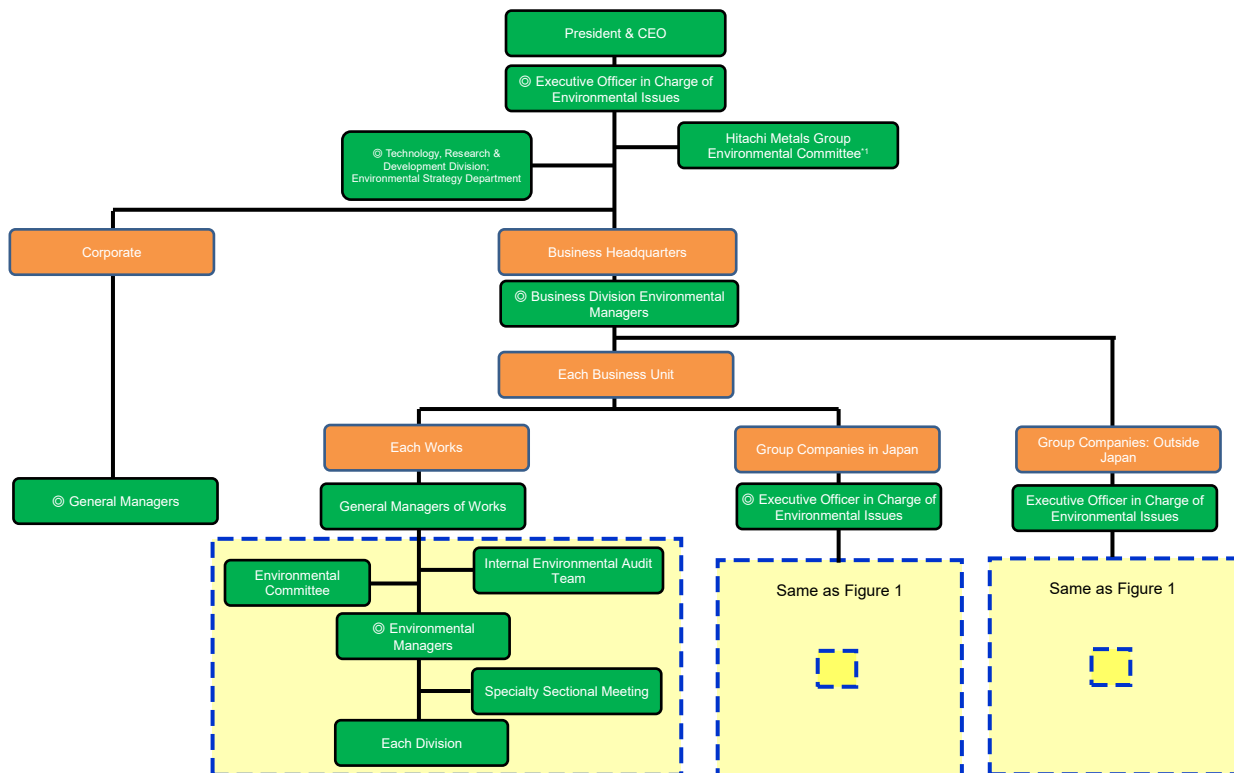
### (3) The Hitachi Metals Group's Environmental Management Promotion Structure

Environmental management within the Hitachi Metals Group hinges on the Environmental Strategy Department, Technology, Research and Development Division, which promotes environmental management activities in cooperation with business division environmental managers appointed in the business divisions. The executive officer in charge of environmental issues at Hitachi Metals heads the Environmental Committee.

In April 2010, we formulated the Hitachi Metals Group Basic Environmental Protection Policies, which clarify our companywide commitment to environmental management.

Especially, to advance environmental management suited to a corporation that does business globally, we strive to ensure that the basic environmental protection policies are thoroughly shared within the Hitachi Metals Group, taking into account national and regional differences. Our efforts to reduce environmental burden and our response to environmental risk are based on these shared policies. Policies and targets related to environmental activities are reviewed and revised annually at the Hitachi Metals Group Environmental Committee. Reports on environmental activities are presented to a Board of Directors meeting and an Executive Committee meeting on an annual basis.

The Hitachi Metals Group Environmental Management Promotion Structure



\* 1: The Hitachi Metals Group Environmental Committee is attended by the following members, marked with (©) in the above chart:

Executive officer in charge of environmental issues, environmental managers at the business divisions, environmental managers at the offices, the general managers of corporate divisions, the executive officers in charge of environmental issues of Group companies, and the staff members of the Environmental Strategy Department of the Technology, Research & Development Division.

#### (4) Fiscal 2019–Fiscal 2021 Medium-Term Environmental Action Plan and Fiscal 2020 Results

The Hitachi Metals Group's Medium-Term Environmental Action Plan for fiscal 2019 to fiscal 2021, along with results and assessments for fiscal 2020, are summarized in the table below.

	Item	Action Target	2019			2020			2021	
			Target	Actual	Rating	Target	Actual	Rating	Target	
Governance	Adhere to environmental compliance practices and reduce risks	Internal audit implementation rate	100%	100%	○	100%	100%	○	100%	
	Cultivate environmental literacy	Implement environmental auditor development training	At least once	Twice	○	At least once	Once	○	At least once	
		e-learning Participation rate	100%	*1	*1	100%	92%	△	100%	
	Improve environmental activity level	GREEN21-2021	140 GP	166 GP	○	210 GP	180 GP	×	280 GP	
Low-carbon society	Products	Sales ratio of key environmentally conscious products	23%	20.2%	×	24%	21.2%	×	25%	
		Conduct environmentally conscious design assessments (20 over three years)	7	11	○	9 (Two years)	9	○	9 (Two years)	
	Factory	Reduce CO <sub>2</sub> emissions from Works	Improvement ratio of CO <sub>2</sub> emissions per production unit (vs. FY2010)	5%	1.4%	×	6%	-2.3%	×	7%
		Reduce CO <sub>2</sub> emissions during transportation	Improvement ratio of energy consumption per transportation unit (vs. FY2010)	4%	-4.2%	×	5%	4.6%	△	6%
Resource efficient society	Resource circulation	Reduce and recycle waste	Improvement in the rate of waste and valuables generated per production unit (vs. FY2010)	12%	16.6%	○	13%	15.2%	○	14%
		Waste landfill rate <sup>2</sup>	14%	13.7%	○	13%	10.9%	○	12%	
	Water resources	Improve water-use efficiency	Improvement ratio of water use per production unit (vs. FY2010)	22%	22.2%	○	24%	12.2%	×	26%
Society in harmony with nature	Chemical Substances	Reduce output of chemical substances	Improvement ratio of per unit rate of chemical substances released into the atmosphere <sup>3</sup>	26%	22.6%	×	27%	34.2%	○	25%
	Preservation of ecosystems	Impact on natural capital	Forest conservation activities (number of initiatives)	4	4	○	4	2	×	4
		Preservation of ecosystems	Activities for preservation of ecosystems (cumulative total number of initiatives)	4	17	○	8	9	○	12
Collaboration with stakeholders	Social contribution	Community cleanup activities, Lights Down campaigns, etc.	Continue activities and reduce environmental impact in aspects other than the protection of ecosystems		○	Continue activities and reduce environmental impact in aspects other than the protection of ecosystems		○	Continue activities and reduce environmental impact in aspects other than the protection of ecosystems	

Achievement rating: ○: fully achieved; △: 90% achieved; ×: not achieved

\*1. Environmental e-learning is implemented as new general environmental education starting from FY2020 after educational methods and contents (teaching materials) are reviewed. In FY2019, e-learning was not conducted as it was under preparation.

At each business site, general environmental education is conducted as usual.

\*2. Excluding household waste, hazardous waste, and in-house landfills (landfills on the Company's sites)

\*3. Excluding Kumagaya Light Alloy Plant from Actual values for fiscal 2020, due to its withdrawal from business

## **(5) Environmental Accounting**

The Hitachi Metals Group has introduced environmental accounting to allocate corporate resources appropriately and continuously improve the efficiency of environmental investments and activities. The Group also aims to increase the understanding of its stakeholders by disclosing information about the effect and efficiency of its activities.

Environmental costs include things like environment-related capital investment, equipment maintenance and administration costs, and R&D costs.

Environmental effects include economic effects measured in monetary terms and categorized under waste processing and recycling, energy conservation, and others (R&D, recycling of products and packing materials, etc.).

The results for fiscal 2020 are as follows:

### **(a) Environmental Costs**

Our environmental costs in fiscal 2020 were 7.80 billion yen in expenses and 0.58 billion yen in investment, for a total of 8.38 billion yen.

### **(b) Environmental Effects**

The economic effects amounted to a total of 10.47 billion yen, primarily due to waste elimination, recycling, and energy conservation.

### **(c) Results of Environmental Accounting**

#### **■Environmental Costs**

(100 million yen)

Cost classification			FY2019		FY2020	
			Expense	Investment	Expense	Investment
	Business area costs	Pollution prevention	14.2	4.1	14.3	1.5
		Global environmental preservation	19.3	24.1	19.0	3.9
		Resource recycling	25.6	5.6	23.8	0.5
		Subtotal	59.1	33.8	57.1	5.8
	Upstream and downstream costs	3.3	2.8	2.4	0.0	
	Management activity costs	7.0	6.3	6.9	0.0	
	Research and development costs	16.5	13.8	11.0	0.0	
	Community activity costs	0.1	0.0	0.0	0.0	
Other	1.4	0.4	0.6	0.0		
Total			82.4	34.0	78.0	5.8

#### **■Environmental Effects**

(100 million yen)

Economic Effects	Item	FY2019	FY2020
		Waste processing and recycling	111.3
	Energy conservation	1.7	1.8
	Other	3.1	2.4
	116.0	62.8	104.7

- Scope of disclosure: The Hitachi Metals Group in Japan
- Calculation period: April 1, 2020, to March 31, 2021

## **(6) Integrated Environmental Management System (Integrated EMS\*1)**

The Hitachi Metals Group has introduced ISO 14001 as its environmental management system. We began acquiring certification for individual factories in 1997, and then built integrated Environmental Management Systems (integrated EMS\*1) at each segment of the Business Headquarters (specialty steel as well as functional components and equipment of the Advanced Metals Division, and magnetic materials and applications as well as wires, cables, and related products of the Advanced Components and Materials Division). This action was prompted by the increasing necessity of close links with headquarters departments in areas such as engineering, planning, and sales, to comply with product environmental regulations and expand sales of eco-products.

ISO 14001:2015, revised in September 2015, requires that environmental management be in balance with the strategic direction of the business and integrated with business processes. We strove to transition to the 2015 requirements as we worked toward an integrated EMS for each segment of the Business Headquarters, and completed the transition during fiscal 2017.

Since April 2019, we have shifted to a two-division organization consisting of the Advanced Metals Division and the Advanced Components and Materials Division. However, the EMS of each segment (the former four internal companies) has been implemented within the new system of the Business Headquarters.

\*1. Environmental Management System

## **(7) Environmental Auditing**

The Environmental Strategy Department, Technology, Research and Development Division, conducts companywide environmental audits in an attempt to achieve thorough adherence and compliance with environment-related laws and regulations, appropriate EMS management regarding the environmental action plan, and comprehensively mitigate environmental risks.

In fiscal 2020, environmental affairs audits were conducted at eight sites (six in Japan and two outside Japan) in conjunction with internal audits. We confirmed that there were no major non-conformities requiring immediate administrative guidance. Although 23 minor non-conformities were revealed, actions to correct them are underway according to plan.

## **(8) Environmental Education and Awareness Promotion**

The Hitachi Metals Group has set up training systems as part of our EMS, and has established clearly defined roles for companywide training and individual factory-level training for further improvement of the employees' environmental awareness as well as the enhancement of knowledge and skills relevant to each workplace.

### **Environmental Training Systems**

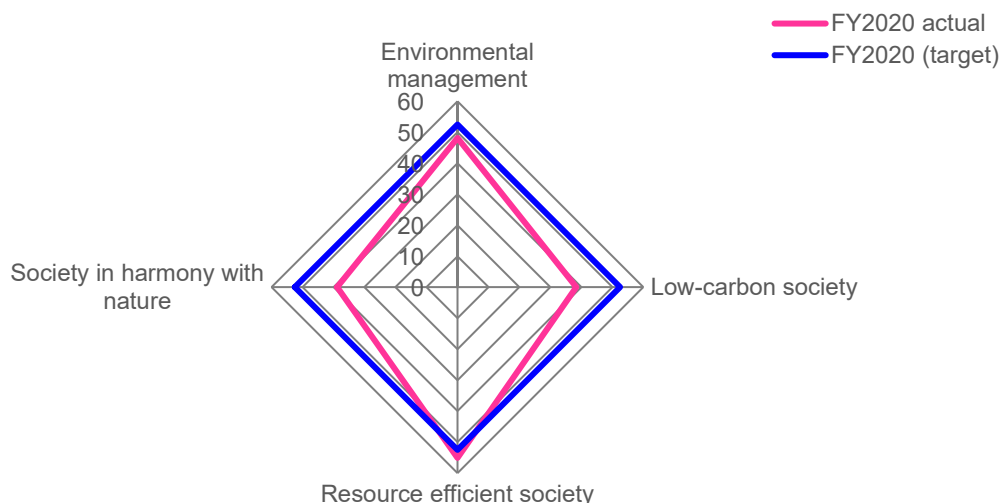
Target		Description	
General education	All employees	e-learning	Eco-mind training (Hitachi Group)
	On-site employees	On-site environmental education	General education on ISO14001 and environmental management performed by general employees
Professional education	New supervisor	Education for new supervisor	Environmental issues and workplace responsibilities
	Environmental Internal Auditors	Environmental Internal Auditor training	Environmental laws and regulations, EMS knowledge, and environmental skills
	Environmental officers	Environmental officer training	Education for staff responsible for environmental affairs, and comprehensive risk management
	Legally qualified personnel	Qualification-based training	Education to develop legally qualified personnel (including external training)

## **(9) Environmental Management Level “GREEN21-2021” Activities**

The Hitachi Group promotes “GREEN21” as a system to assess point scores for ongoing improvement in environmental activities and for raising the level of activity. The Group revised GREEN21 for the fifth time in fiscal 2019, and pursues activities under GREEN21-2021 during the three years from fiscal 2019 to fiscal 2021.

In GREEN21-2021, activities are categorized under the four items in the table below, and are assessed and scored in accordance with the achievement status of the Environmental Action Plan. Additional points are provided for upward revision of targets, external awards, etc.

In fiscal 2020, the Hitachi Metals Group scored 180 Green Points (GPs) in the four categories, failing to achieve our target of 210 GPs. We will continue our efforts to achieve the targets of the Environmental Action Plan and make further progress under GREEN21.



No.	Category (Rating Form)	Main Rating Contents
1	Environmental management	Enhancement of global environmental management; enhancement of management at small and medium size sites; HR development for environmental management; legal compliance; decreasing complaints
2	Low-carbon society	CO <sub>2</sub> emissions reduction amount/rate related to products and services Improvement of CO <sub>2</sub> emissions per production unit Reduction of CO <sub>2</sub> emissions attributable to transportation (shippers)
3	Resource efficient society	Improvement rate of water usage per production unit; reduction of water usage Response to water-related risks Reduction of waste valuable resources; improvement of such resources per unit; waste landfill rate; raw material usage status; product recycling implementation status
4	Society in harmony with nature	Improvement ratio of per unit rate of chemical substances released into the atmosphere Activities for preservation of ecosystems

### GREEN21-2021 Targets and FY2020 Achievement

(FY)	FY2019	FY2020	FY2021
Target	140	210	280
Actual	166	180	—

## **(10) The State of External Communications about the Environment**

### **(a) Participation in Exhibitions**

The Hitachi Metals Group participates in various exhibitions and introduces its environmentally conscious lineup of technologies that help customers make their products more efficient, compact, and lightweight, and products that feature longer-life performance. The Group tries to show how its products contribute to the reducing of environmental burden.

**Main Exhibitions in which the Hitachi Metals Group Participated (Fiscal 2020)**

<b>Date</b>	<b>Exhibition (location)</b>	<b>Exhibited by HitachiMetals</b>
Sep. 8-19, Sep. 28-Oct. 2, 2020	TECHNO-FRONTTIER 2020 (Virtual Exhibition)	Products from five areas, including: core materials for motors: battery-related components; and aluminum lightweight housing, selected under the theme of "Collaboration for Innovation—Creating New Value through Combining Materials"
Sep. 16-19, 2020	22nd China International Industry Fair (Shanghai, China)	Heat-resistant, flame-retardant, and flex-resistant cables for industrial robots, etc.
Nov. 4-6, 2020	Gas & Heating China 2020 (China)	SOFLEX gas tubes, etc.

### **(b) External Awards**

The Hitachi Metals Group's products and environmental activities won the following external awards in fiscal 2020 for their contribution to energy conservation and to reductions in size and weight.

**Major External Environmental Awards (Fiscal 2020)**

<b>Company</b>	<b>Product/technology</b>	<b>Award</b>	<b>Offered by</b>	<b>Details</b>
Waupaca Foundry, Inc. Plant5	Efficient utilization of industrial energy and water, etc.	2020 Better Project Award	US Department of Energy	Melting efficiency improvement and significant energy conservation through waste heat utilization for cupola (melting furnace)



## **(11) Consideration for the Preservation of Biodiversity**

The Hitachi Metals Group's ecosystem preservation measures include tree planting and forest conservation activities, cleanup activities in areas surrounding plants, and environmental education.

### **(a) Examples of Major Ecosystem Preservation, Tree Planting, Forest Conservation, and Social Contribution Activities**



Cleanup activities around rivers  
(San Technology, Inc.)



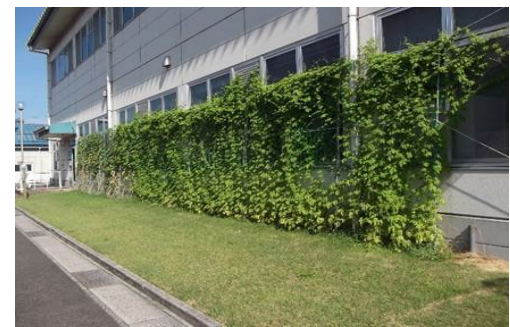
Tree planting activities  
(Hitachi Cable Vietnam Co., Ltd.)



"Cleaning activities around the Works"  
(Hitachi Ferrite Electronics, Ltd.)



"Cleaning activities around the Works"  
(Hitachi Metals Neomaterial, Ltd.)



"Green Curtain campaign" (Hitachi Metals, Ltd.)

## 2. Environmental Consideration in Products

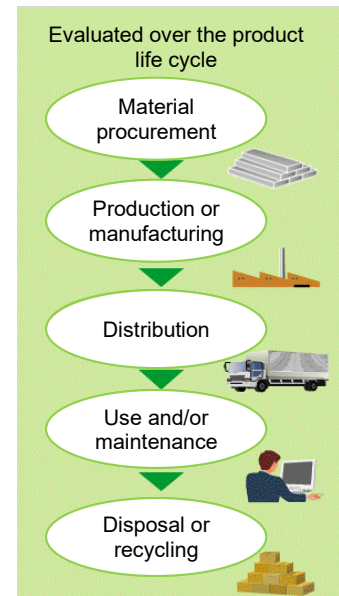
The Hitachi Metals Group considers “Thinking about the next generation—An environment-friendly solution” an important managerial issue. We contribute to the realization of a sustainable society through the creation of new products and new technologies that meet such needs, as well as through the provision of advanced environmentally conscious products.

### (1) Environmentally Conscious Vision in Products and Services

For the purpose of contributing to the realization of a sustainable society, the Hitachi Metals Group is focusing attention on the environmental and energy sectors as we promote the development of new products. Moreover, for the development and design of such new products, we promote environmentally friendly product development based on the “Hitachi Group Eco-Design Management Guidelines” (revised version), which takes product life cycles into account.

Eco-design that takes product life cycles into account is now required by the revision of ISO 14001:2015, by the establishment of IEC 62430<sup>\*1</sup>, and by national regulations for energy-saving products. In order for evaluations to be made from the viewpoint of life cycles based on IEC62430, the Hitachi Metals Group revised its environmentally conscious design assessments and Life Cycle Assessment (LCA) in fiscal 2016. Using these assessment tools, we carry out product development and design that consider the environment throughout the entire life cycle of the product, from procurement and manufacturing to use and disposal by the customer.

The table below shows examples of the Hitachi Metals Group's products and the environment- and energy-related fields in which the products are utilized.



\*1. IEC 62430: The standards set by the International Electrotechnical Commission (IEC) for “Environmentally conscious design for electrical and electronic products”

### Examples of the Hitachi Metals Group's Products and the Environment- and Energy-Related Fields in Which the Products Are Utilized

Field of application		Products and development technologies	
Energy	Renewables Energy	Solar cells	Amorphous cut core, dust choke coil, target materials
		Wind-power generation	Rare earth magnets, amorphous metal materials, fine met core, magnet wires
	Energy saving and high efficiency	Power generation facilities	Super-heat-resistant metal materials, precision casting blades for turbine wheels
		Home appliances	Magnets for air conditioners and refrigerator compressors High-efficiency amorphous motor components
Electricity storage/transformation	Transformers	Amorphous metal materials for low-loss transformers	
	Batteries	SOFC <sup>*2</sup> fuel cell parts (interconnector materials, heat-resistant parts) Electrode members for secondary batteries, clad metals, xEV battery cases	
Mobility	Automobiles	Emissions control	Components that help clean exhaust gas
		Light weight	Lightweight undercarriage, magnets for EPS <sup>*3</sup> , various sensors
		High efficiency	Heat-resistant cast steel materials, CVT <sup>*4</sup> belt materials
	Hybrid/EVs	Motors	Rare earth magnets, amorphous metal materials, amorphous motors, fine met core, clad metals for secondary battery electrodes, highly efficient magnet wires
		Inverters and other devices	Members for fast charging, aluminum cast inverter cases, silicon nitride substrates, power harnesses
	Rolling Stock	More efficient, compact, lighter weight	Cables for rolling stock
Aviation	Longer life and higher efficiency	Ni-based alloy large forged parts for aircraft engines, high-heat-resistance/high-corrosion-resistance alloys	
All industries/ Infrastructure	Industrial equipment, etc.	Aircraft components	Long-life die steel, carbide rolls, corrosion/heat-resistant fittings, Eco-Green cables Additive manufacturing technology
	Water treatment	Seawater desalination	Ceramics adsorption filters for pretreatment of seawater desalination
	Electronics	More efficient, compact, lighter weight	Communication modules, multilayer ceramics components, silicon nitride substrates

\*2. Solid Oxide Fuel Cell; \*3. Electronic Power Steering

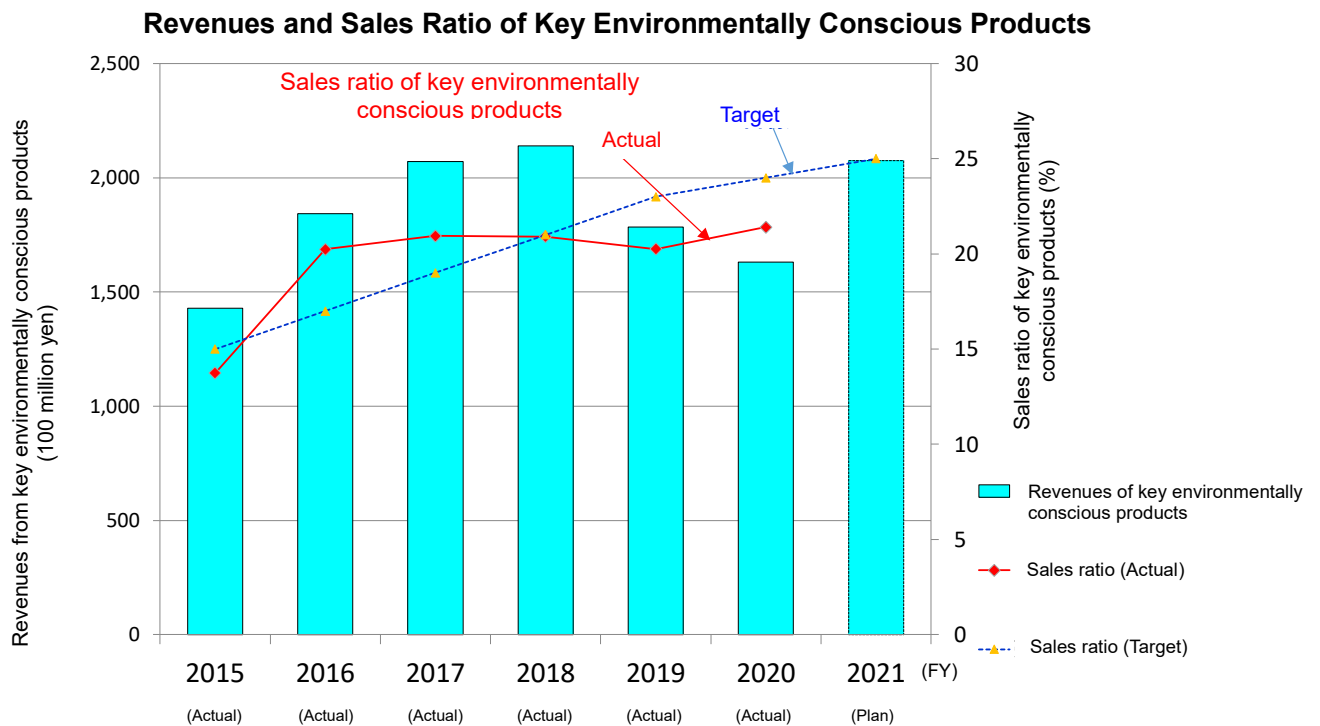
\*4. Continuously Variable Transmission

## **(2) Expansion of Key Environmentally Conscious Products**

The Hitachi Metals Group defines environment-conscious products as those targeted for growth based on a management strategy and that make a significant contribution to resolving environmental issues such as climate change and resource recycling. The Group is promoting the increase of revenue from environment-conscious products.

In fiscal 2020, revenues from sales of key environmentally conscious products declined by 15.5 billion yen year on year to 163 billion yen, chiefly due to production reduced globally as a result of the spread of COVID-19. The sales ratio of those products to the Company's total consolidated revenues increased 1.5% year on year to 21.2%, falling short of the target ratio of 24%.

Going forward, we will expand the lineup of target products and promote sales, aiming to contribute to solving environmental issues facing our society.



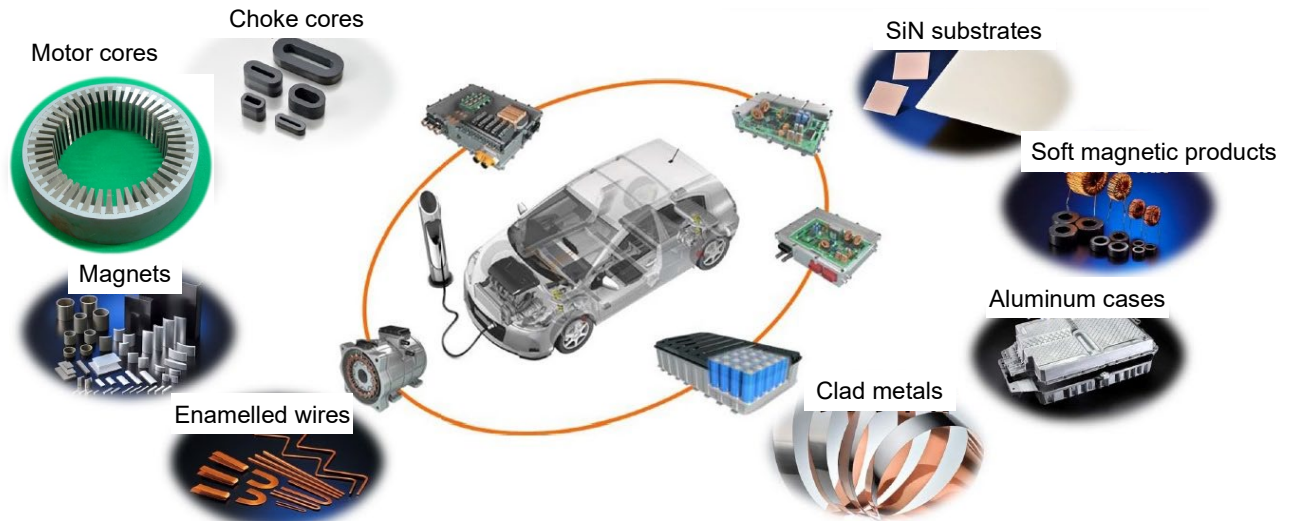


### (3) The Hitachi Metals Group's Environment- and Energy-related Products

The Hitachi Metals Group develops and delivers materials and products in fields ranging from generators and transformers through to factories, plants, offices, homes, and vehicles, contributing to the environment and energy across wide-ranging areas of society.

#### **[Introducing Environment- and Energy-related Products]**

##### **■List of our xEV\*1-related products**

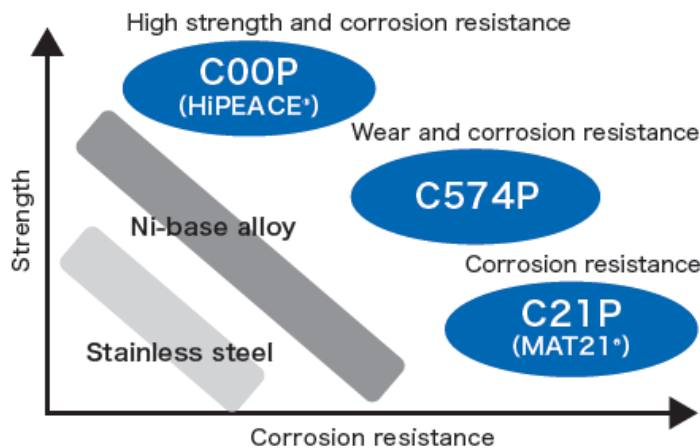


\*1. xEV: A generic term for electric vehicles (EVs), hybrid electric vehicles (HEVs), and plug-in hybrid electric vehicles (PHEVs)

#### **■Additive manufacturing technology (technological development)**

**Global Research & Innovative Technology Center  
AM Solution Center, Advanced Metals Division**

One major challenge facing plant facilities and equipment for use under highly corrosive ambient conditions, as particularly seen in mineral resources development projects, is to improve the corrosion resistance and strength of components at the same time. Hitachi Metals' ADMUSTER®C series offers three types of alloy powder materials (C00P, C574P, C21P) to be chosen according to the environment in which the equipment is to be operated, and our materials and manufacturing technologies can apply various modeling (3D printing) methods to achieve components with complex geometries. Our additive manufacturing technology can heighten the reliability and prolong the service life of components particularly for use in chemical plants and semiconductor manufacturing equipment.



**Corrosion resistance and strength of alloy powder for additive manufacturing**



**Example of additive manufactured (3D printed) product (valve)**

## ■New cold work die steel SLD®-f and SLD®-f60

Tool Steel Department, Specialty Steel Business Unit, Advanced Metals Division

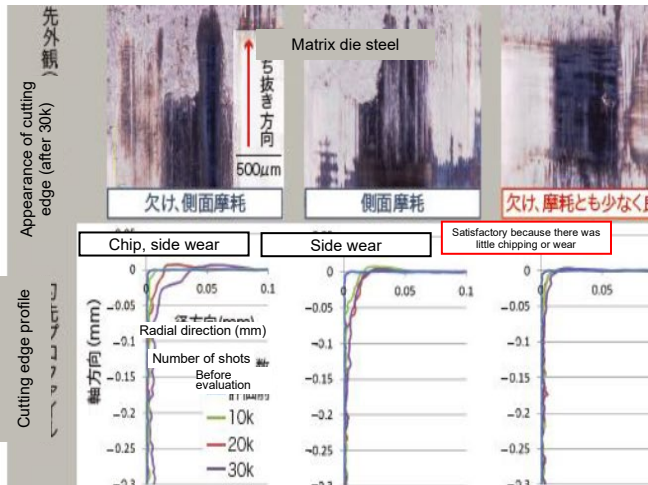
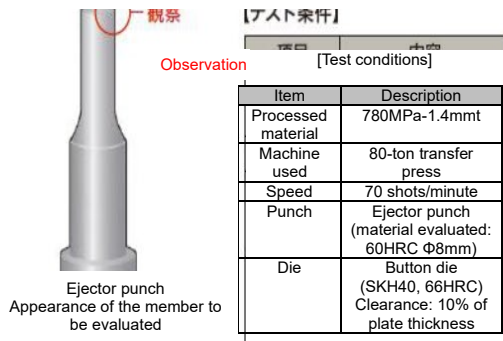
SLD®-f is a new cold work die steel product that can offer a constant hardness of at least 60 HRC, good toughness, and improved resistance to chipping. This steel exhibits reliable hardness even during high temperature tempering, thus helping reduce dimensional change resulting from PVD coating. Additionally, the composition and microstructure of steel has been studied so as to increase machinability, which has enabled higher cutting speed, thus effecting a shorter processing time.

SLD®-f60 offers engraving die materials that have been heat treated to achieve 60 HRC levels. You can eliminate the need for handling of complicated heat treatment processes, including for heat treatment and distortion correction, enabling simplified processes.

As stated above, SLD®-f and SLD®-f60 can help shorten mold processing time and mold production lead time, thereby contributing to effective use of resources.

### Evaluation case

The evaluation of punch edge wear is satisfactory because there is little chipping or wear.



## ■NEOMAX® rare earth magnets for xEV drive motors and power generators

Magnetic Materials Business Unit, Advanced Components & Materials Division

Hitachi Metals led the world in developing and launching the mass production of NEOMAX® neodymium magnets. With the world's best magnetic properties, NEOMAX® magnets are used in the drive motors of xEVs and contribute to better fuel efficiency.

We have also developed and mass-produce a diffusion technology for heavy rare earth metals, the DDMagic® series, which increases heat resistance and magnetic force while reducing the amount of heavy rare earth elements (dysprosium [Dy], etc.) added to improve heat resistance in NEOMAX® magnets, and the F series, which uses technology to limit the use of heavy rare earth elements.

As energy conservation and the need for fuel efficiency lead to greater demand for rare earth magnets, rare metals (heavy rare earth elements in particular) are in limited supply. Hitachi Metals will support the shift to compact and higher performance motors, and thus contribute to the creation of a low-carbon, recycling-based society by manufacturing high-performance magnets while reducing the use of rare metals.

\*1. xEV: A generic term for electric vehicles (EVs), hybrid electric vehicles (HEVs), and plug-in hybrid electric vehicles (PHEVs)



NEOMAX® Nd rare earth magnet

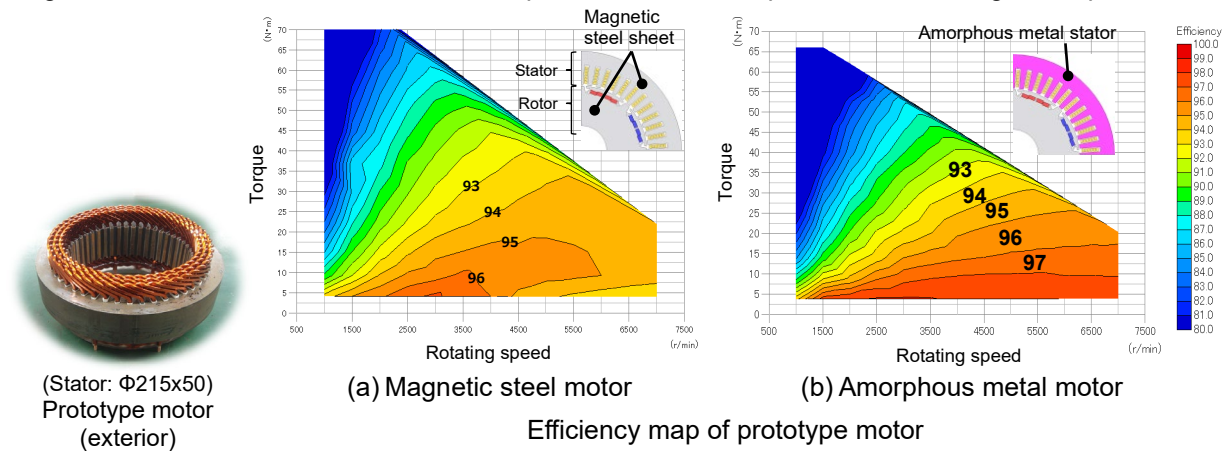
## ■Amorphous core for motors (technological development)

**Global Research & Innovative Technology Center  
Power Electronics Materials Business Unit, Advanced Components & Materials Division**

It is said that motors consume 50% of the global supply of electric power, and as such, improving the efficiency of this mechanism is one of the most overriding issues of energy conserving technology. Looking to offer a solution to this, Hitachi Metals is working to adopt company-held low-loss amorphous materials to motor production.

In a recent demonstration test, a prototype with the size of a vehicle drive motor has achieved an about 3% improvement in efficiency. Also, it was confirmed that using amorphous materials for the stator in place of the standard magnetic steel sheet can reduce iron loss by 80%.

Generally, the iron loss of the motor increases as its rotating speed rises, posing a major inhibitor of maximum power output. A solution to this limitation will be provided by adopting amorphous materials with high iron efficiency, which can achieve high rotation drive, a level impossible with the motor employing magnetic steel sheet. This measure also helps enable more compact motors with higher output.

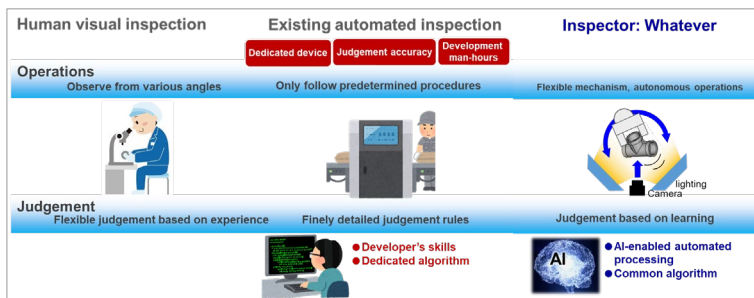


## ■Autonomous visual inspection system & solution (technological development)

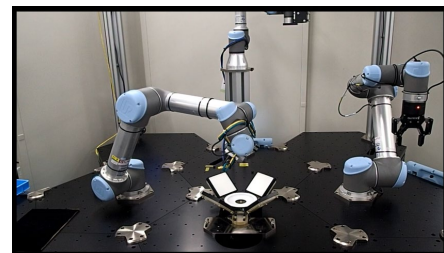
**Global Research & Innovative Technology Center**

Existing automated visual inspection processes involve human operators to command the robot to perform specific tasks and create image recognition programs for each product to be inspected, requiring a substantial time and workload. In the meantime, manufacturers are facing the need to increase production capacity while reducing cost and time for skills development, in order to compete successfully in global markets. Aiming to address this situation, Hitachi Metals started to develop more effective automation technologies for visual inspection to eliminate the need for human intervention into robotic operations. However, there were a host of challenges to overcome to realize automation technologies to exhibit high levels of versatility and precision at once to be able to handle a broad spectrum of products.

To deal with these challenges, we leveraged our production technologies while also promoting DX and open innovation initiatives, which resulted in the development of Nandemo Inspector™, autonomous visual inspection system and solutions. We have recently carried out a principle verification test for the above-stated concept, and launched an operational demonstration. The relevant development process is advancing toward mass production in cooperation with partners.



Development concept of Nandemo Inspector™



Model system (exterior)



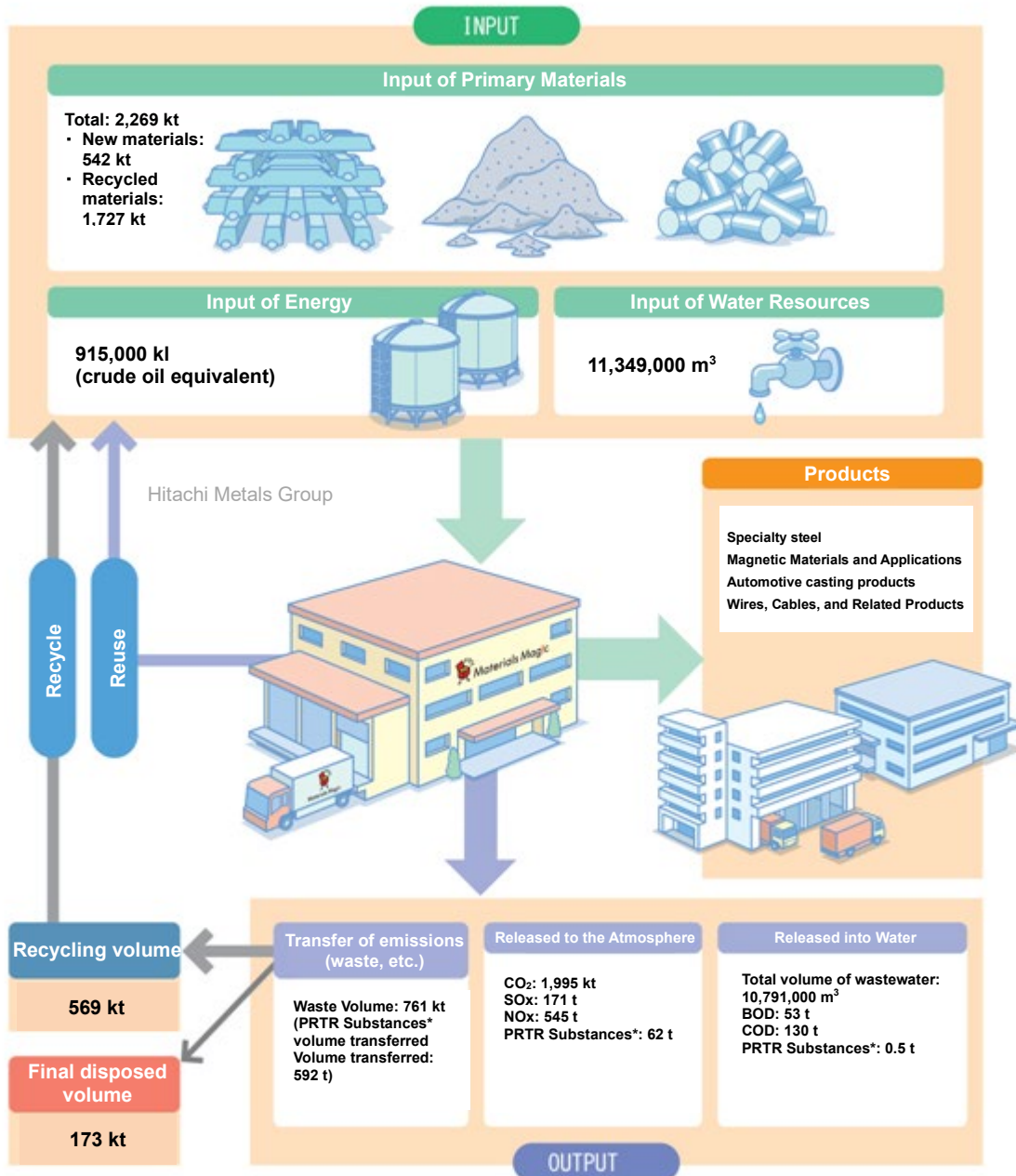
### 3. Environmental Consideration in Manufacturing

This is a graphical representation of the balance of materials in manufacturing processes at the Hitachi Metals Group for fiscal 2020.

The Hitachi Metals Group is promoting the reduction of the environmental burden in two directions: reducing the volume of input through the efficient use of resources and energy, and reducing the volume of output by controlling atmospheric releases and wastewater discharges, reducing and recycling waste, and so on.

#### (1) Material Balance

The Hitachi Metals Group's Material Balance for Fiscal 2020 (Global)



\* PRTR emission quantities are totals of those released by domestic companies in the Hitachi Metals Group  
The final disposal amount includes household waste, hazardous waste, and in-house landfill.

## (2) Climate Change Prevention

The Hitachi Metals Group is a materials manufacturer and uses significant amounts of energy in its manufacturing processes. For this reason, the Group positions the prevention of climate change as a management priority. The Group has established medium- to long-term targets and is now working on energy conservation measures to reduce its energy consumption rate and CO<sub>2</sub> emissions.

### (a) Vision for Preventing Climate Change

The following presents the targets of the Hitachi Metals Group's three-year plan covering fiscal 2019 to fiscal 2021 and the results of fiscal 2020.

- **Targets for Fiscal 2021 in the Medium-Term Environmental Action Plan**

Reduction of per unit of CO<sub>2</sub> emitted\*<sup>1</sup> in manufacturing processes by 7% from that in FY2010 (global)

\*1. (CO<sub>2</sub> emissions) / (amount of activity)\*<sup>2</sup>

\*2: A figure representing the scale of business activities such as sales or production weight

- **Fiscal 2020 Results**

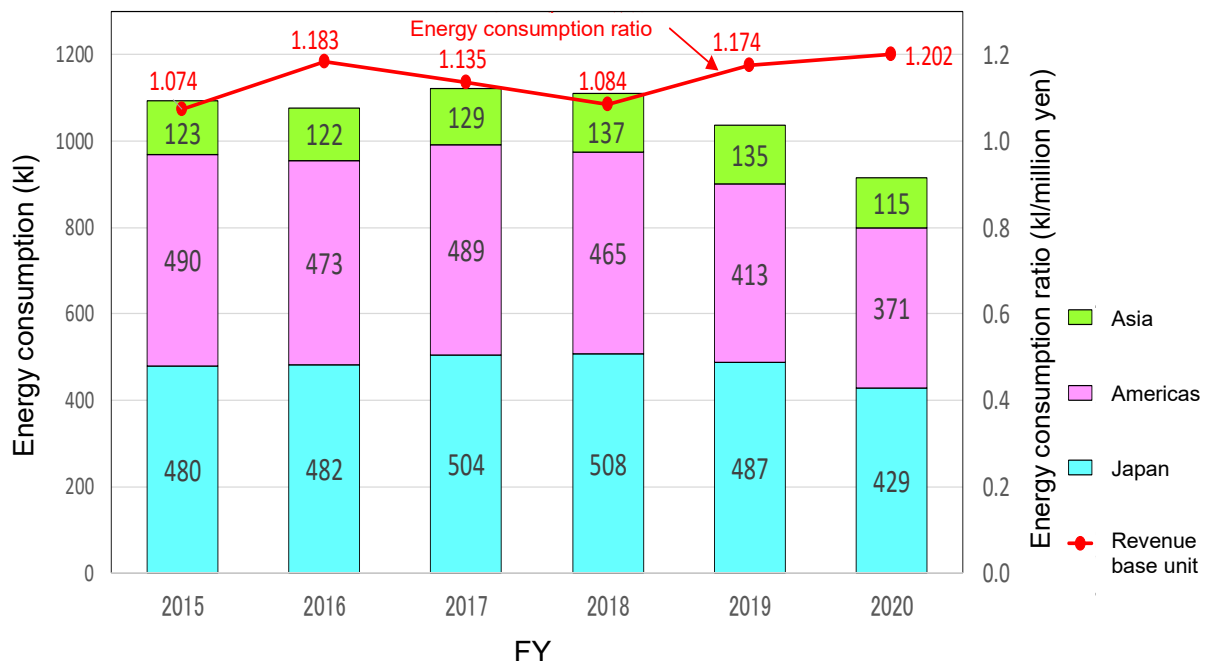
Improvement ratio of CO<sub>2</sub> emissions per unit: -2.3%

### (b) Trends in Energy Consumption and Sales Energy Consumption Ratio per Production Unit

The Hitachi Metals Group's global energy consumption in fiscal 2020 was equivalent to 915 thousand kl of crude oil, down 120 thousand kl (11.6%) from fiscal 2019. The decrease was principally related to diminished production, resulting in a year-on-year decrease of 13.6% in revenues, chiefly due to the spread of COVID-19. On the other hand, the basic unit for revenue was 1.202, up about 2.3% from fiscal 2019. Major factors for the increased basic unit were attributable to lower capacity utilization owing to diminished production, and especially heat-treating furnaces and other equipment that is unsuitable for frequent shutdown and thus requires fixed energy.

To reduce energy consumption even further, we will continue to pursue energy-saving activities linked to *monozukuri* (manufacturing). The emphasis is on omitting excess processes, improving efficiency, boosting yield rate, curtailing fixed energy, installing energy-saving equipment, fuel conversion and introducing renewable energy.

**Trends in Energy Consumption and Sales Energy Consumption Ratio**

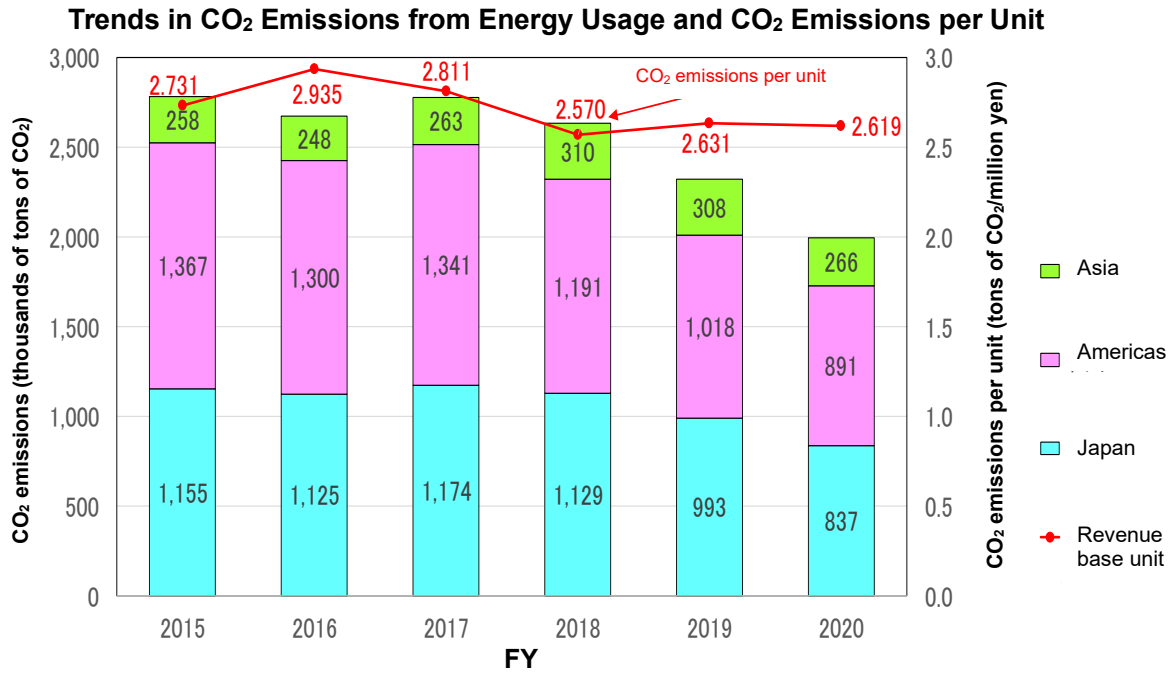




**(c) Trends in CO<sub>2</sub> Emissions from Energy Usage and CO<sub>2</sub> Emissions per Unit**

In fiscal 2020, CO<sub>2</sub> emissions from the Hitachi Metals Group's business activities decreased by 324 thousand tons (14.0%) from fiscal 2019, to 1,995 thousand tons. The above significant decrease in CO<sub>2</sub> emissions was principally related to diminished production, resulting in a year-on-year decrease of 13.6% in revenues, chiefly due to the spread of COVID-19. On the other hand, the basic unit for revenue was 2.619, down about 0.4% from fiscal 2019. The decreased basic unit was owing to fuel conversion and a switch to a power company that offers lower CO<sub>2</sub> emissions coefficients, which offset a lower capacity utilization due to diminished production.

Going forward, we will step up our efforts to reduce CO<sub>2</sub> emissions, setting medium- to long-term targets aimed at achieving carbon neutrality in 2050.



Note: At 62%, electricity accounts for the majority of the Hitachi Metals Group's CO<sub>2</sub> emissions, followed by coke and city gas, in that order.  
 For the CO<sub>2</sub> emission factor of electric power, Japan uses emission factor for each electric power company announced by the Ministry of the Environment, while the Americas and Asian countries use the country-specific conversion factor issued in 2017 by the IEA (International Energy Agency).

**■Hitachi Metals Group' long-term targets for carbon neutrality**

As countries around the world accelerate their initiatives to address climate change based on the Paris Agreement, the Japanese government announced in October 2020 the policy goal of achieving effectively zero emissions of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases by 2050. Primarily for this reason, companies are increasingly being expected to work even more aggressively toward transitioning to a decarbonized society. Recognizing these expectations, the Hitachi Metals Group has set the following targets for CO<sub>2</sub> emissions\*1.

CO<sub>2</sub> emissions\*1 targets  
 Medium-term target: 38% reduction by 2030 (compared to fiscal 2015\*2)  
 Long-term target: Aim for effectively zero emissions by 2050

\*1: Absolute total value of Scope 1 (direct CO<sub>2</sub> emissions by the Company) and Scope 2 (indirect emissions from the use of electricity, heat, and steam supplied by other companies)

\*2: CO<sub>2</sub> emissions in fiscal 2015: 2,779 thousand t-CO<sub>2</sub>/year

We are faced by many different issues for promoting initiatives to achieve carbon neutrality. To address such issues, we will implement various measures, such as process improvement particularly through facility investment, fuel conversion for melting and heating furnaces and other equipment, technology development for expanding usage of carbon-free fuels, and introducing renewable energy in addition to continuing with previous energy-conserving activities.

### **(3) Effective Use of Resources**

#### **(a) Vision for Effective Use of Resources**

The Hitachi Metals Group is using in-house reuse and recycling by way of intermediate processing to create a resource-efficient society and achieve the “thorough circulation of resources throughout the life cycle of goods and services,” as stated in the 4th Fundamental Plan for Establishing a Sound Material-Cycle Society.

##### **●Targets for Fiscal 2020 in the Medium-Term Environmental Action Plan**

- Reduction of waste generation per production unit<sup>\*1</sup> by at least 13% compared to fiscal 2010 (global)
- Waste landfill rate: 13% or less (global)

\*1. (Waste and valuables generation) / (amount of activity<sup>\*2</sup>)

\*2: A figure representing the scale of business activities such as sales or production weight

##### **●Fiscal 2020 Results**

Rate of reduction of waste generation per production unit: 15.2%

- Waste landfill rate: 10.9%

We are working to reduce waste/valuables generation (“waste”), which is measured using the indicator of generation of waste per production unit. We are promoting efforts to reduce waste output, focusing on process innovation such as kaizen (improvement) of production processes. Furthermore, due to strict conditions in the final disposal site and requirements to respond to social demands regarding the effective use of resources, we have set a goal since FY2019 of improving the waste landfill rate, working to increase recycling and reduce the final disposal volume.

#### **(b) Results of Waste Management**

Total waste generated by the Hitachi Metals Group in fiscal 2020 reached about 761 thousand tons, down 118 thousand tons from 879 thousand tons in the previous fiscal year.

We achieved a 15.2% reduction from the base year in the generation of waste per production unit, a management indicator in our Environmental Action Plan, and exceeded our target. This was attributable to the launch of a sand recycling system at the U.S.-based Waupaca Foundry, Inc.

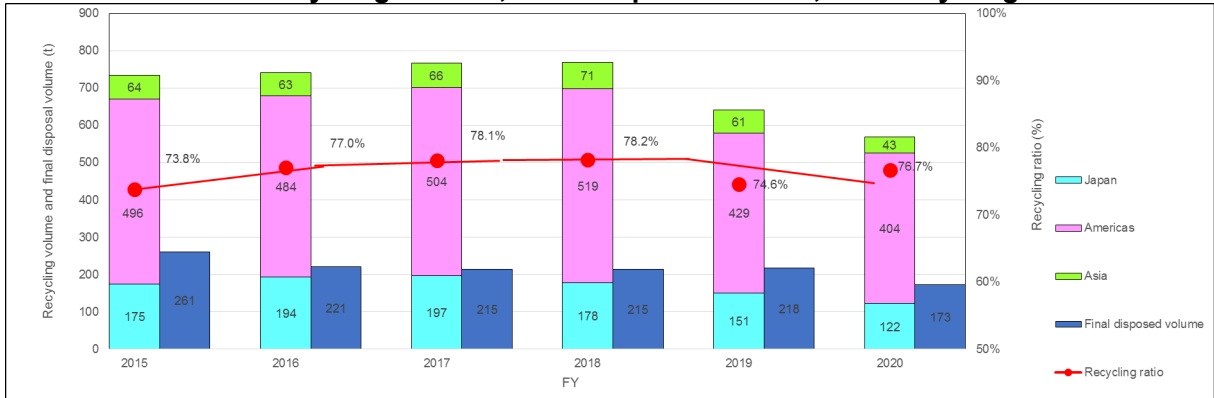
The amount of recycled resources was 122,000 tons in Japan, 404,000 tons in the Americas, and 43,000 tons in Asia (total: 569,000 tons). The final disposal amount was 17,000 tons in Japan, 146,000 tons in the Americas, and 10,000 tons in Asia (total: 173,000 tons). (The final disposal amount includes the amount of household waste, hazardous waste, and waste deposited on our premises.)

There were many challenges to recycling waste in Japan, but due to factors such as recycling activities in the Americas, the waste landfill rate in fiscal 2020 was 10.9%, compared to the target value of 13%. Going forward, we plan to raise the bar overall through initiatives at overseas offices, where we believe that many recyclable items remain.

Also of note, we achieved zero emission status<sup>\*1</sup> at 19 business offices.

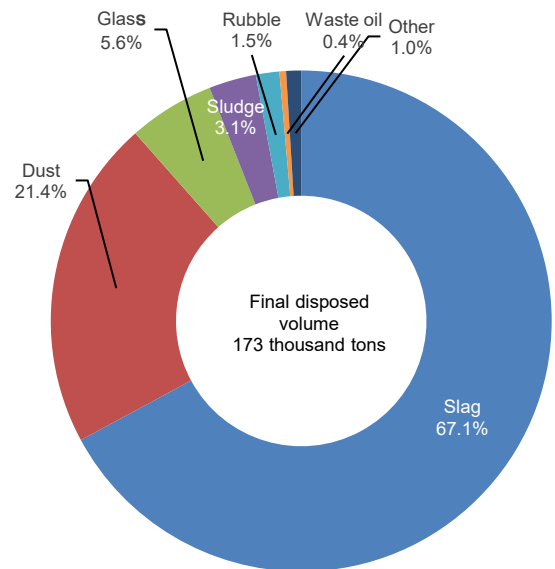
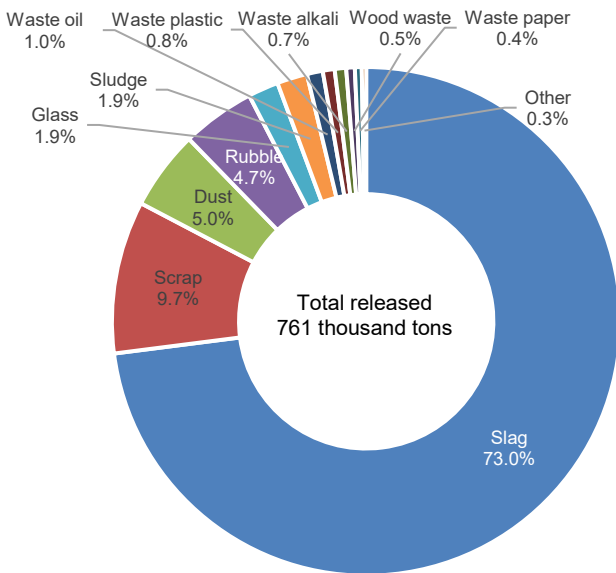
\*1. Deemed to be a final disposal volume of less than 0.5% of total emissions since fiscal 2011

### Trends in Recycling Volume, Final Disposal Volume, and Recycling Ratio



### Breakdown of Waste Volume (Hitachi Metals Group)

### Breakdown of Final Disposal Volume (Hitachi Metals Group)



Note: The final disposal amount includes household waste, hazardous waste, and in-house landfill.

**(c) Reduction of Water Usage**

- **Targets for Fiscal 2020 in the Medium-Term Environmental Action Plan**
  - Reduction of water usage per production unit\*1 by at least 24% compared to fiscal 2010 (global)

\*1. (Water usage) / (amount of activity\*2)

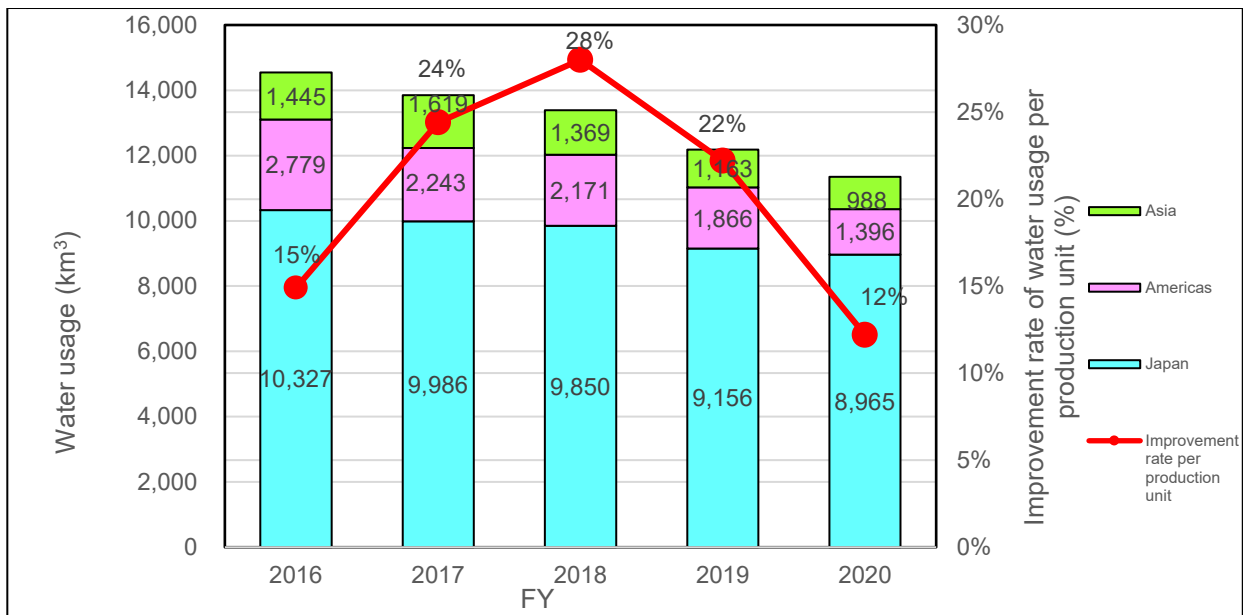
\*2. A figure representing the scale of business activities such as sales or production weight

- **Fiscal 2020 Results**

Improvement rate of water usage per production unit: 12.2%

Since fiscal 2016, we have been working to achieve the targets for effective use of water resources set in the Environmental Action Plan through global efforts. Our water usage amounted to 11,349 thousand m<sup>3</sup>, a decrease of 837 thousand m<sup>3</sup> from fiscal 2019. We reduced water usage per production unit by 12.2% compared to the base year, failing to achieve our target. This sizable decline is attributable to diminished production, resulting in a year-on-year decrease of 13.6% in revenues, chiefly due to the spread of COVID-19. The failure to achieve the per unit usage target is primarily owing to insufficient reduction in water usage for cooling equipment and other purposes, despite lower capacity utilization due to diminished production. We plan to work on raising water use efficiency, in order to reduce water usage.

**Trends in Improvement Rate of Water Usage per Production Unit**



#### (4) Chemical Substance Management

##### (a) Reduction of Substances of Environmental Concern

Of the substances handled by domestic companies in the Hitachi Metals Group that are subject to the PRTR Law,<sup>\*1</sup> six materials which are nickel (including compounds), chromium, molybdenum, manganese, phthalic acid (2-ethylhexyl), and cobalt are essential raw materials used in Hitachi Metals' products. These six substances constitute 95% of regulated materials and 86% of the total amount transferred.

Of the total amount released into the atmosphere, 51% is attributable to toluene and xylene, which are volatile organic compounds (VOCs).

\*1. Law Concerning Reporting, etc., of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management

#### The State of PRTR Substance Handling in Fiscal 2020 (Domestic Group)

Fig. Breakdown of Volume Handled

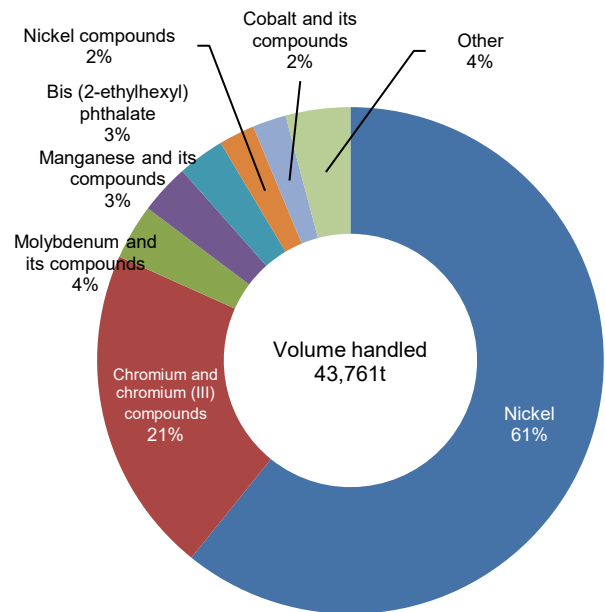
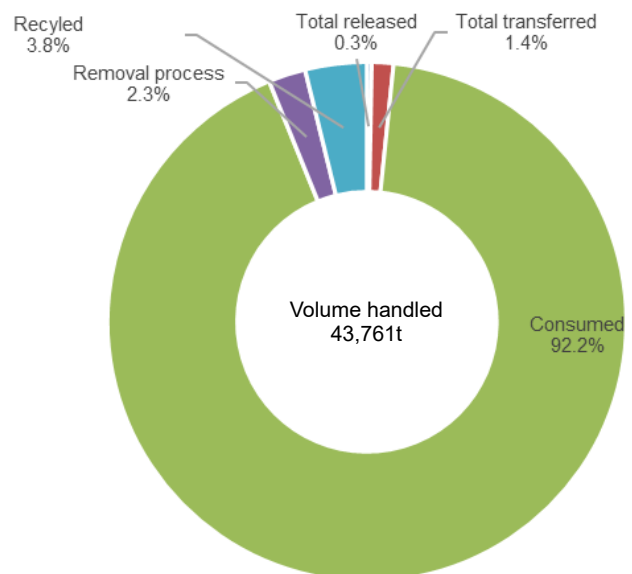
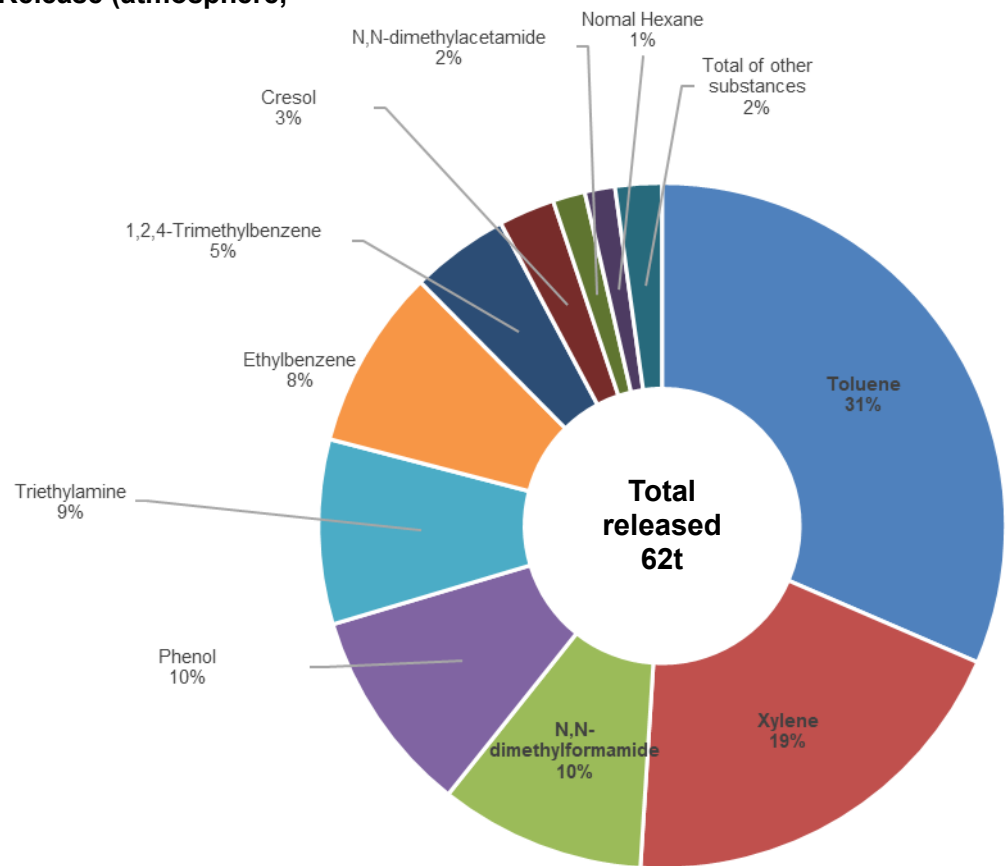


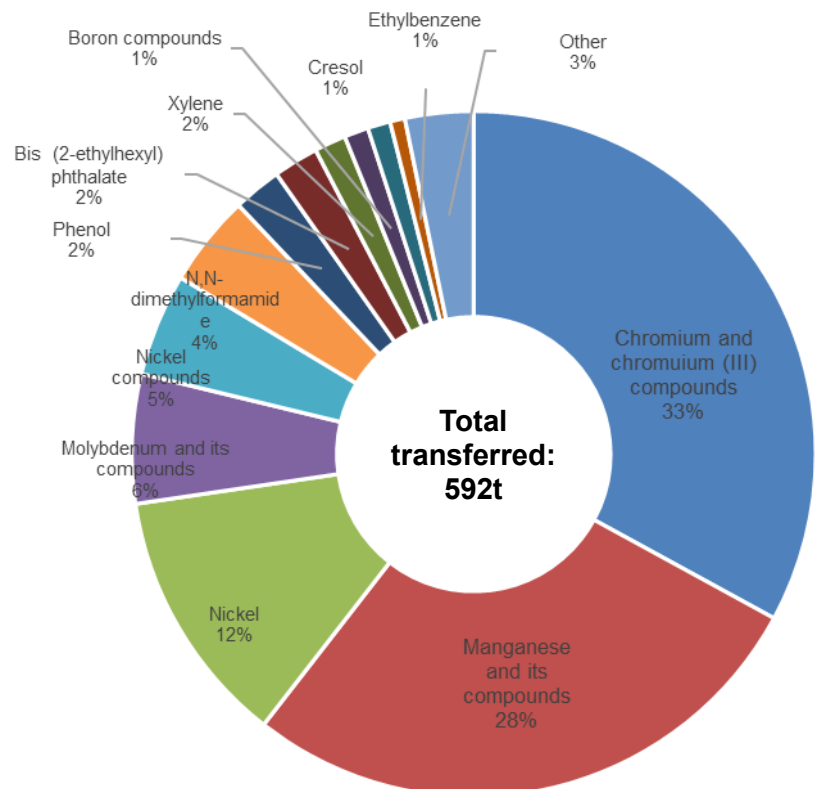
Fig. Volumes Consumed, Released, and Transferred, and Other Breakdowns



**Fig. Breakdown of Release (atmosphere, water)**



**Fig. Breakdown of Transfer (waste, sewerage)**



**Fiscal 2020: PRTR Data (in Japan) (Unit: Tons/year)**

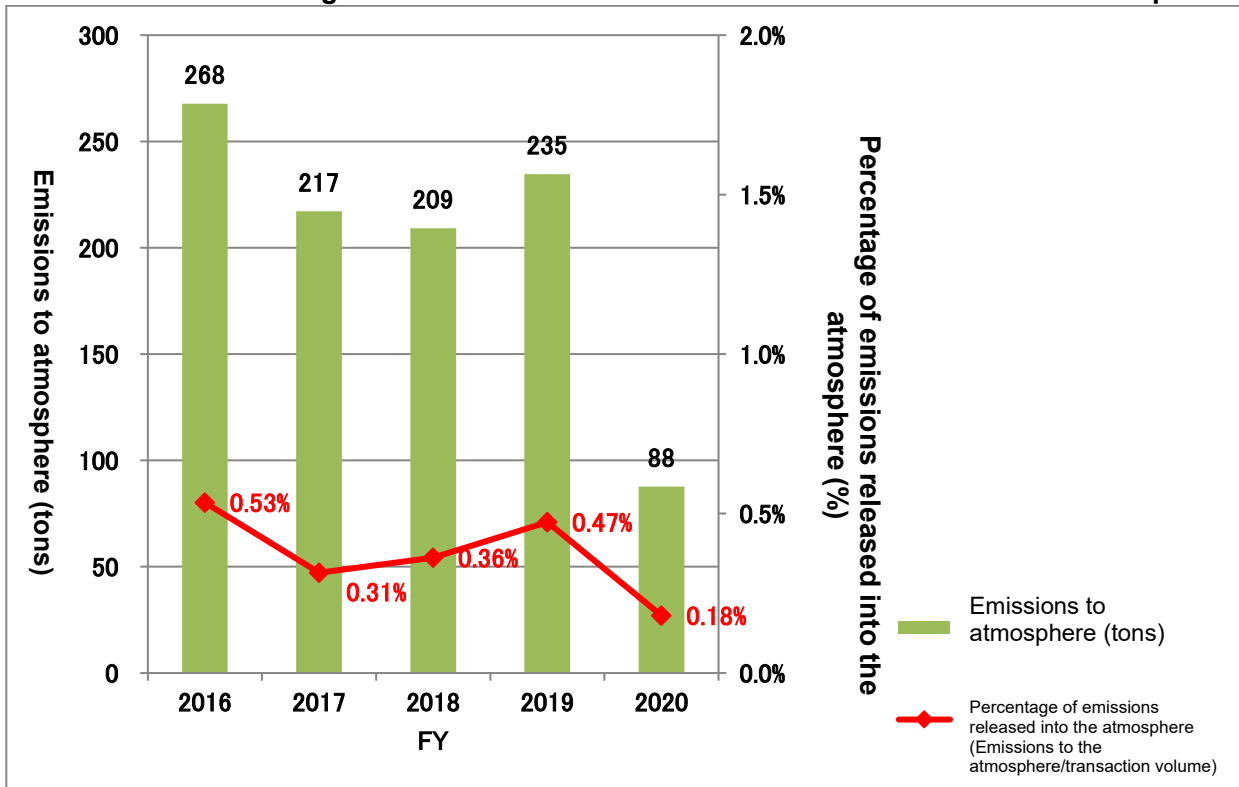
Number	Name	CAS Number	Volume handled	Volume released					Volume transferred		
				Atmosphere	Public water system	Soil	Landfill	total	Sewerage	Waste	Total
31	Antimony and its compounds	-	82	0.0	0.0	0.0	0.0	0.0	0.0	1.3	1.3
37	4,4'-Isopropylidenediphenol (alias: bisphenol A)	80-05-7	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
42	2-imidazolidinone	96-45-7	1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
53	Ethylbenzene	100-41-4	18	5.2	0.0	0.0	0.0	5.2	0.0	4.2	4.2
71	Ferric chloride	7705-08-0	303	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3
80	Xylene	1330-20-7	77	12.0	0.0	0.0	0.0	12.0	0.0	8.8	8.8
82	Silver and its water-soluble compounds	-	31	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
86	Cresol	1319-77-3	266	1.6	0.0	0.0	0.0	1.6	0.0	6.4	6.4
87	Chromium and chromium (III) compounds	-	9,152	0.0	0.1	0.0	45.7	45.8	0.0	194.9	194.9
132	Cobalt and its compounds	-	940	0.0	0.0	0.0	0.0	0.0	0.0	2.3	2.3
188	N,N-dicyclohexylamine	101-83-7	1	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
207	2,6-di-tert-butyl-4-cresol	128-37-0	3	0.0	0.0	0.0	0.0	0.0	0.0	2.8	2.8
213	N,N-dimethylacetamide	127-19-5	37	0.9	0.0	0.0	0.0	0.9	0.0	1.1	1.1
230	N-(1,3-dimethylbutyl)-N'-phenyl-p-phenylenediamine	793-24-8	3	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7
232	N, N-dimethylformamide	68-12-2	222	6.0	0.0	0.0	0.0	6.0	0.0	25.6	25.6
277	Triethylamine	121-44-8	89	5.4	0.0	0.0	0.0	5.4	0.0	0.0	0.0
296	1,2,4-Trimethylbenzene	95-63-6	30	2.9	0.0	0.0	0.0	2.9	0.0	3.0	3.0
297	1,3,5-Trimethylbenzene	108-67-8	11	0.9	0.0	0.0	0.0	0.9	0.0	0.4	0.4
300	Toluene	108-88-3	26	19.4	0.0	0.0	0.0	19.4	0.0	4.1	4.1
304	Lead	7439-92-1	21	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
305	Lead compounds	-	8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
308	Nickel	7440-02-0	26,608	0.0	0.0	0.0	0.0	0.0	0.0	71.8	71.9
309	Nickel compounds	-	1,002	0.0	0.2	0.0	17.7	17.9	0.0	28.6	28.6
330	Bis (1-methyl-1-phenylethyl) peroxide	80-43-3	16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
349	Phenol	108-95-2	288	6.0	0.0	0.0	0.0	6.0	0.0	13.5	13.5
355	Manganese and its compounds	117-81-7	1,308	0.0	0.0	0.0	0.0	0.0	0.0	12.6	12.6
374	Hydrofluoric acid and its water-soluble salts	68-12-2	3	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
391	Hexamethylene = diisocyanate	822-06-0	46	0.0	0.0	0.0	0.9	0.9	0.0	0.0	0.0
392	Normal Hexane	110-54-3	2	0.9	0.0	0.0	0.0	0.9	0.0	0.8	0.8
405	Boron compounds	-	205	0.0	0.0	0.0	0.0	0.0	0.0	6.8	6.8
412	Manganese and its compounds	-	1,399	0.0	0.3	0.0	2.6	2.9	0.0	163.2	163.3
438	Methylnaphthalene	1321-94-4	8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
453	Molybdenum and its compounds	-	1,546	0.0	0.0	0.0	0.0	0.0	0.1	35.9	36.0
(A total of 44 substances with handled volumes of less than one ton)			8	0.3	0.0	0.0	0.0	0.3	0.0	1.0	1.0

**(b) Reduction of Chemical Substance Emissions**

Since fiscal 2016, we have revised our management of chemical substances, which had previously targeted only volatile organic compounds (VOCs), based on risks such as acute toxicity and carcinogenesis, and have identified 50 new substances for management from among substances handled in large amounts. We are engaged in activities aimed at controlling the release of these substances to the environment. Most are emitted into the atmosphere, and VOCs account for over 90% of the total. We are therefore continuing improvement activities that focus on the treatment of solvent components used for product coating, as in the past, working to reduce emissions by conducting technological investigations and making changes in equipment to find substitutes for coating materials and improve processes.

Emissions released into the atmosphere decreased by 147 tons from fiscal 2019 to 88 tons. Also, the percentage of emissions released into the atmosphere decreased by 0.29% from fiscal 2019 to 0.18%. These results were primarily from withdrawal of the aluminum wheels business that involves organic solvent coating process as well as a changeover from organic solvent coating to electrodeposition coating for manufacturing automobile products (related to tires).

**Trends in Percentage of Chemical Substance Emissions Released into the Atmosphere**





## **(5) Eco-Factory Case Study**

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### **CO<sub>2</sub> reduction by introducing a forging and rolling planning system (Yasugi Works)**

The Yasugi Works, which manufactures specialty steel products with large-scale equipment, such as melting furnaces, 10,000 ton-class free forging presses, and high-speed radial forging machines, is striving to raise productivity and reduce CO<sub>2</sub>.

Our hot-working sites, which employ 10,000 ton-class free forging presses, strive continuously to engage in improvement activities aimed at enhancing productivity (improving capacity utilization rates), reducing wasted heating time, among other purposes. The introduction of 10,000 ton-class free forging presses has improved the product performance and productivity of hot molds and tool steel, which are tending to become larger than ever before, and we have also made other improvements. As improvement measures, we have introduced a system that can manage the shutdown and repair of heating furnaces, as well as a system that can efficiently plan forging and rolling. Furthermore, to enhance the effects of these systems, we have also worked to efficiently recover exhaust heat by introducing a heating furnace with a regenerative burner system, and to improve thermal efficiency by applying heat-insulating material, along with other initiatives.

As a result, we have successfully improved the efficiency of putting steel ingots into our forging machines, including 10,000 ton-class free forging presses, and reduced the energy consumption ratio by up to 13.2% (compared with that of fiscal 2019). In addition, we reduced overall working site fuel costs by roughly 7.50 million yen per month and CO<sub>2</sub> emissions by 13,000 t-CO<sub>2</sub> per year.



**10,000 ton-class free forging press**

VI. Report on Environmental Aspects

**(6) Site Data**

**Materials Flow at Major Domestic Manufacturing Sites in the Hitachi Metals Group in Fiscal 2020**

Classification	INPUT				OUTPUT									
	Raw materials, etc. (t / year)	Energy consumption (crude oil kl / year)	Water (thousand m <sup>3</sup> / year)	PRTR chemical substances (t / year)	Emissions (t / year)	CO2*1 (t / year)	SOx*2 (t / year)	NOx*2 (t / year)	BOD*2 (t / year)	COD*2 (t / year)	PRTR emissions *3 (t / year)	Transferred amount of PRTR *3 (t / year)	Drainage (thousand m <sup>3</sup> / year)	Man Discharge Destinations
Kyushu Works	7,878	29,244	160	3,456	10,709	45,381	0.0	1.7	0.0	0.4	77.7	0.0	45	Seto Inland Sea
Moka Works	32,366	26,576	326	54	13,840	48,954	0.1	1.2	4.3	0.0	0.1	0.0	261	Kinugawa River
Kuwana Works	11,543	14,453	441	24	10,047	29,811	0.9	3.8	0.0	0.1	3.5	6.0	427	Inabegawa River
Yasugi Works	100,873	132,850	5,219	15,656	48,361	275,849	17.3	182.9	0.7	10.7	0.6	442.2	5,084	Nakaumi Lake
Okegawa Works	2,171	16,809	310	708	1,041	31,312	0.2	5.8	2.3	2.8	0.0	5.6	310	Arakawa River
Kumagaya Magnetics Works	8,693	28,027	709	152	3,874	50,744	1.6	0.0	0.0	0.0	0.1	2.3	0	Arakawa River
Yamazaki Manufacturing Dept.	46	2,560	52	3	345	4,399	0.0	0.0	0.0	0.1	1.1	2.6	39	Sewerage
Metglas Yasugi Works	11,960	6,097	0	2	291	14,264	0.0	0.0	0.0	0.0	0.0	0.0	0	Nakaumi Lake
Saga Works	0	6,736	45	9	309	10,110	0.0	0.0	0.0	0.0	0.0	0.0	45	Rokkakugawa River
Ibaraki Plant	154,689	36,181	1,062	1,777	7,079	65,915	0.3	7.0	16.8	15.0	24.4	65.4	782	Seto Inland Sea
HMY, Ltd.	0	8,544	8	15,816	1,183	16,952	0.6	0.5	0.0	0.0	0.0	0.0	4	Nakaumi Lake
Hitachi Metals Precision, Ltd.	2,879	8,501	21	2,011	3,657	19,831	0.0	10.7	0.0	0.0	0.0	2.3	3	Nakaumi Lake
Hitachi Metals Neomaterial, Ltd.	47,836	40,441	502	2,476	12,687	74,698	0.5	6.0	2.0	1.0	1.0	1.4	422	Sewerage
Hitachi Metals Wakamatsu, Ltd.	34,122	25,287	138	707	36,048	41,396	0.0	8.0	0.0	0.0	0.5	44.5	76	Sewerage
Hitachi Metals Tool Steel, Ltd.	0	5,393	15	0	1,293	9,516	0.0	0.0	0.0	0.0	0.0	0.0	11	Sewerage
Hitachi Ferrite Electronics, Ltd.	672	5,202	52	51	731	9,965	0.0	0.0	1.8	0.0	0.0	1.4	45	Sewerage
NEOMAX KINKI Co.,Ltd.	2,514	15,529	176	0	1,141	19,976	0.0	1.1	0.2	0.3	0.0	0.0	176	Maruyamagawa River
NEOMAX KYUSHU Co., Ltd.	7,549	8,889	55	58	1,238	14,339	0.0	14.5	0.0	0.0	2.7	2.1	55	Rokkakugawa River
Tonichi Kyouzan Cable, Ltd.	35,875	4,733	65	515	1,870	8,334	0.1	0.2	0.0	0.0	0.3	12.3	65	Kasumigaura
Tohoku Rubber Co.,Ltd.	1,085	1,531	75	34	375	3,549	0.3	0.4	0.5	0.5	17.2	3.5	66	Pacific Ocean
Santoku Corporation	7,528	5,460	140	254	2,055	10,876	0.0	0.0	0.0	0.0	0.0	0.0	140	Sewerage

\*2. Atmospheric emission concentrations measured based upon the Air Pollution Control Law and Water Pollution Prevention Act.

PRTR emission quantities are totals of emissions to the atmosphere, public waterways, and soil. PRTR Transfers are totals of transfers to waste materials and to sewers.