Note: This document has been translated from the Japanese original for reference purposes only.
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(Securities code: 5486)
June 6, 2022

To our shareholders:

Hitachi Metals, Ltd.
6-36, Toyosu 5-chome, Koto-ku, Tokyo
(Location of registered Head Office) 2-70, Konan 1-chome, Minato-ku, Tokyo

Notice of the 85th Ordinary General Meeting of Shareholders

Notice is hereby given that the 85th Ordinary General Meeting of Shareholders of Hitachi Metals, Ltd. (the "Company") will be held as follows:

This year, to avoid the risk of shareholders and the Company's officers and employees becoming infected with the novel coronavirus (COVID-19), **we strongly request that you exercise your voting rights in advance in writing or via the Internet and refrain from attending on the day of the General Meeting of Shareholders**. Please review the attached Reference Document for the General Meeting of Shareholders, and exercise your voting rights **no later than 5:30 p.m. (the end of business hours), Monday, June 20, 2022**.

Details

1. Date and time: Tuesday, June 21, 2022, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)

2. Venue: 1F, New Pier Takeshiba North Tower, NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo

3. Agenda:

Matters to be reported: Report on Business Report, Non-Consolidated Financial Statements and Consolidated Financial Statements for the 85th business term (from April 1, 2021 to March 31, 2022) and the results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit Committee

Matters to be resolved

<Proposal>

Item 1: Partial Amendment to Articles of Incorporation

Item 2: Election of Five (5) Directors

<Matters regarding exercising voting rights>

(1) If you do not indicate your vote of approval or disapproval for all Items when using the voting form, we will consider that you have accepted any Item on which you did not vote.

(2) If you exercise your voting rights by both using the voting form and via the Internet, your vote received via the Internet will be treated as valid.

(3) If you exercise your voting rights via the Internet more than once on the same Item, your vote received last will be treated as valid.

(4) You may ask one person, who is a shareholder entitled to exercise the voting rights of the Company, to attend the General Meeting of Shareholders and exercise your voting rights on behalf of you. In this case, we will require the person to submit a document to prove his/her right of proxy.

Very truly yours,

Mitsuaki Nishiyama
Representative Executive Officer,
Chairperson, President and Chief Executive Officer, Director

○ Of the documents to be provided with this notice, “Summary of Resolutions of the Board of Directors on Establishing Systems, etc., to Ensure Appropriate Operations (Internal Control System) and the Implementation Status of the Systems” in the Business Report, “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements, and “Non-Consolidated Statement of Changes in Net Assets” and “Notes to Non-Consolidated Financial Statements” in the Non-Consolidated Financial Statements are not provided in this notice because they have been provided to shareholders through postings on the Company’s website (https://www.hitachi-metals.co.jp/ir/ir-stock.html), pursuant to applicable laws and regulations, and the provision of the Articles of Incorporation of the Company. Therefore, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements attached to this notice are a portion of the financial statements audited by the Accounting Auditor and the Audit Committee in the course of the preparation of their audit reports.

○ Please note that any changes in the items described in Reference Document for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements will be posted on our website (see above).

Procedures for Exercising Voting Rights

There are three ways to exercise your voting rights as follows. However, the Company strongly requests that you exercise your voting rights in advance in writing or via the Internet and refrain from attending on the day of the General Meeting of Shareholders.

Attending the Ordinary General Meeting of Shareholders

Please submit the enclosed voting form at the reception of the meeting (no seal is necessary).

Date and Time: Tuesday, June 21, 2022, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
Venue: 1F, New Pier Takeshiba North Tower, NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo

Exercising Voting Rights by Form (Enclosed Voting Form)

Please indicate on the enclosed voting form whether you approve or disapprove of each Item, and return the completed form to us so that it arrives by the following exercise due date (no seal is necessary).

Exercise due date: to be received by 5:30 p.m. (the end of business hours) on Monday, June 20, 2022 (JST)

Exercising Voting Rights via the Internet

Please access the voting website (https://www.tosyodai54.net) using your PC, smartphone, or mobile phone, enter the "Voting Exercise Code" and the "Password" shown on the enclosed voting form, and then, enter your approval or disapproval by following the guidance on the screen. Please complete the exercise of your voting rights by the following exercise due date (for more details, please read the next page).

Exercise due date: to be received by 5:30 p.m. (the end of business hours) on Monday, June 20, 2022 (JST)

How to Use the Voting Website	
1.	**Access the voting website** Access the following URL and click the “Next” button. Voting Website https://www.tosyodai54.net
2.	**Login to the voting website** Enter the “Voting Exercise Code” shown on the enclosed voting form and click the “Login” button.
3.	**Enter the password** Enter the “Password” shown on the enclosed voting form and click the “Next” button.
Please enter your approval or disapproval by following the guidance on the screen	

* Please note that each shareholder is required to bear the costs for accessing the voting website (e.g., telephone charges and Internet access fees).

* Exercising voting rights via the Internet may be not available depending on the model of your smartphone or mobile phone.

Contact	For inquiries, please contact: **Tokyo Securities Transfer Agent Co., Ltd.** Phone: **0120-88-0768** (toll free, telephone number within Japan) available 9:00 a.m. – 9:00 p.m., seven days per week

To Institutional Investors	Institutional investors who have applied for the use of the “ICJ platform” for electronic voting exercise operated by ICJ, Inc. (ICJ) can exercise their voting rights via the platform. ICJ is a joint venture company established by Tokyo Stock Exchange, Inc. and other institutions.

Reference Document for the General Meeting of Shareholders

Item 1: Partial Amendment to Articles of Incorporation

1. Reasons for the amendment

(1) The Company has already relocated the head office functions to Koto-ku, Tokyo and been engaging in improvement of business efficiency. In accordance with practical head office business, the location of the head office is to be amended from Minato-ku, Tokyo to Koto-ku, Tokyo in the current Article 4 of the Articles of Incorporation.

(2) The revised stipulations stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. The Company proposes the following amendments to the Articles of Incorporation in preparation for the implementation of the system for electronic provision of materials for general meetings of shareholders.

(i) Article 14, Paragraph 1 of the proposed amendments stipulates that information that is the content of reference documents for the general meeting of shareholders, etc., shall be provided electronically.

(ii) Article 14, Paragraph 2 of the proposed amendments establishes stipulations to limit the scope of matters to be recorded in physical documents that are provided to shareholders who request provision of physical documents.

(iii) After the implementation of the system for electronic provision of materials for general meetings of shareholders, Article 14 of the current Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents, etc. of General Shareholders’ Meetings) will no longer be necessary, these shall be deleted.

(iv) Supplementary provisions shall be established concerning the effective date, etc., in line with the new establishments and deletions above. These supplementary provisions shall be deleted after the date stipulated there.

2. Contents of the amendment

The contents of the amendment are as follows.

(Underlines indicate amended sections)

<table>
<tr><th>Current Articles of Incorporation</th><th>Proposed amendment</th></tr>
<tr><td>Article 4. Location of Head Office
The head office of the Company shall be located in <u>Minato-ku</u>, Tokyo.</td><td>Article 4. Location of Head Office
The head office of the Company shall be located in <u>Koto-ku</u>, Tokyo.</td></tr>
<tr><td><u>Article 14. Internet Disclosure and Deemed Provision of Reference Documents, etc. of General Shareholders’ Meetings</u>
<u>In relation to the convocation of General Shareholders’ Meeting, the Company may deem to have provided the information regarding the matters required to be described or indicated in the reference documents for the General Shareholders’ Meeting, business reports, financial statements and consolidated financial statements to shareholders by disclosing the same via the internet pursuant to applicable laws and regulations.</u></td><td>(Deleted)</td></tr>
</table>

Current Articles of Incorporation	Proposed amendment
(Newly established)	Article 14. Measures for Electronic Provision, Etc. In the convocation of General Shareholders' Meetings, the Company shall provide electronically information that is the content of reference documents for the General Shareholders' Meeting, etc. Of the matters to which electronic provision measures apply, the Company may choose not to record all or part of matters stipulated in the Ordinance of the Ministry of Justice in the physical documents provided to shareholders who made requests for provision of physical documents by the record date for voting rights.
Supplementary provisions (Newly established)	Supplementary Provisions Article 3. Transitional Measures for Measures for Electronic Provision, Etc. The deletion of Article 14 (Internet Disclosure and Deemed Provision of Reference Documents, etc. of General Shareholders' Meetings) of the current Articles of Incorporation and Article 14 (Measures for Electronic Provision, Etc.) of the proposed establishment shall take effect from September 1, 2022, the date of enforcement of the revised stipulations stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019; the "Enforcement Date"). Notwithstanding the provisions of the previous paragraph, Article 14 (Internet Disclosure and Deemed Provision of Reference Documents, etc. of General Shareholders' Meetings) of the current Articles of Incorporation shall remain valid for General Shareholders' Meetings held on a day that is within six (6) months of the Enforcement Date. These supplementary provisions shall be deleted on the day after which six (6) months have elapsed since the Enforcement Date or the day after which three (3) months have elapsed since the day of the General Shareholders' Meeting in the previous paragraph, whichever is later.

Item 2: Election of Five (5) Directors

The term of office of all Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders; therefore, the Company proposes the election of five (5) Directors. The following are the five (5) candidates for the Directors determined by the Nominating Committee.

Candidate No.	Name	Attributes	Position and Areas of Responsibilities at the Company
1	Kenichi Nishiie	Re-appointed	Board Director, Chairperson (member of the Audit Committee)
2	Makoto Uenoyama	Re-appointed Outside Independent	Director (member of the Nominating Committee, Chairperson of the Audit Committee, and member of the Compensation Committee)
3	Koichi Fukuo	Re-appointed Outside Independent	Director (Chairperson of the Nominating Committee, member of the Audit Committee and Chairperson of the Compensation Committee)
4	Mitsuaki Nishiyama	Re-appointed	Representative Executive Officer, Chairperson, President and Chief Executive Officer (Overall Management and Operations) Director (member of the Nominating Committee and the Compensation Committee)
5	Mamoru Morita	Re-appointed	Director

Re-appointed: A candidate who is re-appointed as Director

Outside: A candidate who is appointed as Outside Director

Independent: A candidate for Director who satisfies the Independence Criteria (page 14) determined by the Company and registered as Independent Director with the Tokyo Stock Exchange, Inc.

1	**Kenichi Nishiie** (August 18, 1956)	Re-appointed	Number of years serving as Director: 3 Number of the Company's shares held: 5,900

Brief Biography and Significant Concurrent Positions Outside the Company

4/1979	Joined Hitachi Metals, Ltd.
4/2012	General Manager of Internal Auditing Office
4/2013	Deputy General Manager of Magnetic Materials Company and General Manager of Planning Dept.
4/2015	Representative Executive Officer, General Manager of Procurement Center and Corporate Export Regulation Office
1/2016	Representative Executive Officer, General Manager of Human Resources & General Administration Division, Procurement & Value Engineering for Customers Division and Corporate Export Regulation Office
4/2016	Vice President and Executive Officer, General Manager of Human Resources & General Administration Division and Procurement & Value Engineering for Customers Division
4/2017	Representative Executive Officer, Senior Vice President and Executive Officer and General Manager of Corporate Management Planning Division
4/2018	Representative Executive Officer, Senior Vice President and Executive Officer and General Manager of Corporate Management Planning Division and Group Company Auditing Office (retired from the position in March 2019)
6/2019	Director
6/2020	Board Director, Chairperson (current position)

Meeting Attendance:

Board of Directors: 15/15 meetings

Audit Committee: 13/13 meetings

Position and Areas of Responsibilities at the Company

Board Director, Chairperson (member of the Audit Committee)

Reasons for appointment as a candidate for Director

The Company determined that Mr. Kenichi 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 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; therefore, the Company appointed him as a candidate for Director.

2	**Makoto Uenoyama** (February 14, 1953)	Re-appointed Outside Independent	Number of years serving as Outside Director: 3 Number of the Company's shares held: 800

Brief Biography and Significant Concurrent Positions Outside the Company

4/1975	Joined Matsushita Electric Industrial Co., Ltd. (current name: Panasonic Corporation)
4/2006	Executive Officer of Matsushita Electric Industrial Co., Ltd. (in charge of Accounting)
6/2007	Director of Matsushita Electric Industrial Co., Ltd. (in charge of Accounting and Finance)
4/2010	Managing Director of Panasonic Corporation (in charge of Accounting and Finance)
6/2012	Managing Executive Officer of Panasonic Corporation (retired from the position in March 2013)
4/2013	Corporate Adviser of Panasonic Corporation (retired from the position in March 2015)
6/2013	Outside Audit & Supervisory Board Member of SOHGO SECURITY SERVICES CO., LTD. (Standing Audit & Supervisory Board Member until June 2017) (retired from the position in June 2021)
6/2019	Outside Director of Hitachi Metals, Ltd. (current position)

Meeting Attendance:

Board of Directors: 15/15 meetings

Nominating Committee: 4/4 meetings

Audit Committee: 13/13 meetings

Compensation Committee: 5/5 meetings

Position and Areas of Responsibilities at the Company

Director (member of the Nominating Committee, Chairperson of the Audit Committee, and member of the Compensation Committee)

Reasons for appointment as a candidate for Outside Director and overview of expected roles

The Company determined that Mr. Makoto 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; therefore, the Company appointed him as a candidate for Outside Director. In addition, if he is appointed, he will continue to play suitable roles as a member of the Nominating Committee, Audit Committee and Compensation Committee from an objective standpoint in order for these committees to perform their functions. As Chairperson of the Audit Committee, he is expected to lead administration of the committee.

3	**Koichi Fukuo** (April 17, 1955)	Re-appointed Outside Independent	Number of years serving as Outside Director: 3 Number of the Company's shares held: 800

Brief Biography and Significant Concurrent Positions Outside the Company

4/1978	Joined Honda Motor Co., Ltd.
6/2005	Operating Officer of Honda Motor Co., Ltd. (In charge of quality and certification)
6/2010	Managing Officer of Honda Motor Co., Ltd.
4/2014	Senior Managing Officer of Honda Motor Co., Ltd.
11/2014	Executive Vice President and Director of Honda R&D Co., Ltd.
4/2015	President and Representative Director of Honda R&D Co., Ltd. (retired from the position in March 2016)
6/2015	Senior Managing Officer and Director of Honda Motor Co., Ltd. (retired from the position in June 2016)
6/2018	Outside Director of Seven Bank, Ltd. (current position)
6/2019	Outside Director of Hitachi Metals, Ltd. (current position)

Meeting Attendance:

Board of Directors: 15/15 meetings

Nominating Committee: 4/4 meetings

Audit Committee: 13/13 meetings

Compensation Committee: 5/5 meetings

Position and Areas of Responsibilities at the Company

Director (Chairperson of the Nominating Committee, member of the Audit Committee, and Chairperson of the Compensation Committee)

Reasons for appointment as a candidate for Outside Director and overview of expected roles

The Company determined that Mr. Koichi 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; therefore, the Company appointed him as a candidate for Outside Director. In addition, if he is appointed, he will continue to play suitable roles as a member of the Nominating Committee, Audit Committee and Compensation Committee from an objective standpoint in order for these committees to perform their functions, and we expect him to lead administration of the Nominating Committee and Compensation Committee by becoming Chairperson of both committees.

4	**Mitsuaki Nishiyama** (September 25, 1956)	Re-appointed	Number of years serving as Director: 2 Number of the Company's shares held: 5,100

Brief Biography and Significant Concurrent Positions Outside the Company

4/1979	Joined Hitachi, Ltd.
4/2008	General Manager of Finance Department I of Hitachi, Ltd.
4/2011	Executive Officer and CFO of Hitachi Cable, Ltd.
6/2012	Executive Officer, CFO, and Director of Hitachi Cable, Ltd.
4/2013	Vice President and Executive Officer, CFO, CPO, and Director of Hitachi Cable, Ltd. (retired from the position in June 2013)
7/2013	Vice President and Managing Officer, President of Cable Materials Company, and Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.
4/2014	Vice President and Executive Officer, Chief Financial Officer, and General Manager of Finance Center, Human Resources & General Administration Center and Information Systems Center (retired from the position in March 2015)
4/2015	Vice President and Executive Officer of Hitachi, Ltd.
6/2015	Outside Director of Hitachi Transport System, Ltd. (retired from the position in June 2016)
4/2016	Representative Executive Officer, Senior Vice President and Executive Officer, and CFO of Hitachi, Ltd. (retired from the position in March 2020)
4/2020	Representative Executive Officer, Chairperson and Chief Executive Officer of Hitachi Metals, Ltd.
6/2020	Representative Executive Officer, Chairperson, President and Chief Executive Officer and General Manager of Advanced Metals Division
6/2020	Representative Executive Officer, Chairperson, President and Chief Executive Officer, General Manager of Advanced Metals Division, and Director
4/2021	Representative Executive Officer, Chairperson, President and Chief Executive Officer, and Director (current position)

Meeting Attendance:
Board of Directors: 15/15 meetings
Nominating Committee: 4/4 meetings
Compensation Committee: 5/5 meetings

Position and Areas of Responsibilities at the Company
Representative Executive Officer, Chairperson, President and Chief Executive Officer
(Overall Management and Overall Operations)
Director (member of the Nominating Committee and the Compensation Committee)

Reasons for appointment as a candidate for Director

The Company determined that Mr. Mitsuaki Nishiyama will contribute to the strengthening of the decision-making function of the Board of Directors and enhancing its effectiveness as a board member, by having him share information of business execution divisions with the Board of Directors and by leveraging his abundant experience and in-depth knowledge obtained as head of finance division at Hitachi Ltd., as head of finance division and the Cable Materials business at the Company, and at the helm of executive management of the Company as Chairperson from April 2020 and Chairperson and President from June 2020; therefore, the Company appointed him as a candidate for Director.

<table>
<tr><td>5</td><td>Mamoru Morita
(April 12, 1959)</td><td>Re-appointed</td><td>Number of years serving as Director: 2
Number of the Company’s shares held: 800</td></tr>
</table>

Brief Biography and Significant Concurrent Positions Outside the Company

4/1983	Joined Hitachi, Ltd.
4/2013	Board Director of Hitachi Industrial Equipment Systems Co., Ltd. (retired from the position in July 2021)
4/2015	General Manager of Strategy Planning Division of Hitachi, Ltd. Director of Hitachi Asia Ltd. (retired from the position in March 2018)
4/2016	Vice President and Executive Officer of Hitachi, Ltd. Director of Hitachi Research Institute (current position)
4/2019	Board Director of Hitachi Industrial Products, Ltd. (retired from the position in March 2020)
6/2019	Director of Hitachi Chemical Company, Ltd. (current name: Showa Denko Materials Co., Ltd.) (retired from the position in June 2020)
4/2020	Senior Vice President and Executive Officer of Hitachi, Ltd. (current position) Director of Hitachi Global Life Solutions, Inc. (retired from the position in June 2021)
6/2020	Director of Hitachi Metals, Ltd. (current position)

Meeting Attendance:
Board of Directors: 15/15 meetings

Position and Areas of Responsibilities at the Company
Director

Reasons for appointment as a candidate for Director

The Company determined that Mr. Mamoru Morita will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness, by having his abundant experience obtained as an executive manager at Hitachi Ltd. and its group companies and his in-depth knowledge related to management strategy reflected in the management of the Company; therefore, the Company appointed him as a candidate for Director.

(Notes)

1. The Company has no specific conflict of interest with each candidate.
2. The Company has concluded agreements with Mr. Makoto Uenoyama, Mr. Koichi Fukuo, Mr. Kenichi Nishiie, and Mr. Mamoru Morita to limit their liabilities for damages as stipulated in Article 423, Paragraph 1 of the Companies Act, which is required pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act as well as the provisions of Article 24 of the Articles of Incorporation. The Company will continue these agreements if each candidate is elected as Director at this Ordinary General Meeting of Shareholders. The maximum amount of liabilities for damages under the agreements is ¥12 million or the amount stipulated by laws and regulations, whichever is higher.
3. The Company has entered into a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, which covers losses that may arise from the insured’s assumption of liability incurred in the course of the performance of duties as an officer or a person at a certain position, or receipt of claims pertaining to the pursuit of such liability. However, there are certain reasons for coverage exclusion, which have been established as a measure to ensure the appropriateness of the insured’s performance of duties is not impaired, such as not covering for losses arising as a result of the insured unlawfully gaining profit or advantage, criminal acts, or acts committed while being aware that they violate the laws and regulations. Each candidate for Director will be included as an insured under the insurance contract provided they assume the office as Director. Note that the insurance period of this insurance contract is scheduled to expire during the term of office. Note that in the event that a tender offer for the common stock of the Company by K.K. BCJ-52, which was announced on April 28, 2021, and the series of transactions scheduled after that, are implemented, the Company plans to enter into another separate agreement from the aforementioned insurance contract.
4. The candidates for Directors are serving or have served during the past ten years at Hitachi, Ltd., the parent company of the Company, or its subsidiaries (excluding the Company), as executing persons assuming the following positions and duties other than those stated in the above Brief Biography:

   (1) Mitsuaki Nishiyama

   - 4/2015-3/2016 Vice President and Executive Officer of Hitachi, Ltd. (General Manager of Finance Group and Project Leader of Administrative Operations Transformation Project, Smart Transformation Project Initiatives Division)

- 4/2016-3/2017 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd. (CFO, General Manager of Finance Group, and Project Leader of Administrative Operations Transformation Project, Smart Transformation Project Initiatives Division)
- 4/2017-3/2018 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd. (CFO, General Manager of Finance Group, and Project Leader of Administrative Operations Transformation Project, Smart Transformation Project Initiatives Division)
- 4/2018-3/2020 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd. (CFO and General Manager of Finance Group)

* CFO: Chief Financial Officer

(2) Mamoru Morita

- 4/2012-7/2012 General Manager of Management Planning Office, Strategy Planning Division, and member of Environmental Strategy Office of Hitachi, Ltd.
- 8/2012-3/2013 General Manager of Management Planning Office, Strategy Planning Division, member of Environmental Strategy Office, and Deputy General Manager of Project Management Promotion Office of Hitachi, Ltd.
- 4/2013-9/2013 General Manager of Management Planning Office, Strategy Planning Division, and member of Environmental Strategy Office of Hitachi, Ltd.
- 10/2013-9/2014 General Manager of Management Planning Office, Strategy Planning Division of Hitachi, Ltd.
- 10/2014-3/2015 General Manager of Management Planning Office, Strategy Planning Division, and member of Industrial Products Strategy Division of Hitachi, Ltd.
- 4/2017-3/2018 Vice President and Executive Officer of Hitachi, Ltd. (General Manager of Strategy Planning Division, and Deputy General Manager of Investment Strategy Division and Future Investment Division)
- 4/2018-3/2020 Vice President and Executive Officer of Hitachi, Ltd. (General Manager of Strategy Planning Division, Deputy General Manager of Investment Strategy Division, General Manager of Business Development Office, Investment Strategy Division, and Deputy General Manager of Future Investment Division)
- 4/2020-3/2022 Senior Vice President and Executive Officer of Hitachi, Ltd. (CSO and General Manager of Strategy Planning Division, Future Investment Division, and Business Development Office, Strategy Planning Division)
- 4/2022-Current Senior Vice President and Executive Officer of Hitachi, Ltd. (CSO and General Manager of Strategy Planning Division)

* CSO: Chief Strategy Officer

5. In October 2021, the Company concluded a continued investigation concerning the inappropriate inspection etc., of certain products of the Company and its subsidiaries. Mr. Makoto Uenoyama and Mr. Koichi Fukuo were not aware of this matter until it was brought to light. After the misrepresentation of test results in the inspection reports submitted to customers of certain products of the Company and its subsidiaries were revealed in April 2020, they received reports on the results of investigations of similar matters, and the progress of the response etc. to customers, and have been supervising and making recommendations for formulation of various measures related to quality compliance toward recurrence prevention and efforts on individual measures. Since April 2021, they fulfilled their duties by periodically receiving status of activities of Quality Compliance Committee established as an advisory body to Board of Directors and monitoring the thorough executions of recurrence prevention measures etc.
6. Mr. Makoto Uenoyama and Mr. Koichi Fukuo satisfy the Independence Criteria on the next page determined by the Company and are registered as Independent Directors with the Tokyo Stock Exchange, Inc.
   Mr. Makoto Uenoyama was Managing Executive Officer (retired from the position in March 2013) and Corporate Adviser (retired from the position in March 2015) of Panasonic Corporation, a business partner of the Company. The Company has a business relationship with Panasonic Corporation related to sale/purchase of products, but the amount of transactions between the Company and Panasonic Corporation for fiscal 2021 was significantly lower than 1% of the consolidated revenues of the Group and Panasonic Group, respectively. Mr. Koichi Fukuo was Senior Managing Officer and Director (retired from the position in June 2016) of Honda Motor Co., Ltd. (hereinafter referred to as "Honda"), and President and Representative Director (retired from the position in March 2016) of Honda R&D Co., Ltd., a subsidiary of Honda, both of which are business partners of the Company. The Company has a business relationship with Honda related to sale of products, but the amount of transactions between the Company and Honda for fiscal 2021 was significantly lower than 1% of the consolidated revenues of the Group and Honda Group, respectively.
7. When the Item is approved, the structure and chairperson of each committee are planned as follows:

Nominating Committee:	Koichi Fukuo (Chairperson), Makoto Uenoyama, Mitsuaki Nishiyama
Audit Committee:	Makoto Uenoyama (Chairperson), Koichi Fukuo, Kenichi Nishiie
Compensation Committee:	Koichi Fukuo (Chairperson), Makoto Uenoyama, Mitsuaki Nishiyama

(Reference) Independence Criteria for Outside Directors

The Nominating Committee judges an Outside Director to be independent if he or she does not fall under any of the following items:

(1) a person who has received or who serves or has served within the last one year as an executing person (that is, an executive director, executive officer or employee; hereinafter the same) of a corporation that has received from the Company a payment of 2% or more of the entity's consolidated annual revenues for products or services in the most recent fiscal year;

(2) a person who has paid the Company 2% or more of its consolidated annual revenues for products or services in the most recent fiscal year or who serves or has served within the last one year as an executing person of the corporation;

(3) an attorney, a certified public accountant, a certified tax accountant or a consultant who has received from the Company an annual payment of ¥10 million or more of monetary or other property benefits other than compensation for Directors and Executive Officers within the last one year, or a person who is or has been within the last one year a member, a partner, an associate or an employee of a law firm, an auditing firm, a tax accountant corporation, a consulting firm or other professional advisory firm that has received from the Company a payment of 2% or more of the firm's consolidated annual revenues in the most recent fiscal year;

(4) a person who serves or has served within the last one year as an officer of a not-for-profit organization that has received from the Company discretionary charitable contributions of monetary or other property benefits of ¥10 million or more, or 2% or more of that organization's annual gross revenues or ordinary income, whichever amount is higher, during the most recent fiscal year;

(5) a person who serves or has served within the last one year as an executing person or a non-executive director of the parent company of the Company;

(6) a person who serves or has served within the last one year as an executing person of a sister company of the Company;

(7) a person who is a spouse or a relative within the second degree of kinship of a person (excluding a person who has or had no important position of the following) who falls under the following items:

- (i) who falls under the items of the above (1) through (6);
- (ii) who is, or has been within the last one year, an executing person of a subsidiary of the Company;
- (iii) who is an executing person or non-executive director of the parent company of the Company;
- (iv) who is an executing person of a sister company of the Company;
- (v) who is, or has been within the last one year, an executing person of the Company; and

(8) a person who has a risk of having material conflicts of interests with ordinary shareholders for reasons other than those stated above.

[Attachments]

Business Report

(April 1, 2021 to March 31, 2022)

1. Current Status of the Hitachi Metals Group

(1) Operating Progress and Results of the Hitachi Metals Group

During the fiscal year ended March 31, 2022, the global economy continued to recover although the recovery varied depending on the containment level of the spread of COVID-19 (the novel coronavirus disease) and on economic policies. In the business fields of the Group, the automotive-related area was impacted by production adjustments implemented by automobile manufacturers due to a supply shortage of semiconductors, and in tandem with measures, mainly lockdowns in Southeast Asian countries hit by the spread of COVID-19; however, demand increased year on year. In the FA/robot-related area, capital investment demand related to the manufacture of automobiles and smartphones increased. In the semiconductor-related area, demand increased as a result of a rise in demand for use in telecommunication devices and automobile. Furthermore, reflecting the impact of the rise in raw material prices (sliding-scale raw material price system) and the depreciation of the yen, revenues increased by 23.8% year on year to ¥942,701 million.

In terms of profit, adjusted operating income increased by ¥31,786 million year on year to ¥26,809 million, owing to the effects of various cost structure improvement measures and an increase in revenues, despite the negative impact of increases in expenses and energy costs due to soaring raw material prices. Operating income rose ¥75,908 million year on year to ¥26,695 million. This reflects mainly the posting of ¥35,857 million in impairment losses, recorded under other operating expenses, for the fiscal year 2020. Income before income taxes increased by ¥83,328 million year on year to ¥32,740 million and net income attributable to shareholders of the parent company increased by ¥54,315 million year on year to ¥12,030 million.

As announced in “Announcement of Opinion in Support of the Tender Offer by K.K. BCJ-52 for the Shares of Hitachi Metals, Ltd., and Recommendation of Tender” dated April 28, 2021 and “Announcement Concerning Progress of the Tender Offer by K.K. BCJ-52 for the Shares of Hitachi Metals, Ltd. (Securities Code 5486)” dated November 30, 2021, a tender offer by K.K. BCJ-52 (“BCJ-52”) for the common shares of the Company and other matters (the “Tender Offer”) are planned in the future. BCJ-52 intends to make the Company its wholly owned subsidiary through the Tender Offer and a series of transactions thereafter. As a result, the Company will be independent from the Hitachi Group and its common shares will be delisted. Following the transaction, the Company will aim to increase its corporate value through renewed growth by speeding up transformation and growth, obtaining investment funds, and introducing external knowledge to reinforce its competitiveness and profitability by undertaking business reforms with the new partner.

(Note)

With regard to K.K. BCJ-52, please refer to (Notes) on pages 23 through 24.

Revenues	¥942,701 million (up 23.8% year on year)	↑
Adjusted Operating Income	¥26,809 million (up ¥31,786 million year on year)	↑
Operating Income	¥26,695 million (up ¥75,908 million year on year)	↑
Free Cash Flow	¥23,479 million (down ¥31,298 million year on year)	↓

The results by business segment are as follows. Note that revenues for each segment include intersegment revenues.

Advanced Metals Division

Specialty Steel Products

Revenues	¥261,760 million (up 20.4% year on year)	↑
Adjusted Operating Income	¥17,120 million (up ¥16,309 million year on year)	↑
Operating Income	¥15,861 million (up ¥27,837 million year on year)	↑

Business Overview

Specialty Steel: Molds and tool steel, Automobile-related materials, Razor and blade materials, Precision cast components, Aircraft- and energy-related materials, Display-related materials, Semiconductor and other package materials, and Battery-related materials
Roll: Rolls for steel mills, Injection molding machine parts, Structural ceramic products, and Steel-frame joints for construction

Revenues across the entire Specialty Steel Products segment for the fiscal year ended March 31, 2022, were ¥261,760 million, an increase of 20.4% as compared with those of the fiscal year ended March 31, 2021.

<Tool Steel>

Sales of molds and tool steel increased year on year reflecting an increase in both Japanese and international demand. Sales of materials for industrial equipment increased year on year due to a rise in demand for products related to automobiles. Among aircraft and energy-related materials, sales of aircraft-related materials remained sluggish as a result of travel restrictions following the spread of COVID-19. However, as demand related to small- and medium-sized passenger aircraft grew markedly in each quarter, overall sales of aircraft and energy-related materials remained virtually unchanged year on year for the fiscal year ended March 31, 2022. Sales of electronic materials increased year on year due to remaining high levels of demand for semiconductor package materials and solid sales of clad metals for smartphones and batteries, in addition to increased sales of organic EL panel-related components.

<Roll>

While sales of various rolls remained virtually unchanged year on year, demand for steel-frame joints for construction continued to pick up since the third quarter ended December 31, 2021, and sales of injection molding machine parts remained brisk. As a result, sales of rolls on the whole increased year on year.

Adjusted operating income increased by ¥16,309 million year on year to ¥17,120 million, due in part to an increase in demand for our mainstay products. Meanwhile, operating income climbed ¥27,837 million year on year to ¥15,861 million. This was attributable to the posting of ¥12,226 million in impairment losses, recorded under other operating expenses, in the fiscal year 2020 ended March 31, 2021, on top of an increase in adjusted operating income.

Advanced Metals Division

Functional Components and Equipment

Revenues	¥313,965 million (up 26.6% year on year)	↑
Adjusted Operating Loss	¥(9,611) million (improved by ¥3,201 million year on year)	↑
Operating Loss	¥(11,290) million (improved by ¥7,838 million year on year)	↑

Business Overview

Automotive Casting: Ductile cast iron products, Cast iron products for transportation equipment, Heat-resistant exhaust casting components, and Aluminum components
Piping Components: Piping and infrastructure components (pipe fittings, valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices and sealed expansion tanks)

Revenues in the Functional Components and Equipment segment for the fiscal year ended March 31, 2022, were ¥313,965 million, an increase of 26.6% compared with those of the fiscal year ended March 31, 2021.

<Automotive Casting>

Sales of heat-resistant exhaust casting components saw a year-on-year decrease owing to the changes in product mix and the impact of production adjustments carried out by automobile manufacturers. Sales of cast iron products were impacted by production adjustments carried out by automobile manufacturers. Nonetheless, due to the impact from the rise in raw material prices (sliding-scale raw material price system) as well as an increase in demand for components for commercial vehicles and construction and agricultural equipment in the North America market, revenues outperformed the previous fiscal year. As a result, sales of automotive casting components as a whole increased year on year.

<Piping Components>

Sales of mainstay pipe fittings expanded year on year, owing to an increase in demand mainly thanks to a recovery in housing starts in Japan and the U.S. Sales of equipment for semiconductor manufacturing devices increased year on year as capital investment demand remained brisk reflecting the strength of the semiconductor market. As a result, sales of piping components as a whole increased year on year.

Adjusted operating loss improved by ¥3,201 million year on year as a whole, resulting in a loss of ¥9,611 million, due in part to the improved profitability of heat-resistant exhaust casting components and a rise in demand in other businesses, despite the worsening profitability of automotive casting products in North America. Meanwhile, operating loss was ¥11,290 million, an improvement of ¥7,838 million year on year. This was attributable to the absence of ¥5,847 million in impairment losses, which were recorded as other operating expenses a year earlier, on top of the improvement in adjusted operating income.

Advanced Components & Materials Division

Magnetic Materials and Applications / Power Electronics

Revenues	¥136,216 million (up 28.3% year on year)	↑
Adjusted Operating Income	¥12,794 million (up ¥10,313 million year on year)	↑
Operating Income	¥12,947 million (up ¥27,031 million year on year)	↑

Business Overview

Magnetic Materials: Rare-earth magnets, Ferrite magnets, and Other magnets and applied products
Power Electronics Materials: Soft magnetic materials (amorphous metals, nanocrystalline magnetic material, and soft ferrite) and applied products, and Ceramic components

Revenues in the Magnetic Materials and Applications/ Power Electronics segment for the fiscal year ended March 31, 2022 were ¥136,216 million, an increase of 28.3% year on year.

<Magnetic Materials>

Sales of rare earth magnets and ferrite magnets were impacted by production adjustments implemented by automobile manufacturers. In comparison with the previous fiscal year, the automotive related revenues increased. Specifically, in the rare earth magnets business, demand trended briskly related to FA/robots. As such in the magnetic materials business overall, revenues were up year on year.

<Power Electronics Materials>

Soft magnetic materials, and their applied products saw brisk demand for use in telecommunications applications such as smartphones, tablets, and server equipment. Demand for amorphous metals for transformers also increased mainly in Asia. As a result, sales of soft magnetic materials, and their applied products as a whole increased year on year. Sales of ceramic components increased year on year due to an increase in demand for use in automobiles as well as for server equipment and continued strength in demand for use in medical devices from the previous fiscal year. As a result, sales of power electronics materials as a whole increased year on year.

Adjusted operating income increased by ¥10,313 million year on year to ¥12,794 million, due to an increase in demand for both magnetic materials and power electronics materials. Meanwhile, operating income climbed ¥27,031 million year on year to ¥12,947 million. This was attributable to the posting of ¥15,657 million in impairment losses, recorded under other operating expenses, in the fiscal year 2020 ended March 31, 2021, on top of an increase in adjusted operating income.

Advanced Components & Materials Division

Wires, Cables, and Related Products

Revenues	¥230,181 million (up 21.6% year on year)	↑
Adjusted Operating Income	¥5,224 million (up ¥664 million year on year)	↑
Operating Income	¥3,686 million (up ¥1,854 million year on year)	↑

Business Overview

Electric Wire & Cable: Industrial cables, Electronic wires, Electric equipment materials, Cable assemblies, and Industrial rubber products
Automotive Components: Electronic components for automotive, and Brake hoses

Revenues in the Wires, Cables, and Related Products segment for the fiscal year ended March 31, 2022, were ¥230,181 million, an increase of 21.6% year on year.

<Electric Wire & Cable>

Sales of wires and cables for rolling stock decreased year on year mainly reflecting a decline in demand among users in China. In wires, cables, and tubes for medical devices, revenues overall increased due to the demand increased year on year. Sales of magnet wires increased year on year reflecting a recovery in demand mainly for automotive and industrial equipment use. Sales of electronic wires increased year on year due to an increase in demand for FA/robot applications. As a result, sales of electric wires and cables as a whole increased year on year.

<Automotive Components>

Sales of automotive components overall rose in contrast with last fiscal year, although the recovery trend had grown sluggish since the second quarter ended September 30, 2021 due to production adjustments implemented by automobile manufacturers.

Adjusted operating income increased by ¥664 million year on year to ¥5,224 million, due to an increase in demand mainly for electric wires and cables. Meanwhile, operating income was ¥3,686 million, an increase of ¥1,854 million year on year. This was attributable to the absence of ¥2,003 million in impairment losses, which were recorded as other operating expenses a year earlier, on top of an increase in adjusted operating income.

Other

Revenues	¥2,169 million (down 15.1% year on year)	↓
Adjusted Operating Income	¥300 million (down ¥579 million year on year)	↓
Operating Income	¥5,571 million (up ¥4,303 million year on year)	↑

Business Overview

Real estate business; software business, etc.

Revenues in the other segment for the fiscal year ended March 31, 2022, were ¥2,169 million, a decrease of 15.1%, and adjusted operating income decreased by ¥579 million to ¥300 million, as compared with the fiscal year ended March 31, 2021. Operating income of the segment increased by ¥4,303 million to ¥5,571 million year on year.

(Note)

In order to give a true view of the condition of the Company's business without the effects of reorganization, adjusted operating income (loss) is presented as operating income (loss) in the table above, wherein said "adjusted operating income (loss)" is the operating income (loss) recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses.

(2) Tasks for the Hitachi Metals Group

(i) Misconduct regarding product quality

The Company established a special investigation committee consisting of outside experts in April 2020, and conducted the investigation to confirm the facts and determine the cause of the misconduct following the discovery of conduct including the misrepresentation of test results in inspection reports submitted to customers of certain products manufactured by the Company and its subsidiaries. Furthermore, after the completion of the investigation by the committee, the Company continued detail investigation on some locations (hereinafter referred to as the “Continued Investigation”). As a result of these investigations, it was confirmed that the misconduct, such as rewriting the inspection results of the characteristics specified in the specifications agreed with customers and delivery of products to customers that do not meet the specifications agreed upon with the customer, had been conducted for the magnet products, specialty steel products, automotive casting products, etc., manufactured by the Group.

We would like to express our deepest apologies once again to our stakeholders such as customers and shareholders for the significant inconvenience caused by such misconduct. The entire company makes it a top priority the measures to prevent recurrence described below, and devote ourselves entirely to implement them. We will continue to make efforts to regain the trust by being reborn as a company that adheres to integrity in all aspects of its operations, always keeping in mind once again that the products and services of the Group are used in a wide range of fields in the society.

<Measures to prevent recurrence of the Misconduct>

On April 1, 2021, the Company established Quality Compliance Committee established as an advisory body to Board of Directors consisting of 2 members of external experts and Chief Quality Officer of the Company. The Committee held meetings of 26 times between its establishment and March 31, 2022, and conducts the inspection etc., for execution and effectiveness of measures to prevent recurrence. Current status of each measure to prevent recurrence as follow:

(A) Changing the mindset and behavior to prioritize quality

a. In order to deepen employee understanding of quality compliance and ensure effectiveness of the change, the Company continuously conducts sending messages form the management concerning quality compliance and holding town hall meetings on quality. In addition, since the fiscal year 2021, the Company engages in improvement of personnel assessment for management position to add “Integrity (sincerity and honesty)” into their evaluation items, etc.

b. In order to clarify the standards of judgment and behavior regarding quality assurance, and increase transparency in reporting in case of discovery of quality assurance matters, the Company reorganized regulations related to quality assurance and put them into operation in December 2020. Furthermore, the Company proceeds maintenance of detailed regulations concerning Quality Management System mainly such as phase change management process, design/development process and irregular handling process etc.

c. Having designated April 27 as Quality Compliance Day and April as Quality Compliance Month, the Company proceeds improvement of awareness-raising for quality compliance in all employees by conducting education and setting up opportunity of dialogue in the workplace. In addition, the Company added quality compliance program in employee level-based training in order to systematically and continuously implement effective employee education.

d. The Company has mechanisms in place for rigorous disciplinary measures in the event of identification of quality compliance violations. Furthermore, in addition to taking a rigorous stance with regard to quality compliance violations, employees are familiarized with the internal reporting system through educational programs, etc.

(B) Drastic improvement of the quality assurance system and strengthening of its foundation

Efforts to strengthen the quality assurance system have included establishing a new position of Chief Quality Officer (CQO) in June 2020, clarifying in the internal rules that each of the CQO and the General Manager of Corporate Quality Assurance Division also has the authority and responsibility to order to stop the shipment of relevant products when a quality risk is recognized, and increasing headcounts of the Corporate Quality Assurance Division etc. On April 1, 2021, the Company strengthened the independence of the Corporate Quality Assurance Division by reorganizing the quality assurance department of each group company in Japan and overseas to organization directly reporting to president of such each company, and by seconding the head of the quality assurance department of each subsidiary to the Corporate Quality Assurance Division of the Company. We also plan and conduct mobilization of employees among business divisions including the quality assurance division and other divisions. In addition, the Company established Company-Wide SQ (Safety & Quality) Meeting in December 2020, and built up the system that relevant Executive Officers, General Managers of Reginal Offices/Works, Presidents of group companies etc., shall share and tackle policy and important issues concerning health and safety and quality management.

(C) Improvement of the quality control processes

a. We will proceed the strengthening of the decision-making process for new orders by establishing Philosophy of Quality Activities and amendment of Sales rules, stipulating them as clear company-wide detailed regulations related to quality control processes and guidelines for creating customer specifications, and also ensuring that all employees are aware of them.

b. We are proceeding the establishment of a system to continuously check and improve the process and production capacity of each manufacturing site with which it can stably mass-produce the products. In addition, as our engagement to improve the process, we started the activities to decrease dispersion of 4M (Man, Machine, Material, Method) in the process.

c. With regard to the system that the special investigation committee reported it enables human to rewrite test results existed, we changed such system that it is impossible to rewrite those data. Furthermore, we will establish a system that can automatically generate and manage inspection data appropriately, investing a total 10 billion yen by around 2024. Investing 700 million yen, we started introducing that system at each manufacturing fiscal 2021

(D) Monitoring of quality compliance and strengthening of the internal reporting system

In July 2021, we reviewed the structure of internal audits (integrity audits) by the Corporate Quality Assurance Division. We will proceed integrity audits based on the reviewed structure from the second quarter ended September 30, 2022. In addition, we have conducted the audit to the Corporate Quality Assurance Division by the Internal Auditing Office. Additionally, we have enhanced the monitoring by the Audit Committee and the Board of Directors.

(E) Measures to prevent recurrence based on the Continued Investigation

Considering that many of the reasons confirmed in the investigation by the special investigation committee apply to the misconduct confirmed in the Continued Investigation, as additional measures, we additionally plan and carry out measures to prevent recurrence such as education on our products, improvement for policies, in line with establishment of more open-mind corporate culture and active information sharing.

(ii) Business Plan and its progress

In October 2020, the Group released details of its business plan up to fiscal 2022, which aims to implement cost structure reforms to improve business performance at an early stage and to transform itself into a profitable basis that can secure the resources for future growth investments. Based on this business plan, the Group implemented a range of policies for future growth under the slogan “Set to Grow” in fiscal 2021. A particular focus was to construct a robust profit structure resilient to demand fluctuation through improving the cost structure and lowering the breakeven point. As a result, we were able to get back into positive earnings territory in fiscal 2021 by strengthening the earnings structure, while leveraging recovery in demand in automotive and semiconductor related areas.

The following are the focal points for fiscal 2022, under the slogan "Accelerating Transformation and Growth."

A. Establish a safety-oriented corporate culture

B. Ensure a culture of "Integrity (sincerity and honesty)"

C. Further strengthen the operating base for growth

C-1 Improve profitability and secure cash flows

C-2 Strengthen the monozukuri capabilities and capital efficiency

D. Promote environmental management

Through these measures, the Group will build a business structure that enables generation of investment funding for future growth, and brings us closer to the goal of being a high-performance materials company that supports a sustainable society, the goal of our medium to long-term vision for the Company.

(iii) Climate change initiatives

With accelerated climate change initiatives underway around the world based on the Paris Agreement, and after the Japanese government in October 2020 announced its policy goal of reducing greenhouse gas emissions, including carbon dioxide (CO2), effectively to zero by 2050, companies too are expected to take still more active measures to promote the decarbonization of society. Based on the above, the Group has set the following targets for reducing CO2 emissions *1

Medium-term goal: 38% reduction by fiscal 2030 (compared with fiscal 2015*2)

Long-term goal: Zero emissions by fiscal 2050 (carbon neutrality)

*1: Absolute total values under Scope 1 (direct CO2 emissions at the Company) and Scope 2 (indirect emissions from use of electricity, heat and steam provided by other companies)

*2: Carbon dioxide emission volumes in fiscal 2015: 2,779,000 t-CO2/year

The Group aims to be a "high-performance materials company that contributes to a sustainable society." In addition to reducing CO2 emissions from our own businesses, we believe that it is important to contribute to reducing CO2 emissions in society by developing advanced materials and offering them to customers. Following this belief, we define key environmentally conscious products as those targeted for growth based on a management strategy that contributes significantly to resolving environmental issues such as climate change and resource recycling. We are promoting the expansion of revenue ratios from these products.

Furthermore, in June 2021, the Company made public its support for Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, which propose disclosure of climate change initiatives, and, in order to ensure continuous disclosure of information based on the recommendations, is proceeding with scenario analysis regarding the impact of climate change on business and financial activities, and with verification of countermeasures.

A tender offer, etc. for the common stock of the Company by K.K. BCJ-52 (hereinafter referred to as the "Tender Offer") is scheduled in the future. K.K. BCJ-52 intends to make the Company its wholly-owned subsidiary through the Tender Offer and a series of transactions to be conducted thereafter. As a result, the Company will be separated from the Hitachi Group and its common stock will be delisted. Through this detachment from the Hitachi Group, the Company will be able to pursue its own growth strategy without being constrained by the portfolio strategy of Hitachi, Ltd. Delisting will also enable us to engage in strategic planning from a long-term perspective, large-scale investments and bold reforms with a sense of speed. Through utilizing the global knowledge and networks of our new partners to explore investment opportunities and obtain funding as well as developing and implementing growth strategies, we will restore our competitiveness and profitability by responding more quickly and more professionally to rapid market changes and thus achieve sustainable growth and increase corporate value.

(Note) K.K. BCJ-52 is a wholly owned subsidiary of G.K. BCJ-51 (the "Parent Company of Tender Offeror"), which was established on April 23, 2021 for the primary purpose of holding all of the shares of the Company as well as controlling and managing the business activities of the Company. The investment funds owned and operated by Bain

Capital Private Equity, LP and its group (hereinafter collectively referred to as "Bain Capital") indirectly owns all of the equity of the Parent Company of Tender Offeror; however, the Parent Company of Tender Offeror will accept investments from the funds managed, operated, and provided with information by Japan Industrial Partners, Inc. (hereinafter referred to as "JIP"), an investment fund for which Bain Capital provides investment advice, as well as the funds operated by Japan Industrial Solutions Co., Ltd. (hereinafter referred to as "JIS" and the investments by those funds collectively referred to as "Investments") before the commencement date of settlement for the Tender Offer. After such Investments, the funds provided with investment advice by Bain Capital, the funds managed, operated, and provided with information by JIP, and the funds operated by JIS will indirectly own the entire outstanding shares of the Parent Company of Tender Offeror.

(3) Research and Development at the Hitachi Metals Group

The Group has been investing in advanced materials research and development themes that contribute to sustainable growth and social contribution. In particular, the Company is strengthening development of new products and businesses that contribute to an environment-friendly society. Furthermore, the Company has also been shortening the development period by using digital technologies including AI and materials informatics.

The Group's research and development expenses in the fiscal year under review and in the preceding two fiscal years are as follows:

Category	83rd business term (FY2019)	84th business term (FY2020)	85th business term (FY2021)
R&D expenses	¥15,918 million	¥14,475 million	¥12,404 million

Major research tasks and research and development expenses by business in the fiscal year under review are as follows:

Business segment	Major research tasks	Research and development expenses
Specialty Steel Products	To develop products and materials such as high-grade specialty steel products, and rolls for steel mills, which are targeted for materials, manufacturing recipes and related technologies for metal 3D printers, molds and tools, electronic materials, industrial equipment materials, aircraft- and energy-related materials, and other areas	¥3,783 million
Functional Components and Equipment	To develop pressure-type mass flow controllers, special alloy piping, and adsorption filters for water treatment, and piping components including pipe fittings, valves, heat-resistant exhaust casting components and others	¥2,571 million
Magnetic Materials and Applications / Power Electronics	To develop materials and products such as high-performance magnets, high-frequency parts and components for information devices, amorphous metals and nanocrystalline magnetic materials, and other magnets and ceramics products, as well as their application products	¥1,820 million
Wires, Cables, and Related Products	To develop materials related to wires, cables, and magnet wires for industrial, vehicles and automobiles, electric equipment, medical and other purposes and their manufacturing process technology and connection technology, as well as electronic components and hoses for automotive, industrial rubbers, etc.	¥4,230 million

Major results of our research and development activities by business for the fiscal year under review are as follows. The Company expects that these results will contribute to environmental and social issues such as the provision of lighter weight, fuel saving, energy saving products, decarbonization not only in the automobile-related industry in which a shift to electrification (xEV)*1 is progressing, but in the industrial infrastructure-related industry and the electronics-related industry.

Business segment	Major results
Specialty Steel Products	• We have developed HZR150 copper alloy for high strength without loss of conductivity in xEV relay terminals. This product reduces heat generation through electrical resistance when energized, and reduces welding hazard with movable and fixed terminals. • We have developed a new cladding material, Cu/36Ni-Fe/Cu clad metal, for power modules with high thermal conductivity rates and a low thermal expansion coefficient. It can be used for components in lead materials, thermal stress buffer materials and heat spreader materials, to contribute to improved performance in next-generation power modules. • We have developed the L-Frex®H PVD (physical vapor deposition) coating with superior durability for cold aluminum pressing. With a maximum hardness equivalent to around 4,000 HV, this product is a leader among hydrogen-containing diamond-like carbon coatings. It can be expected to lengthen the life of molds used for aluminum press applications, such as peripheral compounds for door panels that cannot be formed due to galling. • By incorporating steel grade independent organization control processes into alloy designs that bring to bear high-temperature strength, we have developed the DAC®-X steel for diecast molds. It excels at resisting heat cracks, and can extend mold lifetime. This product contributes to reduction of mold repair man-hours and improves productivity and quality in high-cycle diecast product operations. • We have developed the SLD®-f cold die steel, which, using its compound structure that generates belag*2 and finer coarse carbides, enables machinability some 3.5 times higher than that of SKD11 standard cutting conditions. This product contributes to improvement of cutting processing speeds and reduction of mold-processing time at customers.
Functional Components and Equipment	• We have developed BU1FWBL-E, a pressure-resistant, explosion-proof, variable opening/closing speed, electric-motor segmented ball valve that can be used in explosive environments such as chemical plants. The opening-closing times can be set individually, and a valve status-monitoring function is included. This product contributes to reduction of construction and operational costs.
Magnetic Materials and Applications / Power Electronics	• Through a newly developed organizational control technology, we have developed the NMX-G1NH series of high-performance rare earth magnets that greatly reduce the volume of heavy rare earths used. While reducing procurement risk for rare elements, the series can be expected to contribute to greater compactness and high efficiency in xEV and other motors.
Wires, Cables, and Related Products	• In a joint venture with Central Japan Railway Company (JR Central), we have successfully commercialized a trolley wiring optical-fiber alert system. By giving a real-time understanding of the status of trolley wire wear, problems can be pre-empted; in the event of a broken wire, it is easy to pinpoint where the incident happened. This product helps reduce railroad infrastructure maintenance man-hours, contributing to promotion of smart railroads.

*1 A general term for electric vehicles (EVs), hybrid electric vehicles (HEVs), and plug-in hybrid electric vehicles (PHEVs).

*2 An oxide-based weld deposit formed on the rake face of a cutting tool during work. A lubricating effect and reduced tool wear result from belag formation.

(4) Capital Investments at the Hitachi Metals Group

Capital investments (figures are based on the purchase cost of property, plant and equipment and intangible assets) in the fiscal year under review and in the preceding two fiscal years are as follows:

Category	83rd business term (FY2019)	84th business term (FY2020)	85th business term (FY2021)
Capital investment	¥53,019 million	¥28,806 million	¥34,349 million

The major investment purposes and amount invested by business segment in the fiscal year under review are as follows:

Business segment	Investment purpose	Amount invested
Specialty Steel Products	To build production systems for the electronic materials and streamline, and upgrade production facilities for tool steel and the industrial materials/molds sectors in Japan	¥9,716 million
Functional Components and Equipment	To build, streamline, and upgrade production systems for the automotive casting sectors in overseas	¥9,114 million
Magnetic Materials and Applications / Power Electronics	To build production systems and increase production capacity for the magnetic materials sectors in overseas, and to increase production capacity for the power electronics materials sectors in Japan and overseas.	¥6,551 million
Wires, Cables, and Related Products	To build production systems and increase production capacity for the electric wire & cable/automotive components sectors in Japan and overseas	¥6,834 million

The Company is investing proactively in next-generation metal products, and the above capital investments include investments that incorporate an element of R&D. At the same time, the Company is taking steps to strengthen its production technologies through the use of IoT.

(5) Financing and Borrowings by the Hitachi Metals Group (As of March 31, 2022)

The Group borrowed short-term loan, while making the repayment of long-term loans during the current fiscal year. As a results, the Group's interest-bearing debt at the end of the current fiscal year was ¥196,909 million, an increase of ¥1,591 million from the end of the previous fiscal year.

Main borrowings as of the end of the fiscal year under review are as follows:

Name of company	Creditors	Balance of borrowings
Hitachi Metals, Ltd.	MUFG Bank, Ltd.	(millions of yen) 42,250
	Mizuho Bank, Ltd.	7,600
	Sumitomo Mitsui Banking Corporation	6,200
	Sumitomo Mitsui Trust Bank, Limited	4,010
	Shinkin Central Bank	3,100
Hitachi Metals America, Ltd.	Hitachi America Capital, Ltd.	(thousands of U.S. dollars) 400,000 (¥48,956 million)
	MUFG Bank, Ltd.	96,000 (¥11,749 million)
	Mizuho Bank, Ltd.	30,000 (¥3,672 million)
	Sumitomo Mitsui Banking Corporation	20,000 (¥2,448 million)
	Sumitomo Mitsui Trust Bank, Limited	20,000 (¥2,448 million)
Hitachi Metals San Huan Magnetic Materials (Nantong) Co., Ltd.	Fuyo General Lease (China) Co., Ltd.	(thousands of RMB) 45,116 (¥869 million)
	Fuyo General Lease (HK) Limited	37,414 (¥720 million)
	Sumitomo Mitsui Banking Corporation (China) Limited	26,110 (¥503 million)
Hitachi Cable Vietnam Co., Ltd.	Hitachi International Treasury Ltd.	16,700 (¥2,044 million)

(Note) Figures shown in parentheses in the column of "Balance of borrowings" are those converted into the Japanese yen using exchange rates as of March 31, 2022.

(6) Significant Corporate Reorganization, etc.

(i) Effective April 1, 2021, the Company's manufacturing division for heat-resistant exhaust casting components and ceramic filters was transferred to Kyushu Techno-Metal Ltd., a wholly owned subsidiary of the Company, using the company split (simplified absorption-type split) method.

(ii) On October 1, 2021, major parts of sales departments of Hitachi Metals Trading, Ltd., a wholly owned subsidiary of the Company was transferred to the Company, by way of corporate separation and also by way of corporate separation, Hitachi Metals Trading, Ltd. transferred the process business of metal materials etc., to Hitachi Metals Tool Steel, Ltd., a wholly owned subsidiary of the Company.

(7) Income and Assets of the Hitachi Metals Group and the Company for the Most Recent Three Business Terms

(i) Income and Assets of the Hitachi Metals Group

Item	82nd business term (FY 2018)	83rd business term (FY 2019)	84th business term (FY 2020)	85th business term (FY 2021)
	IFRS	IFRS	IFRS	IFRS
Revenues (millions of yen)	1,023,421	881,402	761,615	942,701
Operating income (loss) (millions of yen)	42,442	(39,126)	(49,213)	26,695
Net income (loss) attributable to shareholders of the parent company (millions of yen)	31,370	(37,648)	(42,285)	12,030
Basic earnings (loss) per share attributable to shareholders of the parent company (yen)	73.37	(88.05)	(98.90)	28.14
Total equity (millions of yen)	595,211	522,853	492,118	531,118
Total assets (millions of yen)	1,099,252	977,766	972,249	1,069,695
Free cash flow (millions of yen)	(29,665)	49,540	54,777	23,479

(Notes)

1. "Basic earnings (loss) per share attributable to shareholders of the parent company" is calculated using the average total number of issued shares during the term after deduction of treasury stock.
2. "Free cash flow" is presented for reference purposes.

(ii) Income and Assets of the Company

Item	82nd business term (FY 2018)	83rd business term (FY 2019)	84th business term (FY 2020)	85th business term (FY 2021)
	J-GAAP	J-GAAP	J-GAAP	J-GAAP
Net sales (millions of yen)	535,308	471,933	409,931	516,993
Operating income (loss) (millions of yen)	4,913	(10,159)	(17,052)	6,957
Net income (loss) (millions of yen)	16,421	(18,622)	(8,975)	29,547
Net income (loss) per share (yen)	38.41	(43.55)	(20.99)	69.11
Net assets (millions of yen)	379,638	348,127	333,666	351,451
Total assets (millions of yen)	739,578	664,712	670,703	711,320

(Note) "Net income (loss) per share" is calculated using the average total number of issued shares during the term after deduction of treasury stock.

(8) Major Facilities of the Hitachi Metals Group (As of March 31, 2022)

(i) Major Facilities of the Company

Facility		Location	Facility		Location
Head office		Tokyo	Works	Yasugi Works	Shimane
Regional Offices and Sales Offices	Kitanihon Sales Office	Miyagi		Okegawa Works	Saitama
	Ibaraki Sales Office	Ibaraki		Moka Works	Tochigi
	Shinshu Sales Office	Nagano		Kuwana Works	Mie
	Central Japan Regional Office	Aichi		Kumagaya Works (Magnetic Materials Plant)	Saitama
	Western Japan Regional Office	Osaka		Yamazaki Manufacturing Dept.	Osaka
	Chugoku Sales Office	Hiroshima		Metglas Yasugi Works	Shimane
	Kyushu Sales Office	Fukuoka		Ibaraki Works	Ibaraki
			Research institutes	Global Research & Innovative Technology Center	Saitama
				Metallurgical Research Laboratory	
				Specialty Steel Research Dept.	Shimane
				Functional Components Research Dept.	Tochigi
				Advanced Components & Materials Research Laboratory	
				Magnetic Materials Research Dept.	Saitama
				Power Electronics Materials Research Dept.	Tottori
				Cable Materials Research Dept.	Ibaraki

(Notes)

1. Eastern Japan Regional Office (Tokyo) was discontinued on April 1, 2021.
2. On July 1, 2021, Kitakanto Sales Office (Gunma) was discontinued.
3. Shinshu Sales Office (Nagano) was established on October 1, 2021.
4. On March 31, 2022, Saga Works (Saga) was discontinued.

(ii) Major Facilities of Subsidiaries

The locations of key subsidiaries are shown on pages 32 through 33.

(9) Employees of the Hitachi Metals Group (As of March 31, 2022)

(i) Employees of the Hitachi Metals Group

Business segment	Number of employees
Specialty Steel Products	6,037
Functional Components and Equipment	6,912
Magnetic Materials and Applications / Power Electronics	5,804
Wires, Cables, and Related Products	8,228
Other	100
Corporate (head office and others)	690
Total	27,771

(Notes)

1. The numbers shown in the above table represent the actual numbers of employees (excluding the Group's employees dispatched outside the Group and including loan employees dispatched from outside the Group) excluding temporary employees (6,232 employees).
2. The number of employees listed for "Corporate (head office and others)" refers to employees that cannot be classified into specific business segments such as those in administrative divisions.
3. The number of employees decreased by 849 compared to the end of the previous fiscal year.

(ii) Employees of the Company

Number of employees	Average age	Average length of service
5,889	43.9	20.8 years

(Notes)

1. The numbers shown in the above table represent the actual numbers of employees (excluding the Company's employees dispatched outside the Company and including loan employees dispatched from outside the Company) excluding temporary employees (973 employees).
2. The number of employees decreased by 734 compared to the end of the previous fiscal year. This is mainly due to the transfer of the manufacturing division of heat-resistant exhaust casting components and ceramic filters at the Company to Kyushu Techno Metal, Ltd., a wholly owned subsidiary of the Company, by way of corporate separation, and retirements utilizing the support system of early retirement recruitment.

(10) Parent Company and Key Subsidiaries (As of March 31, 2022)

(i) Relationship with the Parent Company

Name of company	Capital	Voting rights	Description
	(millions of yen)	%	
Hitachi, Ltd.	461,731	53.4	The Company and Hitachi, Ltd. engage on an ongoing basis in transactions that include trade in products, provision of services, provision of technology, the provision of loans and concurrent positions of officers.

(Note) The transactions with Hitachi, Ltd. stated in "Transactions with related parties" in the "Notes to Non-Consolidated Financial Statements" are cash deposits under the Hitachi Group Pooling Scheme. The Company adopted the policy that regulates transactions with Hitachi, Ltd. to be fairly carried out, based on market prices. The Company's Board of Directors confirmed that the above transactions were carried out in accordance with such policy based on the fact that the interest rates for financing transactions with Hitachi, Ltd. under the scheme were reasonably set taking market interest rates into consideration, and hence, determined that there was no harm to the interests of the Company.

(ii) Key Subsidiaries

Name of company	Capital	Voting rights	Location	Major business domains
(Subsidiaries) Hitachi Metals Trading, Ltd.	(millions of yen) 350	% 100	Tokyo	Sale of wires and cables, etc.
Hitachi Metals Tool Steel, Ltd.	100	100	Tokyo	Sale, processing, heat treating and finishing of specialty steels, etc.
Tonichi Kyosan Cable, Ltd.	3,569	100	Ibaraki	Manufacturing, assembling and sale of electric wires, cables and fiber optic cables
Hitachi Metals Neomaterial, Ltd.	400	100	Osaka	Manufacturing of metallic electronic materials, etc.
Santoku Corporation	1,500	100	Hyogo	Recycling of rare-earth metals, and manufacturing and sale of magnet materials and battery materials
NEOMAX KINKI Co., Ltd.	400	100	Hyogo	Manufacturing of rare-earth magnets
HMY, Ltd.	144	100	Shimane	Manufacturing and processing of specialty steels, etc.
Hitachi Metals Wakamatsu, Ltd.	65	100	Fukuoka	Manufacturing of rolls, construction-related materials, injection molding machine cylinders, ceramics, etc.
Hitachi Metals America, Ltd.	(thousands of U.S. dollars) 92,300 (¥11,297 million)	100	USA	Sale of specialty steel products, functional components and equipment, and magnetic materials and applications / power electronics materials in North America
Waupaca Foundry, Inc.	(U.S. dollars) –	100 (100)	USA	Development, manufacturing and sale of cast iron products for transportation equipment
Hitachi Cable America Inc.	(thousands of U.S. dollars) 49,947 (¥6,113 million)	100 (100)	USA	Manufacturing and sale of automotive components, wires and cables and medical tubes in North America
Ward Manufacturing, LLC	(thousands of U.S. dollars) 44,074 (¥5,394 million)	100 (100)	USA	Manufacturing and sale of pipe fittings
Hitachi Metals Europe GmbH	(thousands of euros) 2,220 (¥303 million)	100	Germany	Sale of specialty steel products, functional components and equipment, magnetic materials and applications / power electronics materials, and wires, cables, and related products in Europe
Hitachi Metals (China), Ltd.	(thousands of RMB) 749,021 (¥14,426 million)	100	China	Sale of specialty steel products, functional components and equipment, magnetic materials and applications / power electronics materials, and wires, cables, and related products in China
Hitachi Cable (Suzhou) Co., Ltd.	(thousands of RMB) 338,613 (¥6,522 million)	100	China	Manufacturing and sale of electric wires, processed electric wires, wiring devices, and automotive components
Hitachi Metals Hong Kong Ltd.	(thousands of Hong Kong dollars) 24,000 (¥375 million)	100	China	Sale of specialty steel products, magnetic materials and applications / power electronics materials, and wires, cables, and related products; and manufacturing of ferrite products and applied products in Hong Kong and South China
Hitachi Metals Korea Co., Ltd.	(millions of Korean Won) 1,427 (¥145 million)	100	South Korea	Manufacturing and sale of specialty steel products; and sale of wires, cables, and related products in South Korea
Nam Yang Metals Co., Ltd.	(millions of Korean Won) 19,000 (¥1,925 million)	100	South Korea	Manufacturing and sale of cast iron products for automobile

Name of company	Capital	Voting rights	Location	Major business domains
Hitachi Metals Singapore Pte. Ltd.	(thousands of U.S. dollars) 16,009 (¥1,959 million)	100	Singapore	Sale of specialty steel products, functional components and equipment, magnetic materials and applications / power electronics materials, and wires, cables, and related products in Southeast Asia
Hitachi Metals (Thailand) Ltd.	(thousands of Thai baht) 1,374,700 (¥5,059 million)	100	Thailand	Manufacturing and sale of IT devices and automotive components

(Notes)

1. The number of consolidated subsidiaries of the Company is 62, including 20 key subsidiaries that are selected based on their revenues, operating income, etc., shown in the above table.
2. Figures shown in parentheses in the column of “Capital” are those converted into the Japanese yen using exchange rates as of March 31, 2022.
3. Figures shown in parentheses in the column of “Voting rights” are indirect shareholding ratios.
4. All amounts of paid-in capital for the issuance of shares by Waupaca Foundry, Inc. are recognized as capital surplus; therefore, the capital of the company is US$0.

(11) Other important matters related to the current status of Hitachi Metals, Ltd. and its consolidated subsidiaries

With respect to a tender offer for the Company’s common stock (the “Tender Offer”) by K.K. BCJ-52 (the “Tender Offeror”) and the series of transactions scheduled to be conducted thereafter, the Company resolved at the Board of Directors meeting held on April 28, 2021 to express its opinion, as of the same date, in favor of the Tender Offer, if it is initiated, and to recommend the shareholders of the Company to apply for the Tender Offer.

According to the Tender Offeror, in regard to the tender offer by the Tender Offeror for common shares of the Company, the Tender Offeror would commence the Tender Offer once certain conditions are fulfilled (or waived), such as completion of necessary procedures and measures required by domestic and foreign competition laws and other regulatory laws, and the Tender Offer was expected to commence around late November 2021 as of the announcement date, April 28, 2021.

According to the Tender Offeror, although not all countries’ competition law procedures and measures have been completed at the stage, they continuously make efforts to complete such procedures and measures as soon as possible for the Tender Offer so that it would commence within the fiscal year 2022.

2. Matters Related to Directors and Executive Officers of the Company

(1) Name, Position and Responsibilities, etc. of Directors and Executive Officers

(i) Directors (As of March 31, 2022)

Position	Responsibilities (Committee membership)	Name	Principal concurrent positions
Board Director, Chairperson	Audit Committee	Kenichi Nishiie	
Director	Nominating Committee Chairperson of Audit Committee Compensation Committee	Makoto Uenoyama	
Director	Chairperson of Nominating Committee Audit Committee Chairperson of Compensation Committee	Koichi Fukuo	Outside Director of Seven Bank, Ltd.
Director	Nominating Committee Compensation Committee	Mitsuaki Nishiyama	
Director		Mamoru Morita	Senior Vice President and Executive Officer of Hitachi, Ltd.

(Notes)

1. Two Directors, Mr. Makoto Uenoyama and Mr. Koichi Fukuo are Outside Directors.
2. The Company has assigned Mr. Makoto Uenoyama and Mr. Koichi Fukuo as Independent Directors in accordance with the regulations of Tokyo Stock Exchange, Inc. the fact of which has been reported to the Exchange accordingly.
3. The Company appointed Mr. Kenichi Nishiie as a full-time Audit Committee member in charge of collecting information necessary for the execution of duties of the Audit Committee and coordinating between the Audit Committee and other Directors, Executive Officers and employees.
4. Among the Audit Committee members, Mr. Kenichi Nishiie has past experience in the Company's audit division and in the finance division of the Company's subsidiary; Mr. Makoto Uenoyama has past experience as Director of Panasonic Corporation in charge of accounting and finance; all these members have considerable knowledge in finance and accounting.
5. On June 24, 2021, Mr. Makoto Uenoyama retired from the position of Outside Audit & Supervisory Board Member of SOHGO SECURITY SERVICES CO., LTD.

(ii) Executive Officers (As of March 31, 2022)

Position	Responsibilities		Name	Principal concurrent positions
	Division of duties and supervision	Commissioned task		
Representative Executive Officer Chairperson and President	Overall Management & Operations	Chief Executive Officer	*Mitsuaki Nishiyama	
Representative Executive Officer Vice President and Executive Officer	Finance Division Corporate Export Regulation Office	Chief Financial Officer General Manager, Finance Division	Hiroaki Nishioka	
Vice President and Executive Officer	Human Resources & General Administration Division Kumagaya Works	General Manager, Human Resources & General Administration Division	Naohiko Tamiya	
Vice President and Executive Officer	Advanced Components & Materials Division	General Manager, Advanced Components & Materials Division Deputy General Manager, Corporate Export Regulation Office	Kazuya Murakami	
Executive Officer	Corporate Quality Assurance Division Information Systems Division	Chief Quality Officer	Ryoichi Aita	
Executive Officer	Procurement & Value Engineering for Customers Division Internal Auditing Office CSR Management Office	General Manager, Procurement & Value Engineering for Customers Division Chief Risk Management Officer	Yoshie Asaki	
Executive Officer	Advanced Metals Division	General Manager, Advanced Metals Division Deputy General Manager, Corporate Export Regulation Office	Toru Taniguchi	
Executive Officer	Corporate Management Planning Division	General Manager, Corporate Management Planning Division	Hisaki Masuda	
Executive Officer	Advanced Components & Materials Division	Deputy General Manager, Advanced Components & Materials Division General Manager, Magnetic Materials Business Unit	Kenji Minegishi	
Executive Officer	Technology, Research & Development Division	General Manager, Technology, Research & Development Division General Manager, Global Research & Innovative Technology Center	Hajime Murakami	
Executive Officer	Business Activity & Marketing Division	General Manager, Business Activity & Marketing Division	Toru Yamamoto	

(Notes)

1. Executive Officers marked with * also serve as Director.
2. On March 31, 2022, Mr. Hiroaki Nishioka retired from the position of Representative Executive Officer, and Vice President and Executive Officer of the Company.

3. Executive Officers changed as of April 1, 2022. The new executive members are as follows:

Position	Responsibilities		Name	Principal concurrent positions
	Division of duties and supervision	Commissioned task		
Representative Executive Officer Chairperson and President	Overall Management & Operations	Chief Executive Officer	*Mitsuaki Nishiyama	
Representative Executive Officer Vice President and Executive Officer	Human Resources & General Administration Division Corporate Export Regulation Office Kumagaya Works	General Manager, Human Resources & General Administration Division	Naohiko Tamiya	
Vice President and Executive Officer	Finance Division	Chief Financial Officer General Manager, Finance Division	Tony I. Cha	
Vice President and Executive Officer	Advanced Components & Materials Division	General Manager, Advanced Components & Materials Division Deputy General Manager, Corporate Export Regulation Office	Kazuya Murakami	
Executive Officer	Corporate Quality Assurance Division	Chief Quality Officer	Ryoichi Aita	
Executive Officer	Procurement & Value Engineering for Customers Division Internal Auditing Office CSR Management Office	General Manager, Procurement & Value Engineering for Customers Division Chief Risk Management Officer	Yoshie Asaki	
Executive Officer	Information Systems Division	Chief Information Officer & Chief Digital Officer	Yoshihiro Ammo	
Executive Officer	Advanced Metals Division	General Manager, Advanced Metals Division Deputy General Manager, Corporate Export Regulation Office	Toru Taniguchi	
Executive Officer	Corporate Management Planning Division	General Manager, Corporate Management Planning Division	Hisaki Masuda	
Executive Officer	Advanced Components & Materials Division	Deputy General Manager, Advanced Components & Materials Division General Manager, Magnetic Materials Business Unit	Kenji Minegishi	
Executive Officer	Technology, Research & Development Division	General Manager, Technology, Research & Development Division General Manager, Global Research & Innovative Technology Center	Hajime Murakami	
Executive Officer	Business Activity & Marketing Division	General Manager, Business Activity & Marketing Division	Toru Yamamoto	

(Note) Executive Officers marked with * also serve as Director.

(iii) Outline of Limited Liability Agreement

The Company has concluded agreements with Mr. Kenichi Nishiie, Mr. Makoto Uenoyama, Mr. Koichi Fukuo, and Mr. Mamoru Morita to limit their liabilities for damages as stipulated in Article 423, Paragraph 1 of the Companies Act (hereinafter, the “Liability Agreement”), which is required pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act as well as the provisions of Article 24 of the Articles of Incorporation.

The maximum amount of liabilities for damages under the Liability Agreement is ¥12 million or the amount stipulated by law, whichever is higher.

(iv) Outline of Contents of Directors and Officers Liability Insurance Contracts

The Company has entered into a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, which covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties as an officer or a person at a certain position, or receipt of claims pertaining to the pursuit of such liability. However, there are certain reasons for coverage exclusion, which have been established as a measure to ensure the appropriateness of the insured's performance of duties is not impaired, such as not covering for losses arising as a result of the insured unlawfully gaining profit or advantage, criminal acts, or acts committed while being aware that they violate the laws and regulations. The insured under the contracts shall be Directors, etc., excluding Accounting Auditors (refers to Officers, etc. as defined in Article 423, Paragraph 1 of the Companies Act), and Corporate Officers and shall include retired persons. The Company bears all insurance premiums for all insured persons, including for special clause portions.

(2) Matters Related to Outside Directors

[Major Activities of Outside Directors]

Name	Major activities
Makoto Uenoyama	At the Board of Directors meetings, as needed, provided objective comments as Independent Director based on his extensive experience and advanced knowledge of corporate management gained as a management executive of an international comprehensive electronics manufacturer, and played an appropriate role in helping the Board of Directors fulfill its decision-making and supervisory functions. In addition, as Chairperson of the Audit Committee and an appointed Audit Committee member, led its operation and played an appropriate role in ensuring that the Committee fulfills its functions by conducting on-site audits and exchanging opinions with Representative Executive Officers, managers of internal audit divisions and business execution divisions. In addition, as a member of the Nomination Committee and Compensation Committee, played an appropriate role in ensuring that each Committee fulfills its function by exchanging opinions on the execution system and the selection and training of management candidates, as well as making proposals in determining candidates for Directors and executive compensation.
Koichi Fukuo	At the Board of Directors meetings, as needed, provided objective comments as Independent Director based on his extensive experience and advanced knowledge of corporate management gained as a management executive of an international automotive manufacturer, and played an appropriate role in ensuring that the Board of Directors fulfills its decision-making and supervisory functions. In addition, as Chairperson of the Nomination Committee, led its operation and expressed his opinions and proposals on the executive system, the selection and training of management candidates and decision on candidates for Directors, thereby playing an appropriate role in ensuring that the Committee fulfills its functions. Furthermore, as Chairperson of the Compensation Committee, led its operation and made recommendations in determining executive compensation. In addition, as a member of the Audit Committee, attended the Committee meetings and exchanged opinions with the Representative Executive Officer, thereby playing an appropriate role in ensuring that each Committee fulfills its function.

(Notes)

1. Mr. Makoto Uenoyama and Mr. Koichi Fukuo attended all meetings of the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee held during the fiscal year under review.
2. In addition to the meetings of the Board of Directors as described above, there was a written resolution of the Board of Directors deemed passed in accordance with Article 370 of the Companies Act and Article 22 of the Articles of Incorporation.
3. In October 2021, the Company concluded a continued investigation concerning the inappropriate inspection etc., of certain products of the Company and its subsidiaries. Mr. Makoto Uenoyama and Mr. Koichi Fukuo were not aware of this matter until it was brought to light. After the misrepresentation of test results in the inspection reports submitted to customers of certain products of the Company and its subsidiaries were revealed in April 2020, they received reports on the results of investigations of similar matters, and the progress of the response, etc. to customers, and have been supervising and making recommendations for formulation of various measures related to quality compliance toward recurrence prevention and efforts on individual measures. Since April 2021, they fulfilled their duties by periodically receiving status of activities of Quality Compliance Committee established as an advisory body to Board of Directors and monitoring executions of recurrence prevention measures etc.
4. In deciding to implement a series of transactions related to the Tender Offer for the Company's common stock by K.K. BCJ-52, the Company established a Special Committee consisting Independent Outside Directors who are independent of the Tender Offeror, Hitachi, Ltd. and the Company, and outside experts for the purpose of eliminating arbitrariness in the Company's decision-making process, examining and determining the pros and cons of the transactions, the appropriateness of the terms of the transactions, and the fairness of the procedures, including the process of selecting the purchaser (partner), etc. The Special Committee was held a total of 8 times during this fiscal year, and Mr. Makoto Uenoyama and Mr. Koichi Fukuo attended the meetings to discuss and examine the matters to be consulted regarding the transactions.

(3) Compensation, etc. for Directors and Executive Officers

(i) Policies Concerning the Determination of Compensation, etc.

The Company's Compensation Committee has established a policy for determining the content of compensation, etc. for each Executive Officer, etc. (hereinafter referred to as the "Determination Policy"), and determines the amount of compensation for each Executive Officer, etc. based on the said policy.

A summary of the content of the Determination Policy is as follows.

1. Basic policy on the determination of compensation, etc., for each director and executive officer

(1) Directors and Executive Officers assuming the management of the Company are compensated for executing management that enhances the Company's corporate value and benefits of stakeholders such as shareholders by determining management policies from a long-term perspective, and formulating and executing medium-term management plans and annual business budgets.

(2) The compensation system shall be commensurate with roles and responsibilities of each Director and Executive officer.
Compensation for Directors shall be such that it enables them to exercise functions of supervision of management effectively.
Compensation for Executive Officers shall reflect the Company's short-term and medium- to long-term business performance and appropriate compensations shall be paid for outstanding achievements in order to motivate Executive Officers to exercise their respective management capabilities, or management know-how and skills to achieve satisfactory results.

(3) In order to secure appropriate human resources for the positions of Director and Executive Officer, compensation levels should be comparable to those of other companies.
The Compensation Committee utilizes outside experts to gain expert advice and an objective viewpoint, if necessary, for considering the details and amounts of compensation.

2. Overview of compensation, etc.

(1) Directors

Compensation for Directors is only base compensation, which is fixed compensation. The amount of base compensation is decided by adding, on top of a standard amount, an amount that reflects full-time or part-time status, committee membership and role (position). In case of Directors who also serve as Executive Officers, compensation as a Director is not paid.

(2) Executive Officers

(a) Compensation for Executive Officers shall be comprised of base compensation as fixed compensation, and term-end bonus, which is performance-linked compensation.

(b) Base compensation for Executive Officers is determined individually as consideration for the degree of responsibility for management, and for their performance of duties utilizing their extensive experience, knowledge, insight, and specialized management skills, etc., acquired up until now.

(c) The term-end bonus of Executive Officers is linked to the business performance and the standard amount is established according to the Executive Officer's rank, etc.

(d) If it is found that an executive officer has been engaged in misconduct during his/her term of office, the Company demands, as necessary, return of paid compensation from the executive officer.

The above determination policy is revised in May 2021, concerning compensation for Directors, in order to include integration of the term-end bonus for Directors with their base compensation, etc., starting from the Directors to be elected at the Ordinary General Meeting of Shareholders to be held in June 2021. The overview of the policy prior to revision are as follows:

i) 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.

ii) In order 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 compensations shall be paid for outstanding achievements.

iii) Compensation paid by the Company consists of a base compensation and a term-end bonus.

(a) Base compensation: Determined individually as consideration for the degree of responsibility for Company management as Director and/or Executive Officer and for the performance of duties utilizing their extensive experience, knowledge, insight, specialized management skills, etc., acquired from past experience. In order to secure appropriate human resources for the positions of Director and Executive Officer, compensation levels should be comparable to those of other companies.

(b) Term-end bonus: Linked to the business performance of the Company.

In determining the content of the base compensation for each individual Executive Officer, etc. for the current fiscal year, the Compensation Committee conducted a comprehensive review, including consistency with the Determination Policy, while referring to market data on executive compensation, and determined that it is in line with the relevant Determination Policy. The Compensation Committee has not decided on the term-end bonus for the current fiscal year at the time of preparation of the current Business Report

(ii) The Policy on the Proportion of Compensation, etc.

Compensation for Directors and Executive Officers of the Company is comprised of a base compensation, which is a fixed compensation (monthly payment), and a term-end bonus (annual payment in June), 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. In order for the Directors to fully execute the management-supervision function, compensation for Directors is only base compensation which is a fixed compensation.

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

(iii) The Policy on the Performance-linked Compensation, etc.

The indicators for corporate performance concerning a term-end bonus, which is a performance-linked compensation, etc. are "revenues," "adjusted operating income," "return on invested capital (ROIC)," and "cash conversion cycle (CCC)" on a consolidated basis as we focus on growth, profitability, and management efficiency in the Fiscal Year 2021 Medium- Term Management Plan and the business plan reviewed later. The amount 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. In addition, Individual target includes non-financial indicators (Integrity, health and safety, energy saving, etc.).

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, 0.4 for adjusted operating income, 0.15 for return on invested capital (ROIC) and 0.15 for cash conversion cycle (CCC)), where the degree of achievement of each corporate performance-related indictor is predetermined by the Company with a range from 0 to 2 so that the target for each indictor related to corporate performance is set as 1. The targets and actual results of the "corporate performance factor" using for calculating a term-end bonus are as follows. However, for the previous fiscal year (FY2020), even if the targets were achieved, the amount to be paid was 70% of the standard amount.

Index (consolidated)	84th business term (FY2020)		85th business term (FY2021)	
	Target	Actual results	Target	Actual results
Revenues	¥756.7 billion	¥761.6 billion	¥ 850.0 billion	¥ 942.7 billion
Adjusted operating income (loss)	¥4.4 billion	¥(5.0) billion	¥ 34 billion	¥ 26.8 billion
Return on Invested Capital (ROIC) (Note)	0.5%	(0.7)%	3.9%	3.0%
Cash Conversion Cycle (CCC)	86.3 days	89.1 days	85.8 days	82.9 days

(Note) ROIC = {Adjusted operating income × (1 - tax rate of 25%) + (equity in earnings affiliates} / (average of beginning and end-year interest-bearing debts + average of beginning and end-year capital)

*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.

(iv) Total Amount of Compensation, etc. for the Fiscal Year Under Review

Position	Amount of compensation, etc.	Amount of compensation, etc. by type		Number of Directors and Executive Officers who received compensation, etc.
		Base compensation	Term-end bonus	
	(millions of yen)	(millions of yen)	(millions of yen)	(Persons)
Directors	82	82	-	5
(of which, Outside Directors)	(44)	(44)	(-)	(3)
Executive Officers	470	317	153	11
Total	552	399	153	16
(of which, Outside Directors and Officers)	(44)	(44)	(-)	(3)

(Notes)

1. Directors with concurrent post as Executive Officers are compensated as Executive Officers but not as Directors.
2. The number of Directors as of the end of the fiscal year under review was five (including two Outside Directors) and that of Executive Officers, eleven. The number of Directors indicated in the table above includes one Outside Director who retired at the conclusion of the 84th Ordinary General Meeting of Shareholders held on June 18, 2021, and excludes one Director who concurrently serves as Executive Officer.
3. The amount in the table above of term-end bonus in the column of Executive Officers is the estimated amount of term-end bonus for the current fiscal year brought forward as provisions.
   In addition, the term-end bonus for the previous fiscal year was paid in June 2021 in accordance with the decision of the Compensation Committee as follows.
   Directors: ¥12 million to 5 Directors (Including ¥8 million to 3 Outside Directors)
   Executive Officers: ¥87 million to 10 Executive Officers
   For the amounts shown above, provisions for the term-end bonuses for the previous fiscal year (¥9 million for Directors (including ¥6 million for Outside Directors), ¥72 million for Executive Officers) were indicated in “Term-end bonus” of “Amount of compensation, etc. by type” in the Business Report for the previous fiscal year.

3. Share Information (As of March 31, 2022)

(1) Total Number of Authorized Shares: 500,000,000 shares

(2) Total Number of Outstanding Shares: 428,904,352 shares

(3) Share Issuance During the Fiscal Year Under Review: None

(4) Number of Shareholders: 16,463

(5) Major Shareholders (Top 10 Shareholders)

Name	Shareholder's equity in the Company	
	Share ownership	Shareholding percentage
	(thousands of shares)	%
Hitachi, Ltd.	228,221	53.38
The Master Trust Bank of Japan, Ltd. (Trust account)	31,031	7.26
Mizuho Securities Co., Ltd.	11,801	2.76
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	8,735	2.04
MSIP CLIENT SECURITIES	8,157	1.91
Custody Bank of Japan, Ltd. (Trust account)	6,063	1.42
JPMorgan Chase Bank 385632	4,320	1.01
JPMorgan Chase Bank 380072	3,807	0.89
State Street Bank and Trust Company 505234	3,643	0.85
UBS AG LONDON ASIA EQUITIES	3,326	0.78

(Note) Shareholding percentages are calculated excluding treasury stock (1,349,888 shares).

(6) Other Important Matters Concerning Shares

Not applicable

4. Subscription Rights to Shares

Not applicable

5. Information Concerning the Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Compensation, etc. of the Accounting Auditor

Category	Compensation for audit certification services	Compensation for non-auditing services
	(millions of yen)	(millions of yen)
The Company	131	-
Consolidated subsidiary	51	-
Total	182	-

(Notes)

1. The audit agreement between the Company and the accounting auditor contains no clear distinction between auditing compensation for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act, and the distinction is not possible in practice. The compensation amount stated above based on the Company's audit certification services therefore includes both.
2. The Company's Audit Committee confirmed the audit plans and performances as well as the hours and compensation amounts required for audits conducted over the past years, and examined the appropriateness of the estimated hours and compensation amount required for the audits conducted in the fiscal year under review. As a result, the committee has given the consent with regard to the amount of compensation, etc. for the accounting auditor in accordance with Article 399, Paragraphs 1 and 4, of the Companies Act.

(3) Subsidiaries of the Company Whose Financial Statements Are Subject to Audit by Certified Public Accountants Other Than the Company's Accounting Auditor

Of the key subsidiaries (stated in "1. Current Status of the Hitachi Metals Group, (10) Parent Company and Key Subsidiaries, (ii) Key Subsidiaries," pages 32 through 33), the financial statements of the foreign subsidiaries other than the U.S. subsidiaries have been audited by accounting auditors other than Ernst & Young ShinNihon LLC.

(4) Policies for Determination to Dismiss or Not to Re-Appoint the Accounting Auditor

If the Audit Committee determines that the accounting auditor is subject of an event as stipulated in the provisions of Article 340, Paragraph 1 of the Companies Act and judges it necessary to dismiss the accounting auditor immediately, it shall dismiss the accounting auditor, having obtained the approval of all the members of Audit Committee. In such case, an Audit Committee member appointed by the Audit Committee will report on the decision of dismissal and its reasons at the first general meeting of shareholders convened after the dismissal.

In addition, if it is deemed impossible for the accounting auditor to perform its duties properly, the Audit Committee may determine the content of a proposal concerning dismissal or non-reappointment of the accounting auditor which will be submitted to the general meeting of shareholders.

6. Policies Concerning Dividend Determination

The Company believes that corporations are responsible for returning profits to their shareholders at an appropriate level on a long-term basis through augmenting corporate value by strengthening international competitiveness in the face of evolving customer needs and technologies and their globalization. With this understanding, it has been the basic policy of the Company to determine distribution of profits to shareholders and retained earnings based on a comprehensive review of business environment, future business developments and performance, with focus on ensuring growth over the medium- to long-term. With a view to future business development, retained earnings will be invested for the development and commercialization of new materials, generation of new businesses and the expansion, streamlining of production of competitive products and others. Furthermore, acquisition of treasury stock will be made as deemed appropriate for the purpose of enabling the flexible execution of capital policies, taking into consideration necessity, financial position, share price level and others.

In light of the fact that K.K. BCJ-52 is planning to conduct the Tender Offer for the Company's common stock, the Company has resolved not to pay interim and year-end dividends for the 85th business term at the Board of Directors meeting held on April 28, 2021.

7. Basic Policies for Parties Who Exercise Control Over Decisions on the Financial and Operating Policies of the Company

The Company positions itself as a development-driven corporation continually advancing and pioneering basic and new technologies, and in doing so, creates new products and businesses and continues to provide new values to the society. This is the basis of the business activities of the Company. In order to promote these activities, the Company, as a member of the Hitachi Group, centered around Hitachi, Ltd., the parent company, aims to maintain close cooperation with the group companies through R&D collaboration while remaining independent in its business operations and transactions with Hitachi, Ltd. and by using the Company's management resources effectively, the Company seeks to provide high-quality products and services. Furthermore, as an exchange-listed corporation, the Company constantly recognizes the expectations and evaluations by the shareholders, investors and the stock markets, and strives to disclose information in a timely and appropriate manner. Moreover, the Company understands the importance of maintaining rational and vigilant management by establishing management plans that contribute to realization of sustained growth and strengthening corporate governance. Through these measures, the Company will work to enhance the corporate value and maximize the value provided not only to the parent company but for all shareholders.

With respect to the Tender Offer for the Company's common stock by K.K. BCJ-52 and the series of transactions scheduled to be conducted thereafter, the Company resolved at the Board of Directors meeting held on April 28, 2021, to express its opinion in favor of the Tender Offer, if it is initiated, and to recommend the shareholders of the Company to apply for the Tender Offer.

Consolidated Statement of Financial Position

(Millions of yen)

Item	FY2020 (Reference) As of March 31, 2021	FY2021 (85th business term) As of March 31, 2022		Item	FY2020 (Reference) As of March 31, 2021	FY2021 (85th business term) As of March 31, 2022
(Assets)				**(Liabilities)**		
Current assets	**462,558**	**570,455**		**Current liabilities**	**317,780**	**394,800**
Cash and cash equivalents	99,339	124,645		Short-term debt	72,511	100,316
Trade receivables	167,553	187,264		Current portion of long-term debt	29,132	21,907
Inventories	170,094	228,406		Other financial liabilities	22,016	26,121
Other current assets	25,572	30,140		Trade payables	150,639	200,659
Non-current assets	**509,691**	**499,240**		Accrued expenses	40,668	41,161
Investments accounted for using the equity method	10,772	10,889		Contract Liabilities	1,015	787
Investments in securities and other financial assets	11,859	9,803		Other current liabilities	1,799	3,849
Property, plant and equipment	333,448	330,966		**Non-current liabilities**	**162,351**	**143,777**
Goodwill and intangible assets	111,431	118,655		Long-term debt	93,675	74,686
Deferred tax assets	23,835	10,448		Other financial liabilities	217	146
Other non-current assets	18,346	18,479		Retirement and severance benefits	64,260	63,775
				Deferred tax liabilities	438	2,924
				Other non-current liabilities	3,761	2,246
				Total liabilities	**480,131**	**538,577**
				(Equity)		
				Equity attributable to shareholders of the parent company	**489,671**	**527,563**
				Common stock	26,284	26,284
				Capital surplus	115,405	114,288
				Retained earnings	326,888	339,842
				Accumulated other comprehensive income	22,264	48,338
				Treasury stock, at cost	(1,170)	(1,189)
				Non-controlling interests	**2,447**	**3,555**
				Total equity	**492,118**	**531,118**
Total assets	**972,249**	**1,069,695**		**Total liabilities and equity**	**972,249**	**1,069,695**

Consolidated Statement of Income

(Millions of yen)

Item	FY2020 (Reference) (Fiscal year ended March 31, 2021)	FY2021 (85th business term) (Fiscal year ended March 31, 2022)
Revenues	761,615	942,701
Cost of sales	(666,246)	(807,516)
Gross profit	**95,369**	**135,185**
Selling, general and administrative expenses	(100,346)	(108,376)
Other income	9,726	18,018
Other expenses	(53,962)	(18,132)
Operating income (loss)	**(49,213)**	**26,695**
Financial income	1,006	6,808
(Interest income)	[217]	[284]
(Other financial income)	[789]	[6,524]
Financial expenses	(2,458)	(1,915)
(Interest charges)	[(1,650)]	[(1,736)]
(Other financial expenses)	[(808)]	[(179)]
Share of (losses) profits of investments accounted for using the equity method	77	1,152
Income (loss) before income taxes	**(50,588)**	**32,740**
Income taxes	8,032	(20,850)
Net income (loss)	**(42,556)**	**11,890**
Net income (loss) attributable to:		
Shareholders of the parent company	(42,285)	12,030
Non-controlling interests	(271)	(140)
Net income (loss)	**(42,556)**	**11,890**

Non-Consolidated Balance Sheet

(Millions of yen)

Item	FY2020 (Reference) As of March 31, 2021	FY2021 (85th business term) As of March 31, 2022
(Assets)		
Current assets	**284,377**	**353,191**
Cash and deposits	3,907	59,558
Notes receivable-trade	3,348	6,304
Accounts receivable-trade	87,000	102,945
Finished products	15,729	17,352
Work in process	37,528	43,467
Raw materials and supplies	19,876	21,667
Advance payments-trade	9	197
Prepaid expenses	913	771
Accounts receivable-other	46,140	70,458
Income taxes receivable	2,416	3,650
Short-term loans receivable	21,393	16,358
Group pooling cash deposits	51,190	15,385
Other	42	24
Allowance for doubtful accounts	(5,114)	(4,945)
Fixed assets	**386,326**	**358,129**
Property, plant and equipment	143,472	128,313
Buildings, net	45,041	42,122
Structures, net	3,491	3,371
Machinery and equipment, net	57,697	47,773
Vehicles, net	137	116
Tools, furniture and fixtures, net	4,984	3,579
Land	29,182	27,810
Construction in progress	2,940	3,542
Intangible assets	18,209	15,454
Goodwill	14,871	12,285
Leasehold right	591	618
Patent right	25	14
Right of trademark	-	33
Software	2,028	1,890
Right of using facilities	92	86
Other	602	528
Investments and other assets	224,645	214,362
Investment securities	1,264	1,655
Stocks of subsidiaries and affiliates	190,175	195,408
Investments in capital	496	475
Long-term loans receivable from subsidiaries and affiliates	5,136	4,249
Claims provable in bankruptcy, claims provable in rehabilitation and other	4	4
Long-term prepaid expenses	234	509
Prepaid pension cost	4,087	4,267
Deferred tax assets	22,608	7,218
Other	1,318	1,272
Allowance for doubtful accounts	(424)	(442)
Allowance for investment loss	(253)	(253)
Total assets	**670,703**	**711,320**

Item	FY2020 (Reference) As of March 31, 2021	FY2021 (85th business term) As of March 31, 2022
(Liabilities)		
Current liabilities	**238,515**	**273,579**
Accounts payable-trade	107,404	137,905
Electronically recorded obligations - operating	6,889	18,825
Short-term debt	68,900	73,830
Current portion of long-term loans payable	25,136	10,100
Accounts payable-other	11,139	15,106
Accrued expenses	16,071	14,153
Income taxes payable	88	696
Advances received	188	362
Deposits received	2,567	2,398
Allowance for directors' bonuses	81	153
Other	52	51
Fixed liabilities	**98,522**	**86,290**
Bonds payable	40,000	40,000
Long-term loans payable	30,900	20,800
Provision for retirement benefits	26,184	24,583
Provision for loss on business of subsidiaries and associates	175	-
Provision for environmental measures	569	400
Other	694	507
Total liabilities	**337,037**	**359,869**
(Net assets)		
Shareholders' equity	**333,666**	**351,264**
Common stock	26,284	26,284
Capital surplus	128,476	128,476
Legal capital surplus	36,699	36,699
Other capital surplus	91,777	91,777
Retained earnings	180,072	197,690
Legal retained earnings	6,571	6,571
Other retained earnings	173,501	191,119
Reserve for special depreciation	86	37
Reserve for advanced depreciation of fixed assets	1,177	1,160
General reserve	44,580	44,580
Retained earnings brought forward	127,658	145,342
Treasury stock, at cost	(1,166)	(1,186)
Valuation, translation adjustments and others	**0**	**187**
Net unrealized holding gain on securities available-for-sale	(1)	177
Gain (loss) on deferred hedge transactions	1	10
Total net assets	**333,666**	**351,451**
Total liabilities and net assets	**670,703**	**711,320**

Non-Consolidated Statement of Income

(Millions of yen)

Item	FY2020 (Reference) (Fiscal year ended March 31, 2021)	FY2021 (85th business term) (Fiscal year ended March 31, 2022)
Net sales	409,931	516,993
Cost of sales	(382,592)	(462,901)
Gross profit	**27,339**	**54,092**
Selling, general and administrative expenses	(44,391)	(47,135)
Operating income (loss)	**(17,052)**	**6,957**
Non-operating income	20,309	42,436
(Interest and dividends income)	[14,058]	[29,495]
(Other)	[6,251]	[12,941]
Non-operating expenses	(6,857)	(5,578)
(Interest charges)	[(688)]	[(563)]
(Other)	[(6,169)]	[(5,015)]
Ordinary income (loss)	**(3,600)**	**43,815**
Extraordinary income	18,023	7,116
(Gain on sale of fixed assets)	[-]	[5,438]
(Gain on extinguishment of tie-in shares)	[-]	[1,460]
(Gain on sale of shares of subsidiaries and associates)	[18,023]	[218]
Extraordinary losses	(26,185)	(8,789)
(Impairment losses)	[(15,267)]	[0]
(Costs related to the misconduct regarding product quality)	[(6,605)]	[(6,248)]
(Loss on structural reform)	[(2,669)]	[(2,262)]
(Loss on sale of shares of subsidiaries and affiliates)	[-]	[(258)]
(Loss on valuation of shares of subsidiaries and affiliates)	[(1,644)]	[(21)]
Income (loss) before income taxes	**(11,762)**	**42,142**
Income taxes-current	1,296	1,476
Income taxes-deferred	1,491	(14,071)
Net income (loss)	**(8,975)**	**29,547**

[English Translation of the Accounting Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 23, 2022

Mr. Mitsuaki Nishiyama
Representative Executive Officer,
Chairperson, and President
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Teruyasu Omote
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroki Morimoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit opinion

Pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Hitachi Metals, Ltd. for the fiscal year from April 1, 2021 to March 31, 2022, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity, and the related Notes to Consolidated Financial Statements.

In our opinion, the above consolidated financial statements present fairly and accurately, in all material respects, the financial position of Hitachi Metals, Ltd. and its consolidated subsidiaries as well as the results of their operations for the fiscal year under review, in accordance with the accounting standards which omit certain disclosure items required under international accounting standards which are stipulated in the provisions of Article 120, the second sentence of Paragraph 1 of the Regulations on Corporate Accounting.

Basis for audit opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of Emphasis

As stated in "Notes concerning additional information," with respect to a tender offer by K.K BCJ-52 for the common shares of the Company and the series of transactions planned to follow after that, the Company resolved, at its Board of Directors meeting held on April 28, 2021, to express an opinion supporting this if the tender offer were to commence, and to recommend that the holders of the Company's shares tender in the tender offer.

This matter does not have any impact on our opinion.

Other stated information

Other stated information herein refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other stated information. The Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of their duties including the design, implementation and maintenance of the other stated information.

The scope of our audit opinion on the consolidated financial statements does not include the other stated information and we do not express an opinion on the other stated information.

Our responsibility in auditing the consolidated financial statements is to read through the other stated information, and in the process of reading it, we examine whether there are material differences between the other stated information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other stated information of material errors besides such material differences.

If we determine there to be material errors in the other stated information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other stated information.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards which omit certain disclosure items required under international accounting standards which are stipulated in the provisions of Article 120, the second sentence of Paragraph 1 of the Regulations on Corporate Accounting. These include the development, implementation and maintenance of internal control deemed necessary by management for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing matters related to going concern, if necessary, in accordance with the accounting standards which omit certain disclosure items required under international accounting standards which are stipulated in the provisions of Article 120, the second sentence of Paragraph 1 of the Regulations on Corporate Accounting.

The Audit Committee is responsible for overseeing the performance of duties by Executive Officers and Directors within the maintenance and operation of the financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as follows:

・ We identify and assess the risks of material misstatement, whether due to fraud or error. In addition, we design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Moreover, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・ The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

・ We evaluate the appropriateness of accounting policies used by management and the method of their application, as well as the reasonableness of accounting estimates made by management and related notes thereto.

・ We conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・ We evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with the accounting standards which omit certain disclosure items required under international accounting standards which are stipulated in the provisions of Article 120, the second sentence of Paragraph 1 of the Regulations on Corporate Accounting, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.

・ We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests in the Company and its consolidated subsidiaries

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

[English Translation of the Accounting Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 23, 2022

Mr. Mitsuaki Nishiyama
Representative Executive Officer,
Chairperson, and President
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Teruyasu Omote
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroki Morimoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit opinion

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements of Hitachi Metals, Ltd., which comprise the Non-Consolidated Balance Sheet as of March 31, 2022, and the Non-Consolidated Statement of Income and the Non-Consolidated Statement of Changes in Net Assets for the 85th business term from April 1, 2021 to March 31, 2022, and the related Notes to Non-Consolidated Financial Statements as well as the supporting schedules thereto (the "Financial Statements, etc.").

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the financial position of Hitachi Metals, Ltd. as of March 31, 2022, and the results of its operations for the period then ended in accordance with accounting principles generally accepted in Japan.

Basis for audit opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the Financial Statements, etc." of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of Emphasis

As stated in "12. Notes concerning additional information," with respect to a tender offer by K.K BCJ-52 for the common shares of the Company and the series of transactions planned to follow after that, the Company resolved, at its Board of Directors meeting held on April 28, 2021, to express an opinion supporting this if the tender offer were to commence, and to recommend that the holders of the Company's shares tender in the tender offer.

This matter does not have any impact on our opinion.

Other stated information

Other stated information herein refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other stated information. The Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of their duties including the design, implementation and maintenance of the other stated information.

The scope of our audit opinion on the non-consolidated financial statements does not include the other stated information and we do not express an opinion on the other stated information.

Our responsibility in auditing the non-consolidated financial statements is to read through the other stated information, and in the process of reading it, we examine whether there are material differences between the other stated information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other stated information of material errors besides such material differences.

If we determine there to be material errors in the other stated information based on the work we have performed, we

are required to report those facts.
There are no matters to report regarding the other stated information.

Responsibilities of management and the Audit Committee for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the Financial Statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the development, implementation and maintenance of internal control deemed necessary by management for the preparation and fair presentation of the Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. with the assumption of the Company's ability to continue as a going concern and disclosing matters related to going concern, if necessary, in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the performance of duties by Executive Officers and Directors within the maintenance and operation of the financial reporting process.

Auditors' responsibilities for the audit of the Financial Statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the Financial Statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the Financial Statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit as follows:

・ We identify and assess the risks of material misstatement, whether due to fraud or error. In addition, we design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Moreover, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・ The purpose of an audit of the Financial Statements, etc. is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

・ We evaluate the appropriateness of accounting policies used by management and the method of their application, as well as the reasonableness of accounting estimates made by management and related notes thereto.

・ We conclude on the appropriateness of management's use of the going concern basis for preparing the Financial Statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the Financial Statements, etc. or, if the notes to the Financial Statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

・ We evaluate whether the presentation of the Financial Statements, etc. and the notes thereto are in accordance with auditing standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the Financial Statements, etc., including the related notes thereto, and whether the Financial Statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests in the Company

Our firm and engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Audit Committee's Report

The Audit Committee has conducted an audit concerning the execution of duties by directors and executive officers for the 85th business term from April 1, 2021 to March 31, 2022, and hereby reports the auditing methods and their results as follows.

1. Auditing methods and their contents

   The Audit Committee observed and examined the resolutions of the Board of Directors regarding the organization of the system stipulated in (b) and (e), Item 1, Paragraph 1 of Article 416 of the Companies Act and the system based on said resolutions (internal control systems), we have received periodic reports about the status of the construction and operation of the system from Directors, Executive Officers, employees, etc., and we have requested explanations from them as necessary, expressed our views on these matters and conducted audits in the following manner.

   (1) Pursuant to the audit policy, assigned duties and other rules that the audit committee decided, and in cooperation with related departments, we have attended the important meetings; received reports on the execution of duties of directors, executive officers and others from them and inquired about them, inspected important documents of management's decision making and others; and investigated the status of the business operations and assets at the head office and other main places of business. Meanwhile, we communicated and exchanged information with Directors, Corporate Auditors, etc. of subsidiaries, and received reports from subsidiaries on their operations whenever necessary.

   (2) We examined, based on the status of deliberations at the Board of Directors meetings and other meetings, the contents of 1) the Basic Policies for Parties who Exercise Control Over Decisions on the Financial and Operating Policies of the Company described in the Business Report pursuant to the provisions of Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act, 2) matters taken into consideration so as not to harm the interests of the Company in executing transactions with the parent company described in the Business Report pursuant to the provisions of Article 118, Item 5 of the Ordinance for Enforcement of the Companies Act, and 3) the determination by the Board of Directors whether such transactions harm the interests of the Company and the grounds for such determination.

   (3) We also observed and verified that the Accounting Auditors implemented appropriate audits while maintaining independence, received reports from the Accounting Auditors on the execution of their duties, and sought explanations whenever necessary. Furthermore, we received notice from the Accounting Auditors that "The system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance on Accounting of Companies) is organized in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council; October 28, 2005), etc., and sought explanations whenever necessary.

   Based on the above methods, we examined the Business Report, the non-consolidated financial statements (Balance Sheet, Statement of Income, Statement of Changes in Net Assets, and Notes to Financial Statements), their supporting schedules, and the consolidated financial statements (Consolidated Statements of Financial Position, Consolidated Statement of Income, Consolidated Statement of Changes in Equity, and Notes to the Consolidated Financial Statements) for the fiscal year under review.

2. Audit results

   (1) Results of audit of Business Report, etc.

   i. We regard that the Business Report and the supporting schedules fairly present the state of the Company in accordance with the related laws and regulations and the Articles of Incorporation.

   ii. We find no significant evidence of wrongful act or violation of related laws and regulations, nor the Articles of Incorporation with regard to the performance of duties by Directors or Executive Officers.

   iii. We regard the content of the resolution by the Board of Directors regarding internal control systems as appropriate, and, furthermore, the descriptions in the Business Report and all actions of Directors and Executive Officers with respect to executing internal control systems were carried out appropriately.

   In addition, with respect to the misconduct regarding product quality that is reported in the Business Report, the Audit Committee will continue to monitor and verify the Company's response to see that measures to prevent recurrence are steadily implemented, such as drastic improvement of the quality assurance system and strengthening of its foundation, as well as strengthening monitoring of the quality compliance system.

iv. Pursuant to the provisions of Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act, we regard the basic policies for parties who exercise control over decisions on the financial and operating policies of the Company described in the Business Report as appropriate.

v. With regard to the transactions with the parent company described in the Business Report pursuant to the provisions of Article 118, Item 5 of the Ordinance for Enforcement of the Companies Act, the matters taken into consideration in executing such transactions so as not to harm the interests of the Company as well as the determination by the Board of Directors whether such transactions harm the interests of the Company and the grounds for such determination were appropriate.

(2) Results of the audit of non-consolidated financial statements and the supporting schedules

We regard that the auditing methods and results by Ernst & Young ShinNihon LLC are appropriate.

(3) Results of the audit of consolidated financial statements

We regard that the auditing methods and results by Ernst & Young ShinNihon LLC are appropriate.

May 23, 2022

The Audit Committee, Hitachi Metals, Ltd.

Member of the Audit Committee:	Makoto Uenoyama	(Seal)
Member of the Audit Committee (Full-time):	Kenichi Nishiie	(Seal)
Member of the Audit Committee:	Koichi Fukuo	(Seal)

Note: The Audit Committee members Makoto Uenoyama and Koichi Fukuo are Outside Directors provided for in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

The 85th Ordinary General Meeting of Shareholders

Items Disclosed on the Internet

1. **Summary of Resolutions of the Board of Directors on Establishing Systems, etc., to Ensure Appropriate Operations (Internal Control System) and the Implementation Status of the Systems**
2. **Consolidated Statement of Changes in Equity**
3. **Notes to Consolidated Financial Statements**
4. **Non-consolidated Statement of Changes in Net Assets**
5. **Notes to Non-Consolidated Financial Statements**

Hitachi Metals, Ltd.

Pursuant to applicable laws and regulations, and the provision of the Articles of Incorporation of the Company, the items listed above are provided to our shareholders through postings on the Company's website.

1 Summary of Resolutions of the Board of Directors on Establishing Systems, etc., to Ensure Appropriate Operations (Internal Control System) and the Implementation Status of the Systems

1. Summary of the Systems, etc. to Ensure Appropriate Operations

(1) Requirements Stipulated in Ordinance of the Ministry of Justice for the Execution of Duties by the Audit Committee of the Company	
(i) Matters Concerning Directors and Employees to Assist with the Duties of the Company's Audit Committee	1) The Audit Committee shall appoint full-time Audit Committee members as needed. 2) The Board of Directors shall have a Director who does not hold the concurrent position as an Executive Officer to assist with the duties of the Audit Committee as needed. 3) To assist with the duties of the Audit Committee, the Board of Directors Office shall have a person in charge of the Audit Committee. 4) The Audit Committee may, when necessary for performing audits, have the Internal Audit division under the responsibility of Executive Officers assist with the execution of duties of the Audit Committee.
(ii) Matters to Ensure the Independence of Directors and Employees Referred to in the Above Item (i) from Executive Officers, as well as the Effectiveness of Instructions of the Company's Audit Committee Given to the Said Directors and Employees	1) The person in charge of the Audit Committee at the Board of Directors Office shall not concurrently serve in any position at any other business operating division. Appointment, dismissal and disciplinary action regarding the person in charge of the Audit Committee are carried out by the Executive Officers with the consent either of the Audit Committee or an Audit Committee member appointed by the Audit Committee (in the following, "Appointed Audit Committee Member"). Personnel assessment and appraisal of the person in charge of the Audit Committee are performed by the Executive Officers taking into account the opinion of either the Audit Committee or an Appointed Audit Committee Member. 2) Appointment, dismissal, disciplinary action and personnel assessment and appraisal regarding the head of the Internal Audit division are performed by the Executive Officers. The reasons for any of these actions shall be explained in advance either to the Audit Committee or to an Appointed Audit Committee Member. 3) Persons who assist with the duties of the Audit Committee shall not be subject to orders and instructions of the Executive Officers when providing such assistance.
(iii) Systems for Reporting to the Company's Audit Committee and Systems to Ensure Prohibition of Disadvantageous Treatments of a Person Who Made Such Reports	1) Executive Officers shall submit the following documents to the Audit Committee: Executive Committee meeting materials, documents for approval by the Executive Officers, medium-term management plan and budget deliberation materials, monthly and quarterly financial statements, and the operational audit reports from the Internal Audit division 2) The Company's Internal Audit division shall conduct audits on the business operations of the Company and its subsidiaries (including foreign entities; the same shall apply hereinafter), and report the audit results to the Audit Committee or the Appointed Audit Committee Members. 3) If Executive Officers detect any fact likely to cause substantial detriment to the Company, they shall immediately report such fact to the Audit Committee members. 4) Any reports by the Company's Executive Officers and employees as well as its subsidiaries' Directors, Auditors and employees to the Audit Committee shall be made by reporting to the Appointed Audit Committee Members. 5) The Company shall introduce an internal reporting system that enables persons engaged in operations for the Company, any of its subsidiaries, or any trading partner of the aforementioned companies to report illegal or improper acts of the Company or its subsidiaries (hereafter, "illegal or improper acts") through an externally established reporting channel. Upon receiving notice of receipt of a report, the person responsible for the division in charge of the internal reporting system shall promptly report the facts to the Appointed Audit Committee Members. Moreover, the Company shall establish a system to enable the reporting of discovered illegal or improper acts directly to the Audit Committee. 6) The Company shall ensure that anyone who makes a report to the Audit Committee will not receive disadvantageous treatment for making the report.

(iv) Matters Concerning the Policy on Prepayment or Reimbursement Procedures and Other Treatments of Expenses or Debt that Are Incurred in the Course of Executing the Duties of the Company's Audit Committee Members	The Board of Directors Office shall be responsible for the payment of expenses and other administrative operations arising in relation to the execution of duties by the Audit Committee members, and shall process the payments of those expenses and debt promptly, except when these are explicitly found to be unnecessary for the execution of the committee member's duties.
(v) Other Systems to Ensure the Effective Execution of Audits by the Company's Audit Committee	1) When the head of the Internal Audit division formulates the audit plan for the next fiscal year, Appointed Audit Committee Members may state their opinions on the contents of such audit plan. The head of the Internal Audit division should report the formulated audit plan to the Audit Committee. 2) The Audit Committee or Appointed Audit Committee Members shall engage in an exchange of opinions with the accounting auditor, Executive Officers, head of the Internal Audit division and persons in charge of business operating divisions.

(2) Systems to Ensure the Compliance of the Execution of Duties by the Company's Executive Officers with Laws and Regulations and the Articles of Incorporation	
	1) The Company shall establish and communicate a code of conduct in order to assure compliance with laws and regulations and the Articles of Incorporation and adherence to social norms in the course of business activities of the Company and its subsidiaries. 2) The Company's Executive Officers shall organize the Executive Committee, which deliberates and/or receives reports on management matters considered to have a material impact on the Company or the corporate group consisting of the Company and its subsidiaries (the "Hitachi Metals Group"). 3) The Company shall introduce an internal reporting system that enables persons engaged in operations for the Company, any of its subsidiaries, or any trading partner of the aforementioned companies to report illegal or improper acts through an externally established reporting channel. Upon receiving notice of receipt of a report, the division in charge of the internal reporting system shall investigate the related facts, and when deemed necessary, request the Company's Executive Officers to examine appropriate corrective measures, and take the necessary steps to prevent future recurrence. The Company shall also ensure that anyone who makes such a report will not receive disadvantageous treatment for making the report. 4) The Hitachi Metals Group has a policy of taking a firm stance against antisocial forces that pose a threat to the order and safety of civil society, and cut off all ties with them. In order to ensure the effectiveness of this policy, the Hitachi Metals Group shall establish a responsible division, create systems for managing relevant information, preventing relevant transactions and implementing other measures with respect to antisocial forces, and work closely with external specialized agencies such as the police department.

(3) Other Systems Established at the Company to Ensure Appropriate Operations by the Company and the Corporate Group Consisting of the Company, the Parent Company and Subsidiaries of the Company	
(i) Systems for the Retention and Management of Information Related to the Execution of Duties by the Company's Executive Officers	1) Executive Committee meeting documents, documents for approval and any other documents related to the execution of duties by Executive Officers shall be retained and managed at the respective business operating divisions in accordance with internal rules on document retention and management. 2) Appointed Audit Committee Members may inspect, transcribe or copy the documents related to the execution of duties by Executive Officers that are retained and managed at the respective business operating divisions.
(ii) Rules and Other Systems for Managing the Risk of Loss of the Company and its Subsidiaries	1) The Company shall have the Hitachi Metals Group Chief Risk Management Officer as the chief compliance and risk management officer in the Hitachi Metals Group. 2) With respect to risks of loss related to compliance, antisocial forces, investments, finance, procurement, environment, disasters, quality, information management, export control, legal affairs, etc., the Company's Executive Officers shall direct respective business operating divisions, and as needed, establish internal rules and guidelines, etc., prepare and distribute manuals, provide training, and perform operational audits in order to avoid, prevent, and manage risks of loss to the Company. The Company shall provide these internal rules, etc. to its subsidiaries, and cause them to establish their own internal rules, etc. equivalent to those of the Company according to the scale of operations, etc. 3) The Company's Executive Officers shall establish an organization that receives reports on and promptly handles the risk of loss realized in the Company and its subsidiaries. 4) In order to handle the risk of loss arising in the Company and its subsidiaries, the Company's Executive Officers shall direct to the relevant business operating divisions as needed, and promptly appoint persons in charge of handling such risks. 5) The Company's Executive Officers shall immediately report to the Audit Committee if any risk of loss is realized in the Company and its subsidiaries.
(iii) Systems to Ensure the Efficient Execution of Duties of Executive Officers of the Company and Directors of its Subsidiaries	In addition to Item (2) 2), the following systems are established. 1) The Company shall stipulate basic policies for consolidated group management to maximize the group corporate value of the Hitachi Metals Group. 2) The Company's Board of Directors shall, in order to strengthen the Company's market competitiveness and to enhance corporate value by way of strategic and systematic operation of the Company's business activities, determine medium-term management plans and budgets, and manage business results of the Company. In order to ensure the effectiveness of such management efforts, Executive Officers shall establish systems for budget and business results management. The Company shall mutually share with its subsidiaries the information in formulating consolidated medium-term management plans and consolidated budgets in an effort to optimize strategies not only at individual level but also at group-wide level and manage consolidated performance. 3) The Company's Executive Officers shall establish internal rules that clearly define the authorities and responsibilities of persons in charge of each business operating division and control the procedures for decision-making and the execution of duties. 4) The Company shall ensure consistent execution and verification of documented business operation processes with respect to all information to be incorporated in financial reporting with its parent company and subsidiaries. 5) The Company shall establish a division in charge of the management of subsidiaries to communicate business policies and measures, collect information and support subsidiaries' business operations.

(iv) Systems to Ensure Compliance of Employees of the Company as well as Directors and Employees of its Subsidiaries in Executing Their Duties with Laws and Regulations and the Articles of Incorporation	In addition to Items (2) 1), 3) and 4), as well as Item (3) (ii) 1), the following systems are established. The Company's Executive Officers shall establish the Internal Audit division to conduct audits of business operations of the Company and its subsidiaries. In addition, the Company shall cooperate with the Internal Audit division of its parent company when the division conducts audits on the business operations of the Company and its subsidiaries to ensure appropriate operations of the corporate group consisting of the parent company and its subsidiaries. The Company shall review the results of these audits and make improvements to its business operations.
(v) Systems for Reporting Matters Relating to the Execution of Duties by Directors of Subsidiaries to the Company	In addition to Item (2) 2) and Item (3) (iii) 5), the following systems are established. The Company shall dispatch its Directors and Auditors to its subsidiaries as needed. Such Directors and Auditors shall report on the status of execution of their duties to the Company's Executive Officers or the Appointed Audit Committee Members if requested from them.
(vi) Other Systems to Ensure Appropriate Operations of the Company as well as the Corporate Group Consisting of the Company, its Parent Company and Subsidiaries	1) It is a policy of the Company in its business operations and transactions to remain independent of the parent company. In case of transactions between the Company and its parent company or implementing policies and measures that may arise risk of a material conflict of interest between the parent company and shareholders other than the parent company, the matter shall be determined subject to review by the Board of Directors without fail. 2) It is a policy of the Company to carry out fair transactions with the parent company and subsidiaries based on market prices. 3) The Company shall cause its subsidiaries to establish systems according to their scale of operations, etc. based on the systems of the Company, in order to ensure the appropriateness of their operations.

2. Summary of the Implementation Status of the Systems to Ensure Appropriate Operations

Based on the above basic policies for establishing the systems, etc. to ensure appropriate operations (internal control system), the Company implements the systems as follows.

(1) Compliance

The Company has established the "Hitachi Metals Group Codes of Conduct" as the basis for judgment and behavior that should be followed by all Hitachi Metals Group officers and employees, and we have created a "CSR Guidebook" in order deepen understanding of compliance, which has been distributed to all officers and employees of the Group. Compliance training is regularly conducted group-wide in video formats and e-learning formats via online. The Company also conducts various measures in every October, stating the month as the "Corporate Ethics Month" to raise employees' awareness towards compliance based on Integrity as behavioral principle, including compliance training by external instructors for management executives. The Company has established an internal reporting system, prioritizing the protection of whistleblowers, aimed at early detection and improvement of inappropriate problems in corporate activities, and striving to prevent recurrence.
With regard to the internal reporting system, based on the plan to be separated from the Hitachi Group, the Company has newly established a whistleblower system in which an outside contractor serves as the collection agent for whistleblower reporting and attorneys who don't have any relation of consultation participated on objective position, which started the operation since April 1, 2022.

As for measures to prevent the recurrence of misconduct related to quality, the Company established "Quality Compliance Committee" consisting outside experts as an advisory body to Board of Directors in April 2021. Under this committee, the Company will conduct additional verification of portions that were not completed in the investigation of the special investigation committee, confirm validity / appropriateness of customer response, implement recurrence prevention measures, and verify the effects. In the concrete, the Company conducted continuous message sending from the management with the aim of reform toward quality-oriented mind and behavior, quality compliance training, and review for rules to improve the system of quality assurance / enforcement of infrastructure etc. In addition, the Audit Committee has been strengthening its monitoring by such means as monthly hearings from the Corporate Quality Assurance Division on the progress of improvement activities related to this matter.
Going forward, the Company proceeds to verify effectiveness of measures to prevent recurrence based on self-integrity audits and internal audits (integrity audits) by the Corporate Quality Assurance Division, and will continue to strengthen monitoring by the Audit Committee and the Board of Directors.

(2) 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, the Company avoids, prevents and manages the risks by ensuring each site of the group companies develop systems to immediately share information of materialized risks relating to compliance, antisocial forces, investments, finance, procurement, the environment, disasters, quality, human rights, information security, export control, legal affairs, etc. with respective business divisions in charge, as well as ensuring corporate division prepare internal rules, guidelines, etc., conduct education and enlightenment activities, preliminary checks, audits on business operations, etc. and cooperate with the relevant divisions. In addition to ongoing formulation of, training for and review of BCPs assuming large-scale of earthquake etc., the Company established a safety confirmation system for confirming the safety of employees and their families via the internet in the event of a disaster.

During the current fiscal year, the Company initiated the engagement in Human rights due diligence, research states of major sites in Japan and overseas, and responds to captured issues. Continuing from the previous fiscal year, the Company worked on initiatives for prevention of spread of COVID-19 infections including working from home and other measures, in order to minimize impact to business activities.

Regarding misconduct related to quality, the monitoring function for quality compliance risk did not function adequately, and it was unable to fully grasp the possibility of misconduct or the occurrence of misconduct as a problem, therefore, the Company has put forward strengthening monitoring related to quality compliance as one measure to prevent recurrence, and will implement the following: (1) in addition to the first line of defense, which is the internal control system for sales, development, design, and manufacturing, also review internal audits (integrity audits) by the Corporate Quality Assurance Division (enforcement of the second line of defense), and conduct audits of the Corporate Quality Assurance Division by the Internal Auditing Office, which is enforcement of the third line of defense, (2) monitoring the process and effectiveness of (1) above by the Internal Auditing Office from an objective point of view, and (3) cross-divisional risk management activities conducted by the Corporate Quality Assurance Division and Chief Quality Officer (CQO).

(3) Evaluation on the Effectiveness of Internal Controls over Financial Reporting

The Company has set up the Internal Controls Committee chaired by an Executive Officer and its secretariat at the Internal Auditing Office, in order to enhance internal controls functions within the Company. The secretariat formulates the evaluation policy for internal controls every fiscal year, and evaluates the development and implementation status of internal controls over financial reporting. The Internal Controls Committee reviews the evaluation results at its meetings (five meetings during the fiscal year under review) and provides necessary instructions for the relevant divisions. The committee's review results are reported to the Executive Committee and the Audit Committee.

(4) Internal Audit

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 audit on the status of business management and execution of the Company's offices and subsidiaries in Japan and overseas over the course of three years in principle and also collaborates with the Audit Committee and the Accounting Auditor to promote tripartite audit (audits are conducted at the Company and ten subsidiaries in Japan and overseas during the fiscal year under review). In addition to these audits, a special audit may be conducted upon special request of the President and Chief Executive Officer, etc. The Internal Auditing Office also reports to the President and the Audit Committee its audit policies and audit implementation plans in advance, and on an in-principle monthly basis, the audit results. In addition, the Internal Auditing Office requests that the person in charge of business at the respective business division and each department of the corporate division to come together to hold, in principle on a monthly basis, an audit report meeting, and requests those departments to implement improvements.

2 Consolidated Statement of Changes in Equity (Fiscal year ended March 31, 2022)

(Unit: Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income
Balance at April 1, 2021	26,284	115,405	326,888	22,264
Changes in equity				
Net income	–	–	12,030	–
Other comprehensive income	–	–	–	27,218
Dividends to non-controlling interests	–	–	–	–
Acquisition of treasury stock	–	–	–	–
Sales of treasury stock	–	(6)	(220)	–
Change in treasury stock arising from change in equity in entities accounted for using equity method	–	–	–	–
Transactions with non-controlling interests	–	(1,111)	–	–
Transfer to retained earnings	–	–	1,144	(1,144)
Total changes in equity	–	(1,117)	12,954	26,074
Balance at March 31, 2022	26,284	114,288	339,842	48,338

	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Balance at April 1, 2021	(1,170)	489,671	2,447	492,118
Changes in equity				
Net income	–	12,030	(140)	11,890
Other comprehensive income	–	27,218	330	27,548
Dividends to non-controlling interests	–	–	(25)	(25)
Acquisition of treasury stock	(20)	(20)	–	(20)
Sales of treasury stock	0	(226)	–	(226)
Change in treasury stock arising from change in equity in entities accounted for using equity method	1	1	–	1
Transactions with non-controlling interests	–	(1,111)	943	(168)
Transfer to retained earnings	–	–	–	–
Total changes in equity	(19)	37,892	1,108	39,000
Balance at March 31, 2022	(1,189)	527,563	3,555	531,118

3 Notes to Consolidated Financial Statements

Significant matters for presenting Consolidated Financial Statements

1. Standards for the preparation of consolidated financial statements

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") pursuant to Article 120, Paragraph 1 of the Corporate Accounting Regulations. Pursuant to the provision of the second sentence of the same paragraph, information and notes required by IFRS are partially omitted.

2. Scope of consolidation

Number of consolidated subsidiaries: 62 companies

Names of principal consolidated subsidiaries:

Hitachi Metals Trading, Ltd., Waupaca Foundry, Inc., Hitachi Metals America, Ltd., Hitachi Metals Neomaterial, Ltd., and Hitachi Metals (China), Ltd.

(Changes in the fiscal year under review)

Added: 2 companies

Excluded: 1 company

3. Equity-method application

Number of equity-method affiliates: 6 companies

Names of principal equity-method affiliates:

Sumiden HST Cable Ltd. and Aoyama Special Steel Co., Ltd.

(Changes in the fiscal year under review)

Added: 0 company

Excluded: 3 companies

4. Notes concerning accounting policies

(1) Valuation standards and methods for principal assets

(i) Valuation standard and method for financial assets

IFRS 9 "Financial Instruments" has been applied.

Financial assets measured at amortized cost

Financial assets are classified as those measured at amortized cost when they meet the following criteria:

- The financial asset is held in accordance with a business model of the Group whose objective is to hold the asset in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method. Interest accrued on financial assets measured at amortized cost is included in interest income in the consolidated statement of income.

FVTOCI financial assets

The Group holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with investees. These equity instruments are classified as FVTOCI financial assets by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in other comprehensive income. The cumulative amount of other comprehensive income is recognized in equity as accumulated other comprehensive income. Dividends from equity investments designated as FVTOCI are recognized in profit or loss unless they are obviously a return of the investment.

FVTPL financial assets

Equity instruments not classified as FVTOCI financial assets and debt instruments not classified as financial assets measured at amortized cost are all classified as FVTPL financial assets. These instruments are subsequently measured at fair value and any changes in fair value are recognized in profit or loss.

Derecognition of financial assets

The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire, or in transactions where contractual rights to receive cash flows from the financial assets are transferred and substantially all the risks and rewards of ownership of the financial assets are transferred.

Impairment of financial assets

The Group evaluates allowance for doubtful accounts depending on whether the credit risk has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the allowance for doubtful accounts is measured at the amount equal to the lifetime expected credit losses on the financial assets. If the credit risk has not increased significantly since initial recognition, the allowance for doubtful accounts is measured at the amount equal to 12-month expected credit losses. However, for trade receivables, contract assets, and lease receivables, allowance for doubtful accounts is always measured at the amount equal to the lifetime expected losses. Whether credit risk has increased significantly is determined based on changes in the risk of default. Changes in expected credit losses are recognized in profit or loss as impairment losses.

Derivatives and hedge accounting

The Group uses derivative instruments, including forward exchange contracts, interest rate swap contracts, currency swap contracts, and copper futures trading, in order to hedge currency risks, interest risks, and raw material (copper) price fluctuation risks. These derivatives are recorded at fair value, regardless of the purpose or intent for holding them.

The Group applies hedge accounting as follows:

- Fair value hedge: a hedge against changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment. The changes in the fair value of the recognized assets or liabilities, or unrecognized firm commitments, and the related derivatives are recognized in profit or loss if the hedge is considered effective.
- Cash flow hedge: a hedge of a forecast transaction or of the variability of cash flow to be received or paid related to a recognized asset or liability. The changes in fair value of the derivatives designated as cash flow hedges are recorded in other comprehensive income if the hedge is considered effective. This treatment continues until profit or loss is affected by the variability of cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in profit or loss. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivatives recognized in other comprehensive income are included directly in the acquisition cost or other carrying amount of the asset or liability at which point the asset or liability is recognized.

The Group follows the documentation requirements as prescribed by IFRS 9 "Financial Instruments," which includes the risk management objectives and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge's inception and subsequently on a periodic basis, as to whether the derivative used in hedging activities is effective in offsetting changes in fair values or cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes no longer effective.

(ii) Valuation standard and method for non-financial assets

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or gross average cost method for merchandise and finished products, and work in process, and generally by the moving average cost method or gross average cost method for raw materials and supplies. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated associated selling costs.

Property, plant and equipment

The Group applies the cost model to property, plant and equipment, and states such assets at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the direct cost of acquisition, and the cost of its dismantlement, removal, and restoration.

Goodwill and intangible assets

- Goodwill

Goodwill is stated at cost, less any accumulated impairment losses.

- Intangible assets (excluding goodwill)

The cost model is applied to measure intangible assets, and such assets are stated at cost, less accumulated amortization and impairment losses.

Impairment of non-financial assets

The Group performs impairment testing for non-financial assets whenever changes in events or circumstances have occurred that indicate that the carrying amount of the assets may not be recoverable. The Group tests goodwill and intangible assets with indefinite lives for impairment annually, generally during the fourth quarter, irrespective of whether there is any indication of impairment. The Group performs impairment testing by estimating the recoverable amount per cash generating unit (CGU), to which the asset belongs. When performing an impairment test, assets are grouped into the smallest identifiable group whose cash flows are independent.

In determining the recoverable amount, the Group uses available quoted market prices or the income approach (a present value technique) based on the estimated future cash flows expected to result from the use of the asset and their eventual disposition. If the carrying amount of the asset allocated to a CGU exceeds the recoverable amount, an impairment loss on the assets of that CGU is recognized.

When there is a significant change in the facts and circumstances used to calculate the recoverable amount of an asset other than goodwill, and there is an indication that an impairment loss previously recognized on the asset may no longer exist or be decreased, the recoverable amount of the asset or the CGU is estimated. If the recoverable amount of the asset or the CGU exceeds its carrying amount, then the impairment loss is reversed to the extent of the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

(2) Depreciation or amortization method and estimated useful lives for principal assets

Property, plant and equipment

Property, plant and equipment are principally depreciated using the straight-line method over the following estimated useful lives. In addition, the Company depreciates the right-of-use assets using the straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Buildings and structures:	2 to 60 years
Machinery and vehicles:	2 to 20 years
Tools, furniture, and fixtures:	2 to 30 years
Right-of-use assets:	2 to 50 years

The estimated useful lives and the method of depreciation are reviewed at each fiscal year-end. Changes in estimated useful lives or depreciation method are accounted for as a change in an accounting estimate and applied prospectively.

Intangible assets

Intangible assets with finite useful lives are amortized principally using the straight-line method over the following estimated useful lives:

Software:	2 to 10 years
Other intangible assets:	2 to 20 years

(3) Standards for principal provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated.

When the time to settle an obligation is expected to be long and the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is a pre-tax rate that reflects the time value of money and the risks specific to the liability.

(i) Asset retirement obligations

The Group recognizes asset retirement obligations principally based on estimated future expenditures using historical trends when the Group has a legal obligation required by laws and regulations or contracts in association with the retirement of property, plant and equipment used in normal operation, such as obligations to restore the site in relation to lease agreements for plant facilities and premises.

(ii) Provision for environmental measures

A provision for environmental measures is provided for disposal costs anticipated to be incurred with respect to the Law Concerning Special Measures Against PCB Waste.

(4) Accounting method for retirement benefits

The Company and its consolidated subsidiaries have contributory defined benefit pension plans and funded and unfunded lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method.

The effects of remeasurements of the net defined benefit asset or liability are recognized in other comprehensive income when incurred. Past service cost is immediately recognized in profit or loss.

The net amount of a defined benefit asset or liability is calculated as the present value of the defined benefit obligation, less the fair value of the plan assets, and is recognized as an asset or liability in the consolidated statement of financial position.

Additionally, the Company and certain consolidated subsidiaries have defined contribution pension plans, recognizing the contributions to the defined contribution plans as expenses during the fiscal year when employees have rendered service.

(5) Standards for Revenue

The Group recognizes revenue based on the following 5 steps approach.

Step 1 : Identifying the contract(s) with a customer

Step 2 : Identifying performance obligations in the contract

Step 3 : Determining the transaction price

Step 4 : Allocating the transaction price to each performance obligation in the contract

Step 5 : Recognizing revenue when (or as) a performance obligation is satisfied

The Group engages in a wide range of transactions to meet the needs of its customers, including provision of products, services and other transactions involving multiple components. When signing multiple contracts for provision of products and services, etc., an evaluation is made for each contract of relationships between considerations and the timing of contract conclusion, etc. In cases of combination of related contracts, a performance obligation is allocated to each at a transaction price at a proportion corresponding to the standalone market price in each case, and revenue is recognized.

The standalone market price is estimated after consideration of various factors including market conditions and market prices of competing products, cost of product manufacture and customer circumstances. In calculating the transaction price, a measurement is made of the amount of consideration based on expected entitlements to the Company from the transfer or exchange of promised goods or services under the customer contract. Consideration that varies depending on discounts and rebates, etc., is included in the transaction price only to the extent that it is very likely that there will be no significant reversal of cumulative recognized revenues if uncertainties regarding application of rebates, etc. are later resolved. Major financial items are not included in promised consideration.

(6) Other significant matters for presenting consolidated financial statements

(i) Standards for the yen conversion of principal of foreign-denominated assets and liabilities

Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of the Group using exchange rates prevailing at the dates of the transactions or rates that approximate such rates. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from currency translation and settlement are recognized in profit or loss.

Translation of the financial statements of foreign operations

Assets and liabilities of the Company's foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expense items are translated at the average exchange rate prevailing during the year.

Foreign exchange gains and losses resulting from the translation of financial statements of foreign operations are included in other comprehensive income.

(ii) Accounting treatment of consumption taxes

Consumption taxes that are collected from customers and paid to the tax authority are excluded from revenues, cost of sales and expenses in the consolidated statement of income.

(iii) Application of tax effect accounting related to the transition from the consolidated taxation system to the taxation system to each separate entity

The Company will have the transition from the consolidated taxation system to the taxation system to each separate entity from the fiscal year ended March 31, 2023. Therefore, the Company applies accounting method on the assumption of the taxation system to each separate entity from the fiscal year ended March 31, 2022.

Notes concerning accounting estimates

1. Impairment loss on property, plant and equipment, goodwill and intangible assets (Property, plant and equipment: ¥330,966 million, Goodwill and intangible assets: ¥118,655 million, Impairment loss: ¥1,009 million)

   The calculation method for impairment loss on property, plant and equipment, goodwill and intangible assets is described in Significant matters for presenting Consolidated Financial Statements under 4. Notes concerning accounting policies, (1) Valuation standards and methods for principal assets, (ii) Valuation standard and method for non-financial assets, "Impairment of non-financial assets."

   The recoverable amount for each cash generating unit to which an asset belongs is determined based on the higher of fair value less costs to sell and value in use. The value in use is calculated by discounting the future estimated cash flows generated by the cash generating units based on the Management Plan approved by the management to their present value using a discount rate calculated based on the weighted average cost of capital. Management Plan is based on external information and reflects past experience, and in principle is limited to five years. The Group engages in a wide range of business activities, from the development, production, and sale of a wide variety of products through to the provision of services, etc. and uses external information appropriate for each business activity. The cash flows derived from the Management Plan are calculated based on the growth rate estimated within the range of the long-term average growth rate of the market to which the cash generating unit belongs. The discount rate used is estimated based on the historical weighted average cost of capital (approximately 7-12%). In addition, future cash flows reflect budget estimates and perpetual growth rates (up to 2%) that are estimated not to exceed the growth rates of the countries and regions in which we operate. In formulating the Management Plan, the Group assumed that the current stagnation in economic activities in Japan and overseas caused by the spread of COVID-19 would recover in the medium to long term, although the situation differs by segment and region because the Group is engaged in a wide range of business activities globally. However, overall recovery momentum continues. Likewise in the business domains of the Group, we do not expect any major impact on the Group except on aircraft and energy-related materials, etc. and certain other areas as demand continues to pick up. These assumptions are deemed our best estimates as of the end of the fiscal year under review. However, if the impact is longer or greater than expected, it may affect our Management Plan. The discount rate used to calculate the value in use is affected by trends in stock markets and fluctuations in interest rates. The recoverable amount may fall below the book value if there is a significant change in the future cash flow, discount rate, or growth rate based on the Management Plan.

2. Retirement and severance benefits (Retirement and severance benefits: ¥63,775 million)

   The calculation method for retirement and severance benefits is described in Significant matters for presenting Consolidated Financial Statements under 4. Notes concerning accounting policies, (4) Accounting method for retirement benefits. The valuation of retirement benefit costs calculated by actuarial calculations includes various actuarial assumptions used in estimating retirement benefit costs such as mortality rates, separation rates, retirement rates, changes in salary, and discount rates. The Group estimates actuarial assumptions by taking into account a number of factors, including the conditions of its workforce, current market conditions, and trends in future interest rates. Although the actuarial assumptions are determined based on the best estimates and judgment, they may be affected by the results of changes in uncertain economic conditions in the future or by the revision or publication of related laws and regulations.

3. Assessment of the realizability of deferred tax assets (Deferred tax assets: ¥10,448 million)

   Deferred tax assets are recognized only when it is probable that unused net operating loss carry-forwards, tax credits, and deductible temporary difference will be utilized against future taxable income. In assessing the realizability of deferred tax assets, the Group considers the probability that some or all of the assets will not be realized. Whether or not the assets will ultimately be realized depends on whether or not these temporary differences will result in taxable income being recognized in future periods in which the taxable income can be reduced or deducted for tax purposes in the respective tax jurisdictions. Although realizability is not definite, in assessing realizability, the Group considers the scheduled reversal of deferred tax liabilities and expected future taxable income. Based on these factors, the Group believes that it is highly probable that the deferred tax assets determined to be recognizable as of the end of the fiscal year under review will be realized. However, the timing and amount of taxable income may be affected by changes in uncertain future economic conditions, and the actual timing and amount of taxable income may differ from estimates. In estimating future taxable income, the Group assumed that the current stagnation in economic activities in Japan and overseas caused by the spread of COVID-19 would recover in the medium to long term, although the situation differs by segment and region because the Group is engaged in a wide range of business activities globally. However, overall recovery momentum continues. Likewise in the business domains of the Group, we do not expect any major impact on the Group except on aircraft and energy-related materials, etc. and certain other areas as demand continues to pick up. These assumptions are deemed our best estimates as of the end of the fiscal year under review. However, if the impact is longer or greater than expected, it may affect future taxable income.

Notes concerning consolidated statement of financial position

1. Accumulated depreciation and accumulated impairment losses on property, plant and equipment:
¥934,475 million

2. Guarantee obligations, etc.
(1) Guarantee obligations
The Company provides guarantees for loans from financial institutions to companies other than consolidated subsidiaries.

Guarantee purpose	
Employees (housing loans, etc.):	¥31 million
Japan Aeroforge, Ltd.:	¥1,764 million
Total	¥1,795 million

Notes concerning consolidated statement of income

1. Details of other income

Profits on sale of property, plant and equipment	¥13,346 million
Other	¥4,672 million
Total	¥18,018 million

2. Details of other expenses

Structural reform expenses	¥3,619 million
Costs related to the misconduct regarding product quality (Note)	¥6,309 million
Loss on disposal of property, plant and equipment	¥1,931 million
Other	¥6,273 million
Total	¥18,132 million

(Note) The investigation confirmed misconduct regarding several products of the Company and its subsidiaries such as magnets, specialty steel, and automotive casting products. The confirmed cases include misrepresentation of the test results on product characteristics defined in the specifications agreed with customers as well as delivery of products to customers without meeting the specifications. With regard to the products for which misconduct has been confirmed, the Company has been engaging in analysis of correlations between the methods of inspections actually conducted by the Company and those agreed with customers, confirmation of performance in the presence of customers, or reinspection of sample products stored at the Company. At the present time, no performance problems or safety issues have been identified. The Company has recorded costs and expenses related to these activities as costs related to the misconduct regarding product quality.

Notes concerning consolidated statement of changes in equity

1. Total number of shares outstanding as of March 31, 2022
Ordinary shares 428,904,352 shares

2. Dividends paid during the fiscal year ended March 31, 2022
(1) Dividends paid
There is no applicable item.

(2) Dividends whose record date is during the fiscal year ended March 31, 2022, but whose effective date is in the following fiscal year
There is no applicable item.

Notes concerning financial instruments

1. Status of financial instruments

(1) Risk management policy

(i) Interest rate risk

The Group is exposed to risks of fluctuations in interest rates related principally to long-term liabilities. In order to minimize interest rate risks, the Group may enter into interest rate swap agreements.

(ii) Currency exchange risk

The Group holds assets and liabilities exposed to currency exchange risks. In order to hedge currency exchange risks, the Group utilizes forward exchange contracts.

In order to stabilize future net cash flows from transactions denominated in foreign currencies for trade receivables and payables as well as forecast transactions, each month the Group measures the net amount of future cash flows on the settlement date for each currency and hedges fluctuation risk mainly using forward exchange contracts for a portion of these transactions. As per the Group's policy, exchange contracts generally expire in one year.

Hedge relationships between forward exchange contracts and hedged items are highly effective, and thus effects on hedged items (assets and liabilities denominated in foreign currencies) arising from changes in foreign currency exchange rates are offset.

In addition, certain consolidated subsidiaries use currency swap contracts to hedge the risks of fluctuations in foreign exchange and interest rates on foreign currency-denominated borrowings.

(iii) Credit risk

Credit risk refers to the risk that the Group will incur a financial loss because customers or counterparties fail to discharge their contractual obligations related to a financial instrument or contract. The Group is exposed to credit risks because of its operating activities (primarily trade receivables) and financing activities, including deposits at financial institutions, currency transactions, and other financial instruments. No significant concentration of credit risk is present, as the Group has a diverse group of trading parties situated in many different regions.

The Group sets credit limits according to the credit risks of certain instruments or customers by periodically reviewing relevant factors, such as financial conditions and ratings.

(iv) Liquidity risk

The Group's fundamental financial policy is to maintain an appropriate level of liquidity and flexibly and efficiently secure adequate funds for current and future business operations. The Group works to optimize capital utilization for its business operations through the efficient management of working capital. Further, the Group endeavors to improve the efficiency of group-wide cash management by centralizing this management function of the Company.

(2) Supplemental explanation concerning fair value, etc. of financial instruments

With regard to the contract amount relating to the derivative transaction in "2. Fair value, etc. of financial instruments," that amount itself does not indicate the market risk relating to the derivative transaction.

2. Fair value, etc. of financial instruments

The amounts recorded in the consolidated statement of financial position and fair values as of March 31, 2022 are as follows:

(Unit: Millions of yen)

	Carrying amounts	Fair values
Cash and cash equivalents	124,645	124,645
Trade receivables	187,264	187,264
Financial assets measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Forward exchange contract	13	13
Currency swap contract	107	107
Non-current		
Securities	762	762
Derivatives		
Forward exchange contract	8	8
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Non-current		
Securities (*1)	6,064	6,064
Financial assets measured at amortized cost		
Current		
Short-term loans receivable	7	7
Current portion of long-term receivables		
Current portion of long-term loans receivable	1	1
Non-current		
Other debt instruments	2,219	2,219
Long-term loans receivable	742	742
Trade payables	200,659	200,659
Financial liabilities measured at fair value through profit or loss (FVTPL)		
Current		
Derivatives		
Currency swap contract	131	131
Financial liabilities measured at amortized cost		
Current		
Short-term debt	100,316	100,316
Current portion of long-term debt		
Current portion of long-term borrowings	18,739	18,740
Current portion of corporate bonds payable	10	10
Lease liabilities (*2)	3,158	3,158
Non-current		
Long-term debt		
Long-term borrowings	23,431	23,425
Bonds	39,914	39,769
Lease liabilities (*2)	11,341	11,341

*1 Securities measured at FVTOCI are equity instruments.

*2 Since the fair value of lease liabilities is not material to the statement of financial position, it is measured at the present value of the minimum lease payments discounted by the interest rates used at the initial recognition of lease obligations. Accordingly, the fair value is based on the relevant carrying amount.

(Note) Calculation method of the fair value of financial instruments and matters relating to securities and derivatives transactions

(i) Cash and cash equivalents, trade receivables, short-term loans receivable, short-term debt and trade payables

Carrying amount of these assets and liabilities approximates their estimated fair value because of their short-term maturity.

(ii) Long-term loans receivable

Fair value of long-term loans receivable is estimated based on the present value of future cash flows using interest rates applicable to obtain an additional loan under similar contractual term.

(iii) Long-term debt and current portion of long-term debt

Fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using market interest rates under similar contractual terms.

3. Matters relating to breakdown of Fair value, etc. of financial instruments by appropriate level

Securities and other financial assets (excluding long-term loans receivable), and other financial liabilities

Financial instruments measured at fair value on a recurring basis after initial recognition are classified into three levels of a fair value hierarchy based on observability and materiality of inputs used for fair value measurement. The three levels of the hierarchy are as follows:

Level 1: Fair value measured using quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Fair value measured using direct or indirect observable inputs other than the quoted prices included in Level 1.

Level 3: Fair value measured using significant, unobservable inputs.

When several inputs are used for a fair value measurement, the measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels are deemed to have occurred at the beginning of each quarter period.

Securities

Securities that can be measured at fair value through quoted market prices are included in Level 1. Those securities include listed stocks, government bonds or other debt securities, and listed investment trust funds.

In the absence of an active market for securities, the following are used as inputs for fair value measurement: quoted prices for similar securities; quoted prices for transactions that are not distressed for identical or similar securities; or other relevant information, including observable interest rates and yield curves, credit spreads, and default rates. These inputs are included in Level 2. Included in Level 2 are short-term investments and listed stocks traded over-the-counter.

Shares of non-listed companies and other instruments, whose significant inputs for fair value measurement are unobservable, are included in Level 3. The Group uses price information provided by financial institutions to evaluate these investments. The Group corroborates the information using an income approach based on its own valuation model or a market approach, such as comparison with prices of similar securities.

Derivatives

Derivatives measured in a model using the following are included in Level 2: quoted prices under transactions that are not distressed, quoted prices in market that are not active, and observable interest rates and yield curves or forward and spot prices for currencies and commodities. Level 2 derivatives mainly include forward exchange contracts and currency swaps contracts. Derivatives whose significant inputs for fair value measurement are unobservable are included in Level 3. The Group uses price information provided by financial institutions to evaluate these investments. The Group corroborates the information using an income approach based on its own valuation model or a market approach, such as comparison with prices of similar securities.

Financial assets and liabilities measured at amortized cost

Estimated fair values of financial assets and liabilities measured at amortized cost are included primarily in Level 2 or Level 3.

Financial assets continuously measured at fair value in the fiscal year ended March 31, 2022 as follows.

(Unit: Millions of yen)

	Fiscal year ended March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Derivatives	–	120	–	120
FVTPL (Non-current)				
Securities	–	136	626	762
Derivatives	–	8	–	8
FVTOCI (Non-current)	494	–	5,570	6,064
Liabilities				
FVTPL (Current)	–	131	–	131

Liabilities (Current) measured at FVTPL are derivatives.

A reconciliation of opening balances to ending balances for recurring fair value measurements classified as Level 3 of the fair value hierarchy is as follows.

(Unit: Millions of yen)

	FVTPL	FVTOCI	Total
Beginning of fiscal year under review (April 1, 2021)	582	6,617	7,199
Net income/loss	–	–	–
Other comprehensive income	–	(980)	(980)
Sales/reimbursement	(14)	(85)	(99)
Purchases/acquisitions	15	–	15
Others	43	18	61
Fiscal year under review (March 31, 2022)	626	5,570	6,196

There were no changes in unrealized gains or losses recognized in net income or loss on assets held at the end of the reporting period.

Other comprehensive income is included in “Net change in fair value of financial assets measured through other comprehensive income” in the consolidated statement of comprehensive income.

1. Breakdown of Revenue

The Group has 4 reporting segments, “Specialty Steel Products,” “Functional Components and Equipment,” “Magnetic Materials and Applications / Power Electronics” and “Wires, Cables, and Related Products.” Revenues are broken down into each business by products / services. The relationship of these breakdown revenues and revenues per each reporting segment is as follows.

(Unit: Millions of yen)

		Fiscal year ended March 31, 2022
Specialty Steel Products	Specialty Steel	239,858
	Roll	21,902
Functional Components and Equipment	Automotive Casting	265,869
	Piping Components	48,096
Magnetic Materials and Applications / Power Electronics	Magnetic Materials	91,972
	Power Electronics Materials	44,244
Wires, Cables, and Related Products	Electric Wire & Cable	230,181
Others and adjustments		579
Total		942,701

2. Information concerning Satisfaction of Performance

All of the businesses listed in “1. Breakdown of Revenue” are mainly satisfied at a point when products are sold to customers and acceptance inspection is performed, revenue is recognized at a point when customers obtain control of them. Payment terms are general terms. There are no significant instances of transactions involving delay in payment and other violations of payment terms.

3. Information concerning Contract balance

The balance of trade receivables and contractual liabilities recorded from contracts with Group customers for the fiscal year ended March 31, 2022 at the beginning and the end of the period is as follows.

Fiscal year ended March 31, 2022
(Unit: Millions of yen)

	April 1, 2021	March 31, 2022
Trade receivables	167,553	187,264
Contractual liabilities	1,015	787

In recognized revenue during the year under review, no significant sums are included in contractual liabilities at the beginning of the period.

4. The transaction price allotted to remained Performance Obligations

Because there were no material transactions with expected individual contract terms of over one year, the Group is applying the practical expedient method and has omitted statement of information relating to remaining performance obligations. Moreover, among considerations arising from contracts with customers, there were no material amounts not included in transaction prices.

5. Capitalized costs arising in connection with acquisition or performance of customer contracts

There are no assets recognized at the Group from costs arising in connection with acquisition or performance of customer contracts.

Notes concerning per-share information

1. Equity per share attributable to shareholders of the parent company ¥1,233.91
2. Net Income per share attributable to shareholders of the parent company ¥28.14

Notes concerning additional information

(Tender Offer)

With respect to a tender offer for the Company's common stock (the "Tender Offer") by K.K. BCJ-52 (the "Tender Offeror") and the series of transactions scheduled to be conducted thereafter, the Company resolved at the Board of Directors meeting held on April 28, 2021 to express its opinion, as of the same date, in favor of the Tender Offer, if it is initiated, and to recommend the shareholders of the Company to apply for the Tender Offer.

1. Overview of the Tender Offeror

(i) Name	K.K. BCJ-52
(ii) Location	5F, Palace Building 1-1-1 Marunouchi, Chiyoda-ku, Tokyo
(iii) Name and Title of Representative	Yuji Sugimoto, Representative Director
(iv) Type of Business	Acquire and own shares of the Company, and control and manage the Company' business activities
(v) Amount of Capital	¥25,000
(vi) Date of Foundation	April 23, 2021
(vii) Major Shareholders and Shareholding Ratio	G.K. BCJ-51 (100.00%)
(viii) Relationship between the Company and the Tender Offeror	
Capital Relationship	Not applicable
Personal Relationship	Not applicable
Transaction Relationship	Not applicable
Status as a Related Party	Not applicable

2. Overview of the Tender Offer

(1) Period of purchase, etc.

According to the Tender Offeror, in regard to the tender offer by the Tender Offeror for common shares of the Company, the Tender Offeror would commence the Tender Offer once certain conditions are fulfilled (or waived), such as completion of necessary procedures and measures required by domestic and foreign competition laws and other regulatory laws, and the Tender Offer was expected to commence around late November 2021 as of the announcement date, April 28, 2021.

According to the Tender Offeror, although not all countries' competition law procedures and measures have been completed at the stage, they continuously make efforts to complete such procedures and measures as soon as possible for the Tender Offer so that it would commence within the fiscal year 2022.

(2) Price of purchase, etc.

¥2,181 per common share

(3) Number of shares, etc. to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
199,333,265 shares	56,815,101 shares	− shares

(The "Number of shares to be purchased" and the "Minimum number of shares to be purchased" are calculated based on the total number of outstanding shares of the Company as of March 31, 2022, the number of treasury shares held by the Company, and the number of shares of the Company held by the parent.)

4 Non-Consolidated Statement of Changes in Net Assets (Fiscal year ended March 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earning	Reserve for special deprecia-tion	Reserve for advanced deprecia-tion of fixed assets	General reserve	Retained earnings brought forward	Total retained earning
Balance as of April 1, 2021	26,284	36,699	91,777	128,476	6,571	86	1,177	44,580	127,658	180,072
Changes during the fiscal 2021										
Reversal of reserve for special depreciation						(49)			49	–
Reversal of reserve for advanced depreciation of fixed assets							(17)		17	–
Net income for the fiscal 2021									29,547	29,547
Acquisition of treasury stock										
Disposal of treasury stock			0	0						
Decrease due to corporate separation by way of corporate separation									(11,929)	(11,929)
Net increase/decrease during the fiscal 2021 of non shareholders' equity items										
Total increase/decrease during the fiscal 2021	–	–	0	0	–	(49)	(17)	–	17,684	17,618
Balance as of March 31, 2022	26,284	36,699	91,777	128,476	6,571	37	1,160	44,580	145,342	197,690

	Shareholders' equity		Valuation, translation adjustments and others			
	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities available-for-sale	Gain (loss) on deferred hedge transactions	Total valuation, translation adjustments and others	Total net assets
Balance as of April 1, 2021	(1,166)	333,666	(1)	1	0	333,666
Changes during the fiscal 2021						
Reversal of reserve for special depreciation		–				–
Reversal of reserve for advanced depreciation of fixed assets		–				–
Net loss for the fiscal 2021		29,547				29,547
Acquisition of treasury stock	(20)	(20)				(20)
Disposal of treasury stock	0	0				0
Decrease due to corporate separation by way of corporate separation		(11,929)				(11,929)
Net increase/decrease during the fiscal 2021 of non shareholders' equity items			178	9	187	187
Total increase/decrease during the fiscal 2021	(20)	17,598	178	9	187	17,785
Balance as of March 31, 2022	(1,186)	351,264	177	10	187	351,451

5 Notes to Non-Consolidated Financial Statements

1. Notes concerning matters relating to significant accounting policies

1.1. Valuation standards and methods for assets

(1) Valuation standards and methods for securities

Stocks of subsidiaries and affiliates are stated at cost as determined by the moving average method.

Available-for-sale securities:

Available-for-sale securities other than those without market value are stated using the fair value method. (unrealized gains and losses are reported as a separate component of net assets, and the cost of securities sold is determined by the moving-average method.).)

Available-for-sale securities without market value are mainly stated using the moving average method.

(2) Valuation standards and methods for derivatives

Derivatives are stated at fair value.

(3) Valuation standards and methods for inventories

Inventories held for ordinary sales:

Inventories held for ordinary sales are stated at cost. (Balance sheet book values are written down to adjust for declines in sales value.)

Finished products, and work in process are stated at cost as determined by the specific identification method or the gross average cost method.

Raw materials and supplies are stated at cost as determined by the moving average cost method or the gross average cost method.

1.2. Depreciation on fixed assets

Property, plant and equipment (excluding lease assets):

The Company uses the straight-line method.

Intangible assets (excluding lease assets):

The Company uses the straight-line method. Software for own use is amortized over an internal useful life of five years based on the straight-line method.

Lease assets:

Lease assets under finance leases transactions involving the transfer of ownership are depreciated in the same manner as own fixed assets.

Lease assets under finance leases transactions not involving the transfer of ownership are depreciated on the straight-line method using the lease period as the useful life and assuming no residual value.

1.3. Standards for provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts such as trade receivables and loans receivable are made for general receivables based on historical default rates and for specific receivables such as delinquent claims in the expected non-recoverable amounts based on an assessment of recoverability.

(2) Allowance for investment loss

Provision for losses from investments in affiliates, etc., is made in the necessary amounts taking into account the financial status of the investee.

(3) Allowance for directors' bonuses

Allowance for directors' bonuses is recognized in the estimated amount payable at the end of the current fiscal year.

(4) Provision for retirement benefits

The Company recognizes provisions for retirement benefits of employees based on projected benefit obligations and estimated plan assets at the balance sheet date.

The plan assets to be recognized at the end of the period under review are included in investments and other assets as prepaid pension cost, when their amount exceeds that of the projected benefit obligations after the actuarial gains or losses have been reflected.

- Method of periodical allocation of expected future retirement benefits

To calculate the amount of retirement benefit obligations, expected future retirement benefits are allocated to each period through the balance sheet date of the fiscal year under review based on the benefit formula.

• Method for recognizing actuarial gains or losses and prior service cost in profit or loss

Actuarial gains or losses of the retirement benefit plan are amortized from the year following the year in which the gain or loss is recognized primarily by the straight-line method over a certain period of time, which is within the average remaining years of service of the employees. Prior service cost is amortized by the straight-line method over a certain period of time, which is within the average remaining years of service of the employees or recognized in profit or loss in the fiscal year in which it is incurred.

(5) Provision for loss on business of subsidiaries and associates

In order to prepare for losses related to the business of subsidiaries and associates, a provision for the estimated amount of loss is recorded, taking into consideration the financial position of the companies concerned.

(6) Provision for environmental measures

Provision in the estimated necessary amounts was made for the cost of PCB waste disposal expected for the future under the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

1.4. Standards for Revenue

The Company recognizes revenue based on the following 5 steps approach.

Step 1 : Identifying the contract(s) with a customer

Step 2 : Identifying performance obligations in the contract

Step 3 : Determining the transaction price

Step 4 : Allocating the transaction price to each performance obligation in the contract

Step 5 : Recognizing revenue when (or as) a performance obligation is satisfied

The Company engages in a wide range of transactions to meet the needs of its customers, including provision of products, services and other transactions involving multiple components. When signing multiple contracts for provision of products and services, etc., an evaluation is made for each contract of interdependence of considerations and the timing of contract conclusion, etc. After combination of related contracts, a performance obligation is allocated to each at a transaction price at a proportion corresponding to the independent market price in each case, and revenue is recognized.

The independent market price is estimated after consideration of various factors including market conditions and market prices of competing products, cost of product manufacture and customer circumstances. In calculating the transaction price, a measurement is made of the amount of consideration based on expected entitlements to the Company from the transfer or exchange of promised goods or services under the customer contract. Consideration that varies depending on discounts and rebates, etc., is included in the transaction price only to the extent that it is very likely that there will be no significant reversal of cumulative recognized revenues if uncertainties regarding application of rebates, etc. are later resolved. Major financial items are not included in promised consideration.

1.5. Other significant matters for presenting non-consolidated financial statements

(1) Hedge accounting methods

Hedge accounting methods:

As a rule, hedge transactions are subject to deferred hedge accounting. Interest swaps that satisfy the required conditions are subject to accounting under special exception.

Hedging instruments and hedge objects:

Hedging instruments: Interest swaps; forward exchange contracts

Hedge objects: Interest on loans payable; foreign-denominated receivables and payables, etc.

Hedging policy:

Subject to hedging within the scope of hedge objects are foreign exchange risk and interest rate risk.

Method of hedge effectiveness assessment:

Hedge effectiveness is assessed by comparing at each six-month the variation in the value of the cumulative cash flow or cumulative price variation of the hedge object and the variation in the value of the cumulative cash flow or cumulative price variation of the hedging instrument. The assessment of hedge effectiveness of interest swaps subject to accounting under special exception is omitted.

(2) Accounting treatment of consumption taxes

Consumption taxes are not accounted for.

(3) Application of tax effect accounting related to the transition from the consolidated taxation system to the taxation system to each separate entity

The Company will have the transition from the consolidated taxation system to the taxation system to each separate entity from the fiscal year ended March 31, 2023. Therefore, as to accounting method and disclosure for tax effect accounting concerning Corporation Tax and Local Corporation Tax, the Company has applied accounting method on the assumption of the taxation system to each separate entity from the fiscal year ended March 31, 2022 based on “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (the Practical Solution No.42, August 12, 2021).

(4) Amortization of goodwill

Goodwill is amortized based on the estimated duration of investment effects for individual investments in even amounts over periods of up to 20 years after accounting recognition.

Goodwill associated with the acquisition of additional equity in NEOMAX Co., Ltd. under a tender offer in fiscal 2006 is amortized in even amounts over a period of 20 years. Other goodwill is amortized over five years in even amounts.

2. Notes concerning changes in accounting policy

2.1. Application of accounting standard related to revenue recognition

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the reporting period, At the time of transfer to the customer of rights of control over goods and services subject to the contract, revenue was recognized in the sum expected to be received for the exchange of the said goods and services. There is no impact from changes in relevant accounting policies.

2.2. Application of accounting standard related to fair value measurement

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereafter “Standard for Fair Value Measurement”) and other standards from the beginning of the reporting period and will apply a new accounting policy stipulated in Standard for Fair Value Measurement in accordance with Paragraph 19 of Standard for Fair Value Measurement and transitional measures stipulated in Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) into the future. There is no impact from changes in relevant accounting policies.

3. Notes concerning accounting estimates

3.1. Impairment loss on fixed assets

(1) Amounts recorded in the financial statements for the fiscal year under review

Property, plant and equipment at the end of the fiscal year under review	¥128,313 million
Intangible assets at the end of the fiscal year under review	¥15,454 million
Amount of impairment losses recognized in the fiscal year under review	¥0 million

(2) Information to assist understanding of accounting estimate details

This information is omitted as it is identical to the information presented in "Impairment of non-financial assets" under "Significant matters for presenting Consolidated Financial Statements, 4. Notes concerning accounting policies, (1) Valuation standards and methods for principal assets, (ii) Valuation standard and method for non-financial assets" and in "1. Impairment loss on property, plant and equipment, goodwill and intangible assets" under "Notes concerning accounting estimates."

3.2. Recoverability of deferred tax assets

(1) Amounts recorded in the financial statements for the fiscal year under review

Deferred tax assets	¥7,218 million

(2) Information to assist understanding of accounting estimate details

This information is omitted as it is identical to "3. Assessment of the realizability of deferred tax assets" under "Notes concerning accounting estimates" in Notes to Consolidated Financial Statements.

3.3. Provision for retirement benefits

(1) Amounts recorded in the financial statements for the fiscal year under review

Provision for retirement benefits	¥24,583 million

(2) Information to assist understanding of accounting estimate details

This information is omitted as it is identical to the information presented in "2. Retirement and severance benefit" under "Notes concerning accounting estimates" in Notes to Consolidated Financial Statements and in "(4) Provision for retirement benefits" under "1. Notes concerning matters relating to significant accounting policies, 1.3 Standards for provisions" in the Notes to Non-Consolidated Financial Statements.

4. Notes concerning the non-consolidated balance sheet

(1) Accumulated depreciation on property, plant and equipment:	¥416,413	million
(2) Guarantee obligations, etc.		
・Guarantee obligations	¥1,795	million
(3) Accounts payable and receivable – affiliates		
Accounts receivable-trade:	¥48,035	million
Accounts receivable-other:	¥57,967	million
Short-term loans receivable:	¥16,358	million
Long-term loans receivable from subsidiaries and affiliates:	¥4,249	million
Accounts payable-trade:	¥26,179	million
Accounts payable-other:	¥6,975	million
Short-term debt:	¥40,340	million

5. Notes concerning the non-consolidated statement of income

(1) Transactions with affiliates

Net sales:	¥246,875 million
Purchase of goods:	¥248,223 million
Other transactions:	¥33,729 million

(2) Costs related to the misconduct regarding product quality

The investigation confirmed misconduct regarding several products of the Company such as magnets, specialty steel, and automotive casting products. The confirmed cases include misrepresentation of the test results on product characteristics defined in the specifications agreed with customers as well as delivery of products to customers without meeting the specifications. With regard to the products for which misconduct has been confirmed, the Company has been engaging in analysis of correlations between the methods of inspections actually conducted by the Company and those agreed with customers, confirmation of performance in the presence of customers, or reinspection of sample products stored at the Company. At the present time, no performance problems or safety issues have been identified. The Company recorded ¥6,248 million in costs and expenses related to these activities as costs related to the misconduct regarding product quality.

(3) Loss on structural reform

Loss on structural reform of ¥2,262 million mainly consists of special termination benefits for employees taking the early retirement, which was implemented as an emergency performance measure.

6. Notes concerning the statement of non-consolidated change in net assets

(1) Number of treasury stock as of the balance sheet date: 1,349,888 shares of common stock

(2) Business divestiture by company split.

In accordance with a resolution at the Board of Directors' meeting held on January 28, 2021 approving the absorption-type company split, the Company separated the manufacturing division for heat-resistant casting components and ceramics filters to its subsidiary Kyushu Techno-Metal. Ltd. on April 1, 2021. As a result, retained earnings brought forward decreased by 11,929 million yen.

7. Notes concerning tax effect accounting

Breakdown of significant components of deferred tax assets and deferred tax liabilities:

Deferred tax assets		
Accrued bonuses:	¥1,425	
Allowance for doubtful accounts:	¥1,641	
Provision for retirement benefits:	¥7,490	
Contribution of securities to retirement benefit trust:	¥1,534	
Impairment losses:	¥480	
Accounting depreciation in excess of tax depreciation:	¥9,156	
Stocks of subsidiaries:	¥6,099	
Loss on devaluation of investment securities:	¥4,221	
Net operating loss carry-forwards:	¥6,125	
Other:	¥2,957	
Deferred tax assets – Subtotal:	¥41,128	million
Valuation allowance:	(¥29,724)	
Deferred tax assets – Total:	¥11,404	million
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets:	(¥757)	
Reserve for special depreciation:	(¥16)	
Prepaid pension cost:	(¥1,300)	
Valuation gain – land:	(¥1,270)	
Stocks of subsidiaries:	(¥676)	
Other:	(¥167)	
Deferred tax liabilities – Total:	(¥4,186)	million
Deferred tax assets – Net:	¥7,218	million

8. Notes concerning transactions with related parties

8.1. Transactions with related parties

(a) Parent company and principal shareholders (companies only)

Type	Name	Address	Capital or investment (millions of yen)	Business domain or occupation	Voting rights etc. held by or in the Company (%)	Relationship with related parties	Transaction	Transaction amount (millions of yen)	Account	Term-end balance (millions of yen)
Parent Company	Hitachi, Ltd.	Chiyoda-ku, Tokyo	461,731	Manufacture and sales of electrical equipment	Direct: 53.4	Continuous trade in products Provision of services Provision of technology Provision of loans Concurrent position as officer	Deposit under the Hitachi Group Pooling Scheme *1, 2	Withdrawal 35,805 *3	Group pooling cash deposits	15,385

(Notes)

1. Since October 2001, the Company participates in the Hitachi Group Pooling Scheme for the centralized management of funds. The fiscal year-end balance indicates deposit amounts of the Company held in that scheme as of the balance sheet date.
2. Interest rates on funds are determined with reasonable consideration of market interest rates.
3. Fund allocation changes daily. Transaction amount reflect changes compared with the balance at the previous fiscal year end.

(b) Subsidiaries and affiliate companies

Type	Name	Address	Capital or investment (millions of yen)	Business domain or occupation	Voting rights etc. held by or in the Company (%)	Relationship with related parties	Transaction	Transaction amount (millions of yen)	Account	Term-end balance (millions of yen)
Subsidiary	Tonichi Kyosan Cable, Ltd.	Ishioka-shi, Ibaraki	3,569	Wires, cables, and related products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Sales of products *1	29,103	Accounts receivable-trade	8,404
							Debt under the Company Pooling Scheme *2, 3	Borrowings 1,783 *4	Short-term debt	14,377
Subsidiary	Hitachi Metals Neomaterial, Ltd.	Suita-shi, Osaka	400	Specialty steel products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers Purchase of materials, etc. as an agent, etc.	Purchase of products *1	79,029	Accounts payable-trade	9,212
							Purchase of materials as an agent, etc. *1	66,345	Accounts receivable -other	32,331
							Purchase of materials as an agent, etc. *2, 3	Borrowings 3,777 *4	Short-term debt	9,574
Subsidiary	Hitachi Metals Trading, Ltd.	Minato-ku, Tokyo	350	Sales of various Products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Dividends received *5	12,996	-	-
Subsidiary	Hitachi Metals Solutions, Ltd.	Minato-ku, Tokyo	250	Real estate trading, lease, maintenance management and brokerage	Direct: 100.0	Real estate, lease, subcontract of maintenance management and dispatch of officers	Dividends received *5	4,703	-	-

(Notes)

1. Sales and purchase of products and purchase of materials, etc. as an agent are determined with consideration of market prices and in accordance with general terms and conditions of trade.
2. Since June 1999, the Company has adopted a cash pooling scheme for the purpose of centrally managing funds of the Hitachi Metals Group. The term-end balance indicates debt at the end of the fiscal year.
3. Interest rates on funds are determined with reasonable consideration of market interest rates.
4. Fund allocation changes daily. Transaction amount reflect changes compared with the balance at the previous fiscal year end.
5. Dividends received are mainly due to special dividends.

8.2. Notes concerning the parent company or significant affiliates

Parent company information

Hitachi, Ltd. (Shares are listed on Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.)

9. Notes concerning revenue recognition

(Useful information in understanding revenue from contracts with customers)

Useful information in understanding revenue from contracts with customers is omitted as the same details are presented in "Consolidated Financial Statements (Standards for Revenue)" in the consolidated financial statements.

10. Notes concerning per-share information

(1) Net assets per share: ¥822.00

The basis of calculation of net assets per-share is as follows.

Total net assets as per non-consolidated balance sheet	¥351,451 million
Net assets attributable to common stock	¥351,451 million
Number of common stock outstanding at the non-consolidated balance sheet date	428,904,352 shares
Number of common stock held as treasury stock	1,349,888 shares
Number of common stock used as basis of calculation of net assets per share	427,554,464 shares

(2) Net Income per share for the period under review: ¥69.11

The basis of calculation of net loss per share for the period under review is as follows.

Net Income for the period under review as per non-consolidated statement of income	¥29,547 million
Amounts not attributable to common stockholders	– million
Net loss for the period attributable to common stock	¥29,547 million
Average number of common stock outstanding during the period	427,557,344 shares

11. Notes on business combinations and divestitures

The Company separated businesses to its subsidiary Kyushu Techno-Metal, Ltd. in accordance with the resolution at the Board of Directors' meeting held on January 28, 2021 to approve the absorption-type demerger agreement.

(1) Outline of business divestiture

(i) Name of divestee company
Kyushu Techno Metal, Ltd.

(ii) Details of the separated businesses
Manufacturing division for heat-resistant exhaust casting components and ceramic filters

(iii) Main reasons for business divestiture
In the past, the material processes, inspection, and quality assurance of heat-resistant exhaust casting components had been allocated to the Company's Kyushu Works, while the machining of heat-resistant exhaust casting components had been allocated to Kyushu Techno-Metal, Ltd. Now, the manufacturing of heat-resistant exhaust casting components has been integrated into Kyushu Techno-Metal, Ltd. in order to further strengthen competitiveness and improve business efficiency.

(iv) Date of execution of absorption-type split
April 1, 2021

(v) Matters concerning the outline of other transactions including legal form
The company split is an absorption-type company split (simplified absorption-type company split) in which Kyushu Techno-Metal, Ltd. is the inheriting company. No allocation of shares or delivery of other consideration took place.

(2) Summary of accounting procedures performed

The said company split is based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019). The transaction was accounted for as a transaction under common control. Kyushu Techno-Metal, Ltd. inherited the assets related to the heat-resistant exhaust casting components business and the ceramic filter business, as well as the rights and obligations associated with the heat-resistant exhaust casting components business, etc., as of the effective date of the divestiture, which are specified in the absorption-type divestiture agreement. The assets assumed by Kyushu Techno-Metal are as follows.

Current assets 3,495 million yen

Fixed assets 11,929 million yen

12. Notes concerning additional information

(Tender Offer)

With respect to a tender offer for the Company’s common stock (the “Tender Offer”) by K.K. BCJ-52 and the series of transactions scheduled to be conducted thereafter, the Company resolved at the Board of Directors meeting held on April 28, 2021 to express its opinion, as of the same date, in favor of the Tender Offer if it is initiated, and to recommend the shareholders of the Company to apply for the Tender Offer.

For details, please refer to “Notes concerning additional information” in the Notes to Consolidated Financial Statements.