

Foundation Supporting Value Creation

The Hitachi Metals Group aims to be recognized as a “trustworthy partner” for society by taking responsibility for the impact of corporate activities on society and meeting the various demands of stakeholders.

This section introduces our corporate governance structure, promotion of diverse human resources, CSR activities, and environmental activities.

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Corporate Governance



Under the Fiscal Year 2018 Medium-term Management Plan, started in fiscal 2016, we aim to become the world's leading high-performance materials company and achieve long-term, sustainable development by pursuing both a stronger business base and our growth strategies. During fiscal 2016, the first year of the plan, we steadily carried out an action plan, including “continuous portfolio remodeling” and “organic growth,” to lay the foundation for growth.

Meanwhile, I would like to inform you that Akitoshi Hiraki assumed the position of President and Chief Executive Officer of the Company in April 2017. With the change of President and Chief Executive Officer and our other executives, we will make further changes and meet challenges, enabling Hitachi Metals to make even greater advances as a high-performance materials company. With his deep knowledge of technological trends, Mr. Hiraki has made achievements in cross-organizational activities as CTO, including innovations in *monozukuri* and R&D. He also has experience as a corporate manager, having served as a president of internal companies and of a Group Company, which makes him the best person to consolidate the collective capabilities of the companies and carry out the Fiscal Year 2018 Medium-term Management Plan. The Board of Directors therefore appointed him President and Chief Executive Officer.

Recognizing corporate governance as one of our important

management issues, we formulated and released our Corporate Governance Guidelines in December 2015. In accordance with those guidelines, we will continue to disclose high-quality information to all of our stakeholders in a timely manner and reflect in our corporate activities the objective evaluations and perspectives regarding our management that we receive through constructive dialogue, to achieve sustainable growth and increase our corporate value.

An analysis of the effectiveness of the Board of Directors conducted in May and June 2017 determined that the Board of Directors has open and vigorous discussions to ensure its effectiveness, that Directors have more opportunities to acquire the information necessary to fulfill their roles, and that discussions regarding business supervision are actively carried out. The Board of Directors currently comprises eight members, of which three are Outside Directors (including one woman). We are committed to making even greater use of the broad knowledge and diverse perspectives of Independent Outside Directors to enhance our corporate governance system with a view toward increasing the transparency and independence of management. We will deepen our collaboration with both Inside and Outside Directors, while striving to achieve sustainable growth and increase corporate value through vigorous discussions with our executives.

Basic Views on Corporate Governance

The underlying basis for corporate governance at 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 oversight and business operations function effectively and in balance. 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 business segments and medium-term management plans. We acknowledge that compliance is the linchpin of corporate governance. Consequently, our corporate activities go beyond mere compliance with laws and internal regulations: they are also based on laws and corporate ethics, and recognize our role as a member of society.

The Company established the Code of Conduct for actions that describe the above details as specific standards of conduct for Company executives and employees.

Overview of the Governance Structure

Organization System	
A Company with a Nominating Committee, etc.	
Directors	
Number of Directors stipulated in the Articles of Incorporation	10
Term of office of Directors stipulated in the Articles of Incorporation	One year
Chairperson of the Board	Chairperson (except when concurrently serving as President)
Number of Directors	Eight
Outside Directors	
Number of Outside Directors	Three
Number of Outside Directors designated as Independent Directors	Three
Committees	
Composition of Committees	The Nominating Committee, Compensation Committee, and Audit Committee
Number of Committee members	Four members on the Nominating Committee, five members on both the Compensation Committee and Audit Committee
Executive Officers	
Number of Executive Officers	13
Independent Directors	
Number of Independent Directors	Three

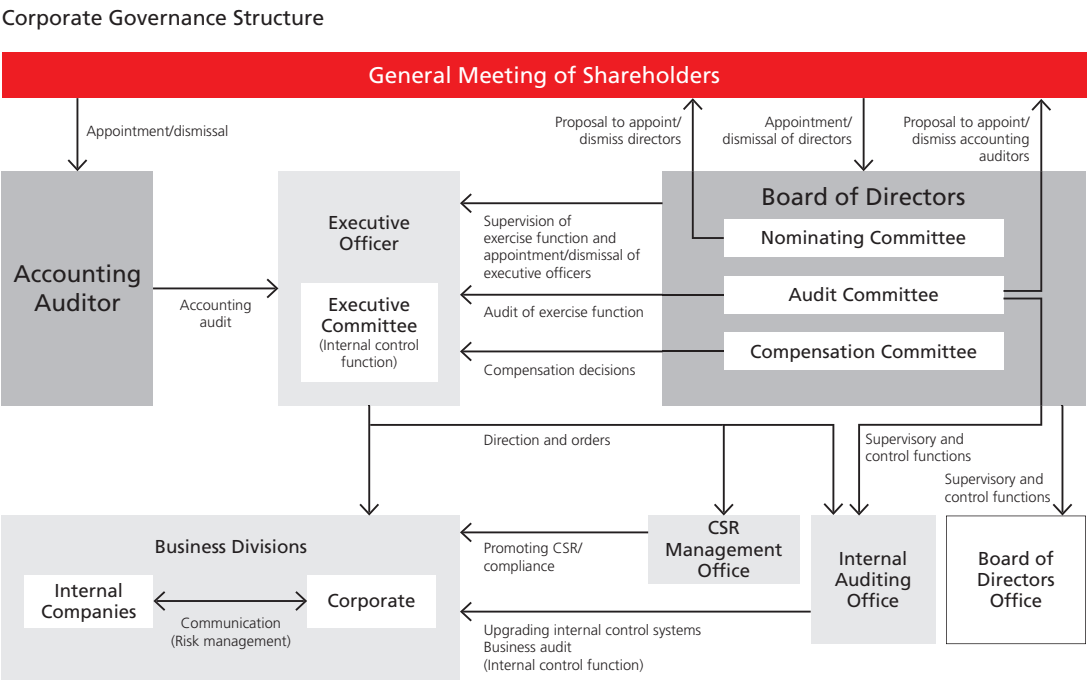
Measures aimed at the enhancement of corporate governance

- Transition to a “company with a committee, etc.,” as defined in the Commercial Code (June 2003)
- Increase in the number of Outside Directors serving as Independent Directors from two to three (June 2016)

Ratio of Inside Directors and Outside Directors



Corporate Control System, etc., of the Company



Membership composition of each committee and affiliations of chairpersons

Position	Name	Nominating Committee	Audit Committee	Compensation Committee
Chairperson of the Board	Hideaki Takahashi	◎		○
Outside Director	Masaru Igarashi	○	○	○
Outside Director	Toshiko Oka	○	○	○
Outside Director	Takashi Shimada	○	○	○
Director	Junichi Kamata		○	
Director	Toyoaki Nakamura			
Director	Toshitake Hasunuma		◎	
Director	Akitoshi Hiraki			◎

Note: ◎ Chairperson ○ Committee member

The Company has adopted the system of a company with a nominating committee, etc. Under this system, the Company elects eight Directors (one of whom is a woman) including three Outside Directors, and has established the Nominating Committee, Audit Committee, and Compensation Committee, in accordance with the provisions of the Companies Act. The Nominating Committee comprises four members (three of whom are Outside Directors). The Audit Committee and Compensation Committee each comprise five members (three of whom are Outside Directors). Each committee member is appointed by resolution of the Board of Directors.

The Nominating Committee is the body with the authority to determine the contents of proposals for the General Meeting of Shareholders regarding the appointment and

dismissal of Directors.

The Audit Committee audits the execution of duties by Directors and Executive Officers, and also has the authority to determine the content of proposals for the General Meeting of Shareholders regarding the appointment and dismissal of the Accounting Auditor.

The Compensation Committee has the authority to formulate policies to determine the content of compensation for Directors and Executive Officers, as well as the content of individual compensation based on policies.

In addition, the Board of Directors Office has been established to assist the Board of Directors and the committees in executing their duties, at which persons in charge of the Board of Directors and committees have been placed.

The Audit Committee as an Audit Organization

The Audit Committee is composed of five committee members. It is in charge of auditing violations of laws and regulations or the Articles of Incorporation by Directors or Executive Officers, the appropriateness of management’s judgments, the adequacy of internal control systems, and auditing accounting. A person in charge of the Audit Committee at the Board of Directors Office assists the Audit Committee in the execution of its duties. To ensure his/her independence from Executive Officers, the person in charge of the Audit Committee shall not concurrently serve in

any position at any other business operating division. The Audit Committee formulates annual audit implementation plans and auditing policies, and performs audits based on said plans and policies by hearing reports on important items and having Audit Committee members visit each office, etc., and each Group Company to conduct audits as regular audits. In addition, special audits are conducted when any likelihood exists of violations of laws and regulations or the Articles of Incorporation by Directors or Executive Officers.

Accounting Auditors

The certified public accountants named in the table below conducted accounting audits for the Company. 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. Twelve certified public accountants and 33 other personnel assisted with the Company’s accounting audit duties.

Name of certified public accountant, etc.	Auditing firm of certified public accountant
Takashi Ouchida, Engagement partner	Ernst & Young ShinNihon LLC
Seiji Kuzunuki, Engagement partner	Ernst & Young ShinNihon LLC

Note: All members have conducted audits for seven or fewer consecutive years. Accordingly, the years are not listed.

Matters Relating to Directors and Executive Officers

Functions and Roles of Directors

The items to be resolved by the Board of Directors are defined by the Board of Directors Rules. They consist of items that are solely to be decided by the Board of Directors under the Companies Act (decisions regarding basic management policies, basic policies related to the maintenance of internal control systems and other policies, appointment and dismissal of Executive Officers, appointment and dismissal of the

Representative Executive Officer, etc.), as well as items concerning dividends from surplus, issuance of new shares and subscription rights to shares, the acquisition, loan, and disposal of assets in excess of a specified amount, debt guarantees, reorganization, etc. Decisions on items other than those mentioned above have been delegated to the President and Chief Executive Officer.

Outside Directors’ Functions, Roles, and Their Relationship with the Company

Outside Directors act as members of the Board of Directors and members of the Nominating Committee, Audit Committee, and Compensation Committee. They possess extensive experience and advanced knowledge, are well versed in the general norms of society, and use their broad perspectives to contribute to the enhancement of decision-making and auditing functions, and efficiency of the Company’s management.

The Company considers each Outside Director to be fully independent from the Company, and has registered all of these Directors with the Tokyo Stock Exchange as Independent Directors.

The Company has business dealings with a company for

which Outside Director Masaru Igarashi formerly worked. However, the scale of the business is extremely small, and has been deemed to present no risk of impacting his independence under the standards of the Criteria for Independence of Outside Directors set forth in the Company’s Corporate Governance Guidelines. There are no items of note regarding Outside Directors Toshiko Oka and Takashi Shimada. With respect to relationships between each Outside Director and the Company, the independence of each Outside Director is judged according to the Criteria for Independence of Outside Directors, mentioned below.

The Criteria for Independence of Outside Directors are provided in Article 15, Criteria for Independence of Outside Directors of the Corporate Governance Guidelines of Hitachi Metals, Ltd. The guidelines are posted on our corporate website (<http://www.hitachi-metals.co.jp/e/ir/ir-csr.html>).

Career and Meeting Attendance of Directors (as of June 27, 2017)

Note: Information regarding attendance at meetings held between June 2016 and May 2017 is provided.



Hideaki Takahashi
Chairperson of the Board

Attendance at meetings during fiscal 2016
Board of Directors: 15 out of 15 meetings
Nominating Committee: 2 out of 2 meetings
Compensation Committee: 4 out of 4 meetings

Apr 1978 Joined Hitachi, Ltd.
Apr 2005 President and Representative Director of Hitachi Building System Co., Ltd.
Apr 2007 Vice President and Executive Officer of Hitachi, Ltd.
Apr 2011 Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd.
Jun 2011 Representative Executive Officer, President and Chief Executive Officer, Director of Hitachi Cable, Ltd.
Jun 2013 Director of Hitachi Metals, Ltd.
Jul 2013 Representative Executive Officer and Executive Vice President, Director of Hitachi Metals, Ltd.
Apr 2014 Representative Executive Officer, President and Chief Executive Officer, Director of Hitachi Metals, Ltd.
Apr 2017 Chairperson of the Board of Hitachi Metals, Ltd. (current position)

Reasons for appointment
The Company determined that Mr. Hideaki Takahashi will contribute to the strengthening of the decision-making and supervisory functions of the Board of Directors and enhancing its effectiveness as a Board member, by reflecting his abundant experience and in-depth knowledge obtained as a corporate manager at Hitachi, Ltd., as a president of Hitachi Group companies, and as the President of the Company; therefore, the Company appointed him as a Director.



Masaru Igarashi
Outside Director

Attendance at meetings during fiscal 2016
Board of Directors: 15 out of 15 meetings
Nominating Committee: 2 out of 2 meetings
Audit Committee: 16 out of 16 meetings
Compensation Committee: 4 out of 4 meetings

Apr 1973 Joined Bridgestone Tire Co., Ltd. (current name: Bridgestone Corporation)
Sep 1981 Visiting Assistant Professor at the University of Utah
Aug 1982 Joined Suzuki Motor Co., Ltd. (current name: Suzuki Motor Corporation)
Apr 2003 General Manager, Automobile Engineering Administration Division II of Suzuki Motor Corporation
Jun 2003 Director of Suzuki Motor Corporation
Dec 2008 Director of Asanuma Giken Co, Ltd.
Feb 2009 Corporate Advisor of KPIT Cummins Infosystems Ltd. (current name: KPIT Technologies Ltd.) (current position)
Jul 2010 Representative of Global Dynamics Research Lab. (current position)
Oct 2010 Director of KPIT Infosystems Inc. (current position)
Jun 2016 Outside Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment
The Company determined that Mr. Masaru Igarashi will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting his abundant experience and in-depth knowledge obtained as a corporate manager of an international manufacturing company in the automotive industry from a more objective standpoint as Independent Director; therefore, the Company appointed him as an Outside Director.



Toshiko Oka
Outside Director

Attendance at meetings during fiscal 2016
Board of Directors: 14 out of 15 meetings
Nominating Committee: 2 out of 2 meetings
Audit Committee: 15 out of 16 meetings
Compensation Committee: 4 out of 4 meetings

Apr 1986 Joined Tohmatsu Touche Ross Consulting (current name: ABeam Consulting Ltd.)
Jul 2000 Joined Asahi Arthur Andersen Ltd.
Jul 2002 Joined Deloitte Tohmatsu Consulting Co., Ltd. (current name: ABeam Consulting Ltd.)
Sep 2002 Principal of Deloitte Tohmatsu Consulting Co., Ltd.
Apr 2005 President and Representative Director of ABeam M&A Consulting Ltd.
Jun 2008 Outside Director of Netyear Group Corporation
Jun 2014 Outside Audit & Supervisory Board Member of Astellas Pharma Inc. (current position)
Jun 2015 Outside Audit & Supervisory Board Member of HAPPINET CORPORATION (current position)
Apr 2016 Partner of PwC Advisory LLC
Jun 2016 CEO of Oka & Company Ltd. (current position)
Outside Director of Hitachi Metals, Ltd. (current position)
Outside Director of Mitsubishi Corporation (current position)

Reasons for appointment
The Company determined that Ms. Toshiko Oka will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting her abundant experience and in-depth knowledge obtained as a corporate manager of major consulting firms from a more objective standpoint as Independent Director; therefore, the Company appointed her as an Outside Director.



Takashi Shimada
Outside Director

Attendance at meetings during fiscal 2016
Board of Directors: 15 out of 15 meetings
Nominating Committee: 2 out of 2 meetings
Audit Committee: 16 out of 16 meetings
Compensation Committee: 4 out of 4 meetings

Apr 1976 Joined The Boston Consulting Group
Oct 1987 Vice President of The Boston Consulting Group
Jan 1994 Vice President of Hilti Japan
Nov 1996 President of Walt Disney Television International Japan
Jul 1998 Vice President of A.T. Kearney
Oct 2005 Vice President of Medtronic, Inc. (current name: Medtronic plc)
Vice President of Medtronic Japan Co., Ltd.
May 2008 President of Medtronic Japan Co., Ltd.
President of Medtronic Sofamor Danek, Co., Ltd.
May 2015 President of Covidien Japan Inc.
President of Nippon Covidien Inc.
Jun 2015 Outside Director of Hitachi Metals, Ltd. (current position)
Jun 2017 Senior Advisor of Medtronic Japan Co., Ltd. (current position)

Reasons for appointment
The Company determined that Mr. Takashi Shimada will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting his abundant experience and in-depth knowledge gained as a corporate manager at international companies in the medical device industry and other fields from a more objective standpoint as Independent Director; therefore, the Company appointed him as an Outside Director.



Junichi Kamata
Director

Attendance at meetings during fiscal 2016
Board of Directors: 15 out of 15 meetings
Audit Committee: 16 out of 16 meetings

Apr 1978 Joined Hitachi Metals, Ltd.
Jan 2005 General Manager of Human Resources & General Administration Dept. of Corporate Business Center of Hitachi Metals, Ltd.
Apr 2008 Managing Officer, General Manager of Corporate Management Planning Office of Hitachi Metals, Ltd.
Apr 2011 Managing Officer, President of Piping Components Company of Hitachi Metals, Ltd.
Apr 2012 Managing Officer, General Manager of Piping Components Division of Hitachi Metals, Ltd.
Apr 2014 Vice President and Managing Officer of Hitachi Metals, Ltd.
President & CEO of Hitachi Metals America, Ltd.
Apr 2015 Vice President and Managing Officer, Assistant to President of Hitachi Metals, Ltd.
Jun 2015 Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment
The Company determined that Mr. Junichi Kamata will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness as a Board member, by reflecting his conversance and in-depth knowledge obtained through his experience in the human resources, financing, and corporate management planning of the Company as well as the experience as a head of business divisions and president of U.S. subsidiaries; therefore, the Company appointed him as a Director.



Toyoaki Nakamura
Director

Attendance at meetings during fiscal 2016
Board of Directors: 15 out of 15 meetings

Apr 1975 Joined Hitachi, Ltd.
Jan 2006 General Manager of Finance Department I of Hitachi, Ltd.
Apr 2007 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd.
Jun 2007 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd.
Jun 2009 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd.
Jun 2010 Outside Director of Hitachi Metals, Ltd. (resigned in June 2012)
Jun 2011 Director of Hitachi High-Technologies Corporation (Outside Director until June 2016) (current position)
Apr 2012 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd.
Jun 2012 Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc. (current name: Sompo Japan Nipponkoa Insurance Inc.)
Apr 2013 Director of Hitachi Consumer Electronics Co., Ltd.
Director of Hitachi Appliances, Inc.
May 2013 Director of Hitachi Consumer Marketing, Inc.
Jun 2015 Director of Hitachi Metals, Ltd. (Outside Director until June 2016) (current position)
Dec 2015 Board Director, Chairperson of Hitachi Metals, Ltd.
Apr 2016 Associate of Hitachi, Ltd.
Jun 2016 Director of Hitachi, Ltd. (current position), Chairperson of the Board of Hitachi Metals, Ltd.

Reasons for appointment
The Company determined that Mr. Toyoaki Nakamura will contribute to the management of the Company as well as the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancement of their effectiveness, by reflecting his abundant experience and in-depth knowledge obtained as a corporate manager at Hitachi, Ltd. and its group companies, and working to build closer ties with other Hitachi Group companies; therefore, the Company appointed him as a Director.



Toshitake Hasunuma
Director

Attendance at meetings during fiscal 2016
Board of Directors: 15 out of 15 meetings
Audit Committee: 16 out of 16 meetings

Apr 1977 Joined Hitachi, Ltd.
Apr 2004 General Manager of Finance Division of Information & Telecommunication Group of Hitachi, Ltd.
Jul 2006 Executive Audit Manager of Internal Auditing Office of Hitachi, Ltd.
Apr 2010 General Manager of Internal Auditing Office of Hitachi, Ltd.
Apr 2016 Corporate Chief Manager of Internal Auditing Office of Hitachi, Ltd.
Jun 2016 Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment
The Company determined that Mr. Toshitake Hasunuma will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness as a Board member, by reflecting his conversance and in-depth knowledge obtained through his experience in the finance operations of Hitachi Ltd. over the years as well as the experience as a head of the Internal Auditing Office; therefore, the Company appointed him as a Director.



Akitoshi Hiraki
Director

Attendance at meetings during fiscal 2016
Board of Directors: 15 out of 15 meetings

Apr 1985 Joined Hitachi Metals, Ltd.
Jun 2008 President and Director of Hitachi Setsubi Engineering Co., Ltd.
Apr 2010 Managing Officer, President of Specialty Steel Company, Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.
Apr 2012 Vice President and Managing Officer, President of High-Grade Metals Company, General Manager of Specialty Steel Division, and Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.
Apr 2015 Vice President and Representative Executive Officer, President of High-Grade Metals Company, and Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.
Jun 2015 Vice President and Representative Executive Officer, President of High-Grade Metals Company, Deputy General Manager of Corporate Export Regulation Office, and Director of Hitachi Metals, Ltd.
Jan 2016 Vice President and Representative Executive Officer, General Manager of Technology, Research & Development Division, General Manager of Corporate Quality Assurance Division, and Director of Hitachi Metals, Ltd.
Apr 2017 Representative Executive Officer, President and Chief Executive Officer, Director (current position)

Reasons for appointment
The Company determined that Mr. Akitoshi Hiraki will contribute to the strengthening of the decision-making functions of the Board of Directors and enhancing their effectiveness, by sharing the information of business execution divisions at the Board of Directors as a Board member and reflecting his abundant experience and in-depth knowledge obtained as a president of Hitachi Group companies and General Manager of the Company's business divisions, and since April 2015, as Vice President and Executive Officer, and since April 2017, as President and Chief Executive Officer responsible for the management of the Company; therefore, the Company appointed him as a Director.

Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company conducted a survey of Directors regarding the overall effectiveness of the Board of Directors in fiscal 2016. The main items on the survey included the composition of the Board, decision-making process, level of contributions, and operation and support systems. At its meetings in May and June 2017, the Board of Directors carried out an analysis and evaluation based on the assessments and opinions of individual Directors obtained from the survey. As a result, it was deemed that the effectiveness of the entire Board of Directors has been

ensured, that Directors have more opportunities to acquire the information necessary to fulfill their roles, and that discussions regarding business supervision are actively carried out. We will make use of these results in operations of the Board of Directors with the aim of increasing the awareness of our long-term vision and portfolio in discussions and making more qualitative improvements in supervisory functions to further enhance effectiveness in the future.

Main Items Discussed by the Board of Directors in Fiscal 2016

- M&As, business restructuring, and reorganization of each business division
 - Integration of the holding company in North America
 - Transfer of the information systems business
 - De-integration of the copper product and lead frame businesses
- Capital expenditure in key businesses
 - Introduction of innovative production lines for neodymium magnets
 - Introduction of innovative production lines for ferrite magnets
 - Construction of the Corporate Research Lab

- Measures to achieve the Fiscal Year 2018 Medium-term Management Plan
- Report on the North America’s business strategy
- Response to the Corporate Governance Code
- Implementation, interim reporting, and review of the evaluation of the effectiveness of the Board of Directors
- Measures to strengthen global compliance
- Roles and functions of the global regional headquarters
- Project to reinforce the “Basics and Ethics”

Business Execution System

Regarding business execution, the Board of Directors delegates a great deal of decision-making authority concerning business execution to Executive Officers to achieve prompt decision-making. With the aim of ensuring that Executive Officers execute their duties efficiently and in compliance with laws and regulations and the Articles of Incorporation, Executive Officers organize the Executive Committee. This committee holds

discussions on certain important management matters that impact on the Company or the Group, and Executive Officers with sufficient authority make decisions. The Company has adopted an internal company system based on the decision that such a system is a good fit for the particular nature of the Company, which engages in multiple businesses with diverse products and markets.

Executive Officers (As of June 1, 2017)

Akitoshi Hiraki Representative Executive Officer President and Chief Executive Officer Overall Operations General Management	Ryouji Akada Executive Officer In charge of Business President of Magnetic Materials Company Deputy General Manager of Corporate Export Regulation Office	Koji Sato Executive Officer In charge of Business President, Specialty Steel Company Deputy General Manager of Corporate Export Regulation Office	Eiji Nakano Executive Officer In charge of Technology General Manager of Technology, Research & Development Division
Kenichi Nishiie Representative Executive Officer Senior Vice President and Executive Officer In charge of Corporate Administration General Manager of Corporate Management Planning Division	Masahiro Otsuka Executive Officer In charge of Business Chairperson and President, Hitachi Metals (China), Ltd.	Shigekazu Suwabe Executive Officer In charge of Corporate Administration and Technology General Manager of Information Systems Division General Manager of Corporate Quality Assurance Division Deputy General Manager of Technology, Research & Development Division	Tomoyuki Hatano Executive Officer In charge of Business Director & President & CEO of Hitachi Metals America, Ltd.
Hiroaki Nishioka Representative Executive Officer Executive Officer In charge of Corporate Administration Chief Financial Officer General Manager of Finance Division	Katsuro Sasaka Executive Officer In charge of Corporate Administration and Sales and Marketing Deputy General Manager of Corporate Management Planning Division General Manager of Group Company Auditing Office	Naohiko Tamiya Executive Officer In charge of Corporate Administration General Manager of Human Resources & General Administration Division Chief Compliance Officer	Kazuya Murakami Executive Officer In charge of Business President of Cable Materials Company Deputy General Manager of Corporate Export Regulation Office

Compensation for Directors and Executive Officers, etc.

The Policies Concerning the Determination of Compensation, etc., for Directors and Executive Officers state that “(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) 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 compensation shall be paid for outstanding achievements; (3) Compensation paid by the Company consists of base compensation and a term-end bonus; and (4) To share interests with shareholders by holding treasury stock and thereby promote sustainable growth and the enhanced corporate value of the Company over the medium to long term, Directors and Executive Officers shall, as a general rule, contribute part of their compensation to the

officers’ shareholding association and acquire treasury stock until such stock reaches a certain number. The acquired stock shall be held continuously during the terms of office of Directors and Executive Officers and, as a general rule, one year after retiring from their posts.” The policy on base compensation is that it is to be “Determined individually in consideration of the degree of responsibility for Company management as a Director and/or Executive Officer and for the performance of duties utilizing their extensive experience, knowledge, insight, and specialized management skills, etc., acquired from past experience. To secure appropriate human resources for the positions of Director and Executive Officer, compensation levels should be comparable to those of other companies.” The policy on a term-end bonus is that it is to be “Linked to the business performance of the Company.”

The total amount of compensation, etc., for each category of Director or Executive Officer, the total amount of compensation, etc., by type, and the number of Directors and Executive Officers who received compensation, etc., are as indicated in the table below.

Compensation, etc., for Directors and Executive Officers

Director/Executive Officer category	Total amount of compensation, etc. (millions of yen)	Total amount of compensation, etc., by type (millions of yen)		Number of Directors and Executive Officers who received compensation, etc.
		Base compensation	Term-end bonus	
Directors (excluding Outside Directors)	67	61	6	4
Executive Officers	492	330	162	11
Outside Directors and Officers	49	43	6	6

Notes: Directors with concurrent post as Executive Officers are compensated as Executive Officers but not as Directors.

Relationship with the Parent Company

In principle, the business operations and transactions of the Company are conducted on an autonomous basis and are independent of Hitachi, Ltd., the parent company, and its group companies. In the implementation of its business operations, however, and as a member of the Hitachi Group, the Company has a close collaborative relationship with Hitachi, Ltd. and its group companies through joint research and development and other initiatives. Based on the effective use of shared management resources, the Company aims to provide high-quality products and services.

As for personnel relationships with Hitachi, Ltd., one Director of that company also serves as a Director of the Company. By expressing opinions and voting at meetings of the Company’s Board of Directors, Hitachi, Ltd. could influence management

policies and other aspects of the Company. Nevertheless, the Company perceives that it is in a position to make independent management judgments. No Executive Officers of the Company who perform executive duties are also Directors or Executive Officers of Hitachi, Ltd.

The Company also conducts a range of transactions with Hitachi, Ltd. based on the Hitachi Group’s pooling system. These include borrowing and lending as well as other activities. The Company remains convinced, however, that its business activities are not significantly dependent on transactions with Hitachi, Ltd. The Company has adopted a policy that regulates transactions with Hitachi, Ltd. so that they are carried out in a fair manner, based on market prices.

Internal Controls

Internal Audit Organization

The Company has an Internal Auditing Office that is in charge of internal audits. This Office formulates annual audit implementation plans and audit policies, and regularly conducts audits regarding the status of business execution and management of each office and Group Company based on said plans and policies. Furthermore, it may conduct special audits when necessary, and issues recommendations for

improving operations, etc. It also notifies the President and Chief Executive Officer and the Audit Committee of audit implementation plans in advance, and reports the audit results to them. If necessary, it also carries out audits in collaboration with individual divisions in charge of the environment, safety, and systems within the Company.

Coordination among the Audit Committee, Accounting Auditor, and Internal Audit Division

The Audit Committee (1) receives explanations from the Accounting Auditor regarding audit implementation plans, and engages in consultation and adjustments when necessary; (2) receives audit result reports and engages in an exchange of opinions; and (3) in the event that the Accounting Auditor, during the course of executing its duties, discovers misconduct or material facts in violation of laws and regulations or the Articles of Incorporation regarding the execution of duties by Executive Officers, receives reports on these matters. The Audit Committee receives reports from the Internal Audit division on its audit implementation plans and regularly examines reports. Furthermore, to promote collaboration between the Internal Audit division and the Audit Committee in auditing, the committee can instruct the Internal Audit division to (1) conduct a special audit of certain divisions deemed to be

required by the Audit Committee, and (2) decide on critical audit items in audits conducted by the Internal Audit division. Regarding matters required for the Audit Committee to execute its duties, as specified by the Board of Directors, the Internal Auditing Office of the Internal Audit division assists the execution of duties by the Audit Committee in accordance with the committee’s instructions and orders. The Internal Audit division is also in charge of maintaining and verifying internal controls, and reports the status of internal controls to the Audit Committee. Corporate divisions, etc., other than the Internal Audit division, in charge of finances, compliance, risk, and other areas also play a certain role in the Company’s internal controls, and report the status of the execution of their duties to the Audit Committee.

Risk Management

With respect to 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, each corporate administrative division has prepared internal rules, guidelines, etc., conducts education and enlightenment activities, preliminary checks, audits on business operations, etc., and cooperates with the relevant internal company’s business divisions to avoid, prevent, and manage risks relating to compliance, antisocial forces, finance, procurement, the environment, disasters, quality, information management, export control, legal affairs, etc. Furthermore, with regard to business continuity plans (BCPs), the Company has not only prepared the plans but also implements business continuity management (BCM) that periodically and continually improves BCPs in response to changes in the business structure or risks. During the fiscal year under review, BCP training has been implemented jointly by domestic sites and overseas subsidiaries, and an investigation about risk management has been conducted with the aim of facilitating BCP promotion activities at overseas subsidiaries.

The main risks that could possibly impact the management performance and financial status of the Hitachi Metals Group are as follows:

- Risks involving economic circumstances in the market, related to product demand
- Risks involving fluctuations in raw material prices
- Risks involving financing
- Risks involving fluctuations in exchange rates
- Risks involving fluctuations in securities prices
- Risks involving business expansion outside Japan
- Risks involving competitive advantage and the development and commercialization of new technologies and products
- Risks involving intellectual property rights
- Risks involving environmental regulations, etc.
- Risks involving product flaws and defects
- Risks involving legal and official regulations
- Risks involving earthquakes and other natural disasters, etc.
- Risks involving information security
- Risks involving pension payment liabilities
- Risks involving relations with the parent company
- Risks involving M&A
- Risks involving the Medium-term Management Plan

Promotion of Diverse Human Resources

With the management philosophy of “contributing to society by being the best enterprise,” the Hitachi Metals Group believes it is vital to “develop people of action with global perceptions at Hitachi Metals” to grow as a global company, focusing on cultivating and empowering diverse human resources.



Composition of Employees (Non-consolidated)

	FY2012	FY2013	FY2014	FY2015	FY2016
Number of Employees	4,675	6,362	6,306	5,966	5,858
	Male	4,239	5,720	5,660	5,241
	Female	436	642	646	617
Ratio of Female Employees	9.3	10.1	10.2	10.5	10.5
Average Age (years)	43.0	42.1	43.0	43.5	43.9
Average Service (years)	21.8	19.2	20.0	20.6	21.0
Number of Female Managers	6	10	10	11	12
Employment Ratio of People with Disabilities	2.16	2.26	2.08	2.30	2.43

Human Resources Strategy Aimed at New Global Growth Through Change and Challenges

The Hitachi Metals Group, which is vigorously moving ahead with global business expansion, promotes a global human resources strategy based on the recognition that human resources are the source of competitiveness.

Under the basic policy of the Fiscal Year 2018 Medium-term Management Plan, we have set out the following four themes for our human resources strategy: “management reform aimed at instilling a globally shared ‘philosophy’ (the basic values to be held by all Group employees) and changing our corporate culture”; “diversity and inclusion that promote participation of diverse human resources and work style reform”; “realization of safe and healthy workplaces”; and “promotion of global human resources management.”

By vigorously pushing ahead with growth through M&As in addition to organic growth, the Hitachi Metals Group will steadily put these themes into action and foster an innovative corporate culture in which various types of people can thrive, with the aim of promoting the sustainable development of the Company.

Human Resources Development Programs

Our communications symbol, “Materials Mag^{ic},” incorporates the determination of each and every employee to be a key driver of growth. Guided by our basic approach to human resources development, we strive to enhance and strengthen our human resources development programs so that employees expand their expertise and become an efficient workforce that can actively seek out challenges and take action to achieve success or solve problems, as well as become shining examples for our company. In 2012, we carried out a broad reform of our education and training systems. We plan and implement a wide range of training and education programs linking OJT and

OFF-JT, such as training that includes education specific to job levels and job skills, and global education.

I Nurturing the next generation of human resources
We identify at an early stage the human resources who will take responsibility for management in the next generation and enhance training programs for them. We complete systematic personnel rotations and tough assignments, as well as training such as OFF-JT.

I Hiring and cultivating local personnel for management positions at each overseas base
As our business rapidly globalizes, we are accelerating efforts at global regional headquarters in Europe, the U.S., China, and the rest of Asia, to employ and cultivate human resources who will be future executive candidates. We are also cultivating locally hired personnel at Group companies outside Japan, and promoting them to positions of responsibility. In combination with the overseas trainee program for employees in Japan, we are promoting globalization simultaneously with the localization of overseas bases.

Promoting Diversity and Inclusion

Our basic policy on human resources is to create an innovative corporate culture based on diversity, with the aim of increasing corporate value. As our business expands globally, it has become critically important to strengthen our human resources base by securing diverse employees, assigning them strategically, and encouraging their active participation. Hitachi Metals therefore established the Diversity Promotion Department with dedicated staff members in fiscal 2015, and put in place a system that can implement integrated measures on hiring, training, and retention under the Human Resources Development and Diversity Promotion Department in fiscal 2017. In addition to holding seminars for those in



Roundtable discussions for foreign employees were organized under the leadership of the Human Resources Development and Diversity Promotion Department.

management positions to raise awareness, we have set numerical targets for the diversity employment rate and are working on proactive hiring and training. The diversity employment rate in fiscal 2016 was 48%, and we aim to maintain a rate of 50% or higher in fiscal 2017 and onward.

I Initiatives aimed at promoting diversity
We are carrying out a range of initiatives to create a workplace where diverse human resources can work with enthusiasm. In fiscal 2016, we conducted interviews with over 80% of young female employees (in career-track positions) to understand their situations. In addition, we organized roundtable discussions with employees of foreign nationality working in Japan and covered the event in the Company’s in-house journal to raise awareness and promote diversity from aspects close to employees. We will make use of the opinions gathered through such activities in future initiatives such as developing mentoring systems and various support systems.

Work Style Reform

To respond to changes of the times and to achieve sustainable growth, it is vital to embrace new challenges and continue to reform. To do that, we believe it is indispensable to create an environment where diverse human resources can pursue highly

productive work styles and approaches to the job while sharing different values and ideas, and realize a sense of fulfillment and personal growth in their work. The Hitachi Metals Group therefore positions “work style reform” as an important management issue, and seeks to achieve both sustainable development of the Company and a work-life balance for individuals by realizing efficient work styles and focusing on higher value-added work.

I Companywide “work style reform” project
With the launch of the companywide “work style reform” project in May 2016, we began efforts toward “work style reform” that will generate new value. Awareness-raising and education, the reduction of total working hours, enhanced efficiency of back-office operations, and support for diverse work styles were set as the main objectives of the project, and detailed discussions got under way. We are implementing companywide initiatives with set numerical targets. As one example, we have formulated common companywide rules for e-mail and meetings, and have produced results by ensuring that basic manners and rules are thoroughly followed. Business offices with different working environments and conditions are also pursuing their own initiatives by launching full-scale “work style reform” projects.

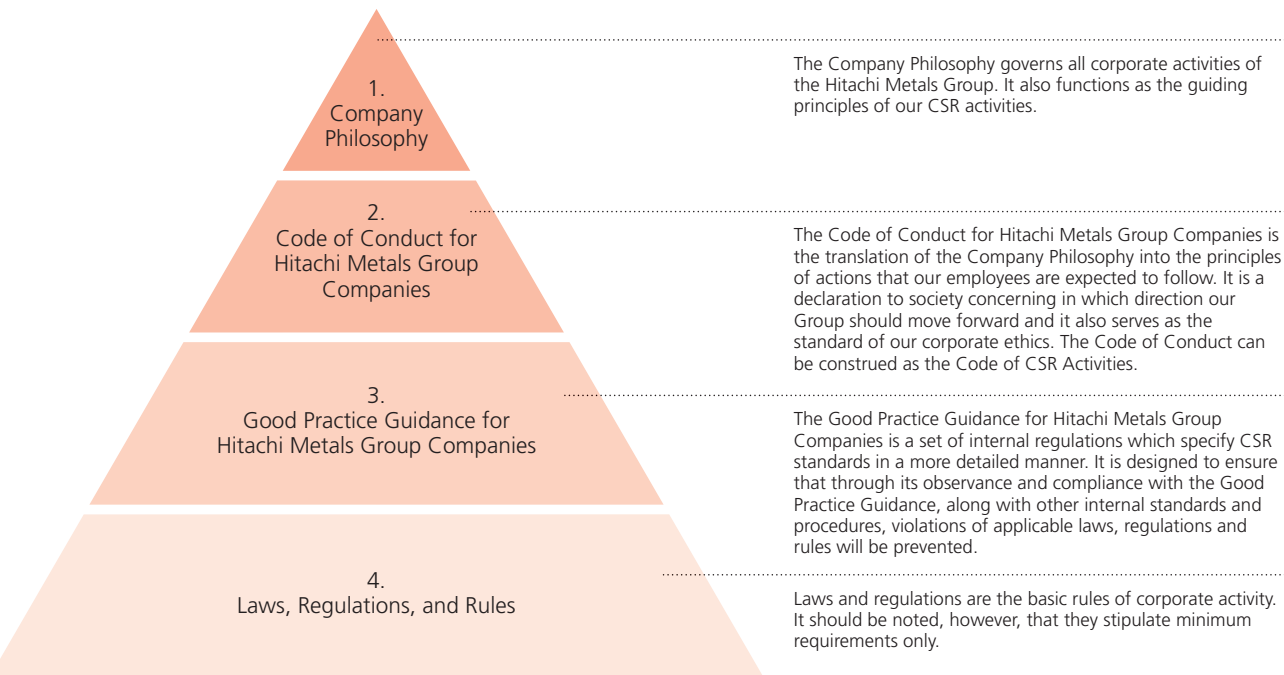
I Promoting work-life balance
We are reinforcing our initiatives and systems to support active participation by employees to realize work-life balance. For example, we have enhanced our system for child care and nursing care leave and shorter working hours to a level beyond that mandated by the Child and Family Care Leaves Act to create an environment where employees can continue their careers at various stages of life. In addition, we are promoting the development and operation of new systems, including the introduction of a telecommuting system at our Head Office from September 2016.



The Hitachi Metals Group aims to carry out its social responsibility and realize its management philosophy through the observance, by all Directors and employees, of laws and regulations and the Hitachi Metals Group Code of Conduct, and their implementation of the Hitachi Metals Group Corporate Principles, in their daily duties. Furthermore, the Company promotes CSR activities with the aim of contributing to society through its business operations, based on its belief of calling on corporations not only to pursue profitability but also to meet stakeholders’ expectations and contribute to the development of society.

Guidelines for CSR Activities

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



Outside Assessment

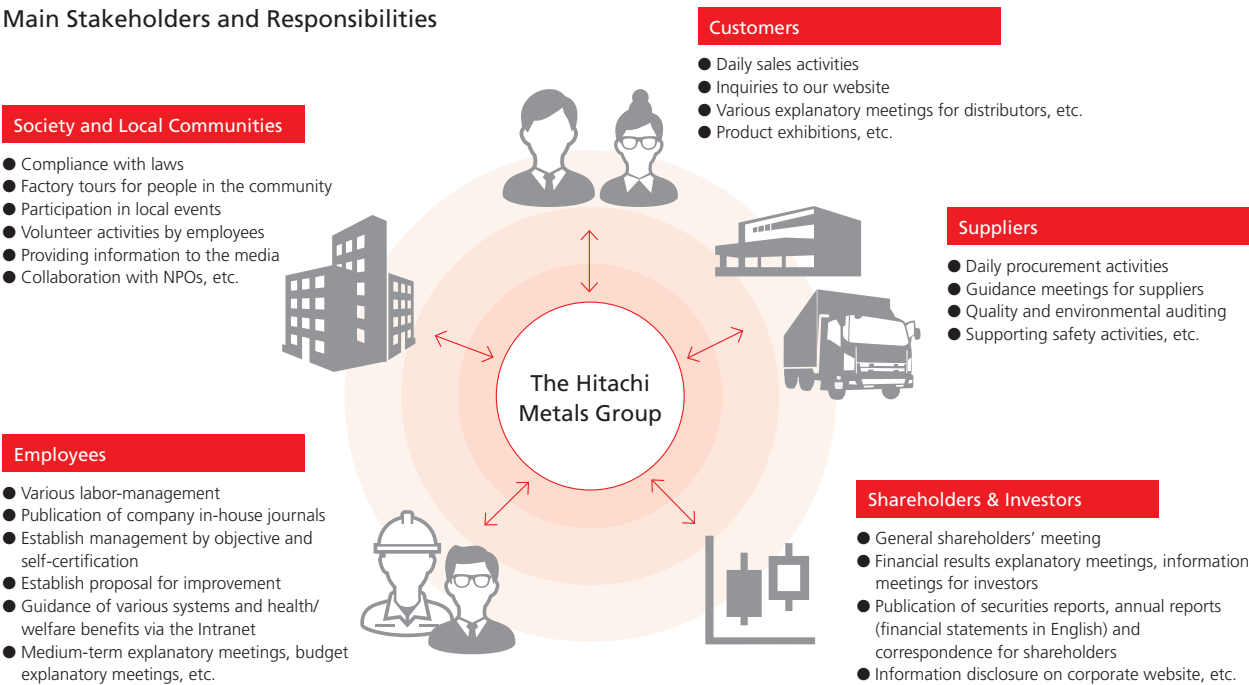
Hitachi Metals has been added to the world's leading social responsibility investment indices. The FTSE4Good Index Series is calculated by the FTSE Group, which is owned by the London Stock Exchange. An important gauge providing criteria for investment choices, the FTSE4Good Index Series selects stocks according to five ESG (environmental, social, and governance) themes: environmental management, mitigating climate change, human rights and workers' rights, supply chain labor standards, and the prevention of bribery. Hitachi Metals has also been included in all three ESG investment indices newly selected by the Government Pension Investment Fund (GPIF), namely, the MSCI Japan ESG Select Leaders Index, the MSCI Japan Empowering Women Index (WIN), and the FTSE Blossom Japan Index. Hitachi Metals has also been selected for the SNAM Sustainability Index, which invests in companies with high ESG evaluations.



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 sustainability.

Main Stakeholders and Responsibilities



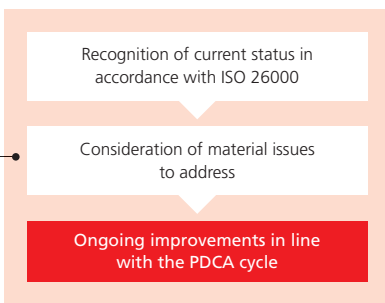
Framework for CSR Activities

The Hitachi Metals Group is continuously enhancing its management quality based on a framework in accordance with international standards. Every year since fiscal 2015, the Hitachi Metals Group has evaluated its activity results, set targets and measures for the upcoming fiscal year, and integrated the evaluation results into a road map in accordance with the Hitachi Group CSR Policy formulated and based on ISO 26000, the global standard for corporate social responsibility. By repeating this cycle of road map setting and implementation, the Group is continuously enhancing the quality of management.

CSR Management Framework for the Hitachi Group



Hitachi Metals Group Initiatives



CSR Initiative Results and Plans

The Hitachi Group has defined the Hitachi Group CSR Policy, based on ISO 26000, the global standard for corporate social responsibility, with the aim of furthering the integration of management and CSR. In accordance with this policy, the Company uses the PDCA cycle to further reinforce its activities, by steadily implementing CSR activities and continually improving its management quality.

CSR Initiative Results and Plans

FY2016 Measures (Planned)	FY2016 Measures (Results)	Self-assessment	Measures Planned for FY2017
1. Recognition of Social Responsibility			
• Seek advice on/assessment of the Company's CSR activities from outside experts (ongoing)	• Received advice on/assessment of the Company's CSR activities from a professor in Hosei University's Faculty of Sustainability Studies	★★★	• Seek advice on/assessment of the Company's CSR activities from outside experts (ongoing)
• Perform materiality analysis, identify key issues specific to the Company's business from the perspectives of medium- to long-term risk and opportunity, and begin to integrate CSR viewpoints into management	• Identified social issues that impact the Group's sustainable growth in light of future mega trends (SDGs), and evaluated the significance of opportunities and risks from an ESG perspective	★★	• Implement measures to use materiality analysis in various activities of the Group
2. Organizational Governance			
• Compliance Management Committee meets quarterly to analyze social and environmental risks, formulate preventative measures, and share information (ongoing)	• Engaged in companywide projects to further ensure thorough compliance and formulated preventative measures and shared information, etc., through steering committee meetings, etc.	★★★	• Hold regular meetings regarding compliance, formulate preventative measures, and share information (ongoing)
• Conduct CSR and compliance training at the Company and subsidiaries in Japan and overseas (ongoing)	• Conducted CSR and compliance training (at the Company and 65 subsidiaries in Japan and overseas)	★★★	• Conduct CSR and compliance training at the Company and subsidiaries in Japan and overseas (ongoing)
• Conduct environmental education at the Head Office and each company (ongoing)	• Conducted environmental e-learning (100% of employees) and environmental auditor development training (once)		• Conduct environmental e-learning (100% of employees) and environmental auditor development training (once)
• Ongoing implementation of Hitachi Insights, the Hitachi Group employee satisfaction survey targeting all back-office workers	• Conducted Hitachi Insights, the Hitachi Group employee satisfaction survey targeting all back-office workers in September (7,114 employees responded on a consolidated basis)	★★★	• Ongoing implementation of Hitachi Insights, the Hitachi Group employee satisfaction survey targeting all back-office workers
3. Human Rights			
• Carry out human rights due diligence according to Hitachi Group policies at the human resources & general administrative division	• Made all employees aware of the Hitachi Metals Group Human Rights Policy through training, etc., held at Group companies	★★★	• Identify measures to deal with high-priority human rights risks and study how to firmly establish associated processes through the human rights due diligence workshops of the Hitachi Group's human resources & general administrative division, and prepare to implement human rights due diligence within the Company
	• Deepened understanding of the relationship between Business and Human Rights and the human resources & general administrative division, and strengthened the skills of the staff responsible, by participating in human rights due diligence workshops of the Hitachi Group's human resources & general administrative division		
• Conduct human rights training systematically throughout the entire Hitachi Metals Group (ongoing)	• Systematically conducted human rights training throughout the entire Hitachi Metals Group (5,108 employees in total)	★★★	• Conduct human rights training systematically throughout the entire Hitachi Metals Group (ongoing)
4. Labor Practices			
• Set KPIs and work to achieve them through the project "work style reform" (reduction in total annual back-office working hours), the foundation of the Company's diverse human resources	• Launched the companywide "work style reform" project in May 2016, set KPIs, implemented measures to reduce total annual working hours companywide and improve productivity, etc.	★★★	• Further promote "work style reform" through awareness-raising for those in management positions, measures to improve operational efficiency (reduce paperwork and meetings, etc.), a reduction in total annual working hours, and providing support through systems
• Set a diversity employment target rate (the Company's own indicator) of 50% or more and actively hire diverse human resources	• Mostly achieved the diversity employment target rate		• Continue to set a target rate of 50% or more for diversity employment
• Establish an intranet dedicated to diversity promotion	• Set up a dedicated website for diversity management on the intranet		
• Formulate an action plan integrating the Act for Measures to Support the Development of the Next Generation and the Act on Promotion of Women's Participation and Advancement in the Workplace, and announce the plan to the public. Also, disclose related figures	• Formulated an integrated action plan and announced it to the public. Related figures were also disclosed as widely as possible	★★	• Formulate an action plan integrating the Act for Measures to Support the Development of the Next Generation and the Act on Promotion of Women's Participation and Advancement in the Workplace, and proactively disclose related figures to the public
• Create opportunities for coordination and information exchange for women in career-track positions	• Creation of opportunities for coordination and information exchange for women in career-track positions was limited in scope		• Increase the ratio of women in management positions
• Exceed the legal employment rate of employees with disabilities, and maintain the current employment rate of 2.3%	• The actual figure for FY2016 was 2.4%, achieving the target	★★★	• Exceed the legal employment rate of 2.0% and maintain the current employment rate of 2.4%
• Perform routine and non-routine risk assessments, including risk assessments that have not yet been performed, and continue to review improvements	• Performed routine and non-routine risk assessments; 3,569 items were assessed (36 business offices)	★★	• Perform risk assessment of work that can lead to major accidents or serious injuries
• Continue implementing health and safety training. As the risk assessment of 640 chemical substances has been made mandatory, add health-related education	• Implemented health and safety training for foremen and supervisors; 359 people were trained (19 business offices)		• Enhance introductory education and OJT for inexperienced workers
	• Took actions in response to the mandatory risk assessment of chemical substances		• Check that the risk assessment of chemical substances is in compliance with the Organic Solvent Ordinance and the Specified Chemical Ordinance
	(i) Carried out training on risk assessment methods at companywide meetings for persons in charge of health and safety		
	(ii) Completed companywide introduction of Hitachi Group risk assessment methods for chemical substances in June 2016		
• Domestic business offices assess the applicable conditions of the Hitachi Group's minimum safety standards through health and safety audits, etc.	• Confirmed that business offices subject to health and safety audits met the Hitachi Group's minimum safety standards	★★	• (New) Participate in the Hitachi Group's interactive safety inspection activities
• Overseas business offices aim for three offices to assess the local applicable conditions of the Hitachi Group's minimum safety standards (including overseas Group companies)	• (New) Carried out information exchanges with the Hitachi Group's business offices with high potential		• Conduct safety inspections of manufacturing bases at overseas business offices to check safety standards
	• Assessments were carried out at only one overseas business office (South Korea)		
• Formulate a human resources development plan for employees representing the next generation and conduct systematic personnel rotation and training programs	• Identified outstanding human resources at the manager level and conducted training programs to develop global leaders	★★	• Examine and implement a selective development program for management candidates, targeting human resources at the general manager level
	• Focused on securing human resources through midcareer hiring to revitalize systematic personnel rotation		• In addition to securing a certain number of human resources by hiring new graduates, continue to conduct midcareer hiring in the interest of personnel rotation and to adjust the age composition

FY2016 Measures (Planned)		FY2016 Measures (Results)	Self-assessment	Measures Planned for FY2017
5. The Environment				
• Increase the sales ratio of key environmentally conscious products* ¹ (to 17% or more)	• Increased the sales ratio of key environmentally conscious products (20.8%)	★★★	• A sales ratio of key environmentally conscious products of 19%	
• Reduce active mass per production unit of energy consumed 10% (compared to base year FY2005)	• Reduced active mass per production unit of energy consumed 6.5% (compared to base year FY2005)	★★★	• Reduce active mass per production unit of energy consumed 11.5% (compared to base year FY2005)	
• Reduce active mass per production unit of waste/valuables generation 7% (compared to base year FY2005)	• Reduced active mass per production unit of waste/valuables generation 8.3% (compared to base year FY2005)	★★★	• Improvement ratio of waste generation per production unit of 7.5% (compared to base year)	
• Increase the recycling rate (to 70%)	• Increased the recycling rate (to 76%)		• Recycling rate of 72%	
• Reduce active mass per production unit of VOC emissions 22% (compared to base year FY2006)	• Reduced active mass per production unit of VOC emissions 18.2% (compared to base year FY2006)	★	• Reduce chemical substance emissions per production unit by 30% (compared to base year)	
6. Fair Operating Practices				
• Conduct extraordinary compliance (Anti-Monopoly Act) audit (ongoing)	• Conducted extraordinary compliance (Anti-Monopoly Act) audit (document review, hearing with sales department managers)	★★★	• Continue to conduct audits related to compliance (including compliance with the Anti-Monopoly Act)	
• Issue a revised version of the Hitachi Group's CSR procurement guidelines and plan to extend said guidelines to suppliers	• Issued a revised version of the Hitachi Group's CSR guidelines	★	• Plan to survey the status of CSR efforts by the Company's suppliers based on the Hitachi Group's CSR procurement guidelines	
• Conduct Corporate Ethics Month in October (ongoing)	• Carried out various measures to ensure thorough legal compliance and ethical behavior, such as the training of management executives by external instructors, during Corporate Ethics Month in October	★★★	• Conduct Corporate Ethics Month in October (ongoing)	
• Audit the compliance status of corruption-related laws and regulations	• Confirmed the compliance status of compliance-related laws and regulations during an internal audit		• Audit the compliance status of compliance-related laws and regulations (ongoing)	
	• Enhanced compliance rules in line with global standards, including the revision of the Rules on the Prevention of Corruption			
• Conduct information security education (ongoing)	• Conducted information security education	★★	• Conduct information security education (ongoing)	
• Conduct information security self-audits (ongoing)	• Conducted information security self-audits		• Conduct information security self-audits (ongoing)	
• Confirm that business information has been erased from privately owned computers (ongoing)	• Confirmed that business information had been erased from privately owned computers		• Confirm that business information has been erased from privately owned computers (ongoing)	
• Conduct targeted e-mail attack simulations (ongoing)	• Conducted targeted e-mail attack simulations		• Conduct targeted e-mail attack simulations (ongoing)	
• Consider measures against missent e-mails and expand said measures throughout the Group (ongoing)	• Implemented measures against missent e-mails and expanded said measures throughout the Group		• Conduct a survey and analysis of the status of virus elimination and disclose the information	
7. Customers (Consumer Issues)				
• Conduct gleaning meetings* ² at consolidated companies (ongoing)	• Conducted gleaning meetings at consolidated companies as planned	★★★	• Conduct gleaning meetings at consolidated companies (ongoing)	
• Expand company-sponsored mini gleaning meetings at business offices in Japan and overseas (ongoing)	• Held company-sponsored mini gleaning meetings at three additional locations		• Expand company-sponsored mini gleaning meetings at business offices in Japan and overseas (ongoing)	
• Implement tasks for the creation of new business	• Implemented tasks for the creation of new business (16 themes, continued implementation in the first half of 2017)	★★★	• Implement tasks for the creation of new business (ongoing)	
• Expand new product sales ratio and develop strategic new products (new product sales ratio: 30% or higher) (ongoing)	• Expanded new product sales ratio and developed strategic new products (new product sales ratio: 31%)		• Expand new product sales ratio (new product sales ratio: 30% or higher) (ongoing)	
• Update technological development medium-term road map in light of technological mega trends	• Updated our technological development medium- to long-term road map in light of technological mega trends (updated in 2016)		• Promote cooperation and collaboration with customers and research institutions in Japan and overseas (carry out open innovation)	
8. Community Involvement and Development				
• Consider social contribution activities enabling a closer relationship with regional citizens and culture (ongoing)	• Conducted regional contribution activities mainly in regions where offices and factories are located (social contributions amounting to 390 million yen)	★★★	• Consider social contribution activities enabling a closer relationship with regional citizens and culture (ongoing)	
• Contribute to material science technical research through support of Hitachi Metals · Materials Science Foundation (ongoing)	• Contributed to material science technical research through support of Hitachi Metals · Materials Science Foundation (4 million yen)	★★★	• Contribute to material science technical research through support of Hitachi Metals · Materials Science Foundation (ongoing)	
• Support <i>tatara</i> method of iron manufacture (ongoing)	• Supported <i>tatara</i> method of iron manufacture (operations and personnel) conducted by the Society for Preservation of Japanese Art Swords at <i>Nittoho Tatara</i> in Okuizumo, Shimane Prefecture		• Support <i>tatara</i> method of iron manufacture (ongoing)	
9. Review and Improvement of CSR Activities				
• Improve management quality using CSR research (ongoing)	• Provided feedback from the CSR research results to relevant divisions. Implemented measures to improve management quality in each division based on these results	★★★	• Improve management quality using CSR research (ongoing)	
• Develop activities conforming to international standards for CSR and requests from various research and assessment institutions (ongoing)	• Applied the PDCA cycle to CSR activity issues based on ISO 26000, social responsibility guidance of the International Standard for Organization (ISO)	★★★	• Develop activities conforming to international standards for CSR and requests from various research and assessment institutions (ongoing)	
• Improve responses to carbon disclosure project (CDP)* ³	• Improved scope of disclosure in accordance with sustainability reporting international guideline GRI-G4		• Improve responses to carbon disclosure project (CDP) (ongoing)	
	• Provided responses to carbon disclosure project (CDP)			

*1 Products targeted for growth based on a management strategy that makes a significant contribution to resolving environmental issues such as climate change and resource recycling.
*2 Meetings conducted from the customers' perspective to determine the primary causes of product accidents and deliberate preventative measures.
*3 Project in which institutional investors request information about climate change from major corporations.

CSR-Conscious Procurement



The Hitachi Metals Group procures materials from suppliers in countries and regions around the world. Conscious of social responsibility and its impact, we have formulated our procurement policy with the aim of practicing fair and impartial procurement activities and, with the cooperation of many suppliers, engage in procurement that considers CSR.

Issuance of Hitachi Metals Group Supply Chain CSR Procurement Guideline

Recognizing that companies are members of society, the Hitachi Metals Group aims to work with its suppliers to ensure social responsibility. To that end, the Hitachi Metals Group created the Hitachi Metals Supply Chain CSR Guidebook in fiscal 2013 and since then has operated under the guidebook. Furthermore, due to increasing concern about the adverse impacts of transactions on human rights and the environment, we issued the revised Hitachi Metals Group Supply Chain CSR Procurement Guideline in May 2017. This version emphasizes the elimination of forced labor and human trafficking, as well

as environmental measures and fair transactions, in accordance with the EICC (Electronic Industry Citizenship Coalition, an electronics industry CSR alliance) Code of Conduct Ver. 5.1. We will continue to work with our suppliers to promote procurement activities that consider CSR in the supply chain.



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 are promoting local procurement activities by cultivating optimal suppliers in various parts of the world. Through the establishment of four Global Procurement Offices (GPOs), in Europe, the U.S., Asia, and China, we are finding excellent suppliers and providing various forms of support while exercising procurement governance within the regions.

Furthermore, with regard to conflict minerals (minerals extracted in war zones), the Hitachi Metals Group is working to improve the transparency of its supply chains in cooperation with suppliers to maintain responsible procurement. We will continue striving for procurement activities that do not benefit groups that engage in human rights abuses.



Information regularly exchanged between the Procurement & VEC Division in the Head Office and GPOs

Compliance

Believing that thorough obedience to laws, regulations, and social proprieties in our transactions with suppliers is essential, we call together our procurement specialists at business offices on a regular basis for education regarding laws and regulations. In addition, we have established and follow internal rules for self-regulation regarding compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors, and conduct regular self-auditing with regard to legal compliance.

Green Procurement

Our green procurement policy gives priority to suppliers who are actively engaged in environmental conservation efforts, and we are expanding this initiative to include office equipment and more. All of our business offices have adopted the use of common Hitachi Group Internet-based procurement, allowing us to select and purchase indirect materials that conform to the Law on Promoting Green Purchasing or are otherwise environmentally friendly, and we are working to expand green procurement across the entire Hitachi Metals Group.

Procurement BCP Initiatives

We engage in procurement BCP activities as preparation against risks that could halt our business, including earthquakes, wind and flood damage, and other natural disasters, as well as new strains of influenza, fires, and power outages. We are working to minimize procurement risk by creating an emergency contact system and diversifying our sources of procurement, while asking our key suppliers to have their own BCP measures in place.

Respect for Human Rights and Compliance with International Norms



In our Code of Conduct, the Hitachi Metals Group declares, “We build relationships of mutual confidence with people in society, and pursue corporate activities that are in good faith and free of discrimination,” and our fundamental stance is to respect the human rights of all stakeholders in our business activities. In addition to implementing the Hitachi Metals Group Human Rights Policy, we engage in ongoing efforts including educational activities for officers and employees and the establishment of hotlines, with the aim of promoting the creation of a corporate culture in which human rights abuses do not occur.

Formulation of the Hitachi Metals Group Human Rights Policy

We formulated the Hitachi Metals Group Human Rights Policy in December 2013 as a supplement to the Code of Conduct for Hitachi Metals Group Companies and the Good Practice Guidance for Hitachi Metals Group Companies. This policy recognizes the human rights stated in the International Declaration of Human Rights and in the ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work as the minimum levels of those rights. It

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 on the basis of the UN Guiding Principles on Business and Human Rights, together with strictly observing the laws of the regions and countries in which we do business.

Initiatives on Human Rights Due Diligence

Human rights due diligence refers to defining and assessing impacts on human rights, taking action to prevent and redress negative impacts, and continually validating the effects of that action. The Hitachi Metals Group will assess the actual and potential impact on human rights resulting from the business activities of the Company, our value chain, and develop countermeasures based on ranking human rights risks in terms

of “seriousness” and the “likelihood of occurring.”

We have participated in human rights due diligence centered on Hitachi, Ltd. The procurement division assessed impacts on human rights in the supply chain in fiscal 2015, and the human resources division assessed impacts on employee human rights in fiscal 2016. The issues were ranked in terms of priority, and countermeasures were studied.

Human Rights Educational Activities and Harassment Prevention Efforts

We regularly use e-learning to conduct human rights education and training for each level of employee to systematically raise awareness of human rights (with 5,108 employees, on a consolidated basis, receiving human rights-related training in fiscal 2016).

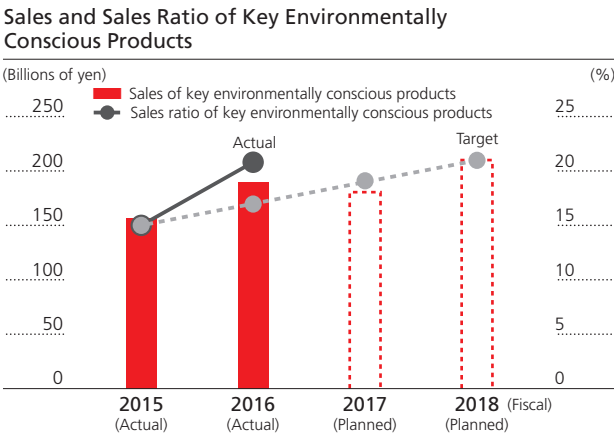
As our business activities expand rapidly on a global basis, we will enhance human rights awareness and support measures to prevent abuses of human rights based on differences of religion or nationality, the presence or absence of disabilities, gender, or other factors.

Environmental Activity Report and Results

Recognizing the importance of protecting the environment, we will ensure effective and environmentally conscious utilization of limited natural resources in order to bestow a clean environment to the next generation. Through creation of new products and businesses that bring new value to society, we will base our sustainable growth on the provision of high quality products in harmony with the environment.

1 Key Environmentally Conscious Products

● Increasing sales of key environmentally conscious products
“Key environmentally conscious products” are products targeted for growth based on management strategy. Those products contribute significantly to resolving environmental issues such as climate change and efficient use of resources.
In fiscal 2016, we succeeded in raising the actual sales ratio of key environmentally conscious products to 20.8%, well above the target ratio of 17%. This achievement is attributable to the expansion of applicable products along with sales growth.
We will continue to expand sales of these products in line with our management strategy, while seeking to contribute to the resolution of society's environmental issues.



● Main key environmentally conscious products

SLD-i™, a new type of cold-rolled die steel
Specialty Steel Company

Realizes reduced heat treatment dimensional change, less aging, and improved abrasion resistance, compared to standard cold-rolled die steel (SKD11, etc.).

NEOMAX® neodymium magnets for hybrid and electric vehicles
Magnetic Materials Company

The world's best magnetic properties of these magnets help improve the fuel efficiency of hybrid and electric vehicles. We have developed magnets with higher heat resistance and magnetic force, while reducing the use of heavy rare earth elements (dysprosium, etc.).

HERCUNITE™ heat-resistant cast components for engine and exhaust systems
Functional Components Company

The high temperature resistance of these components helps increase engine fuel efficiency and clean emission.

POLYENEX™ series of wires and cables for rolling stock
Cable Materials Company

Lightweight products that have been certified under the world's major international standards, including an EN standard, with superior flame resistance, low smoke emission, and low toxicity.

The Hitachi Group's Environmental Vision
The Hitachi Metals Group promotes a Low-Carbon Society, Resource Efficient Society, and Harmonized Society with Nature as the three key pillars of the Hitachi Group's Environmental Vision. We aim to realize both higher quality lifestyles and a sustainable society by resolving environmental issues through the social innovation business in collaboration with our stakeholders. In addition, we will fulfill our required role to achieve Hitachi's long-term environmental targets called Hitachi Environmental Innovation 2050.

URL for Hitachi Environmental Vision and Environmental Innovation 2050
<http://www.hitachi.com/environment/vision/index.html>

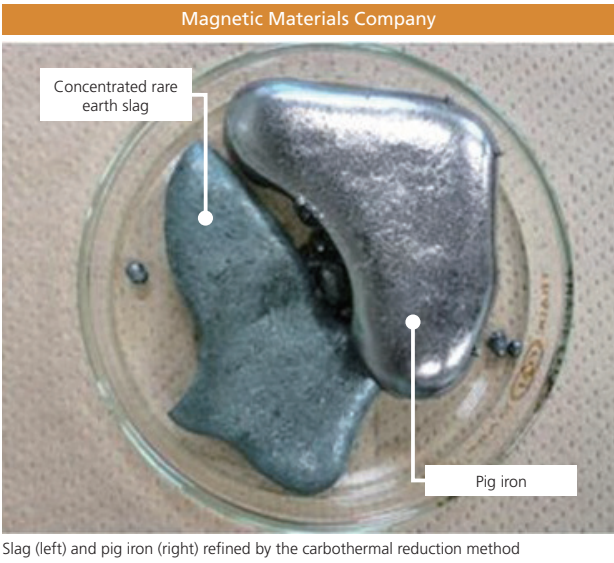


2 Waste Reduction and Resource Recycling Measures

● Process for using the carbothermal reduction method to recycle rare earth materials from sludge produced in the magnet manufacturing process
Recycling of sludge*¹ produced in the manufacture of neodymium magnets traditionally used large amounts of acid and alkali, and the residue was disposed of as industrial waste in landfills. We have developed a carbothermal reduction method*² that treats sludge as iron ore, thus setting up a resource recycling process that makes it possible to reuse not only the magnets' rare earth elements but also iron elements as pig iron*³, while also minimizing the use of acid and alkali.

Received the Rare Metal Recycling Award of the FY2016 Awards for Resources Recirculation Technologies and Systems

*1 Sludge: Magnet processing involves pouring water (grinding fluid) over the magnets, resulting in sludge that is a mixture of processing scraps and water.
*2 Carbothermal reduction method: A method in which sludge, treated as iron ore, is heated along with carbon, allowing rare earth elements to be recovered as slag (material that rises to the surface of sludge).
*3 Pig iron: Iron that is extracted from iron ore reduced in a blast furnace or electric furnace.

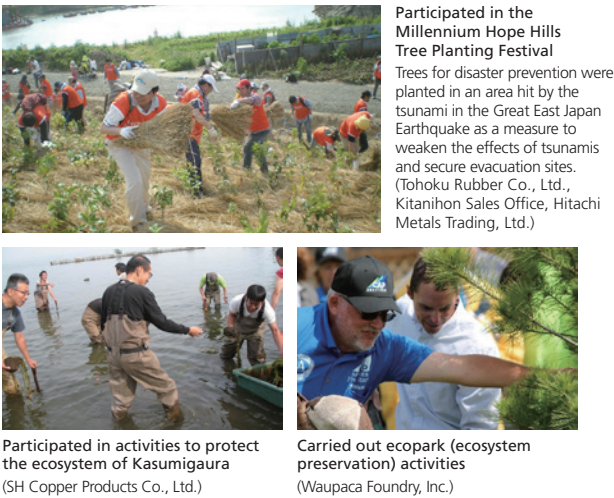


3 Consideration for the Preservation of Ecosystems

The Hitachi Metals Group promotes ecosystem preservation measures that include tree planting and forest conservation activities, cleanup activities in areas surrounding factories, and environmental education.

1. Examples of major tree planting and forest conservation activities
Tohoku Rubber Co., Ltd., Kitanihon Sales Office of Hitachi Metals, Ltd., and Hitachi Metals Trading, Ltd. planted trees in the 2016 Millennium Hope Hills Tree Planting Festival, organized by the city of Iwanuma, Miyagi Prefecture, which was affected by the Great East Japan Earthquake.

2. Ecosystem preservation activities
As an initiative to protect the ecosystem of Kasumigaura, SH Copper Products Co., Ltd. planted floating heart, a water plant, to help restore the habitat of small fish. Waupaca Foundry, Inc. created an ecopark and carried out tree planting activities. We will continue making efforts to protect the ecosystems in surrounding areas.



Prevention of Global Warming
In fiscal 2016, CO₂ emissions from the Hitachi Metals Group's business activities decreased by 98 thousand tons year on year, to 2,633 thousand tons.* Meanwhile, net sales CO₂ emissions per unit increased 7.7%. The primary reason for the increase was that the impact from a 10.5% decrease in net sales became greater.
The Hitachi Metals Group carries out energy-saving activities coordinated with its *monozukuri* to reduce CO₂ emissions. Specifically, these activities include omitting excess processes, improving efficiency, obtaining higher yield rates, and introducing energy-saving equipment.

*Electricity accounts for 62% of the Hitachi Metals Group's CO₂ emissions, followed by coke and town gas, respectively. In Japan, the power company CO₂ emissions coefficient is based on the "power supplier emissions coefficient" announced by the Ministry of the Environment; outside Japan, it is based on the 2008 IEA "country-specific conversion coefficient."

