

# Foundation Supporting Value Creation

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## Corporate Governance

### Message from the Chairperson of the Board



**Toshikazu Nishino**

Chairperson of the Board

The Hitachi Metals Group has pursued its business under the Corporate Creed of “contributing to society by being the best enterprise.” The foundation for realizing this Corporate Creed is corporate governance, which we recognize as an important management issue.

The primary commitment of the Board of Directors is to provide supervision and advice regarding business execution by Executive Officers and others, from the perspective of medium- to long-term value creation. I assumed the position of Chairperson of the Board in June 2018, and believe that I can utilize my experience as a corporate manager at Hitachi, Ltd. and its group companies, along with my knowledge of cutting-edge technology development and business planning to deepen collaboration with both Inside and Outside Directors and help make discussions at the Board of Directors more vigorous and constructive.

Recently, we conducted a survey and individual interviews with Directors regarding the effectiveness of the Board of Directors, and evaluated its effectiveness in fiscal 2017 at the Board of Directors meeting in June 2018. As a result, it was deemed that the effectiveness of the Board of Directors has been ensured, that Directors have expanded opportunities to acquire the information necessary to fulfill their roles, and that discussions regarding business strategies are actively carried out. Conversely, although this evaluation recognized that the effectiveness of the Board of Directors had been further improved since March 2018, as a result of substantial discussions focused on key matters such as the decision process for high-priority management strategies, the supervisory process for the execution of management strategies, and risk management, it was also deemed that these measures were needed to be further accelerated and enhanced. We will make use of these results in the operations of the Board of Directors to further enhance its effectiveness in the future.

In addition, the Corporate Governance Code was revised in June 2018. In accordance with the aims of the Code, we will disclose high-quality information to all of our stakeholders in a timely manner and reflect in our corporate activities the objective evaluation and perspectives regarding our management that we receive through constructive dialogue, in an effort to achieve sustainable growth and continuously increase our corporate value.

## Corporate Governance

### 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. Nonetheless, our corporate activities go beyond mere compliance with laws and internal regulations, extending to the role we must fulfill as a member of society, based on respect for social ethics and morality.

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

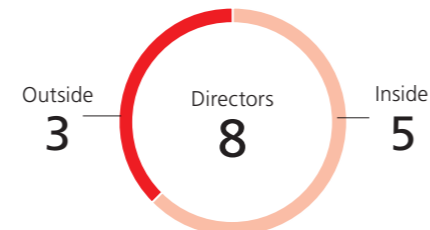
### Overview of the Governance Structure

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
Chair of the Board of Directors	Chairperson of the Board (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, Audit Committee, and Compensation Committee
Number of Committee members	Four members each on the Nominating Committee, Audit Committee, and Compensation Committee
Executive Officers	
Number of Executive Officers	15
Independent Directors	
Number of Independent Directors	Three

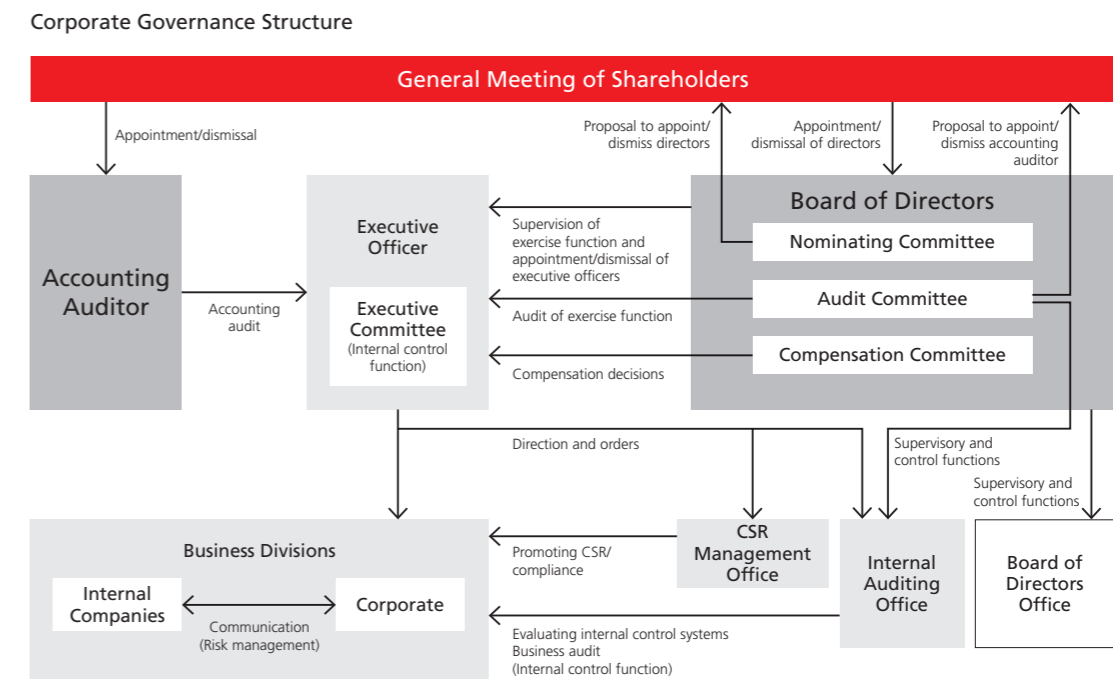
#### Measures aimed at the enhancement of corporate governance

- 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 chairs

Position	Name	Nominating Committee	Audit Committee	Compensation Committee
Chairperson of the Board	Toshikazu Nishino	◎		
Outside Director	Masaru Igarashi	○	○	○
Outside Director	Toshiko Oka	○	○	○
Outside Director	Takashi Shimada	○	○	○
Director	Katsuro Sasaka			
Director	Toyoaki Nakamura			
Director	Toshitake Hasunuma		◎	
Director	Akitoshi Hiraki			◎

Note: ◎ Chair ○ 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, the Audit Committee, and the Compensation Committee each comprise four members (three of whom are Outside Directors). The Company has established a system in which one Director who does not concurrently serve as an Executive Officer assists the Audit Committee in the execution of its duties. 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 has the authority to determine the content of proposals for the General Meeting of Shareholders regarding the appointment of the Accounting Auditor, as well as the dismissal or non-reappointment of the Accounting Auditor, and the authority to dismiss a relevant Accounting Auditor in the event that it has breached an obligation pertaining to its duties, neglected its duties, or engaged in misconduct that is unsuitable for such an 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.

## Corporate Governance

### The Audit Committee as an Audit Organization

The Audit Committee is composed of four 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. The execution of duties by the Audit Committee is assisted by a Director who is appointed to provide support for the Audit Committee in the execution of its duties, as well as a person in charge of the Audit Committee at the Board of Directors Office. To ensure independence from

Executive Officers, these persons do 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 Auditor

The certified public accountants named in the table below conducted accounting audits for the Company in fiscal 2017. 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. Seven certified public accountants and 25 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

## 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 Bridgestone

Corporation and Suzuki Motor Corporation, the companies for which Mr. Masaru Igarashi has formerly worked. However, the transaction amounts with these companies during fiscal 2017 are substantially less than 1% of the consolidated revenues of the Company and each of those. Therefore, Mr. Masaru Igarashi's former employment status is deemed to have no impact on his independence as an Outside Director.

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 (<https://www.hitachi-metals.co.jp/e/ir-csr.html>).

### Career and Meeting Attendance of Directors (as of June 19, 2018)

Note: Information regarding attendance at meetings held between April 2017 and March 2018 is provided.



**Toshikazu Nishino**  
Chairperson of the Board

Attendance at meetings  
Board of Directors: —  
Nominating Committee: —  
(Appointed in June 2018)

Apr 1980 Joined Hitachi, Ltd.  
Apr 2002 General Manager of Central Research Laboratory of Hitachi, Ltd.  
Apr 2005 General Manager of Corporate Technology Office, Hitachi Group Headquarters, Deputy General Manager of Management Planning Office of Hitachi, Ltd.  
Sep 2005 Director, Vice President of Hitachi Displays, Ltd. (current name: Japan Display Inc.)  
Oct 2008 Managing Director of Hitachi, Ltd.  
Apr 2009 Director of Renesas Technology Corporation (current name: Renesas Electronics Corporation)  
Apr 2011 Vice President and Executive Officer of Hitachi, Ltd.  
Jun 2012 Outside Director of Hitachi Metals, Ltd. (retired from the position in June 2015)  
Apr 2013 Senior Vice President and Executive Officer of Hitachi, Ltd.  
Apr 2015 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. (current position)  
Jun 2018 Chairperson of the Board of Hitachi Metals, Ltd. (current position)

#### Reasons for appointment

The Company determined that Mr. Toshikazu Nishino will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by reflecting his abundant experience as a corporate manager at Hitachi, Ltd. and its group companies as well as a high level of expertise in advanced technology developments and business planning in the business of the Company, and working to build closer ties with other Hitachi Group companies; therefore, the Company appointed him as a Director.



**Masaru Igarashi**  
Outside Director

Attendance at meetings  
Board of Directors:  
16 out of 16 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 from a more objective standpoint as Independent Director; therefore, the Company appointed him as an Outside Director.



**Toshiko Oka**  
Outside Director

Attendance at meetings  
Board of Directors:  
16 out of 16 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 Tohatsu Touche Ross Consulting (current name: ABeam Consulting Ltd.)  
Jul 2000 Joined Asahi Arthur Andersen Ltd.  
Jul 2002 Joined Deloitte Tohatsu Consulting Co., Ltd. (current name: ABeam Consulting Ltd.)  
Sep 2002 Principal of Deloitte Tohatsu 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.  
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)  
Jun 2018 Outside Director of Sony 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  
Board of Directors:  
16 out of 16 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.

#### 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 from a more objective standpoint as Independent Director; therefore, the Company appointed him as an Outside Director.

## Corporate Governance



**Katsuro Sasaka**  
Director

Attendance at meetings  
Board of Directors: —  
(Appointed in June 2018)

Apr 1980 Joined Hitachi Metals, Ltd.  
Apr 2013 General Manager of Finance Dept. of Finance Center  
May 2013 Deputy General Manager of Yasugi Works  
Jun 2013 Deputy General Manager of Yasugi Works and President of HMY, Ltd.  
Apr 2015 Director and President of Hitachi Metals (China), Ltd.  
Apr 2017 Executive Officer, Deputy General Manager of Corporate Management Planning Division, and General Manager of Group Company Auditing Office of Hitachi Metals, Ltd.  
Apr 2018 Associate of Hitachi Metals, Ltd.  
Jun 2018 Director of Hitachi Metals, Ltd. (current position)

### Reasons for appointment

The Company determined that Mr. Katsuro Sasaka 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 leveraging his abundant experience and in-depth knowledge gained as a senior management of the Company's finance and business planning operations as well as his thorough knowledge in the Group's operations gained as Director and President of a subsidiary controlling overseas business operations in China; therefore, the Company appointed him as a Director.



**Toyoaki Nakamura**  
Director

Attendance at meetings  
Board of Directors:  
16 out of 16 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, and Director 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.

\*Mr. Toyoaki Nakamura resigned as Director of Hitachi High-Technologies Corporation as of June 22, 2018.

### 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  
Board of Directors:  
16 out of 16 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  
Board of Directors:  
16 out of 16 meetings  
Compensation Committee:  
3 out of 3 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 of Hitachi Metals, Ltd. (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 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 and individual interviews with Directors regarding the effectiveness of the Board of Directors in fiscal 2017. The main items on the survey included the composition of the Board, decision-making process, level of contributions, and operation and support systems. The Board of Directors held discussions at its meeting in May 2018 and carried out an evaluation at its meeting in June of that year, based on the assessments and opinions of individual Directors obtained from the survey and interviews. As a result, it was deemed that the effectiveness of the Board of Directors has been ensured, that Directors have expanded opportunities to acquire the information necessary to fulfill their roles, and that discussions regarding business strategies are actively carried out. However, it was also deemed that although the effectiveness of the Board has increased since March 2018 as a result of holding substantive discussions focused on key matters including the decision-making process for high-priority management strategies, the supervisory process for the

execution of management strategies, and risk management, it was necessary for these changes to be further accelerated and enhanced.

The Company also recognized that there was room for additional improvement with regard to discussion of the following points.

1. Analysis, including market analysis, which provides the assumptions that underlie strategies, measures for strategy implementation, and progress follow-up
2. Verification that the Company's long-term vision is widely understood among employees
3. Reinforcement of governance and risk management across the entire Group
4. Evaluation of the process of nurturing successors

Going forward, we will make use of these results in the operations of the Board of Directors, in order to further enhance its effectiveness in the future.

## Main Items Discussed by the Board of Directors in Fiscal 2017

- Large-scale forging press installed at the Yasugi Works
- Introduction of a manufacturing line for cladding materials
- Report on the current status of the cast iron business in India
- Performance improvement plan for the HERCUNITE™ business
- Acquisition of subsidiary in the magnetic materials business
- Liquidation of subsidiary in the cable business
- Establishment of the Power Electronics Materials Business Promotion Office
- Report on our medium- to long-term business strategy
- Companywide IT policies
- Response to the Corporate Governance Code
- Reexamination of evaluation of the effectiveness of the Board of Directors
- Project to reinforce the "Basics and Ethics"
- Progress report on sharing of our Corporate Creed

## 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. Executive Officers organize the Executive Committee to ensure that Executive Officers execute their duties efficiently, and in compliance with laws and regulations and the Articles of Incorporation. This committee holds discussions on certain

important management matters that impact the Company or the Group, and makes decisions regarding these matters. 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 April 1, 2018)

<p><b>Akitoshi Hiraki</b> Representative Executive Officer President and Chief Executive Officer Overall Operations General Management</p>	<p><b>Koji Sato</b> Vice President and Executive Officer In charge of Business and Technology President of Specialty Steel Company General Manager of Technology, Research &amp; Development Division Deputy General Manager of Corporate Export Regulation Office</p>	<p><b>Masahiro Otsuka</b> Executive Officer In charge of Business Chairperson and President of Hitachi Metals (China), Ltd.</p>	<p><b>Tomoyuki Hatano</b> Executive Officer In charge of Business Director, President &amp; CEO of Hitachi Metals America, Ltd.</p>
<p><b>Kenichi Nishiie</b> Representative Executive Officer Senior Vice President and Executive Officer In charge of Corporate Administration General Manager of Corporate Management Planning Division General Manager of Group Company Auditing Office</p>	<p><b>Naohiko Tamiya</b> Vice President and Executive Officer In charge of Corporate Administration General Manager of Human Resources &amp; General Administration Division Chief Compliance Officer</p>	<p><b>Eiichiro Shoji</b> Executive Officer In charge of Sales General Manager of Business Activity &amp; Marketing Division</p>	<p><b>Kenji Hirano</b> Executive Officer In charge of Business Vice President of Specialty Steel Company General Manager of Yasugi Works</p>
<p><b>Hiroaki Nishioka</b> Representative Executive Officer Vice President and Executive Officer In charge of Corporate Administration Chief Financial Officer General Manager of Finance Division</p>	<p><b>Ryouji Akada</b> Executive Officer In charge of Business President of Magnetic Materials Company Deputy General Manager of Corporate Export Regulation Office</p>	<p><b>Shigekazu Suwabe</b> Executive Officer In charge of Corporate Administration General Manager of Information Systems Division General Manager of Kumagaya Works</p>	<p><b>Kazuya Murakami</b> Executive Officer In charge of Business President of Cable Materials Company Deputy General Manager of Corporate Export Regulation Office</p>
	<p><b>Norio Uemura</b> Executive Officer In charge of Business General Manager of Power Electronics Materials Business Promotion Office</p>	<p><b>Masato Hasegawa</b> Executive Officer In charge of Technology General Manager of Corporate Quality Assurance Division</p>	<p><b>Hiroshi Watanabe</b> Executive Officer In charge of Business President of Functional Components Company Deputy General Manager of Corporate Export Regulation Office</p>

## Corporate Governance

### 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,” and the percentage of such is being increased.

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., during fiscal 2017 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)	132	119	13	4
Executive Officers	458	333	125	15
Outside Directors and Officers	52	45	7	3

Note: 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 and one Executive Officer of that company also serves as Directors 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, because it has appointed three Outside Directors who are designated as Independent Directors, based on the stipulations of the stock exchange on which the Company is listed, so that a wide variety of opinions can be reflected in the discussions of the Company’s Board of Directors. 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.

### Policies Concerning Holding Shares of Other Companies as Cross-Shareholdings

In principle, the Company shall not hold the shares of other companies as cross-shareholdings. The exception is if the Company believes these holdings contribute to the Company’s corporate value. The Company would comprehensively take into consideration objectives of such holdings such as maintenance and strengthening of business relations, capital tie-ups, business alliances and joint development as well as associated returns and risks.

The Company conducts an annual review of such

shareholdings and responds appropriately with regard to stocks whose holding has little significance by selling them, or through other measures, taking into account market trends and other factors.

When exercising voting rights involving cross-shareholdings, the Company shall determine its response by comprehensively taking into consideration the situation of the company issuing the relevant shares and if the proposal will hurt shareholder value.

### Internal Controls

#### Internal Audit Organization

The Company has an Internal Auditing Office (with 10 dedicated staff members) 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. The Internal Auditing Office is also in charge of evaluating internal controls, and reports the status of such 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.

Moreover, the Company considers the promotion of tripartite audit function to be its primary theme regarding audit and supervisory functions. The Company, therefore, goes a step beyond one-way evaluation of the Accounting Auditor from the Company’s side, based on the evaluation standards for an accounting auditor, and promotes mutual checks and evaluation. In particular, the Company considers the risk detection function of the Accounting Auditor, which is an external institution, as an important aspect of overall risk detection for the Group. In order to reinforce that function, the Company is expanding mutual evaluations between the Accounting Auditor and the Company’s finance divisions, the Internal Audit division, and the Audit Committee, respectively. Specifically, these bodies evaluate each other in terms of communication, coordination, organizational structure, etc., and convey the results to their counterparts, thus leading to reinforcement of the risk detection function. The Company is also starting mutual evaluations between the Accounting Auditor and the finance divisions at its business offices and subsidiaries.

### 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 of the Group’s sites has built a system to promptly share information that has become known regarding risks relating to compliance, antisocial forces, finance, procurement, the environment, disasters, quality, information security, export control, legal affairs, etc., with each business division. Meanwhile, each corporate business 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. 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, the Company reviewed its BCP, formulated in anticipation of a major earthquake at the Group’s domestic locations, and updated the plan. In addition, the Company is

implementing a companywide expansion of its system to confirm the safety of all employees during times of disaster.

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 securing appropriate human resources

## Promotion of Diverse Human Resources

With the Corporate Creed of “contributing to society by being the best enterprise,” the Hitachi Metals Group positions diversity and inclusion as important management strategies, and is pursuing various measures to grow as a global company, based on the belief that “creating an innovative corporate culture will increase corporate value.”

### Global Human Resources Strategy with Human Resources as the Source of Competitiveness

The Hitachi Metals Group, which is moving ahead with global business expansion, is striving to enhance and strengthen its human resource development programs in order to “develop people of action with global perceptions at Hitachi Metals,” based on the recognition of human resources as the source of competitiveness.

We have established the following four themes for our human resource strategy, under the Fiscal Year 2018 Medium-term Management Plan: “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 ‘workstyle reform’”; “realization of safe and healthy workplaces”; and “promotion of global human resources management.”

### Human Resources Development Programs

Our communications symbol, “Materials Mag!c,” incorporates the determination of each and every employee to be a key driver of growth. The Hitachi Metals Group is striving to enhance and strengthen its human resource development programs linking OJT and OFF-JT, so that employees can develop their expertise enabling them to actively seek out challenges and take actions to achieve success or solve problems, and to become shining examples for the Company.

#### ▶ 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.

#### ▶ Global recruitment and development of human resources

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 pushing ahead with the early cultivation of future executive candidates who can play active roles globally, through overseas business training and global training for employees in Japan, active hiring of foreign nationals, including international students, and promotion of locally-hired staff at Group companies outside Japan into positions of responsibility.

### Promoting Diversity and Inclusion

In order to create an innovative corporate culture based on diversity, it is vital to cultivate a structure and environment in which all human resources can broaden their potential and play active roles. We are working to strengthen our human resource base by securing diverse employees, assigning them strategically, and encouraging their active participation. We

have also established the Hitachi Group Diversity Promotion Council, headed by the President, in order to promote diversity and inclusion by sharing policies and issues related to activities throughout the Group.

Furthermore, we have appointed one female Outside Director, and regularly receive her advice on diversity. In particular, we are making efforts to promote the participation and advancement of women in the workplace, based on the following policies.

#### ▶ Policy on promoting the participation and advancement of women in the workplace

##### 1. Ratio of women among newly hired graduates (career-track positions)

Achieved targets Technical positions: 10% or more  
Administrative positions: 40% or more

##### 2. Support for retention

Career support to eliminate concerns  
Awareness-raising for those in management-level positions  
Support for balancing work with childcare and nursing care, including Hitachi Group training  
Promotion of diverse work styles through workstyle reform

##### 3. Promotion measures

Achieved the target ratio for women in management-level positions: 1.2% in fiscal 2017, 1.5% in fiscal 2018  
Carried out individual development plans and training for selected employees

##### Main initiatives

- Survey of actual conditions for women in career-track positions
- Three-party discussions by the President, officer in charge of human resources, and experts
- Held a networking event for women in career-track positions at Hitachi Metals
- Manager training and diversity training
- Survey and analysis of participation by women in the Hitachi Group
- Dispatched employees to Hitachi Group career training, and to seminars for support before maternity leave and upon returning to work

Furthermore, we support exchanges among our diverse employees and the realization of diverse careers through human resource exchanges both inside and outside of the Hitachi Group and the proactive hiring of experienced personnel, in addition to the utilization of the “My Challenge” internal free agent system, which allows employees who have a desire to expand their potential to transfer across internal companies or job categories, and the introduction of leave to allow employees to accompany spouses on overseas assignments.

#### ▶ Endorsed the “Declaration on Action by a Group of Male Leaders Who Will Create a Society in Which Women Shine”

In August 2017, Hitachi Metals President and Chief Executive Officer Akitoshi Hiraki endorsed the “Declaration on Action by a Group of Male Leaders Who Will Create a Society in Which Women Shine,” an initiative supported by the Cabinet Office



of Japan. President Hiraki expressed his commitment to personally take the lead in promoting the further active participation of women.

### Selected as a Fiscal 2017 “Nadeshiko Brand”

On March 22, 2018, Hitachi Metals, Ltd. was selected as a fiscal 2017 “Nadeshiko Brand” (Steel Industry category), a designation granted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to companies that are outstanding in terms of encouraging the success of women in the workplace. In July 2017, the Company was also included as a component stock on an ESG investment index, the “MSCI Japan Empowering Women Index (WIN)\*,” which we consider to be a high evaluation of our gender diversity.

\*An index comprising companies from various industries selected for attaining high scores on gender diversity.



### “Workstyle Reform”

The Hitachi Metals Group believes that it is indispensable to create an environment where diverse employees can pursue highly productive work styles and approaches to their jobs, while sharing different values and ideas, and realizing a sense of fulfillment and personal growth in their work. In order to accomplish this, in fiscal 2016, we launched a “workstyle reform” project. Positioning fiscal 2016 as the “awareness-raising” phase, fiscal 2017 as the “implementation” phase, and fiscal 2018 as the “instilling” phase, we aim to reduce the total annual actual working hours to less than 2,000 by fiscal 2018.

In fiscal 2017, the “implementation” year, we emphasized

“operational reform” while pressing ahead with the further reinforcement of existing measures and the active introduction of new ones. Our target for the “instilling” phase in fiscal 2018 is to make highly productive work styles that assume diversity to be the standard in back-office departments companywide.

#### ▶ “Workstyle reform” efforts in fiscal 2017

In fiscal 2017, we worked actively to introduce new measures based on operational reform. Having established “stop, reduce, and change” as our basic concept for operational reform, we carried out comprehensive discussions to optimize all meeting bodies, including determining whether the meetings were necessary. We created an environment, and established and reinforced a support system to realize more flexible work styles, including minimizing the man-hours required for meetings and preparation of materials.

### Outline of Fiscal 2017 “Workstyle Reform” Activities

Awareness-raising and education	Continuously communicated messages from top management, and conducted training for managers and professionals (manager level and above)
Operational reform	Reduced regular meetings by one-half and reduced materials used, reinforced adherence to meeting and email rules, implemented workplace working groups, invited amendment suggestions on rules and practices, and promoted use of IT
Work environment enhancement	Effectively used telecommuting, and took advantage of satellite and mobile offices
Strengthening of work hours management	Formulated and thoroughly implemented a departmental work hours policy, improved the system for managing work hours, and thoroughly implemented daily recording and approval of work hours management

### Composition of Employees (Non-consolidated)

	FY2013	FY2014	FY2015	FY2016	FY2017
Number of employees	6,362	6,306	5,966	5,858	6,315
Male	5,720	5,660	5,339	5,241	5,654
Female	642	646	627	617	661
Ratio of female employees	10.1	10.2	10.5	10.5	11.7
Average age (years)	42.1	43.0	43.5	43.9	43.6
Average service (years)	19.2	20.0	20.6	21.0	21.0
Number of female managers	10	10	11	12	16
Employment ratio of people with disabilities*	2.11	2.24	2.34	2.40	2.31

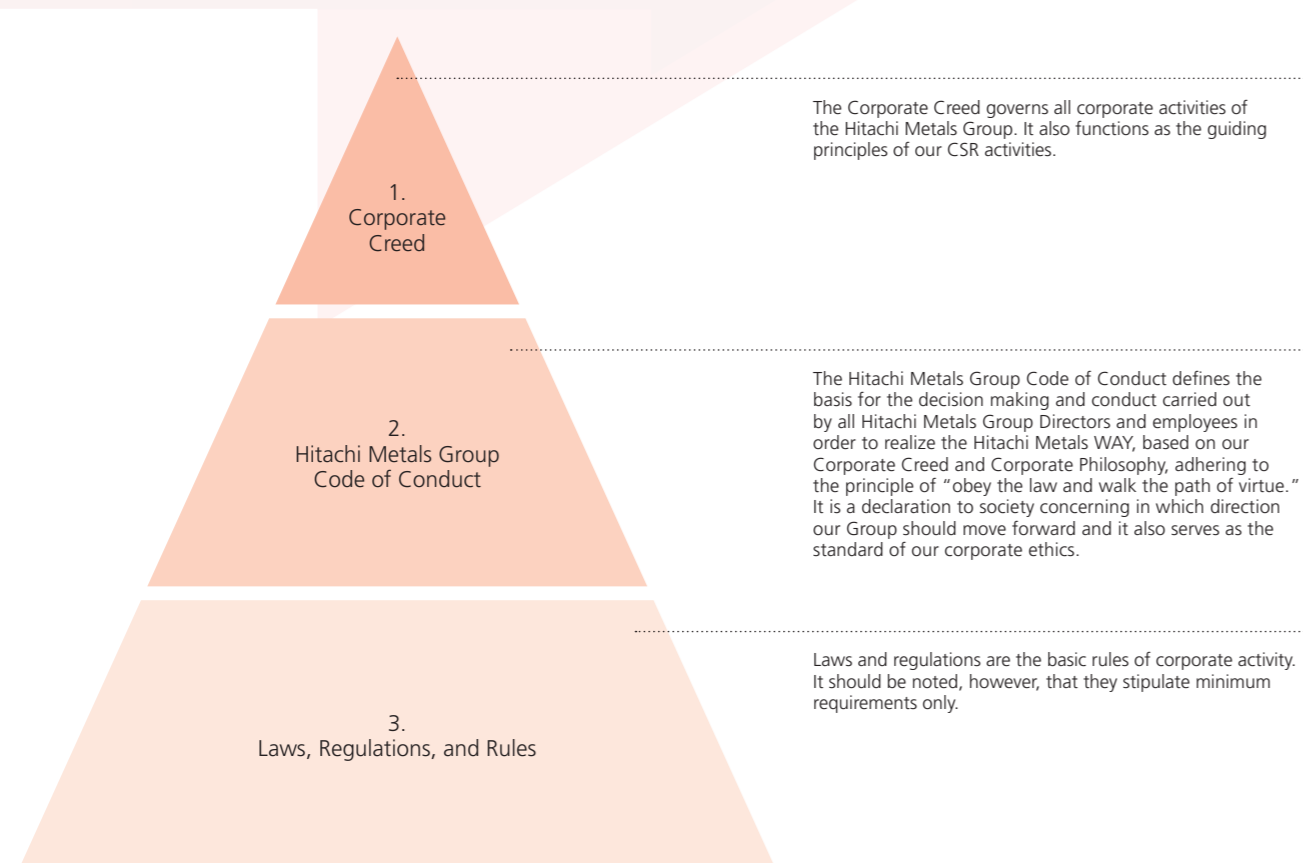
\*Including special subsidiaries

# CSR Basic Policy

The Hitachi Metals Group aims to carry out its social responsibility and realize its Corporate Creed through the observance and implementation of laws and regulations, as well as the Hitachi Metals Group Code of Conduct, by all Directors and employees 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:



The Hitachi Metals Group aims to carry out its social responsibility and realize its Corporate Creed through the observance and implementation of laws and regulations, as well as the Hitachi Metals Group Code of Conduct, by all Directors and employees in their daily duties.

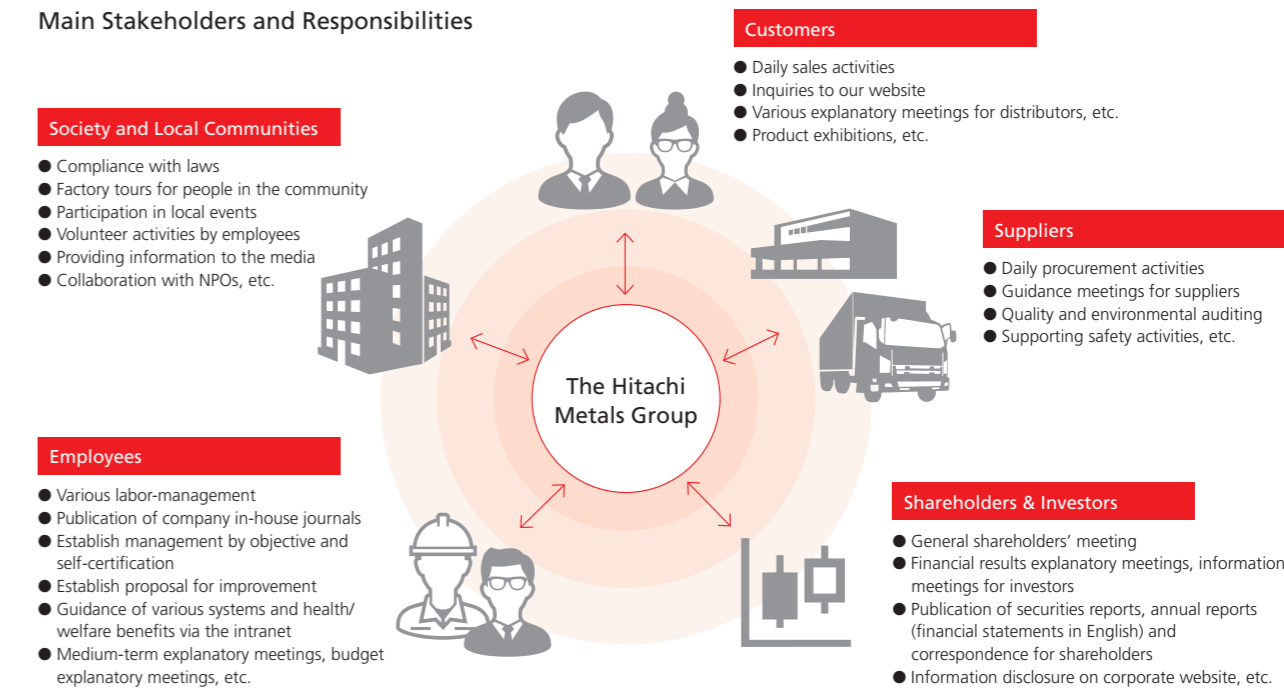
**Outside Assessment**  
Hitachi Metals has been added to the world's leading social responsibility investment indices. The FTSE4Good Index Series is calculated by the FTSE Group, which is owned by the London Stock Exchange. An important gauge providing criteria for investment choices, the FTSE4Good 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 as an outstanding company by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange, through selection as a FY2017 Nadeshiko Brand for promoting the participation of women, as well as 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

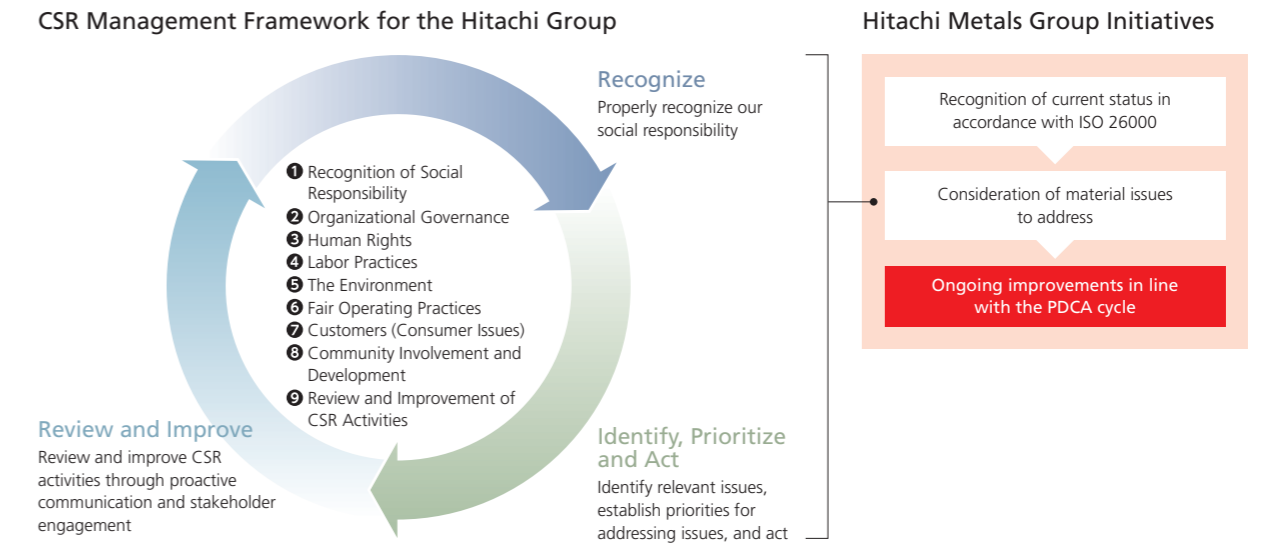
investors," "suppliers," "employees," and "society and local communities," and develops its CSR activities by responding to requests and expectations from those stakeholders and contributing to society's sustainability.



## 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 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

★★★ Achieved ★★ 90% Achieved ★ Not Achieved

FY2017 Measures (Planned)	FY2017 Measures (Results)	Self-assessment	Measures Planned for FY2018
<b>1. Recognition of Social Responsibility</b>			
• 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)
<b>2. Organizational Governance</b>			
• Hold compliance management meetings semiannually to analyze matters related to compliance and risks involving our businesses, formulate preventative measures, and share information (ongoing)	• Continuously followed up on the execution and results of preventative measures and shared information regarding the status of compliance activities and incidents	★★★	• 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 (150 times at the Company and subsidiaries in Japan and overseas)	★★★	• Conduct 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 (3 times)	★★★	• 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 (6,468 employees responded on a consolidated basis)	★★★	• Ongoing implementation of Hitachi Insights, the Hitachi Group employee satisfaction survey targeting all back-office workers
<b>3. Human Rights</b>			
• All employees receive human rights training every three years, based on the Hitachi Metals Group Human Rights Policy, according to Hitachi Group policies	• Systematically conducted human rights training throughout the entire Hitachi Metals Group (5,416 employees in total)	★★★	• Conduct human rights training systematically throughout the entire Hitachi Metals Group (ongoing)
<b>4. Labor Practices</b>			
• 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	• Achieved the diversity employment target rate of 60%	★★★	• 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	★★★	• Set the ratio of women in career-track positions (4%)
• 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	• Held a networking event targeting all women in career-track positions	★★★	• Increase the ratio of women in management positions
• Exceed the legal employment rate of employees with disabilities	• The actual figure for FY2017 was 2.43%, achieving the target	★★★	• Continue to create opportunities for information exchange between women in career-track positions and strengthen coordination among them
• Confirm activities regarding Hitachi Metals Group's key health and safety measures, as well as the state of legal compliance through health and safety audits of business offices, and implement health and safety training for supervisors	• Conducted health and safety audits at 15 domestic business offices. These audits were carried out at one overseas business office (China)	★★	• Exceed the legal employment rate of 2.2%
• Conduct stress checks throughout the Hitachi Metals Group	• Conducted stress checks throughout the Hitachi Metals Group	★★	• Confirm activities regarding Hitachi Metals Group's key health and safety measures, as well as the state of legal compliance through health and safety audits of business offices, and implement health and safety training for supervisors
• 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	★★★	• Conduct stress checks throughout the Hitachi Metals Group
	• Focused on securing human resources through midcareer hiring to revitalize systematic personnel rotation	★★★	• Carry out a health and safety diagnostic program as part of Hitachi Group's safety activities
<b>5. The Environment</b>			
• Increase the sales ratio of key environmentally conscious products*1 (19% or more)	• Increased the sales ratio of key environmentally conscious products (20.7%)	★★★	• Examine and implement a selective development program for management candidates, targeting human resources at the general manager level
• Reduce active mass per production unit of energy consumption (11.5% compared to base year FY2005)	• Reduced active mass per production unit of energy consumption (6.6% compared to base year FY2005)	★	• 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
• Reduce active mass per production unit of waste/valuables generation (7.5% compared to base year FY2005)	• Reduced active mass per production unit of waste/valuables generation (11% compared to base year FY2005)	★★★	• Increase the sales ratio of key environmentally conscious products (21%)
• Increase the recycling rate (72%)	• Increased the recycling rate (79%)	★★★	• Reduce the ratio of waste generation per production unit (8% compared to base year)
• Reduce chemical substance emissions per production unit (32% compared to base year FY2006)	• Reduced chemical substance emissions per production unit (19% compared to base year FY2006)	★	• Increase the recycling rate (74%)

FY2017 Measures (Planned)	FY2017 Measures (Results)	Self-assessment	Measures Planned for FY2018
<b>6. Fair Operating Practices</b>			
• 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)
• Survey the status of CSR efforts by the Company's suppliers based on the Hitachi Group's CSR procurement guidelines	• Distributed the Hitachi Metals Group Supply Chain CSR Procurement Guidelines, collected CSR Procurement Checksheets, and confirmed the status of CSR promotion by suppliers	★★★	• Provide feedback on the results of the CSR Procurement Checksheet survey to suppliers, and share issues
• Conduct Corporate Ethics Month in October (ongoing)	• Carried out various measures to ensure thorough legal compliance and ethical behavior, such as the lectures of management executives by external instructors, during Corporate Ethics Month in October	★★★	• Conduct Corporate Ethics Month in October (ongoing)
• Audit the compliance status of compliance-related laws and regulations (ongoing)	• 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)
• Conduct information security education (ongoing)	• Conducted a risk survey of major overseas Group companies, identified risks, and developed countermeasures	★★	• Conduct information security education (ongoing)
• Conduct information security self-audits (ongoing)	• Conducted information security education	★★	• 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	★★	• Make an online pledge not to retain business information on privately-owned computers
• Conduct targeted e-mail attack simulations (ongoing)	• Conducted targeted e-mail attack simulations	★★	• Conduct targeted e-mail attack simulations (ongoing)
• Conduct a survey and analysis of the status of virus elimination and disclose the information	• Conducted a survey and analysis of the status of virus elimination and disclose the information	★★	• Implement measures against missent e-mails and expand said measures throughout the Group
<b>7. Customers (Consumer Issues)</b>			
• 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 eight business offices in Japan and overseas	★★★	• Expand company-sponsored mini gleaning meetings at business offices in Japan and overseas (ongoing)
• Implement tasks for the creation of new business (ongoing)	• Implemented tasks for the creation of new business (16 themes; promotion ongoing)	★★	• Implement tasks for the creation of new business and select ongoing themes
• Expand new product sales ratio (new product sales ratio: 30% or higher)	• Expanded new product sales ratio and developed strategic new products (new product sales ratio: 29%)	★★	• Process research (develop industrial technologies using AI and robotics)
• Promote cooperation and collaboration with customers and research institutions in Japan and overseas (carry out open innovation)	• Promoted cooperation and collaboration with customers and research institutions in Japan and overseas: Opened the "3DAM Open Laboratory"	★★	• Promote cooperation and collaboration with customers and research institutions in Japan and overseas (expand open innovation)
<b>8. Community Involvement and Development</b>			
• 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 250 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)
<b>9. Review and Improvement of CSR Activities</b>			
• 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 the Carbon Disclosure Project (CDP)*3	• Improved scope of disclosure in accordance with sustainability reporting international guideline GRI-G4	★★★	• Improve responses to the Carbon Disclosure Project (CDP) (ongoing)

\*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

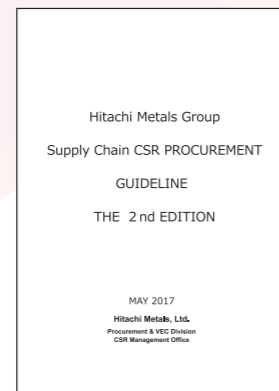


## CSR-Conscious Procurement

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

Hitachi Metals revised the Hitachi Metals Group Supply Chain CSR Procurement Guideline in May 2017 and published the revised version on its website. The Guideline encompasses a wide range of CSR concepts recognized as a company's social responsibility, including respect for human rights, consideration of the environment, fair trading and ethics, occupational health and safety, product quality and safety, information security, and social contributions. We have shared our philosophy of carrying out social responsibility not only within the Company, but throughout our supply chain. In addition, when starting new business relationships, we communicate this policy, and at the same time conduct corporate surveys regarding bribery risks based on the Hitachi Metals Global Compliance Program (HMGCP) to promote the strengthening of supplier reviews.



Hitachi Metals Group  
Supply Chain CSR Procurement Guideline  
The 2nd Edition, May 2017  
Hitachi Metals, Ltd.  
Procurement & VEC Division,  
CSR Management Office

### 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. Furthermore, 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.

The Hitachi Metals Group also practices responsible procurement with the aim of addressing the issue of conflict minerals. In order to make our supply chain transparent and practice responsible procurement, we conduct surveys of mineral-producing countries and our supply chain, using the Conflict Minerals Reporting Template developed by the Responsible Business Alliance (RBA) and the Global e-Sustainability Initiative (GeSI), which are organizations working on the issue of conflict minerals. At the same time, we continue to demand procurement from Conflict-Free Smelters (CFS)\*.

\* CFS (Conflict-Free Smelter): A smelter that is certified not to be involved in regional conflicts by the Responsible Minerals Initiative (RMI), established by RBA/GeSI.

### 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

In 1998, Hitachi Metals created its Green Procurement Guidelines in order to share our approach to environmental consciousness with our suppliers, including prevention of global warming, recycling of resources, and conservation of biodiversity and ecosystems. Since that time, we have revised these guidelines many times in response to the latest laws and chemical substance regulations. By sharing the latest information, we are working to reduce our environmental impact (conserving resources, saving energy, recycling, and appropriate management of chemical substances contained in products).

### 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 diversifying our sources of procurement, while asking our key suppliers to have their own BCP measures in place.

## Respect for Human Rights

The Hitachi Metals Group stipulates respect for human rights in the Hitachi Metals Group Code of Conduct and the supplementary Hitachi Metals Group Human Rights Policy. Our basic stance is to respect and work to refrain from infringing on the rights of all persons involved in our business operations.

### The Hitachi Metals Group Human Rights Policy in Practice

We formulated the Hitachi Metals Group Human Rights Policy in December 2013. 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.

We put the Hitachi Metals Group Human Rights Policy in practice, and are continuously working on initiatives such as raising the awareness of Directors and employees, and establishing hotlines to promote the creation of a corporate culture in which human rights abuses do not occur.

### 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 participate in human rights due diligence centered on Hitachi, Ltd. We study priorities and countermeasures, including assessments by the procurement division regarding the impact on human rights in our supply chain, and assessments by the human resources division regarding the impact on human rights of employees.

### 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 6,031 employees, on a consolidated basis, receiving human rights-related training in fiscal 2017). In addition, we established various harassment hotlines to incorporate the Hitachi Metals Group Human Rights Policy into all of our activities.

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

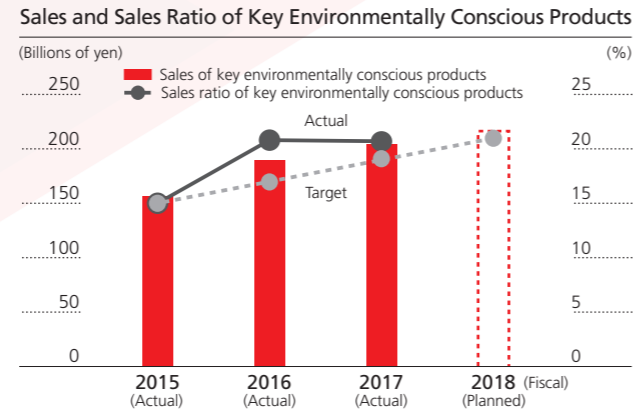
Recognizing the importance of protecting the environment, we will ensure effective and environmentally conscious utilization of limited natural resources in order to bestow a clean environment to the next generation. Through creation of new products and businesses that bring new value to society, we 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 2017, we succeeded in raising the actual sales ratio of key environmentally conscious products to 20.7%, well above the target ratio of 19%. 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.



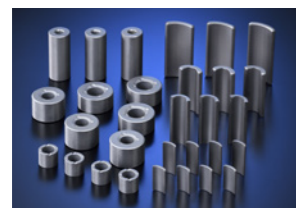
### ● Introducing new products contributing to reduced environmental loads



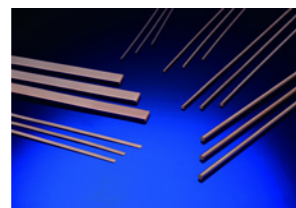
**HINEX™ series of long-life High-Speed Steel (HSS) rolls**  
 Specialty Steel Company  
 HINEX™ is an HSS roll made using a new production method, which displays superior resistance to abrasion and roughness. In addition, a roll designed to prevent damage during rolling has been developed and is currently being marketed.



**High strength lightweight ductile cast iron OMEGA KNUCKLE®**  
 Functional Components Company  
 OMEGA KNUCKLE® maintains strength and rigidity while realizing a light weight (17% lighter than our previous product) through a thin-walled, semi-hollow cross-sectional structure.



**High-performance ferrite magnets (NMF™ -12J, 12K, 15G, 15J)**  
 Magnetic Materials Company  
 Began mass production of the NMF™-15 series, featuring ferrite magnets with the world's best magnetic properties, as well as products with high coercive force (NMF™ -12J, 12K) for EVs, etc.



**HiFC™ high-performance pure copper Cable Materials**  
 Cable Materials Company  
 This material gets softer at low temperatures than oxygen-free copper, and machining strain can be removed with less annealing energy. Excellent electrical conductivity helps make devices more efficient and conserve energy (received the 21st Century Invention Prize of the FY2014 National Invention Awards)

## 2 Waste Reduction and Resource Recycling Measures

### ● Reducing landfill waste and promoting recycling through sand recycling

The United States-based Waupaca Foundry, Inc. (WFI) produces gray cast iron and ductile cast iron castings. In fiscal 2016, WFI introduced a sand recycling system at Plant 5, and in fiscal 2017 became capable of recycling 30% of foundry sand used in production. As a result, WFI as a whole reduced its waste generation by 23,000 tons from the previous fiscal year, contributing to a 33,000-ton reduction in final landfill waste. WFI improved its waste generation by approximately 12% in terms of dissolved weight per production unit, and by 3.8% in terms of recycling rate. Plant 5 is planning to promote the expanded use of recycled sand. One of its targets is to use 75% recycled sand in its core sand, which is equivalent to 55,000 tons of recycled foundry sand per year.

WFI will continue to promote the sustainable use of resources, such as reducing waste generation and final landfill waste, recycling and reusing foundry sand, and making effective use of slag.



Sand recycling system adopted by Plant 5

## 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

HMJ, Ltd. participated in the “Harmony Forest” corporate participation forestation program in Shimane Prefecture, planting 460 sawtooth oak trees to reduce CO<sub>2</sub>.



Participation in Harmony Forest activities  
 Activities to reduce CO<sub>2</sub> in the corporate participation forestation program in Shimane Prefecture (HMJ, Ltd.)

### 2. Ecosystem preservation activities

Hitachi Ferrite Electronics, Ltd. participated in group cleanup activities by removing trash at the Tottori Sand Dunes to protect the ecosystem of the Sea of Japan. In addition, Ibaraki Works of Hitachi Metals, Ltd. carried out cleanup activities along the Juo River, together with community residents. We will continue to work to protect the ecosystems in our local communities.



Participation in group cleanup activities at the Tottori Sand Dunes (Hitachi Ferrite Electronics, Ltd.)



Cleanup activities along the Juo River (Ibaraki Works, Hitachi Metals, Ltd.)

## 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>



## Prevention of Global Warming

In fiscal 2017, CO<sub>2</sub> emissions from the Hitachi Metals Group's business activities increased by 105 thousand tons year on year, to 2,778 thousand tons.\* Meanwhile, net sales CO<sub>2</sub> emissions per unit improved by 4.2%.

The Hitachi Metals Group carries out energy-saving activities coordinated with its *monozukuri* to reduce CO<sub>2</sub> 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 CO<sub>2</sub> emissions, followed by coke and town gas, respectively. In Japan, the power company CO<sub>2</sub> emissions coefficient is based on the “power supplier emissions coefficient” announced by the Ministry of the Environment; outside Japan, it is based on the 2010 IEA “country-specific conversion coefficient.”

## Trends in CO<sub>2</sub> Emissions and CO<sub>2</sub> Emissions Per Unit

