



July 26, 2017

To whom it may concern:

Company Name: Hitachi Metals, Ltd.  
Name of Representative: Akitoshi Hiraki  
President and Chief Executive Officer  
(Code: 5486; First Section of the Tokyo Stock Exchange)  
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## Notice Concerning the Reorganization of the Piping Components Business Including Company Split (Simplified Absorption-type Split)

We hereby inform you that Hitachi Metals, Ltd. (hereafter, “Hitachi Metals”) has decided to transfer the sales and development divisions of Hitachi Valve, Ltd. (hereafter, “Hitachi Valve”), a wholly-owned subsidiary of Hitachi Metals, to Hitachi Metals using the company-split (simplified absorption-type split) method, and perform an absorption-type merger involving wholly-owned subsidiaries of Hitachi Metals with Hitachi Valve (excluding sales and development divisions) as the absorbed company and Hitachi Metals FineTech, Ltd. (hereafter, “Hitachi Metals FineTech,”), a wholly-owned subsidiary of Hitachi Metals, as the surviving company, on the condition that the said company split takes effect.

Please note that because this company split is a simplified absorption-type split involving Hitachi Metals and a wholly-owned subsidiary of Hitachi Metals, the disclosures contained herein omit certain matters and details that must normally be disclosed in the case of company splits.

### I. Summary

#### 1. Purpose

Hitachi Valve and Hitachi Metals FineTech belong to the piping components business of Hitachi Metals’ Functional Components Company. Looking at the current environment surrounding the piping components business, we face a major turning point such as the sophistication of demand for social infrastructure, including the management and control of energy in line with growing needs for energy saving, as well as the shift of customers to comprehensive energy companies as a result of the deregulation of electricity and gas, etc. Under such circumstances, it has become our imminent challenge to respond to increasingly diversified customer needs.

Hitachi Valve had been engaged in the development, manufacturing and sales of valve products on its own. Following this absorption-type merger, a structure will be set across all products in the piping components business in which Hitachi Metals’ Kuwana Works or Hitachi Metals FineTech will be in charge of manufacturing and Hitachi Metals will be in charge of sales and development. As a result, we will be able to realize the concentration of management resources and accelerate the decision-making process while improving our capabilities to respond to customer needs by strengthening development, manufacturing and sales functions.

Furthermore, by leveraging Hitachi Metals’ materials technologies, product proposal capability in various business fields, overseas bases, etc., we will strive to accelerate the creation of added values through proposals for safe and secure piping systems as well as global business expansion, thus achieving sustainable business growth.

#### 2. Details

- (1) Hitachi Valve’s sales and development divisions will be passed to Hitachi Metals using the company-split (simplified absorption-type split) method (hereafter, “the absorption-type split”).
- (2) Hitachi Valve (excluding its sales and development divisions) will be absorbed by and merged with Hitachi Metals FineTech, a wholly-owned subsidiary of Hitachi Metals (hereafter “the absorption-type merger”).

### 3. Schedule

The schedule for the transactions are as follows. Note that because the absorption-type split constitutes a simplified absorption-type split under Article 796(2) of the Companies Act, a shareholders meeting of Hitachi Metals will not be convened to approve the absorption-type split.

Date of conclusion of absorption-type split and absorption-type merger contracts	July 26, 2017
Date of execution of absorption-type split	October 1, 2017 (planned)
Date of execution of absorption-type merger	October 1, 2017 (planned)

### 4. Impact on financial results

The transactions will not affect Hitachi Metal's consolidated financial results.

## II. About the Absorption-type Split

### 1. Summary of the Absorption-type Split

#### (1) Form of the Absorption-type Split

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

#### (2) Details of Allocation under the Absorption-type Split

Because the absorption-type split involves the parent company and a wholly-owned subsidiary, no allocation of shares or delivery of other consideration will take place.

#### (3) Treatment of Share Options and Bonds with Share Options in Conjunction with the Absorption-type Split

Not applicable.

#### (4) Changes in Stated Capital due to the Absorption-type Split

The stated capital of Hitachi Metals will not change.

#### (5) Rights and Obligations to Be Inherited by the Inheriting Company

At the time of the absorption-type split, the assets relating to sales and development divisions and the rights and obligations pertaining to sales and development divisions on the date of execution that are specified in the absorption-type split contact will be inherited by Hitachi Metals.

#### (6) Outlook for Fulfillment of Obligations

Hitachi Metals judges that there will be no issues regarding the fulfillment of obligations to be assumed by Hitachi Metals after execution of the absorption-type split.

## 2. Profiles of the Companies Involved in the Absorption-type Split

	Absorption-type splitting company (Hitachi Valve)	Absorption-type split inheriting company (Hitachi Metals)
(1) Name	Hitachi Valve, Ltd.	Hitachi Metals, Ltd.
(2) Address	200 Obuke, Asahi-cho, Mie-gun, Mie-ken	2-70, Konan 1-chome, Minato-ku, Tokyo
(3) Name and title of representative	Akihiko Ishii, Representative Director and President	Akitoshi Hiraki, Representative Executive Officer, President and Chief Executive Officer
(4) Business details	Manufacture and sale of valve products	Manufacture and sale of specialty steel products, magnetic materials, functional components and wires and cables
(5) Stated capital	250 million yen (as of March 31, 2017)	26,284 million yen (as of March 31, 2017)
(6) Date of incorporation	June 1956	April 1956
(7) No. of shares issued	400,000 shares (as of March 31, 2017)	428,904,352 shares (as of March 31, 2017)
(8) Book-closing date	March 31	March 31
(9) Major shareholders and percentage holdings thereof	Hitachi Metals, Ltd. 100% (as of March 31, 2017)	Hitachi, Ltd. 52.9% (as of March 31, 2017)
(10)	Financial results and financial condition of the absorption-type splitting company in the most recent business year (year to March 2017, Japanese GAAP)	
	Net assets	3,542 million yen
	Total assets	4,806 million yen
	Net assets per share	8,855.14 yen
	Sales	6,156 million yen
	Operating income	429 million yen
	Ordinary income	404 million yen
	Net income	272 million yen
	Earnings per share (yen)	680.89 yen
(11)	Financial results and financial condition of the absorption-type split inheriting company in the most recent business year (year to March 2017, consolidated, IFRS)	
	Total assets	1,040,390 million yen
	Total capital	548,746 million yen
	Amount per share attributable to owners of the parent company	1,254.89 yen
	Revenues	910,486 million yen
	Adjusted operating income*	65,983 million yen
	Income before income taxes	66,016 million yen
	Net income attributable to shareholders of the parent company	50,593 million yen
	Basic earnings per share (yen)	118.32 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 Inherited

### (1) Business of the Division to Be Inherited

Sales and development divisions for valve products

### (2) Operating Performance of the Division to Be Inherited (Year to March 2017, Japanese GAAP)

Revenues of the business to be split off (A)	Hitachi Metals nonconsolidated revenues (B)	Ratio (A/B)
6,156 million yen	410,818 million yen	1.5%

### (3) Assets, Liabilities, and Book Value of the Business to Be Inherited (Year to March 2017)

Assets		Liabilities	
Account	Book value	Account	Book value
Current assets	203 million yen	Current liabilities	—
Noncurrent assets	89 million yen	Noncurrent liabilities	203 million yen
Total	292 million yen	Total	203 million yen

(4) Situation after the Absorption-type Split

Absorption-type splitting company (Hitachi Valve)

①	Name	Hitachi Valve, Ltd.
②	Address	200 Obuke, Asahi-cho, Mie-gun, Mie-ken
③	Name and title of representative	Akihiko Ishii, Representative Director and President
④	Business details	Manufacture of valve products
⑤	Stated capital	250 million yen (as of March 31, 2017)
⑥	Book-closing date	March 31

Hitachi Valve is scheduled to be dissolved on the date of execution of the absorption-type merger with Hitachi Metals FineTech, which is the same day as the date of execution of the absorption-type split.

Absorption-type split inheriting company (Hitachi Metals)

①	Name	Hitachi Metals, Ltd.
②	Address	2-70, Konan 1-chome, Minato-ku, Tokyo
③	Name and title of representative	Akitoshi Hiraki, Representative Executive Officer, President and Chief Executive Officer
④	Business details	Manufacture and sale of specialty steel products, magnetic materials, functional components and wires and cables
⑤	Stated capital	26,284 million yen (as of March 31, 2017)
⑥	Book-closing date	March 31

End

Reference:

Outline of Hitachi Metals FineTech

①	Name	Hitachi Metals FineTech, Ltd.
②	Address	2 Daifuku, Kuwana-shi, Mie-ken
③	Name and title of representative	Hiroki Tokunaga, Representative Director and President
④	Business details	Manufacture and sale of mass flow controllers and piping components
⑤	Stated capital	70 million yen (as of March 31, 2017)
⑥	Book-closing date	March 31

Because the absorption-type merger involves wholly-owned subsidiaries, no allocation of shares or delivery of other consideration by Hitachi Metals FineTech will take place.

Hitachi Metals Consolidated Financial Forecast (Announced April 28, 2017) and Financial Results in Previous Term (Unit: million yen)

	Revenues	Operating income after adjustments	Income before income taxes	Net income attributable to shareholders of the parent company
Consolidated financial forecast (Year to March 2018)	950,000	80,000	63,000	45,000
Consolidated financial results (Year to March 2017)	910,486	65,983	66,016	50,593

For inquiries regarding this matter: Corporate Communications, Hitachi Metals, Ltd. E-mail: hmcc.sa@hitachi-metals.com