



May 26, 2021

To whom it may concern:

Company Name: Hitachi Metals, Ltd.
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Chairperson, President, and CEO
(Code: 5486; First Section of the Tokyo Stock Exchange)
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Announcement of Reorganization of Sales System in Japan
(Transfer of Business Divisions of Wholly-owned Subsidiary through Demerger
[Simplified Absorption-type Demerger])

Hitachi Metals, Ltd. (the “Company”) hereby announces that it has decided to transfer the majority of the sales division, etc. of Hitachi Metals Trading, Ltd. (“Hitachi Metals Trading”), a wholly-owned subsidiary of the Company, to the Company through a demerger (simplified absorption-type demerger) and to transfer the advanced metals processing business, etc., of Hitachi Metals Trading to Hitachi Metals Tool Steel, Ltd. (“Hitachi Metals Tool Steel”), a wholly-owned subsidiary of the Company, through a demerger (absorption-type demerger).

Since said demerger is a simplified absorption-type demerger between the Company and its wholly-owned subsidiary, some of the matters and details are omitted from this disclosure.

I. Overview

1. Purpose

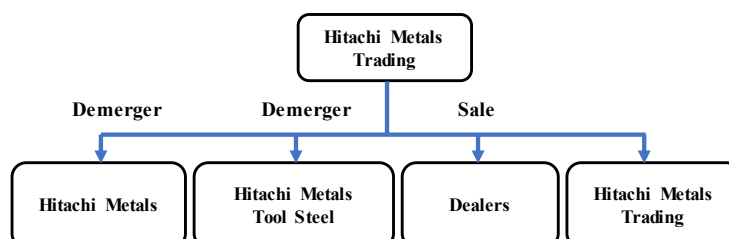
While Hitachi Metals Trading had been responsible for the Hitachi Metals Group’s sales functions in Japan, the demerger is aimed at establishing a new system that can reflect customers’ opinions in the development and improvement of products and services on an even more timely basis by enhancing sales capabilities through the integration of sales functions of the Company and Hitachi Metals Trading and to provide fine-tuned services by leveraging the sales resources of the Company’s dealers.

The Company has been reviewing its sales system in Japan as part of ongoing cost structure reforms and structural reforms to secure capital for investing in future growth to achieve an early improvement in operating performance.

2. Details

- (1) The majority of the sales division, etc. of Hitachi Metals Trading will be transferred to the Company by means of a demerger (simplified absorption-type demerger) (the “Sales Division, etc. Absorption-type Demerger”).
- (2) The advanced metals processing business, etc. of Hitachi Metals Trading will be transferred to Hitachi Metals Tool Steel by means of a demerger (absorption-type demerger).

Businesses concerning customers and business areas that can leverage the strengths of the Company’s dealers will be sold to dealers. Hitachi Metals Trading will specialize in the marketing of wires and cables for construction and industrial cables.



3. Schedule

The schedule of the demerger is as follows. Since the absorption-type demerger falls under a simplified absorption-type demerger pursuant to Article 796, paragraph 3 of the Companies Act, a general shareholders' meeting of the Company in relation to the approval of the absorption-type demerger will not be held.

Date of resolution of Board of Directors	May 26, 2021
Date of conclusion of absorption-type demerger agreement	May 26, 2021
Effective date of absorption-type demerger	October 1, 2021 (planned)

4. Impact on Operating Performance

The impact of the demerger on the Company's consolidated operating performance will be minor.

II. Sales Division, etc. Absorption-type Demerger

1. Summary of the Sales Division, etc. Absorption-type Demerger

(1) Method of the Sales Division, etc. Absorption-type Demerger

It is an absorption-type demerger (simplified absorption-type demerger) with Hitachi Metals Trading as the demerger company and the Company as the successor company.

(2) Allotment pertaining to the Sales Division, etc. Absorption-type Demerger

Since the Sales Division, etc. Absorption-type Demerger will be carried out between the parent company and its wholly-owned subsidiary, the Company will not deliver share allotments or other consideration.

(3) Treatment of stock options and corporate bonds with stock options following the Sales Division, etc. Absorption-type Demerger

Not applicable.

(4) Changes in common stock due to the Sales Division, etc. Absorption-type Demerger

There will be no increase or decrease of the common stock of the Company.

(5) Rights and obligations assumed by the successor company

Upon the Sales Division, etc. Absorption-type Demerger, the Company will succeed to those assets, rights and obligations related to the sales divisions on the effective date stipulated in the absorption-type demerger agreement.

(6) Prospect of performance of obligations

The Company deems that the debt obligations to be assumed by the Company are likely to be performed on or after the effective date of the demerger.

2. Overview of Parties to the Sales Division, etc. Absorption-type Demerger

	Demerger company (Hitachi Metals Trading)	Successor company (The Company)
(1) Name	Hitachi Metals Trading, Ltd.	Hitachi Metals, Ltd.
(2) Address	2-70, Konan 1-chome, Minato-ku, Tokyo 108-8224, Japan	2-70, Konan 1-chome, Minato-ku, Tokyo 108-8224, Japan
(3) Name and title of representative	Takehisa Seo President, CEO	Mitsuaki Nishiyama Chairperson, President and CEO
(4) Products and businesses	Marketing of specialty steel products; functional components and equipment; magnetic materials, applications and power electronics; and wires, cables and related products	Manufacture and marketing of specialty steel products; functional components and equipment; magnetic materials, applications and power electronics; and wires, cables and related products
(5) Capital	¥350 million (As of March 31, 2021)	¥26,284 million (As of March 31, 2021)
(6) Establishment	September 1950	April 1956
(7) Number of outstanding shares	7,383,200 shares (As of March 31, 2021)	428,904,352 shares (As of March 31, 2021)
(8) Accounting date	March 31	March 31
(9) Major shareholders and shareholding ratio	Hitachi Metals, Ltd. 100% (As of March 31, 2021)	Hitachi, Ltd. 53.4% (As of March 31, 2021)
(10)	Operating performance and financial position of demerger company in most recent fiscal year (fiscal year ended March 31, 2021; Japanese GAAP)	
	Net assets	¥18,449 million
	Total assets	¥52,153 million
	Net assets per share	¥2,498
	Net sales	¥112,812 million
	Operating profit	¥2,009 million
	Ordinary profit	¥2,125 million
	Profit	¥1,018 million
	Profit per share	¥137
(11)	Operating performance and financial position of successor company in most recent fiscal year (fiscal year ended March 31, 2021; consolidated; IFRS)	
	Total assets	¥972,249 million
	Total equity	¥492,118 million
	Equity per share attributable to shareholders of the parent company	¥1,145.26
	Revenues	¥761,615 million
	Adjusted operating income*	(¥4,977 million)
	Income before income taxes	(¥50,588 million)
	Net income attributable to shareholders of the parent company	(¥42,285 million)
	Earnings per share (basic)	(¥98.90)

*Adjusted operating income = Revenues – Cost of sales – Selling, general & administrative expenses

3. Overview of Sales Division, etc. to be Transferred from Hitachi Metals Trading to the Company

(1) Products and businesses of sales division, etc. to be transferred

Marketing of specialty steel products; functional components and equipment; magnetic materials, applications and power electronics; and wires, cables and related products

(2) Operating performance of sales division, etc. to be transferred (fiscal year ended March 31, 2021; Japanese GAAP)

Net sales of businesses to be transferred (A)	Non-consolidated net sales of the Company	Percentage (A/B)
¥11,671 million	¥409,931 million	2.8%

Note: Does not include transaction amounts of Hitachi Metals and Hitachi Metals Trading.

(3) Items and book value of assets and liabilities to be transferred (fiscal year ended March 31, 2021)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	¥2,166 million	Current liabilities	¥179 million
Non-current assets	¥1,169 million	Non-current liabilities	-
Total	¥3,335 million	Total	¥179 million

(4) Status after the absorption-type demerger

Demerger company (Hitachi Metals Trading)

①	Name	Hitachi Metals Trading, Ltd.
②	Address	2-70, Konan 1-chome, Minato-ku, Tokyo 108-8224, Japan
③	Name and title of representative	Takehisa Seo, President, CEO
④	Products and businesses	Marketing of wires and cables for construction and industrial cables
⑤	Share capital	¥350 million (As of March 31, 2021)
⑥	Accounting date	March 31

Successor company (the Company)

①	Name	Hitachi Metals, Ltd.
②	Address	2-70, Konan 1-chome, Minato-ku, Tokyo 108-8224, Japan
③	Name and title of representative	Mitsuaki Nishiyama, Chairperson, President and CEO
④	Products and businesses	Manufacture and marketing of specialty steel products; functional components and equipment; magnetic materials, applications and power electronics; and wires, cables and related products
⑤	Common stock	¥26,284 million (As of March 31, 2021)
⑥	Accounting date	March 31

III. Business Division Absorption-type Demerger from Hitachi Metals Trading to Hitachi Metals Tool Steel and Sale to Dealers

1. Overview of Business Division to be Transferred from Hitachi Metals Trading to Hitachi Metals Tool Steel

(1) Products and businesses of business division to be transferred

Advanced metals processing business, etc.

(2) Items and book value of assets and liabilities to be transferred (fiscal year ended March 31, 2021)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	¥580 million	Current liabilities	-
Non-current assets	¥13 million	Non-current liabilities	-
Total	¥593 million	Total	-

(3) Status after the absorption-type demerger

Demerger company (Hitachi Metals Trading)

①	Name	Hitachi Metals Trading, Ltd.
②	Address	2-70, Konan 1-chome, Minato-ku, Tokyo 108-8224, Japan
③	Name and title of representative	Takehisa Seo, President, CEO
④	Products and businesses	Marketing of wires and cables for construction and industrial cables
⑤	Share capital	¥350 million (As of March 31, 2021)
⑥	Accounting date	March 31

Successor company (Hitachi Metals Tool Steel)

①	Name	Hitachi Metals Tool Steel, Ltd.
②	Address	2-70, Konan 1-chome, Minato-ku, Tokyo 108-8224, Japan
③	Name and title of representative	Fumihito Kobayashi, President, CEO
④	Products and businesses	Sale, thermal treatment and processing of specialty steel, etc.
⑤	Share capital	¥100 million (As of March 31, 2021)
⑥	Accounting date	March 31

2. Assets to be Sold to Dealers

Current assets, etc. However, the amount is expected to be substantially smaller in comparison to the total equity of the Company.

Ends

Forecast of consolidated results for current fiscal year (published April 26, 2021) and actual consolidated results for previous fiscal year(Unit: million yen)

	Revenue	Adjusted operating profit	Profit before income taxes	Net income attributable to shareholders of the parent company
Consolidated results forecast for current fiscal year (Fiscal year ending March 31, 2022)	850,000	34,000	17,000	12,000
Actual consolidated results for the previous fiscal year (Fiscal year ended March 31, 2021)	761,615	(4,977)	(50,588)	(42,285)

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