



September 30, 2016

To whom it may concern:

Company Name: Hitachi Metals, Ltd.
Name of Representative: Hideaki Takahashi
President and Chief Executive Officer
(Code: 5486; First Section of the Tokyo Stock Exchange)
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Notice Concerning the Transfer of the Information Systems Business

[Company Split (Simplified Absorption-type Split) and Transfer of Shares in a Subsidiary]

We hereby inform you that Hitachi Metals, Ltd. (hereafter, “Hitachi Metals”), at a meeting of the Board of Directors held on September 30, 2016, and with the aim of renewing our business portfolio and contributing to the further growth of the Information Systems Business (hereafter, “the Business”), decided to transfer, effective December 1, 2016 (planned) the Business (information network business, wireless antenna business, and all the shares issued by Hitachi Cable Networks, Ltd. (hereafter, “HCNET”) held by Hitachi Metals) to AAA Holdings, Ltd. (hereafter, AAA Holdings), a special purpose corporation wholly owned by NMC No. 3 Investment Business Limited Liability Partnership, which is advised by Nihon Mirai Capital Co., Ltd. (hereafter, “NMC”).

Please note that although the transaction relating to this transfer (hereafter, “the transaction”) constitute a company split, this company split is a simplified absorption-type split involving a wholly-owned subsidiary of Hitachi Metals. As a result, the disclosures contained herein omit certain matters and details that must normally be disclosed in the case of company splits.

I. Summary of the Transaction

1. Purpose of the Transaction

In our FY2018 Medium-Term Management Plan, Hitachi Metals declared a basic policy of becoming a “world’s leading high-performance materials company,” and based on this, we are continuously updating our business portfolio to concentrate on high-revenue, high-growth fields and enhance efficiency in the use of corporate resources, with the aim of expanding our business globally while improving profitability. Cable Materials Company, which operates the Business, is taking various types of action in this regard. It has positioned rolling stock, medical devices, and automobile electrical components as growth fields, and in 2016, with the goal of strengthening the medical devices business, it acquired the HTP-Meds Group, a U.S. producer of medical tubing, while with the aim of strengthening the rolling stock business, it installed production lines at its bases in China and Europe.

Amid these circumstances, we made the decision to entrust the Business to NMC, which has the capacity to invest in it heavily, because we felt it was the optimal course of action to ensure that the Business can develop, grow, and meet the expectations of customers over the medium to long term.

Going forward, Cable Materials Company, will be focusing on growth fields, while at the same time augmenting its manufacturing capabilities by, for example, revamping production processes at its mainstay businesses. It will embracing the challenge of delivering high profitability and achieving real global growth.

The Business, meanwhile, has so far mainly operated in Japan, in areas such as information networks, where one of its key products is the APRESIA[®]*1 Ethernet^{*2} switch. With this transfer, the insights of NMC, an independent, domestic investment fund management company with a strong track record and knowhow in providing assistance to companies in strategy implementation and support to newly independent business divisions and subsidiaries in establishing management structures, will be leveraged to not only expand the Business’s domestic market share as data transmission volume increases, but also to aggressively make it more global so as to tap markets around the world.

*1 APRESIA[®] is a registered trademark of Hitachi Metals.

*2 Ethernet is a registered trademark of Fuji Xerox Co., Ltd.

2. Details of the Transaction

Hitachi Metals made the following decisions at the meeting of the Board of Directors held on September 30, 2016. A share transfer contract concerning (3) below was also concluded with AAA Holdings on the same day.

- (1) The information network business and the wireless antenna business (excluding parts to be retained by HCNET, a wholly-owned subsidiary of Hitachi Metals) as well as all the shares issued by HCNET will, using the absorption-type split method, be passed (hereafter, “target company absorption-split”) to a target company set to be established as a wholly-owned subsidiary of Hitachi Metals (hereafter, “target company”) on December 1, 2016 (planned).
- (2) In the information network business and the wireless antenna business, the construction business, which requires a designated constructor operator’s license, and the broadcast antenna sales business will be passed (hereafter, “HCNET absorption split”) to HCNET on December 1, 2016 (planned).
- (3) On December 1, 2016 (planned), a transaction will be performed to transfer all the shares issued by the target company to AAA Holdings (hereafter, “share transfer”).

3. Operating Performance of the Division Subject to the Transaction (Year to March 2016)

Consolidated revenues of the target business (A)	Revenues (B)	Ratio (A/B)
26,607 million yen	1,017,584 million yen	2.61%

4. Schedule for the Transaction

The schedule for the transaction is as follows. Note that because the target company absorption-type split and the HCNET absorption-type split constitute simplified absorption-type splits under Article 784(2) of the Companies Act, a shareholders meeting of Hitachi Metals will not be convened to approve the absorption-type split.

Date of decision by the Board of Directors	September 30, 2016
Date of conclusion of share transfer contract	September 30, 2016
Date of establishment of target company	October 2016 (planned)
Date of conclusion of absorption-type split contract	October 2016 (planned)
Date of shareholders meeting resolution (target company)	October-November 2016 (planned)
Date of execution of absorption-type split	December 1, 2016 (planned)
Date of transfer of shares	December 1, 2016 (planned)

5. Future Projections

The execution of the transaction will result in the Business being excluded from the scope of consolidation of Hitachi Metals as of December 1, 2016. Because the transaction will have a minor impact Hitachi Metals’ performance, it will not result in any change in the consolidated financial results forecast for the year to March 2017.

II. About the Absorption-type Split

1. Target Company Absorption-type Split

(1) Summary of the Target Company Absorption-type Split

① Form of the Target Company Absorption-type Split

This is an absorption-type split (simplified absorption-type split) whereby Hitachi Metals will be the absorption-type splitting company and the target company will be the absorption-type split inheriting company.

② Details of Allocation under the Target Company Absorption-type Split

At the time of the target company absorption-type split, the target company will issue 30 shares of common stock and allocate them to Hitachi Metals.

③ Treatment of Share Options and Bonds with Share Options in Conjunction with the Target Company Absorption-type Split

Not applicable.

④ Changes in Stated Capital due to the Target Company Absorption-type Split

The stated capital of Hitachi Metals will not need to be reduced.

⑤ Rights and Obligations to Be Inherited by the Inheriting Company

At the time of the target company absorption-type split, the assets of the business to be inherited and those rights and obligations pertaining to the business to be inherited on the date of execution that are specified in the absorption-type split contact pertaining to the target company absorption-type split will be inherited.

⑥ Outlook for Fulfillment of Obligations

We deem there to be no problems concerning the outlook for the fulfillment of obligations to be assumed by the target company on or after the date of execution of the target company absorption-type split.

(2) Profiles of the Companies Involved in the Target Company Absorption-type Split

	Absorption-type splitting company (Hitachi Metals)	Absorption-type split inheriting company (target company)*1
① Name	Hitachi Metals, Ltd.	APRESIA Systems, Ltd. (tentative name)
② Address	1-2-70 Konan, Minato-ku, Tokyo	1-2-70 Konan, Minato-ku, Tokyo
③ Name and title of representative	Hideaki Takahashi, Representative Executive Officer, President and Chief Executive Officer	Katsuhiro Kasai, Representative Director and President (planned)
④ Business details	Manufacture and sale of high-grade metal products and materials; magnetic materials; high-grade functional components; and wires and cables	a. Information network business Development, design, sale, and maintenance of Ethernet switches etc. b. Wireless antenna business Development, design, manufacture, and sale of mobile phone base station antennas, etc.
⑤ Stated capital	26,284 million yen (as of March 31, 2016)	10 million yen
⑥ Date of incorporation	April 1956	October 2016 (planned)
⑦ No. of shares issued	428,904,352 shares (as of March 31, 2016)	1 share (planned)
⑧ Book-closing date	March 31	March 31
⑨ Major shareholders and percentage holdings thereof	Hitachi, Ltd. 52.75% (as of March 31, 2016)	Hitachi Metals 100% (before the share transfer)
⑩ Financial results and financial condition of the absorption-type splitting company in the most recent business year (year to March 2016, consolidated, IFRS)		
Total assets		1,033,311 million yen
Total capital		504,675 million yen
Amount per share attributable to owners of the parent company		1,159.70 yen
Revenues		1,017,584 million yen
Adjusted operating income*2		76,061 million yen
Income before income taxes and minority interests		96,233 million yen
Net income attributable to owners of the parent company		69,056 million yen
Basic earnings per share (yen)		161.50 yen

*1 The target company is scheduled to be established during October 2016, and all the above matters concerning the target company are plans as of the present time.

*2 Adjusted operating income is calculated by deducting cost of sales and SG&A (sales, general and administrative expenses) from revenues.

(3) Outline of the Business Division to Be Split off or Inherited

① Business of the Division to Be Split Off or Inherited

Information network business, wireless antenna business (excluding operations passed to HCNET* using the absorption-type split method), and all shares issued by HCNET

* For information on HCNET, please see II.2.(2).

② Operating Performance of the Division to Be Split off or Inherited (Year to March 2016)

Revenues of the business to be split off (A)	Revenues (B)	Ratio (A/B)
17,763 million yen	1,017,584 million yen	1.75%

③ Assets, Liabilities, and Book Value of the Business to Be Split off or Inherited (Year to March 2016)

Assets		Liabilities	
Account	Book value	Account	Book value
Current assets	4,166 million yen	Current liabilities	767 million yen
Noncurrent assets	6,103 million yen	Noncurrent liabilities	128 million yen
Total	10,269 million yen	Total	895 million yen

(4) Situation after the Target Company Absorption-type Split

Absorption-type splitting company (Hitachi Metals)

① Name	Hitachi Metals, Ltd.
② Address	1-2-70 Konan, Minato-ku, Tokyo
③ Name and title of representative	Hideaki Takahashi, Representative Executive Officer, President and Chief Executive Officer
④ Business details	Manufacture and sale of high-grade metal products and materials; magnetic materials; high-grade functional components; and wires and cables
⑤ Stated capital	26,284 million yen (as of March 31, 2016)
⑥ Book-closing date	March 31

Absorption-type split inheriting company (target company)

① Name	APRESIA Systems, Ltd. (tentative name)
② Address	1-2-70 Konan, Minato-ku, Tokyo
③ Name and title of representative	Katsuhiko Kasai, Representative Director and President (planned)
④ Business details	a. Information network business Development, design, sale, and maintenance of Ethernet switches etc. b. Wireless antenna business Development, design, manufacture, and sale of mobile phone base station antennas, etc.
⑤ Stated capital	310 million yen
⑥ Book-closing date	March 31

2. HCNET Absorption-type Split

(1) Summary of the HCNET Absorption-type Split

① Form of the HCNET Absorption-type Split

This is an absorption-type split (simplified absorption-type split) whereby Hitachi Metals will be the absorption-type splitting company and HCNET will be the absorption-type split inheriting company.

② Details of Allocation under the HCNET Absorption-type Split

At the time of the HCNET absorption-type split, HCNET will issue 20,000 shares of common stock and allocate them to Hitachi Metals.

③ Treatment of Share Options and Bonds with Share Options in Conjunction with the HCNET Absorption-type Split

Not applicable.

④ Changes in Stated Capital due to the HCNET Absorption-type Split

The stated capital of Hitachi Metals will not need to be reduced.

⑤ Rights and Obligations to Be Inherited by the Inheriting Company

At the time of the HCNET absorption-type split, the assets of the business to be inherited and those rights and obligations pertaining to the business to be inherited on the date of execution that are specified in the absorption-type split contract pertaining to the HCNET absorption-type split will be inherited.

⑥ Outlook for Fulfillment of Obligations

We deem there to be no problems concerning the outlook for the fulfillment of obligations to be assumed by HCNET on or after the date of execution of the HCNET absorption-type split.

(2) Profiles of the Companies Involved in the HCNET Absorption-type Split

	Absorption-type splitting company (Hitachi Metals)	Absorption-type split inheriting company (HCNET)
① Name	Hitachi Metals, Ltd.	Hitachi Cable Networks, Ltd.
② Address	1-2-70 Konan, Minato-ku, Tokyo	1-22-16 Asakusabashi, Taito-ku, Tokyo
③ Name and title of representative	Hideaki Takahashi, Representative Executive Officer, President and Chief Executive Officer	Teruaki Tsutsui, Representative Director and President
④ Business details	Manufacture and sale of high-grade metal products and materials; magnetic materials; high-grade functional components; and wires and cables	Network integration business Design, construction, maintenance, and monitoring services for information network systems
⑤ Stated capital	26,284 million yen (as of March 31 2016)	320 million yen (as of March 31 2016)
⑥ Date of incorporation	April 1956	July 1981
⑦ No. of shares issued	428,904,352 shares (as of March 31 2016)	380,000 (as of March 31 2016)
⑧ Book-closing date	March 31	March 31
⑨ Major shareholders and percentage holdings thereof	Hitachi, Ltd. 52.75% (as of March 31, 2016)	Hitachi Metals 100% (as of March 31 2016)
⑩	Financial results and financial condition of the absorption-type splitting company in the most recent business year (year to March 2016, consolidated, IFRS)	
	Total assets	1,033,311 million yen
	Total capital	504,675 million yen
	Amount per share attributable to owners of the parent company	1,159.70 yen
	Revenues	1,017,584 million yen
	Adjusted operating income*	76,061 million yen
	Income before income taxes and minority interests	96,233 million yen
	Net income attributable to owners of the parent company	69,056 million yen
	Basic earnings per share (yen)	161.50 yen
⑪	Financial results and financial condition of the absorption-type split inheriting company in the most recent business year (year to March 2016, consolidated, IFRS)	
	Net assets	2,041 million yen
	Total assets	6,447 million yen
	Net assets per share	5,371.90 yen
	Net sales	11,011 million yen
	Operating income	1,182 million yen
	Ordinary income	1,185 million yen
	Net income	709 million yen
	Earnings per share (yen)	1,864.78 million yen

* Adjusted operating income is calculated by deducting cost of sales and SG&A (sales, general and administrative expenses) from revenues.

(3) Outline of the Business Division to Be Split off or Inherited

① Business of the Division to Be Split off or Inherited

Parts of the information network business and the wireless antenna business: the construction business, which requires a designated constructor operator's license, and the broadcast antenna sales business

② Operating Performance of the Division to Be Split off or Inherited (Year to March 2016)

Revenues of the business to be split off (A)	Revenues (B)	Ratio (A/B)
421 million yen	1,017,584 million yen	0.04%

③ Assets, Liabilities, and Book Value of the Business to Be Split off or Inherited (Year to March 2016)

Assets		Liabilities	
Account	Book value	Account	Book value
Current assets	7 million yen	Current liabilities	13 million yen
Noncurrent assets	2 million yen	Noncurrent liabilities	3 million yen
Total	9 million yen	Total	16 million yen

(4) Situation after the HCNET Absorption-type Split

Absorption-type splitting company (Hitachi Metals)

① Name	Hitachi Metals, Ltd.
② Address	1-2-70 Konan, Minato-ku, Tokyo
③ Name and title of representative	Hideaki Takahashi, Representative Executive Officer, President and Chief Executive Officer
④ Business details	Manufacture and sale of high-grade metal products and materials; magnetic materials; high-grade functional components; and wires and cables
⑤ Stated capital	26,284 million yen (as of March 31, 2016)
⑥ Book-closing date	March 31

Absorption-type split inheriting company (HCNET)

① Name	Hitachi Cable Networks, Ltd.
② Address	1-22-16 Asakusabashi, Taito-ku, Tokyo
③ Name and title of representative	Teruaki Tsutsui, Representative Director and President
④ Business details	Network integration business Design, construction, maintenance, and monitoring services for information network systems
⑤ Stated capital	320 million yen (as of March 31, 2016)
⑥ Book-closing date	March 31

III. About the Share Transfer

1. Profile of the Subsidiary to Undergo Changes

Please see II.1.(2) above

2. Profile of the Recipient in the Share Transfer

(1)	Name	AAA Holdings, Ltd.*	
(2)	Location	1-3-3 Uchisaiwaicho, Chiyoda-ku, Tokyo	
(3)	Name and title of representative	Koki Sakai, Representative Director	
(4)	Business details	Control and management of the business activities of the company through the ownership of shares or other stake and all tasks related to said business	
(5)	Stated capital	500,000 yen	
(6)	Date of incorporation	September 8, 2016	
(7)	Net assets	500,000 yen	
(8)	Total assets	500,000 yen	
(9)	Major shareholders and percentage holdings thereof	NMC No. 3 Investment Business Limited Liability Partnership 100%	
(10)	Relationship between the company and listed companies	Capital relationships	There is no capital relationship between Hitachi Metals and the company worthy of note. There are also no noteworthy capital relationships between personnel and affiliates of the company and personnel and affiliates of Hitachi Metals.
		Human relationships	There is no human relationship between Hitachi Metals and the company worthy of note. There are also no noteworthy human relationships between personnel and affiliates of the company and personnel and affiliates of Hitachi Metals.
		Trading relationships	There is no trading relationship between Hitachi Metals and the company worthy of note. There are also no noteworthy trading relationships between personnel and affiliates of the company and personnel and affiliates of Hitachi Metals.
		Related parties	The company is not a related party of Hitachi Metals. Personnel and affiliates of the company are also not related parties of Hitachi Metals.

*AAA Holdings, Ltd. is a special purpose corporation wholly owned by NMC No. 3 Investment Business Limited Liability Partnership, which is advised by Nihon Mirai Capital Co., Ltd.

3. Shares to Be Transferred and Share Ownership before and after the Transfer

(1)	No. of shares owned before the changes	31 shares (No. of voting rights: 31 votes) (Percentage of voting rights held: 100%)
(2)	No. of shares to be transferred	31 shares (No. of voting rights: 31 votes)
(3)	No. of shares after the changes	0 shares (No. of voting rights: 0 votes) (Percentage of voting rights held: 0%)

End

For Reference:

Hitachi Metals Consolidated Financial Forecast (Announced July 28, 2016) and Financial Results in Previous Term (Unit: million yen)

	Revenues	Operating income after adjustments	Income before income taxes and minority interests	Net income attributable to owners of the parent company
Consolidated financial forecast (Year to March 2017)	950,000	78,000	65,000	45,000
Consolidated financial results (Year to March 2016)	1,017,584	76,061	96,233	69,056

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