

Message from the Chairperson of the Board



Foundation

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Shinichiro Omori

Chairperson of the Board

The Hitachi Metals Group would first like to report that Koji Sato assumed the position of Representative Executive Officer, President and Chief Executive Officer in April 2019, at the start of the Fiscal Year 2021 Medium-Term Management Plan. With the change of the President and Chief Executive Officer, renewal of the executive officer system, and implementation of organizational reforms, we aim to grow as a high-performance materials company supporting sustainable societies. President Sato has deep knowledge of trends in technology and experience as the head of the Technology, Research & Development Division, as well as experience as a corporate manager, including as President of the Specialty Steel Company and President of Group companies. Deeming him the most appropriate person to carry out the Fiscal Year 2021 Medium-Term Management Plan, the Board of Directors appointed him to the position of President and Chief Executive Officer. Furthermore, in terms of organizational reforms, we transitioned from the previous four internal company system to a two business division system in order to further bolster synergies between businesses that share markets, customer needs, and elemental technologies, as well as to enhance our cross-sectional functions, and strengthen both strategy and governance. This major change in the business execution system has made the role played by the Board of Directors even more important.

Corporate governance is the foundation for realizing our Corporate Creed of being “the best enterprise,” and we recognize this as an important management issue. We have, therefore, built an organizational system in which the supervisory function of management by the Board of Directors and the business execution function by the executive officers are each performed effectively and are well balanced. The analysis of the effectiveness of the Board of Directors conducted in May 2019 concluded that the selection of agenda items for the Board of Directors was appropriate, that vigorous discussion was carried out on business strategy and management issues, that important items were discussed sufficiently in advance, and that the effectiveness of the Board of Directors as a whole was ensured. However, it was also reported that the evaluation results showed a further need for timely follow-up on the progress of measures to carry out strategy and solutions to management issues, further expansion of opportunities for Directors to acquire the information needed to perform their roles, and enhancement of the governance system for the Group and all its bases. Going forward, we will provide comprehensive backup for bold and speedy execution of measures relating to management, including business restructuring and strategic investments, by promoting efforts to increase the effectiveness of the Board of Directors and actively incorporating the wide-ranging knowledge and diverse perspectives of Outside Directors.

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 evaluation and perspectives regarding our management that we receive through constructive dialogue, in an effort to achieve sustainable growth and 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

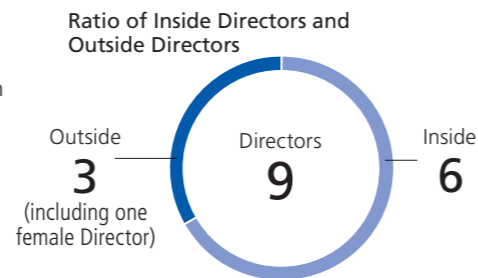
beyond simple financial disclosure, regularly publishing the details of individual business segments and medium-term management plans. We acknowledge that compliance is the linchpin of corporate governance. Nonetheless, our corporate activities go beyond mere compliance with laws and internal regulations, 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

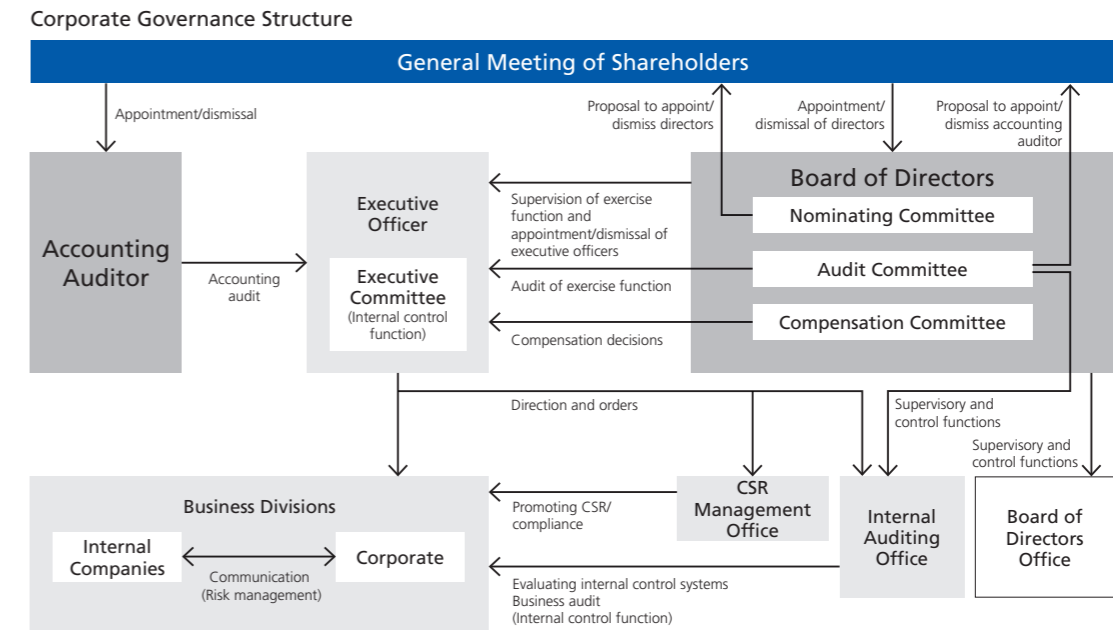
Organization System	
A Company with a nominating committee, etc.	
Directors	
Number of Directors stipulated in the Articles of Incorporation	10
Term of office of Directors stipulated in the Articles of Incorporation	One year
Chair of the Board of Directors	Chairperson of the Board (except when concurrently serving as President)
Number of Directors	Nine (including one female Director)
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 and Compensation Committee, and five members on the Audit Committee
Executive Officers	
Number of Executive Officers	14
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)



Overview of Corporate Governance System, etc.



Membership composition of each committee and affiliations of chairs

Position	Name	Nominating Committee	Audit Committee	Compensation Committee
Chairperson of the Board	Shinichiro Omori	◎	○	
Deputy Chairperson of the Board	Akitoshi Hiraki			
Director	Makoto Uenoyama	○	○	○
Director	Toshiko Oka	○	○	○
Director	Koichi Fukuo	○	○	○
Director	Katsuro Sasaka			
Director	Koji Sato			◎
Director	Toyoaki Nakamura			
Director	Kenichi Nishiie		◎	

Note: ◎ Chair ○ Committee member

The Company adopts the statutory organizational structure of a Company with a Nominating Committee, etc. This is because we concluded that this structure would contribute to the bold and speedy execution of measures relating to the Groupwide management, such as business restructuring and strategic investments, and also that the transparency, soundness, and efficiency of management would be effectively improved through strengthening the decision-making and supervisory functions by Outside Directors, who are well versed in social norms and have a broader perspective, abundant experience, and in-depth knowledge, in each of the Nominating Committee, the Audit Committee, the Compensation Committee, and the Board of Directors. Under this system, nine Directors (of whom three are Outside Directors) have been appointed, and the Company has established the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee pursuant to the provisions of the Companies Act. Furthermore, the Company has established the Board of Directors Office to assist with the execution of duties by the Board of Directors and each Committee. The Board of Directors Office has persons in charge of the Board of Directors and each Committee.

The purpose of the Nominating Committee is to make decisions on matters relating to items concerning appointment and dismissal of Directors to be submitted at a General Meeting of Shareholders. The Committee is authorized to decide such

matters as well as to designate persons to be entitled to convene a Board of Directors meeting and persons to report about the status of the Committee's execution of duties to the Board of Directors from among its Committee members.

The purposes of the Audit Committee are to audit the execution of duties by Directors and Executive Officers and resolve issues such as matters relating to items concerning appointment, dismissal, and non-reappointment of the Accounting Auditor to be submitted at a General Meeting of Shareholders, in order for the Company's business to be operated lawfully and properly. The Committee is authorized to resolve such issues as well as to conduct policies for determination to dismiss or not to reappoint the Accounting Auditor or nominate persons to be entitled to convene a Board of Directors meeting from among its Committee members.

The purpose of the Compensation Committee is to determine the compensation and its details received by each Director and Executive Officer. The Committee is authorized to decide such matters as well as to determine policy on the determination of compensation and its details received by each Director and Executive Officer; also, it designates persons to be entitled to convene a Board of Directors meeting and persons to report about the status of the Committee's execution of duties to the Board of Directors from among its Committee members.

The Audit Committee as an Audit Organization

The Audit Committee is composed of five committee members. The Audit Committee is in charge of auditing business execution by Directors or Executive Officers in accordance with laws and regulations or the Articles of Incorporation, the appropriateness of management's judgments, the adequacy of internal control systems, and accounting audit. The execution of duties by the Audit Committee is assisted by a person in charge of the Audit Committee at the Board of Directors Office. To ensure independence from Executive Officers, the person in charge of the Audit Committee does not

concurrently serve in any position at any other business operating division. The Audit Committee formulates annual auditing policies and audit implementation plans, and performs audits based on said policies and plans by hearing reports on important items and having Audit Committee members visit each facility, etc., and each subsidiary to conduct audits as regular audits. In addition, the Audit Committee conducts special audits if it finds possibility of violations of laws and regulations or the Articles of Incorporation by the Directors or the Executive Officers.

Accounting Auditor

The Company's Accounting Auditor is Ernst & Young ShinNihon LLC, and the certified public accountants named in the table below conducted accounting audits. 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 the companies for which Mr. Makoto Uenoyama and Mr. Koichi Fukuo have formerly worked. However, the transaction amounts with these companies during fiscal 2018 are substantially less than 1% of the consolidated revenues of the Company and each of those. Therefore, their former employment status is deemed to have no impact on their independence as Outside Directors.

There are no items of note regarding Outside Director Toshiko Oka.

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/ir-csr.html>).

Career and Meeting Attendance of Directors (as of June 26, 2019)

Note: Information regarding attendance at meetings held between June 2018 and May 2019 is provided.



Shinichiro Omori
Chairperson of the Board

Attendance at meetings
Board of Directors: —
Nominating Committee: —
Audit Committee: —
(Appointed in June 2019)

Apr 1978 Joined Hitachi, Ltd.
Sep 2008 General Manager of Corporate Procurement Division
Apr 2012 Vice President and Executive Officer
Director of Hitachi Automotive Systems, Ltd. (resigned in March 2016)
Apr 2016 Senior Vice President and Executive Officer of Hitachi, Ltd. (resigned in March 2019)
Director of Hitachi Appliances, Inc. (resigned in March 2017)
Director of Hitachi Consumer Marketing, Inc. (resigned in March 2017)
Jun 2017 Director of Hitachi Chemical Company, Ltd. (resigned in June 2018)
Outside Director of Hitachi Capital Corporation (resigned in June 2019)
Apr 2019 Associate of Hitachi Metals, Ltd.
Jun 2019 Chairperson of the Board (current position)

Reasons for appointment

The Company determined that Mr. Omori 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 as a corporate manager at Hitachi, Ltd. and its group companies as well as in-depth knowledge gained in procurement operations, cost restructuring, and governance of global companies.



Akitoshi Hiraki
Deputy Chairperson of the Board

Attendance at meetings
Board of Directors: 15/15 meetings
Compensation Committee: 3/3 meetings

Apr 1985 Joined Hitachi Metals, Ltd.
Jun 2008 President and Director of Hitachi Setsubi Engineering Co., Ltd. (resigned in March 2010)
Apr 2010 Managing Officer, President of Specialty Steel Company, and 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
Apr 2015 Vice President and Representative Executive Officer, President of High-Grade Metals Company, and Deputy General Manager of Corporate Export Regulation Office
Jun 2015 Vice President and Representative Executive Officer, President of High-Grade Metals Company, Deputy General Manager of Corporate Export Regulation Office, and Director
Jan 2016 Vice President and Representative Executive Officer, General Manager of Technology, Research & Development Division, General Manager of Corporate Quality Assurance Division, and Director
Apr 2017 Representative Executive Officer, President and Chief Executive Officer, and Director
Apr 2019 Deputy Chairperson of the Board (current position)

Reasons for appointment

The Company determined that Mr. Hiraki 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 the head of the Company's Specialty Steel business, etc., as well as his thorough knowledge in the Group's operations gained in general management of the Company's operations as President and Chief Executive Officer of the Company.



Makoto Uenoyama
Outside Director

Attendance at meetings
Board of Directors: —
Nominating Committee: —
Audit Committee: —
Compensation Committee: —
(Appointed in June 2019)

Apr 1975 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
Apr 2006 Executive Officer (in charge of Accounting)
Jun 2007 Director (in charge of Accounting and Finance)
Apr 2010 Managing Director (in charge of Accounting and Finance)
Jun 2012 Managing Executive Officer (resigned in March 2013)
Apr 2013 Corporate Adviser (resigned in March 2015)
Jun 2013 Outside Audit & Supervisory Board Member of SOHGO SECURITY SERVICES CO., LTD. (Standing Audit & Supervisory Board Member until June 2017) (current position)
Jun 2019 Outside Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Uenoyama 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 in finance and accounting areas obtained through his experience in the finance and accounting operations of Panasonic Corporation over the years as well as the experience as Director in charge of accounting and finance, from a more objective standpoint as Outside Director.



Toshiko Oka
Outside Director

Attendance at meetings
Board of Directors: 15/15 meetings
Nominating Committee: 8/8 meetings
Audit Committee: 14/14 meetings
Compensation Committee: 3/3 meetings

Apr 1986 Joined Tohatsu Touche Ross Consulting Co., Ltd. (currently ABeam Consulting Ltd.)
Jul 2000 Joined Asahi Arthur Andersen Ltd.
Sep 2002 Principal of Deloitte Tohatsu Consulting Co., Ltd. (currently ABeam Consulting Ltd.) (resigned in August 2012)
Apr 2005 President and Representative Director of ABeam M&A Consulting Ltd. (Chief Executive Officer of the company later reorganized and renamed as PricewaterhouseCoopers Deals Advisory LLC) (resigned in March 2016)
Jun 2008 Outside Director of Netyear Group Corporation (resigned in June 2016)
Jun 2014 Outside Audit & Supervisory Board Member of Astellas Pharma Inc. (resigned in June 2018)
Jun 2015 Outside Audit & Supervisory Board Member of HAPPINET CORPORATION (resigned in June 2019)
Apr 2016 Partner of PwC Advisory LLC (resigned in June 2016)
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)
Jun 2019 Outside Director of HAPPINET CORPORATION (current position)

Reasons for appointment

The Company determined that Ms. 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 in corporate management and accounting and finance areas obtained through her consulting experience in M&A and the creation of management strategies over the years, as well as her experience as a corporate manager of a consulting firm and as an outside director of several companies, from a more objective standpoint as Outside Director.



Koichi Fukuo
Outside Director

Attendance at meetings
Board of Directors: —
Nominating Committee: —
Audit Committee: —
Compensation Committee: —
(Appointed in June 2019)

Apr 1978 Joined Honda Motor Co., Ltd.
Jun 2005 Operating Officer (in charge of quality and certification)
Jun 2010 Managing Officer
Apr 2014 Senior Managing Officer
Nov 2014 Executive Vice President and Director of Honda R&D Co., Ltd.
Apr 2015 President and Representative Director (resigned in March 2016)
Jun 2015 Senior Managing Officer and Director of Honda Motor Co., Ltd. (resigned in June 2016)
Jun 2018 Outside Director of Seven Bank, Ltd. (current position)
Jun 2019 Outside Director of Hitachi Metals, Ltd. (current position)

Reasons for appointment

The Company determined that Mr. Fukuo 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 in the automobile industry, to which our products are mainly supplied, obtained as the head of quality and certification of Honda Motor Co., Ltd. and as a corporate manager of the company and its group companies, from a more objective standpoint as Outside Director.



Katsuro Sasaka
Director

Attendance at meetings
Board of Directors:
15/15 meetings

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

Reasons for appointment

The Company determined that Mr. 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 in accounting, finance and other areas obtained as a senior manager of the Company's finance and business planning operations as well as his thorough knowledge in the Group's operations gained as President, etc. of a subsidiary controlling business operations in China.



Koji Sato
Director

Attendance at meetings
Board of Directors: —
Compensation Committee: —
(Appointed in June 2019)

Apr 1987 Joined Hitachi Metals, Ltd.
Jan 2011 President and Representative Director of Japan Aeroforge, Ltd. (resigned in June 2013)
Oct 2014 General Manager of Metallurgical Research Laboratory of Hitachi Metals, Ltd.
Jan 2016 General Manager of Yasugi Works
Apr 2017 Executive Officer, President of Specialty Steel Company and Deputy General Manager of Corporate Export Regulation Office
Apr 2018 Vice President and Executive Officer, President of Specialty Steel Company, General Manager of Technology, Research & Development Division and Deputy General Manager of Corporate Export Regulation Office
Apr 2019 Representative Executive Officer, President and Chief Executive Officer
Jun 2019 Representative Executive Officer, President and Chief Executive Officer, and Director (current position)

Reasons for appointment

The Company determined that Mr. Sato will contribute to the strengthening of the decision-making functions of the Board of Directors and enhancing their effectiveness, with his experience as the head of Specialty Steel business and Technology, Research & Development Division of the Company and his current position as President and Chief Executive Officer since April 2019 in general management of the Company's operations, by sharing the information of business execution divisions at a Board of Directors as a board member, and also by leveraging his abundant experience and in-depth knowledge obtained through aforementioned experiences.



Toyoaki Nakamura
Director

Attendance at meetings
Board of Directors:
15/15 meetings

Apr 1975 Joined Hitachi, Ltd.
Jan 2006 General Manager of Finance Department I
Apr 2007 Representative Executive Officer, Senior Vice President and Executive Officer
Jun 2007 Representative Executive Officer, Senior Vice President and Executive Officer, and Director
Jun 2009 Representative Executive Officer, Senior Vice President and Executive Officer
Jun 2010 Outside Director of Hitachi Metals, Ltd. (resigned in June 2012)
Jun 2011 Director of Hitachi High-Technologies Corporation (resigned in June 2018)
Apr 2012 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. (resigned in March 2016)
Jun 2012 Outside Audit & Supervisory Board Member of Sompō Japan Insurance Inc. (currently Sompō Japan Nipponkoa Insurance Inc.) (resigned in June 2014)
Apr 2013 Director of Hitachi Consumer Electronics Co., Ltd. (resigned in March 2014)
Director of Hitachi Appliances, Inc. (resigned in March 2016)
May 2013 Director of Hitachi Consumer Marketing, Inc. (resigned in March 2016)
Jun 2015 Director of Hitachi Metals, Ltd. (Outside Director until June 2016) (current position)
Dec 2015 Board Director, Chairperson
Jun 2016 Director of Hitachi, Ltd. (current position)
Chairperson of the Board of Hitachi Metals, Ltd.

Reasons for appointment

The Company determined that Mr. 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 enhancing 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.



Kenichi Nishiie
Director

Attendance at meetings
Board of Directors: —
Audit Committee: —
(Appointed in June 2019)

Apr 1979 Joined Hitachi Metals, Ltd.
Apr 2012 General Manager of Internal Auditing Office
Apr 2013 Deputy General Manager of Magnetic Materials Company and General Manager of Planning Dept.
Apr 2015 Representative Executive Officer, General Manager of Procurement Center and Corporate Export Regulation Office
Jan 2016 Representative Executive Officer, General Manager of Human Resources & General Administration Division, Procurement & Value Engineering for Customers Division and Corporate Export Regulation Office
Apr 2016 Vice President and Executive Officer, General Manager of Human Resources & General Administration Division and Procurement & Value Engineering for Customers Division
Apr 2017 Representative Executive Officer, Senior Vice President and Executive Officer and General Manager of Corporate Management Planning Division
Apr 2018 Representative Executive Officer, Senior Vice President and Executive Officer and General Manager of Corporate Management Planning Division and Group Company Auditing Office
Apr 2019 Associate
Jun 2019 Director (current position)

Reasons for appointment

The Company determined that Mr. Nishiie 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 in finance, accounting and other areas obtained as General Manager of the Audit Division, the head of Procurement, Human Resources & General Administration Division, and Corporate Management Planning Division of the Company, as well as his thorough knowledge in the Group's operations.

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. The Company has established the Executive Committee to ensure that the President and Chief Executive Officer makes decisions on and executes business operations in compliance with laws and regulations and the Articles of Incorporation, as well as more efficiently based on considerations from multiple angles. The Committee deliberates on certain important

management matters that impact the Company or the Group, and makes decisions regarding these matters. Also, as of April 1, 2019, the Company shifted its corporate structure from an internal company system to a business division system with the aim to further strengthen synergies between its businesses that share the same markets, customer needs and element technologies as well as to enhance cross-sectional functions and strengthen its strategic functions and governance.

Executive Officers (As of April 1, 2019)

Koji Sato
Representative Executive Officer
President and Chief Executive Officer
Overall Operations
General Management

Hiroaki Nishioka
Representative Executive Officer
Vice President and Executive Officer
In charge of Corporate Administration
Chief Financial Officer
General Manager of Finance Division

Naohiko Tamiya
Vice President and Executive Officer
In charge of Corporate Administration
General Manager of Human Resources & General Administration Division
Chief Compliance Officer

Kazuya Murakami
Vice President and Executive Officer
In charge of Business
General Manager of Advanced Components & Materials Division
Deputy General Manager of Corporate Export Regulation Office

Hiroshi Watanabe
Vice President and Executive Officer
In charge of Business
General Manager of Advanced Metals Division
Deputy General Manager of Corporate Export Regulation Office

Ryouji Akada
Executive Officer
In charge of Business
Chairman and President of Hitachi Metals (China), Ltd.

Norio Uemura
Executive Officer
In charge of Business
Deputy General Manager of Advanced Components & Materials Division
General Manager of Power Electronics Materials Business Unit

Shigekazu Suwabe
Executive Officer
In charge of Business
Deputy General Manager of Advanced Components & Materials Division
General Manager of Magnetic Materials Business Unit

Toru Taniguchi
Executive Officer
In charge of Business
Deputy General Manager of Advanced Metals Division
General Manager of Automotive Casting Business Unit

Masato Hasegawa
Executive Officer
In charge of Technology and Corporate Administration
General Manager of Technology, Research & Development Division

Tomoyuki Hatano
Executive Officer
In charge of Business
Director & President & CEO of Hitachi Metals America, Ltd.

Kenji Hirano
Executive Officer
In charge of Business
Deputy General Manager of Advanced Metals Division
General Manager of Yasugi Works

Hisaki Masuda
Executive Officer
In charge of Corporate Administration
General Manager of Corporate Management Planning Division

Toru Yamamoto
Executive Officer
In charge of Sales
General Manager of Business Activity & Marketing Division



Executive Officers

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 2018. The main items on the survey included the composition of the Board, decision-making process, level of contributions, and operation and support systems.

At the Board of Directors meeting held in May 2019, the effectiveness of the Board of Directors was discussed and evaluated based on each Director's evaluations and opinions obtained from the survey and interviews. As a result, the Board of Directors has verified that effectiveness of the Board of Directors as a whole is ensured as agendas for the Board of Directors meetings are appropriately selected, business strategies and management issues are actively discussed, and important agendas are fully discussed in advance.

On the other hand, the Company has recognized room for further improvement in discussion on the following matters:

- 1) Timely follow-up of the progress on measures of strategy implementation and solutions to management issues,
- 2) Further expansion of opportunities to obtain information (on businesses and personnel) necessary for Directors to fulfill their roles, and
- 3) Enhancement of the governance system for the whole Group companies and business sites.

We will use the above findings for operation of the Board of Directors to further enhance its effectiveness in the future.

Main Items Discussed by the Board of Directors in Fiscal 2018

- Progress of the safety measures
- Progress report on the responses to management issues
- Fiscal Year 2021 Medium-Term Management Plan
- Determination of Executive Officers, Representative Executive Officer, President and Chief Executive Officer, etc.
- Appointment of members who comprise the Nominating Committee, Audit Committee, and Compensation Committee
- Report on the status of execution of duties of the Nominating Committee, Audit Committee, and Compensation Committee
- Response to the Corporate Governance Code
- Conducting the evaluation of the effectiveness of the Board of Directors

Compensation for Directors and Executive Officers, etc.

(i) Details of the policy on the determination of the amounts of compensation, etc., for Directors and Executive Officers and the calculation methods thereof, and the determination method

The Compensation Committee, in accordance with the provisions of the Companies Act, sets forth the "Policies Concerning the Determination of Compensation, etc., for Directors and Executive Officers." The amounts of compensation, etc. for each Director and Executive Officer are determined by resolution of the Compensation Committee based on this policy.

The Policies Concerning the Determination of Compensation, etc., for Directors and Executive Officers state that "(a) 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; (b) 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; (c) Compensation paid by the Company consists

of base compensation and a term-end bonus; and (d) 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."

(ii) Total amount of compensation, etc. for each category of Directors or Executive Officers, total amount of compensation, etc. by type, and the number of Directors and Executive Officers who received compensation, etc.

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)	77	67	10	6
Executive Officers	509	375	134	13
Outside Directors and Officers	53	45	8	3

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

(iii) The policy on the determination of proportion of payments as performance-linked compensation and the other types of compensation, etc.

Compensation for Directors and Executive Officers of the Company is comprised of a base compensation, which is a fixed compensation, and a term-end bonus, which is a performance-linked compensation. For performance-linked compensation for Executive Officers, the standard amount is set in a way that the percentage of performance-linked compensation to the total amount of compensation falls within a range of the ratios specified below according to the ranks of each Executive Officer to strengthen to the link between the business performance of the Company, considering the degree

of the responsibility of each Executive Officer for business execution. For performance-linked compensation for Directors, the standard amount is set in a way that the percentage of performance-linked compensation to the total amount of compensation falls within a range of ratios specified below in order for the Directors to fully execute the management-supervision function. Directors with a concurrent post as Executive Officers are paid a performance-linked compensation as Executive Officer, but are not paid a performance-linked compensation as Director.

Rank	Fixed compensation	Standard amount of performance-linked compensation	Total
President and Chief Executive Officer	60%	40%	100%
Senior Vice President and Executive Officer, and Vice President and Executive Officer	67%–68%	32%–33%	
Executive Officer	70%	30%	
Director	86%–89%	11%–14%	

(iv) Indicators for performance-linked compensation and reasons for the selection of the indicators

The indicators for performance-linked compensation for fiscal 2018 are "revenues," "income before income taxes," and "cash flows from operating activities" on a consolidated basis as the Company has focused on growth and profitability in the Fiscal Year 2018 Medium-Term Management Plan.

The indicators for performance-linked compensation for fiscal 2019 are "revenues," "adjusted operating income," "return on invested capital (ROIC)," and "cash conversion cycle" on a consolidated basis as we focus on growth, profitability, and management efficiency in the Fiscal Year 2021 Medium-Term Management Plan.

(v) Method for the determination of the amount of performance-linked compensation and target of the indicators for performance-linked compensation and actual results

The amount of a term-end bonus, which is a performance-linked compensation, to be paid to each Director and Executive Officer is calculated using the formula specified below based on the standard amount of performance-linked compensation set by rank. The Compensation Committee then discusses the results of calculation and finalizes them.

Amount of term-end bonus to be paid to each Director and Executive Officer = Standard amount of performance-linked compensation × ((Corporate performance factor*1 × Weight assigned for corporate performance factor) + (In-charge business factor*2 × Weight assigned for in-charge business factor) + (Individual target factor*2 × Weight assigned for individual target factor))

*1 The "corporate performance factor" is the sum of the degrees of achievement of corporate performance related indicators multiplied by the weight assigned for each indicator (0.3 for revenues, 0.5 for income before income taxes, and 0.2 for cash flows from operating activities), where the degree of achievement of each corporate performance-related indicator is predetermined by the Company with a range from 0 to 2 so that the target for each indicator related to corporate performance is set as 1. The actual "corporate performance factor" for fiscal 2018 was 0.47.

*2 Each of the "in-charge business factor" and "individual target factor" is the sum of the degrees of achievement of the targets set for each Director and Executive Officer multiplied by the weight assigned for each target, where the degree of achievement of each target is predetermined by the Company with a range from 0 to 2 so that the target for each Director and Executive Officer is set as 1.

(vi) Name of the person with the authority to decide the compensation for Directors and Executive Officers, the details of such authority and the extent of its discretion, and an overview of the procedures of the Compensation Committee

As the Company is a company with nominating and other committees, it sets forth the policy on the determination of compensation, etc. for each Director and Executive Officer in the Compensation Committee, with a majority of the members being independent Outside Directors, and determines the amount of individual compensation based on the policy. In

determining the compensation amounts, the Compensation Committee participates in a market survey on executive compensation each year and confirms that the compensation levels of the Company's Directors and Executive Officers are in an appropriate range compared to other companies of the similar size in Japan.

(vii) Activities of the Compensation Committee

During fiscal 2018, the Compensation Committee held a total of three meetings and determined a policy on the determination of compensation, etc., for Directors and Executive Officers, and details of their individual compensation

based on the policy. In terms of the meeting attendance of the Committee members, Directors who had been in service during the fiscal year under review attended all meetings of the Compensation Committee held during their terms of office.

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 serve 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 has been reducing such holdings through conducting an annual review of holding objectives by the Board of Directors on the significance of

holding and the cost of capital of such individual stock from qualitative and quantitative aspects. For other policies on our strategic shareholdings, please refer to Article 7. Policies Concerning Holding Shares of Other Companies as Strategic Shareholdings in the Corporate Governance Guidelines.

As of March 31, 2019, the number of strategic shareholdings was 26. The number has decreased from 42 as of March 31, 2015, when the corporate governance code had yet to be implemented.

Internal Controls

Internal Audit Organization

The Company has the Internal Auditing Office (with 10 dedicated staff members) that is in charge of internal audits. The Internal Auditing Office formulates annual audit policies and audit implementation plans for internal audits on the Group. Based on these policies and plans, the office conducts on-site audits on the status of execution of the Company's offices and subsidiaries in Japan and overseas and business management over the course of three years in principle and also collaborates with the Audit Committee and the Accounting Auditor to promote tripartite cooperation in tripartite audit function. In addition to these audits, a special audit may be conducted upon special request, etc. of the

President and Chief Executive Officer. The Internal Auditing Office also reports to the President and Chief Executive Officer and the Audit Committee its audit implementation plans in advance, and reports the audit results mostly once in a month. In addition, the Internal Auditing Office holds an audit report meeting mostly once in a month to the person in charge of business at the respective business division and each department of the corporate division, and instructs those departments to implement improvements. If necessary, it also carries out on-site audits in collaboration with divisions in charge of the environment, safety, and systems within the Company.

Coordination in Internal Audits, Audits by the Audit Committee and Accounting Audits, and the Relationship of These Audits with the Internal Audit Division

The Audit Committee (a) receives explanations about audit implementation plans from the Accounting Auditor and makes a discussion on and adjustments to the details as needed, (b) receives reports on audit results and engages in an exchange of opinions with the Accounting Auditor, and (c) receives reports from the Accounting Auditor in cases where, as for the performance of duties by Executive Officers, they find any significant evidence of wrongful act or violation of related laws and regulations, or the Articles of Incorporation in the course of performing their duties. The Audit Committee also receives reports on audit implementation plans and periodic reports from the Internal Audit division. In addition, to promote coordination with audits performed by the Audit Committee, the Audit Committee may instruct the Internal Audit division to (a) conduct a special audit for any division that the Audit Committee deems necessary and (b) set key audit items for audits performed by the Internal Audit division. As specified by the Board of Directors, for matters required for the Audit Committee to execute its duties, the Internal Auditing Office of the Internal Audit division shall assist the Audit Committee in executing its duties in accordance with the Committee's instructions. Furthermore, the Internal Auditing Office is also in charge of assessment of internal control and reports the status to the Audit Committee. Moreover, besides the Internal Audit division, the corporate divisions, etc. in charge of finance, compliance, risks, and other areas also play certain roles in internal control and report the status of performance of their duties to the Audit Committee.

The Company regards "promotion of tripartite audit function" as a paramount theme for the audit and supervision functions. The Audit Committee, the Accounting Auditor, and the Internal

Audit division mutually share information on issues detected by each of them, and the Company promotes a "mutual check and balance system and mutual evaluation," taking a step further from a one-way evaluation from the Company to the Accounting Auditor based on the evaluation standards for Accounting Auditors. Notably, the Company considers the function of detecting risks by the Accounting Auditor as an external agency is particularly important in the entire risk detecting process of the Group. To strengthen the said function, the mutual evaluation is implemented between the Accounting Auditor and the Company's finance division or the Internal Audit division or the Audit Committee, respectively. Specifically, based on the evaluation standards for accounting auditors defined by the Audit Committee, the Audit Committee performs a comprehensive evaluation considering the following major factors evaluated by the Company: the Accounting Auditor's communications with the Audit Committee, the senior management, the Internal Audit division and others; audit quality control system; audit plans; audit team; audit reports and quarterly review reports; and consistency between audit plans and audit hours as a basis of determining the amount of auditing compensation. The Accounting Auditor, on the other hand, evaluates basic operations of the finance division, the Internal Audit division, and the Audit Committee of the Company, handling of audit requirements, cooperation, risk recognition, activity status, resources and other factors, and reports the results to the relevant counterparties. The Company utilizes the above feedback to strengthen the Company's functions. In addition, the Company has started the mutual evaluation system between the finance divisions of the Company's facilities or subsidiaries and the Accounting Auditor.

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 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.

In fiscal 2018, for identifying and improving the issues associated with the application of the ongoing BCP, the Company was dedicated to preparing for large-scale BCP training in collaboration with the business sites of the Group in

Japan, and conducted the training in April 2019. The Company has constantly conducted training to respond to its safety confirmation system for cases 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

Under the Fiscal Year 2021 Medium-Term Management Plan, with a vision of “building people, building innovation, building the future,” the Hitachi Metals Group positions the thorough pursuit of diversity management as its important management strategy and is working on various measures to realize our Corporate Creed of “contributing to society by being the best enterprise.”



Human Resources as the Source of Competitiveness

The Hitachi Metals Group, which is moving ahead with global business expansion, recognizes human resources as the source of competitiveness. Based on this recognition, we will realize our Corporate Philosophy of “*Wa sureba tsuyoshi*”^{*} by becoming a company where diverse human resources gather, test their opinions against each other, and work with enthusiasm and pride.

We have established three themes for our human

resources strategy, “securing diverse human resources with diverse values,” “job satisfaction,” and “a comfortable work environment,” while setting four KPIs, “stimulating employees,” “promoting diversity management,” “promoting workstyle reform,” and “realizing safe and healthy workplaces.”

^{*} Under our corporate philosophy of “*Wa sureba tsuyoshi*,” our Group is One Force for Change.

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 cross-

divisional personnel rotations and tough assignments, as well as training such as OFF-JT including external training.

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 Management

In order to create a 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 Metals Group Diversity Promotion Council, headed by the President, in order to promote diversity

management 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 housework and childcare, 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 (hearing)
- Held a networking event for women in career-track positions (Hitachi Metals Women’s Forum)
- Diversity training for officers (lectures)
- Survey and analysis of participation by women in the Hitachi Group
- Dispatched employees to various external training and seminars, including Hitachi Group career training and seminars for support before maternity leave and upon returning to work
- Held seminars for those in management-level positions who have female subordinates
- Introduced examples of initiatives in company newsletter

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 divisions or job categories, and the introduction of leave to allow employees to accompany spouses on overseas assignments.

Selected for the MSCI Japan Empowering Women Index (WIN)

Since July 2017, the Company has been 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 the first year, fiscal 2016, as the “awareness-raising” phase, followed by fiscal 2017 as the “implementation” phase, and fiscal 2018 as the “instilling” phase, we carried out activities to accomplish our set target of reducing the total annual actual working hours to less than 2,000 by fiscal 2018.

“Workstyle Reform” Efforts in Fiscal 2018

In fiscal 2018, the “instilling” phase, we made efforts to improve operational efficiency and promote and establish work with no restrictions on time or location by pursuing ICT measures, and implemented activities aimed at realizing substantial workstyle reform so that all employees can have real job satisfaction and feel truly comfortable at work. In fiscal 2018, total annual actual working hours were 2,049, which unfortunately fell short of our target. However, total working hours decreased significantly compared to fiscal 2016, and highly productive work styles are being instilled through workstyle reform.

Outline of Fiscal 2018 “Workstyle Reform” Activities

- Improved operational efficiency
Enhanced ICT infrastructure such as file sharing systems and communications tools
- Promoted and established work styles with no restrictions on time or location
Put in place measures and established an environment to realize highly productive work styles by relaxing restrictions on work hours and locations
- Changed approach to taking vacation
Considered standardizing days off at headquarters and production factories, and standardized days off at most business offices starting in fiscal 2019
- Collaboration between business offices and Group companies
Shared information related to operational improvements such as using RPA and shifting to paperless operations

Composition of Employees (Non-consolidated)

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of employees	6,306	5,966	5,858	6,315	7,067
Male	5,660	5,339	5,241	5,654	6,277
Female	646	627	617	661	790
Ratio of female employees	10.2	10.5	10.5	10.5	11.1
Average age (years)	43.0	43.5	43.9	43.6	43.2
Average service (years)	20.0	20.6	21.0	21.0	18.4
Number of female managers	10	11	12	16	19
Employment ratio of people with disabilities*	2.24	2.34	2.40	2.31	2.21

*Including special subsidiaries

Health and Safety

Based on the view that “prioritizing safety and health above all else,” the Hitachi Metals Group is pushing ahead the creation of safe workplaces at its manufacturing sites both in Japan and abroad, by instilling a culture of safety, creating safe organizations, and improving facilities to ensure fundamental safety. Additionally, we made the “Health Management Declaration” in June 2019, as we boost our creation of healthy workplaces throughout the Group.

Instilling a Culture of Safety

In the Group’s aim to instill a culture of safety, we have held the “Safety Town Hall Meeting” continuously since December 2018, where we communicate the policies and views on safety from the President and get feedback from the Group workplaces. We plan to hold approximately 50 meetings throughout our manufacturing sites globally in fiscal 2019. We have been advancing the “2S-3F” (Sort Out, Set In Order, Fixed Location, Fixed Quantity, and Fixed Item) activities at our manufacturing worksites, and, going forward, we will work to instill a culture of safety by expanding the scope of our 2S-3F activities to safety activities.



Increasing Sensitivity to Danger through Monozukuri Practical Safety Training

We have installed equipment that gives employees a simulated experience of being caught in equipment, crushed by equipment, and electrically shocked at locations including our Kyushu Works and Okegawa Works, as well as the Suita Works of the Group company Hitachi Metals Neomaterial, Ltd., with the goal of making employees more sensitive to danger. We have launched a project to enhance our *monozukuri* practical safety training, and are moving forward plans for a “*monozukuri* practical safety training facility” to instill practical safety training throughout the Group, as well as to set the foundation for building a culture of safety. We will increase awareness of safety among employees, having all Company employees undergo practical safety training.



Safety Simulation Experience Learning Center, Suita Works, Hitachi Metals Neomaterial, Ltd.
Equipment installed to increase awareness of safety among all employees



Learning system that simulates being caught by rotating equipment
This system provides a firsthand experience of what it is like if fabric or strings are wrapped up in the rotating axis of machinery. Even a motor equivalent to a household electric fan can generate powerful pulling force when slowed down.



Learning system that simulates the impact force from falling objects
This system demonstrates how a 25-kilogram weight dropped from a height of one meter generates enough impact force to crush an empty drink can. This increases safety awareness when transporting steel ingots.

Creating Safe Organizations

In April 2019, we newly created the Safety & Health Management Department, staffing up human resources in the safety division of the Human Resources & General Administration Division. The Health and Safety Promotion Department prepared the “Guidelines for Safe Organizations” defining such matters as the organizations and certified employees required at each business office in accordance with its head count and size. The Guidelines have been implemented since April. We are aiming to create organizations at each business office in accordance with the Guidelines by the end of fiscal 2019.

Health and Safety Audits

In addition to confirming activities regarding the Hitachi Metals Group’s key health and safety measures, as well as compliance with the Company’s rules and related laws and regulations, we provide health and safety training to supervisors. In fiscal 2018, we confirmed the initiatives of key health and safety measures in the health and safety promotion plan and compliance with chemical-related laws and regulations through health and safety audits of business offices, and provided health and safety training to supervisors, including training on measures to prevent human error based on accident trends.

Improving Facilities to Ensure Fundamental Safety

Our Fiscal Year 2021 Medium-Term Management Plan calls for investment of ¥2 billion per year on new safety-related construction with the aim of carrying out measures for improving facilities to ensure fundamental safety. In fiscal

2019, we are prioritizing initiatives throughout the Group for safety measures against being caught in spinning machinery or crushed by machinery, while at the same time implementing safety measures given high priority by risk assessments.

Health Management

The Group cares for the physical and mental health of its employees. For example, we conduct stress checks on all employees and take measures based on the results. We are also focused on creating a more dynamic working environment by eliminating overwork through workstyle reform.

We made the “Health Management Declaration” in June 2019. We regard our employees’ health management as a management issue and reinforce health management measures Groupwide, advancing initiatives such as prevention of lifestyle diseases and supporting efforts to quit smoking.

Health Management Declaration

The Corporate Creed of Hitachi Metals, Ltd. is to contribute to society by being the “best enterprise.”

The “best enterprise” is a company that “every employee is motivated to work at.” In order to be a company where employees dynamically harness their abilities with smiling faces every day and are able to perceive their own growth, it is first essential that each employee be healthy.

Under the management policy that “Prioritizing safety and health above all else,” we hereby declare that we will promote activities focused on employees’ health, together with safety activities.

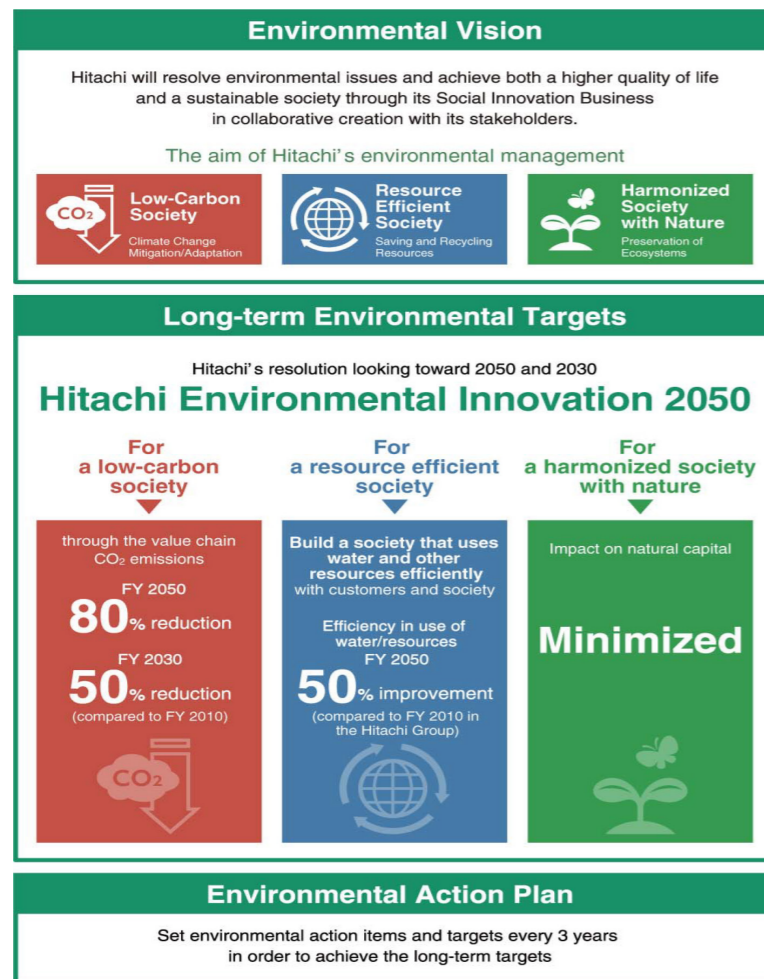
June 2019
Koji Sato
Representative Executive Officer,
President and Chief Executive Officer
Hitachi Metals, Ltd.

Initiative for Climate Change

1 Environmental Vision/Basic Environmental Policies

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.

The Hitachi Group's Environmental Vision



Hitachi Metals Group Basic Environmental Protection Policies

Philosophy Hitachi Metals' Corporate Creed is to "contribute to society by being the best enterprise." In line with this, we regard it as crucial to ensure that humanity's shared environmental resources can be passed down to future generations in the best possible condition. Accordingly, throughout our operations we treat environmental considerations as an issue of the highest importance and strive actively to promote environmental protection efforts on both the global and local community levels.

- Slogans**
- With a deep awareness that environmental protection is a major issue for all humanity, fulfill social responsibilities by striving to establish a sustainable society in harmony with the environment regarding it as one of the essential aspects of corporate activity.
 - Contribute to society by developing highly reliable technologies and products in response to needs for environmental protection and the limited natural resources.

2 Hitachi Metals Group Action Plan

The Hitachi Metals Group advances activities based on three-year medium-term environmental plans. We largely achieved the targets of our Medium-Term Environmental Plan for fiscal 2016 to fiscal 2018. Our new Medium-Term Environmental

Plan for fiscal 2019 to fiscal 2021 includes some revisions relating to a low-carbon society, resource-efficient society, and harmonized society with nature.

Results of Fiscal 2018 Initiatives and Fiscal 2021 Plans

FY2018 Measures (Planned)	FY2018 Measures (Results)	Measures Planned for FY2021
• Conduct environmental education at the Head Office and each company (ongoing)	• Conduct 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)
• Increase the sales ratio of key environmentally conscious products (21% or more)	• Increase the sales ratio of key environmentally conscious products (21%)	• Increase the sales ratio of key environmentally conscious products (25%)
• Reduce energy consumption ratio per production unit (13.0% compared to base year FY2005)	• Reduce energy consumption ratio per production unit (6.6% compared to base year FY2005)	• Reduce CO ₂ emissions per unit (7% compared to base year FY2010)
• Improvement ratio of waste and valuables generated per production unit (8.0% compared to base year FY2005)	• Improvement ratio of waste and valuables generated per production unit (12.0% compared to base year FY2005)	• Improvement ratio of waste generation per production unit (14% compared to base year FY2010)
• Increase the recycling rate (74.0%)	• Increase the recycling rate (78.2%)	• Improve waste landfill rate (12%)
• Improvement ratio of water usage per production unit (14% compared to base year FY2006)	• Improvement ratio of water usage per production unit (28% compared to base year FY2006)	• Improvement ratio of water usage per production unit (26% compared to base year FY2010)
• Implement activities to conserve ecosystems (1,600/year)	• Implement activities to conserve ecosystems (1,601/year)	• Contribute to preservation of ecosystem (cumulative total of 12 projects to be implemented)

3 Environmental Consideration in Products and Services

The "Business Conduct Guidelines" in the Hitachi Metals Group Basic Environmental Policies call for the promotion of global *monozukuri* that takes environmental impact into account throughout the product life cycle. In line with this, the Hitachi Metals Group carries out activities aimed at reducing environmental impact at each stage, including product R&D and design, production, distribution, sale, use, and disposal.

In particular, for our next-generation flagship products, we are pushing forward the development of new products with a focus on the environment and energy sectors. What is more, for the development and design of new products, we promote environmentally friendly product development based on the "Hitachi Group Eco-Design Management Guidelines" (revised version), which consider product life cycles.

R&D Case Studies

Sector	Environmental key words
Energy	Renewable energy
	Highly efficient power generation
	Energy-saving/electricity storing/electricity transforming/smart grids
Automobiles	Material recycling
	Exhaust gas
	Reduced weight and low fuel consumption
Rolling stock	Hybrid and electric vehicles
	Material recycling
Electronics	More efficient and lighter weight
	More efficient, compact, and lighter weight
	Energy-saving (household appliances, semiconductors, LCD panels)
Industry/Infrastructure	Reducing substances for environmental effect
	Long-life products
Medical	High heat resistance and high corrosion resistance
	Energy-saving and high precision

Increasing sales of key environmentally conscious products

We select "key environmentally conscious products" from among products expected to grow in sales, which make a significant contribution to resolving environmental issues such as climate change and effective use of resources.

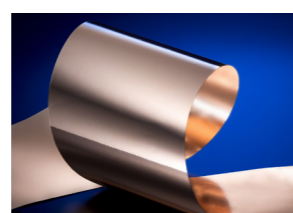
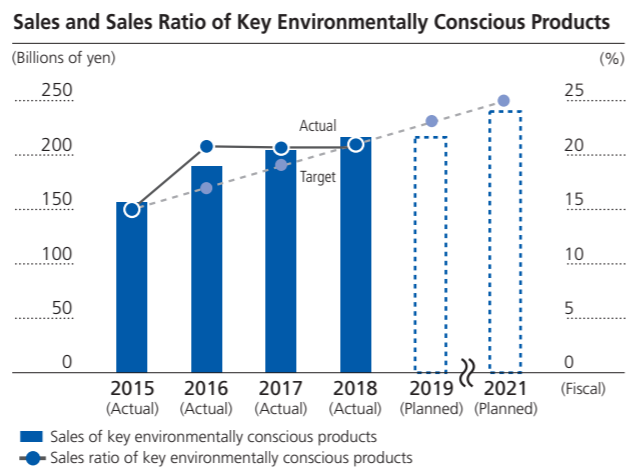
In fiscal 2018, we achieved our target sales ratio of 21% for key environmentally conscious products. While sales of some key environmentally conscious products have grown, sales of others have decreased, due to factors including discontinuation of the business. Accordingly, the sales ratio increased slightly compared with the previous fiscal year. We will continue to help resolve the environmental issues facing society by expanding sales of key environmentally conscious products based on our management strategy.

Introducing products contributing to reduced environmental loads



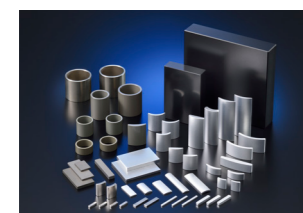
DAC-i™

Next-generation general-purpose steel for die-cast molds with high toughness and high strength at elevated temperatures through innovations in component design and processes using 10,000-ton forging press.



Clad materials for batteries

Achieved optimal composite characteristics for a battery electrode material, including electric resistance, weldability, and material strength, by combining dissimilar metals such as copper, nickel, aluminum, and stainless steel.



Rare earth magnets for xEVs

They are used in the drive motors of electric vehicles and hybrid electric vehicles. We have established a technology to reduce the use of heavy rare earth elements (scarce rare metals), which are used to improve heat resistance. We reduce the use of elements with a limited supply, as well as help improve motor performance and make motors more compact by improving heat resistance and magnetic force.



Magnet wires for xEV inverter-fed motors

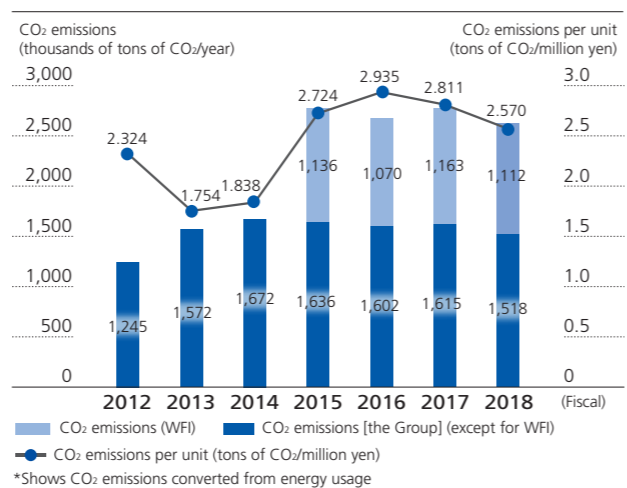
Lifetime of inverter-fed motors, greatly improve reliability.

4 Initiatives for a Low Carbon Society

In fiscal 2018, CO₂ emissions from the Hitachi Metals Group's business activities decreased by 148 thousand tons (5.3%) from the previous fiscal year, to 2,630 thousand tons. In terms of CO₂ emissions per sales unit compared to revenues, we improved by approximately 8.6% from the previous fiscal year, from 2.811 tons of CO₂/million yen to 2.570 tons of CO₂/million yen, due in part to a year-on-year increase of 3.6% in sales. Factors behind the reduction of CO₂ emissions and improvement in per unit include the effects of energy-saving activities, increased sales, and fuel conversion.

The Hitachi Metals Group carries out energy-saving activities linked to *monozukuri* in order to reduce CO₂ emissions, including shortening processes, improving efficiency, improving yields, promoting the introduction of energy-saving equipment, and fuel conversion. We will promote the initiatives aiming to improve CO₂ emissions per unit as set forth in our Medium-Term Environmental Action Plan for fiscal 2019 to fiscal 2021.

Trends in CO₂ Emissions and CO₂ Emissions Per Unit



Energy Saving Initiatives by Waupaca Foundry, Inc.

Waupaca Foundry, Inc. ("Waupaca," located in Wisconsin, USA) spends about ¥19.8 billion per year on energy, and it is essential to reduce its energy usage through efforts to continually improve its environmental sustainability. Waupaca thus worked on initiatives including conversion to energy-efficient LED lighting and compressors in its factories, offices, and other work spaces, use of waste heat for indoor heating in winter, installation of a system enabling real-time monitoring of energy use, and reduction of coke usage through the use of alternative carbon materials. Through these measures, Waupaca reduced its costs by about ¥63 million in fiscal 2017.

Waupaca is currently advancing measures including a 25% reduction in energy usage (baseline fiscal 2009, compared to BAU*¹) and introducing the best available pollution-prevention technologies, in order to reduce its environmental impact by 2020.

*1. Comparison against "business as usual" case where no measures are taken



Energy Management System Certification
(Energy management under ISO 14001)

5 Effective Use of Resources toward a Resource-Efficient Society

(1) Effective Use of Resources (Waste)

The Hitachi Metals Group is working to create a resource-efficient society through in-house reuse and recycling through intermediate processing, in order to achieve the "thorough circulation of resources throughout the life cycle of goods and services" in the 4th Fundamental Plan for Establishing a Sound Material-Cycle Society.

In fiscal 2018, the resource recycling rate rose slightly from the previous fiscal year, to 78.2%, in part because more materials are difficult to recycle into resources in Japan.

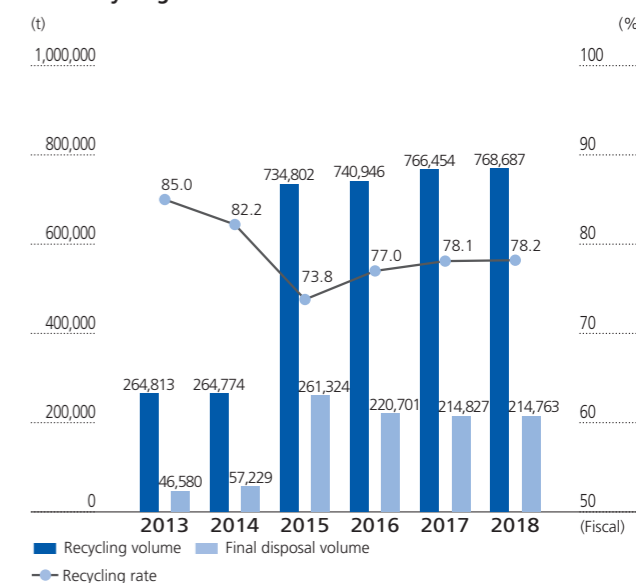
Going forward, we plan to raise the bar overall through initiatives at overseas offices, where we believe that many recyclable items remain.

Furthermore, in fiscal 2018 we achieved zero emissions*² at 14 business offices.

In order to advance initiatives to both reduce waste generation and to recycle resources under our Medium-Term Environmental Plan for fiscal 2019 to fiscal 2021, we will promote activities by setting target values for waste generation per production unit and landfill rates as management indicators.

*2. As of fiscal 2011, the definition of "zero emissions" is a final disposal rate under 0.5%.

Trends in Recycling Volume, Final Disposal Volume, and Recycling Rate



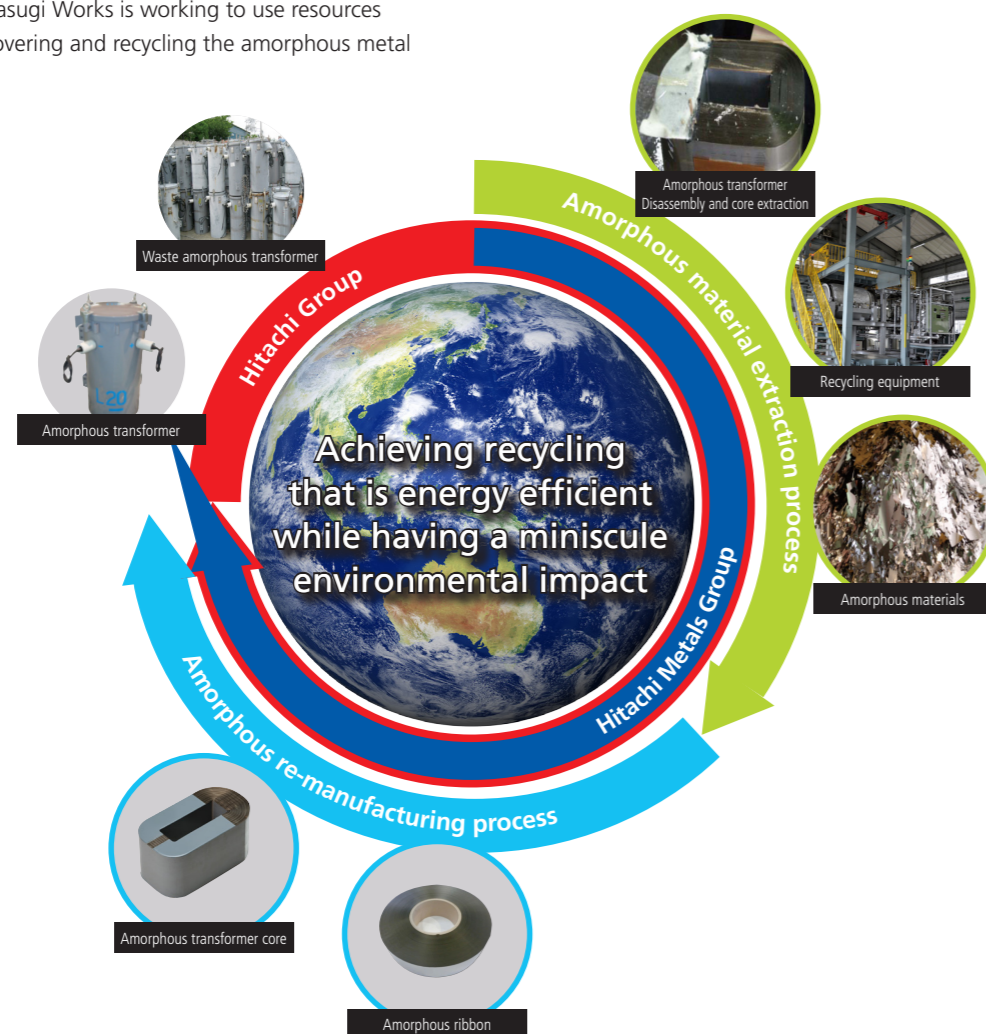
Initiatives to Recycle Amorphous Metal Materials

The amorphous metal manufactured by the Company contributes significantly to energy saving, delivering excellent soft magnetic properties with high permeability and low loss, while having high saturation magnetic flux density, and having just about one-fifth the no-load loss (iron loss) of conventional soft magnetic materials like silicon steel sheets.

Our Metglas Yasugi Works is working to use resources efficiently by recovering and recycling the amorphous metal

scraps generated by the Hitachi Group's transformer manufacturing process and amorphous cores extracted from used transformers.

As a result of this initiative, approximately 120 tons of waste amorphous was used to manufacture amorphous metal materials in fiscal 2018.



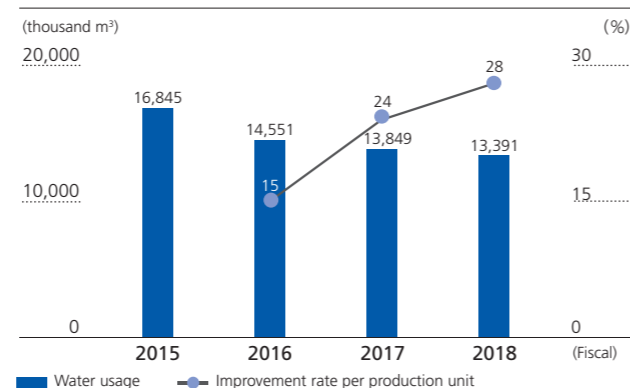
(2) Effective Use of Water Resources

Since fiscal 2016, the Hitachi Metals Group has been advancing activities using the improvement rate of water usage per production unit*³ as an indicator, in order to promote the effective use of water resources. Although activities to raise awareness of water conservation were the initial focus, we subsequently ameliorated our water usage in production processes, and when we upgrade equipment, we introduce equipment with high water efficiency. In fiscal 2018, the improvement rate per production unit reached 28%, while we also reduced our water usage by 458 thousand m³ from the previous fiscal year, to 13,391 thousand m³. Our Medium-Term Environmental Plan for fiscal 2021 similarly establishes the improvement rate of water usage per production unit*⁴ as an indicator, and we will push forward even more effective use of water.

*³ Calculated based on per production unit in fiscal 2005

*⁴ Calculated based on per production unit in fiscal 2010

Trends in Improvement Rate of Water Usage per Production Unit



* We have used the improvement rate of water usage per production unit as a management indicator since fiscal 2016.

Reducing Water Usage through Introduction of Closed-Loop Cooling Water Systems (Waupaca)

Waupaca Plant 1 produces a wide range of castings, totaling more than 3,000 different kinds of products including automotive parts.

Foundries use large amounts of water to cool operating machinery and cupolas used in melting processes. Waupaca Plant 1 introduced closed-loop cooling water systems, which resulted in a reduction in water usage in fiscal 2018 by approximately 120 million gallons compared to fiscal 2015. While the company formerly used cooling water one time before discharging it as wastewater, the closed-loop cooling water systems repeatedly use non-contact cooling water, greatly improving water usage efficiency. Dramatic effects are expected from the closed-loop cooling water systems, which might be able to reduce water withdrawal by 80% or more, and under certain conditions can reduce wastewater from non-contact cooling water to nearly zero.

Waupaca is advancing activities aimed at reducing companywide water withdrawal by 80% from fiscal 2010 levels. In fiscal 2018, it reduced water withdrawal by 65.5% from fiscal 2010 levels.



Closed-loop cooling water systems

7 Harmonized Society with Nature: Consideration for the Preservation of Ecosystem

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.

In fiscal 2018, we carried out 1,601 projects, compared to our target of 1,600.

(A) Examples of major tree planting and forest conservation activities

HMY, Ltd. participated in the Harmony Forest corporate participation forestation program in Shimane Prefecture, planting sawtooth oak trees to reduce CO₂.

(B) Ecosystem preservation activities

Our Moka Works participated in a group cleanup activity at Shiroyama Park to protect ecosystems by removing trash. We will continue to work to protect ecosystems in our local communities.



Participation in Harmony Forest activities
Activities to reduce CO₂ in the corporate participation forestation program in Shimane Prefecture (HMY, Ltd.)



Participation in Shiroyama Park group cleanup activity
(Moka Works of Hitachi Metals, Ltd.)

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 distribute our CSR Procurement Guideline and checklist to major suppliers (excluding Hitachi Group companies) that account for 80% of the transaction amounts by business offices and affiliates in Japan, and confirm the compliance of each supplier. When a clear violation is discovered, a rule is put into

place requiring correction. When starting a new business relationship, we request compliance with the Guideline, and, at the same time, we conduct corporate surveys on bribery risks based on the Hitachi Metals Global Compliance Program (HMGCP) to reinforce 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. We have also set up Global Procurement Offices (GPOs) in four locations—Europe, the United States, Asia, and China—to seek excellent suppliers in order to carry out transparent procurement activities from optimal suppliers worldwide. In fiscal 2018, the Head Office held a discussion with the GPOs and established common procurement standards for overseas Group companies. Starting in fiscal 2019, we plan to

have our GPOs audit the operations of each overseas Group company once every three years, in accordance with these standards, and thereby strengthen governance.

Additionally, in order to make our supply chain transparent in addressing conflict mineral issues, the Hitachi Metals Group identifies mineral producing countries and smelters, using the Conflict Minerals Reporting Template (CMRT), which has become an industry standard. We strive to carry out responsible procurement activities, requiring our suppliers to procure from conflict-free smelters (CFSs)* that are certified to not use conflict minerals.

* 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 fiscal 2018, we held a workshop for all procurers at all business offices and Group companies (27

sites) in Japan, which brought together the findings of past internal audits. We also had auditors dispatched from the Head Office and other business offices perform mutual audits to further improve our management level through practical auditing, and confirmed the status of corrective actions. We are continuing these audits in fiscal 2019 onward as well.

Green Procurement

Hitachi Metals issued the "Green Procurement Guidelines" in 1998, in order to share our views on environmental consideration with our suppliers, including prevention of global warming, recycling resources, and conservation of biodiversity and ecosystems. Since then, we have revised these guidelines repeatedly in response to the latest laws and regulations and chemical regulations. Version 9.0, which was

issued in 2018, includes revisions to banned substances due to changes in EU regulations, and we notified our suppliers thereof. We work to comply with laws and regulations, respond to customer demands, and reduce environmental impact (conserving resources, saving energy, recycling, and appropriate management of chemical substances contained in products) by constantly sharing the latest information.

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.

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 5,892 employees, on a consolidated basis, receiving human rights-related training in fiscal 2018). 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.