



January 28, 2021

To whom it may concern:

Company Name: Hitachi Metals, Ltd.
Name of Representative: Mitsuaki Nishiyama
Chairperson, President, and CEO
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Notice Concerning the Structural Reforms of the Heat-resistant Exhaust Casting Components Business
and the Ceramics Filter Business
(Company Split [Simplified Absorption-type Split] in Which a Business Division is Inherited by a Wholly
Owned Subsidiary)

We hereby announce that Hitachi Metals, Ltd. (hereinafter, “Hitachi Metals”) has decided to transfer its manufacturing division for heat-resistant exhaust casting components and ceramics filter (hereinafter, “heat-resistant exhaust casting components, etc.”) to Kyushu Techno Metal, Ltd. (hereinafter, “KTM”), a wholly owned subsidiary of Hitachi Metals, using the company split (simplified absorption-type split) (hereinafter, “the absorption-type split”) method. Through the absorption-type split, the manufacturing of heat-resistant exhaust casting components, etc. previously conducted at Hitachi Metals’ Kyushu Works and KTM, will be integrated into KTM.

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.

1. Purpose

Heat-resistant exhaust casting components are turbo engine components for automobiles and are important products that contribute to the downsizing of gasoline engines and the enhancement of fuel efficiency. As the use of heat-resistant exhaust casting components for gasoline engines is expected to increase in the future to improve their environmental performance, the components will remain one of Hitachi Metals’ mainstay products. However, a decline in profitability has become a challenge due to increased difficulty in manufacturing and lower productivity resulting from orders exceeding production capacity. To this end, Hitachi Metals has been working to improve profitability by reforming its business structure, including through productivity improvement activities, establishing new technologies, and adjustment of sales prices.

Ceramics filter, meanwhile, are used to purify diesel engine exhaust, and there is a growing need to comply with environmental regulations. In addition, they are expected to be used for the pretreatment process in seawater desalination, and we are promoting the development of high-performance filters to meet growing demand.

In the past, the Kyushu Works of Hitachi Metals engaged in raw material processing, inspection, and quality assurance for heat-resistant exhaust casting components as well as the manufacture of ceramics filter. Meanwhile, KTM handled the machining processing involved in the production of heat-resistant exhaust casting components. By integrating the *Monozukuri* of heat-resistant exhaust casting components, etc. into KTM for unified operations through the absorption-type split, we will further strengthen our competitiveness and improve business efficiency in order to become a base that can respond to market needs faster than ever before, thereby achieving our goal of growing the business.

2. Summary

(1) Schedule

The schedule for the transactions is as follows. Note that because the absorption-type split constitutes a simplified absorption-type split 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 conclusion of absorption-type split contract	January 28, 2021
Date of execution of absorption-type split	April 1, 2021 (tentative)

(2) Method

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

(3) 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.

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

Not applicable.

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

There will be no reduction in stated capital or cancellation or merger of shares of Hitachi Metals.

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

At the time of the absorption-type split, the assets relating to the heat-resistant exhaust casting components business and the ceramics filter business (hereinafter, "heat-resistant exhaust casting components business, etc.") and the rights and obligations pertaining to the heat-resistant exhaust casting components business, etc. on the date of execution that are specified in the absorption-type split contract will be inherited by KTM.

In principle, Hitachi Metals' employees who engage in the heat-resistant exhaust casting components business, etc. will be seconded to KTM after the absorption-type split.

(7) Outlook for Fulfillment of Obligations

As KTM will not assume any obligations, there will be no issues regarding the fulfillment of obligations after the absorption-type split.

3. Profiles of the Companies Involved in the Absorption-type Split

	Absorption-type splitting company (Hitachi Metals)	Absorption-type split inheriting company (KTM)
(1) Name	Hitachi Metals, Ltd.	Kyushu Techno Metal, Ltd.
(2) Address	2-70, Konan 1-chome, Minato-ku, Tokyo	35 Nagahamacho, Miyakogun Kandamachi, Fukuoka
(3) Name and title of representative	Mitsuaki Nishiyama, Representative Executive Officer, Chairperson, President, and CEO	Toshiya Iwasaki, Representative Director and President
(4) Business details	Manufacture and sale of high-grade metal products and materials, magnetic materials, high-grade functional components and equipment, and wires and cables	Manufacture and sale of casting components and ceramics products
(5) Stated capital	26,284 million yen (As of March 31, 2020)	83 million yen (As of March 31, 2020)
(6) Date of incorporation	April 1956	October 1952
(7) No. of shares issued	428,904,352 shares (As of March 31, 2020)	155,000 shares (As of March 31, 2020)
(8) Book-closing date	March 31	March 31
(9) Major shareholders and percentage holdings thereof	Hitachi, Ltd. 52.9% (As of March 31, 2020)	Hitachi Metals, Ltd. 100% (As of March 31, 2020)
(10)	Financial results and financial condition of the absorption-type splitting company in the most recent business year (year to March 2020, consolidated, IFRS)	
	Total assets	977,766 million yen
	Total capital	522,853 million yen
	Amount per share attributable to owners of the parent company	1,216.92 yen
	Revenues	881,402 million yen
	Adjusted operating income*	14,383 million yen
	Income before income taxes	(40,614) million yen
	Net income attributable to shareholders of the parent company	(37,648) million yen
	Basic earnings per share (yen)	(88.05) yen
(11)	Financial results and financial condition of the absorption-type split inheriting company in the most recent business year (year to March 2020, Japanese GAAP)	
	Net assets	(2,287) million yen
	Total assets	1,351 million yen
	Net assets per share	(14,755) yen
	Sales	5,842 million yen
	Operating income	243 million yen
	Ordinary income	254 million yen
	Net income	184 million yen
	Earnings per share (yen)	1,187 yen

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

4. Outline of the Business Division to Be Split off

(1) Business of the Division to Be Split off

Heat-resistant exhaust casting components and ceramics filter manufacturing division

(2) Operating Performance of the Division to Be Split off (year to March 2020, consolidated, IFRS)

Revenues of the business to be split off (A)	Hitachi Metals' nonconsolidated revenues (B)	Ratio (A/B)
24,533 million yen	471,933 million yen	5.2%

(3) Assets, Liabilities, and Book Value of the Business to Be Split off (As of December 31, 2020)

Assets		Liabilities	
Account	Book value	Account	Book value
Current assets	3,510 million yen	Current liabilities	—
Noncurrent assets	7,393 million yen	Noncurrent liabilities	—
Total	10,903 million yen	Total	—

(4) Situation after the Absorption-type Split

Absorption-type splitting company (Hitachi Metals)

(i) Name	Hitachi Metals, Ltd.
(ii) Address	2-70, Konan 1-chome, Minato-ku, Tokyo
(iii) Name and title of representative	Mitsuaki Nishiyama, Representative Executive Officer, Chairperson, President, and CEO
(iv) Business details	Manufacture and sale of high-grade metal products and materials, magnetic materials, high-grade functional components and equipment, and wires and cables
(v) Stated capital	26,284 million yen (As of March 31, 2020)
(vi) Book-closing date	March 31

Absorption-type split inheriting company (KTM)

(i) Name	Kyushu Techno Metal, Ltd.
(ii) Address	35 Nagahamacho, Miyakogun Kandamachi, Fukuoka
(iii) Name and title of representative	Toshiya Iwasaki, Representative Director and President
(iv) Business details	Manufacture and sale of casting components and ceramic products
(v) Stated capital	83 million yen (As of March 31, 2020)
(vi) Book-closing date	March 31

5. Future Outlook

By continuously implementing business structural reforms including this absorption-type split, the Hitachi Metals Group will aim to restore the profitability of the heat-resistant exhaust casting components business in fiscal 2021 and further increase the profitability of the ceramics filter business.

There will be no impact of this transaction on the financial results of Hitachi Metals for the current fiscal year.

(Reference)

Hitachi Metals Consolidated Financial Forecast for the Current Fiscal Year (Announced on January 28, 2021) and Consolidated Financial Results in the Previous Fiscal Year (Unit: million yen)

	Revenues	Adjusted operating income	Income before income taxes	Net income attributable to shareholders of the parent company
Consolidated financial forecast (Year to March 2021)	750,000	(10,000)	(57,000)	(46,000)
Consolidated financial results (Year to March 2020)	881,402	14,383	(40,614)	(37,648)

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