

Corporate Governance

Message from the Chairperson of the Board



Toshikazu Nishino

Chairperson of the Board

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

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

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

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

Corporate Governance

Basic Views on Corporate Governance

The underlying basis for corporate governance at the Company is to ensure transparent, sound, and efficient management, meet the needs of our stakeholders, and increase corporate value. We believe increasing corporate value to be one of our most important management challenges. Accordingly, it is imperative that we create an organizational structure in which management oversight and business operations function effectively and in balance. We also believe that timely, high-quality information disclosure contributes to the improvement of corporate governance. In pursuit of this philosophy, we go

beyond simple financial disclosure, regularly publishing the details of individual business segments and medium-term management plans. We acknowledge that compliance is the linchpin of corporate governance. Nonetheless, our corporate activities go beyond mere compliance with laws and internal regulations, extending to the role we must fulfill as a member of society, based on respect for social ethics and morality.

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

Overview of the Governance Structure

Organization System	
A Company with a nominating committee, etc.	
Directors	
Number of Directors stipulated in the Articles of Incorporation	10
Term of office of Directors stipulated in the Articles of Incorporation	One year
Chair of the Board of Directors	Chairperson of the Board (except when concurrently serving as President)
Number of Directors	Eight
Outside Directors	
Number of Outside Directors	Three
Number of Outside Directors designated as Independent Directors	Three
Committees	
Composition of Committees	The Nominating Committee, Audit Committee, and Compensation Committee
Number of Committee members	Four members each on the Nominating Committee, Audit Committee, and Compensation Committee
Executive Officers	
Number of Executive Officers	15
Independent Directors	
Number of Independent Directors	Three

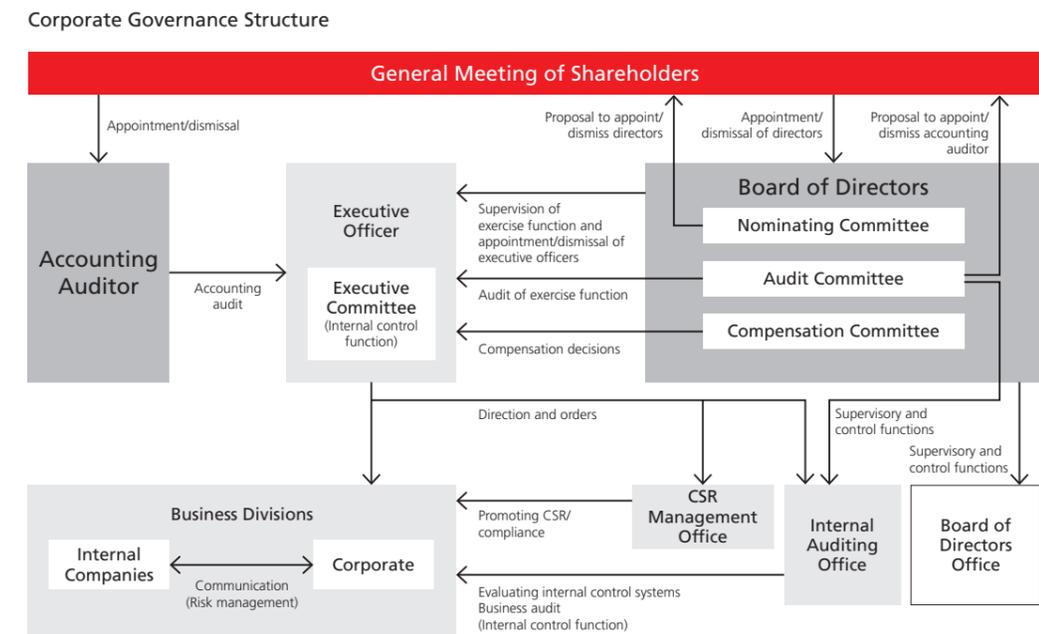
Measures aimed at the enhancement of corporate governance

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

Ratio of Inside Directors and Outside Directors



Corporate Control System, etc., of the Company



Membership composition of each committee and affiliations of chairs

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

Note: ◎ Chair ○ Committee member

The Company has adopted the system of a company with a nominating committee, etc. Under this system, the Company elects eight Directors (one of whom is a woman) including three Outside Directors, and has established the Nominating Committee, Audit Committee, and Compensation Committee, in accordance with the provisions of the Companies Act. The Nominating Committee, the Audit Committee, and the Compensation Committee each comprise four members (three of whom are Outside Directors). The Company has established a system in which one Director who does not concurrently serve as an Executive Officer assists the Audit Committee in the execution of its duties. Each committee member is appointed by resolution of the Board of Directors.

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

The Audit Committee audits the execution of duties by Directors and Executive Officers, and has the authority to determine the content of proposals for the General Meeting of Shareholders regarding the appointment of the Accounting Auditor, as well as the dismissal or non-reappointment of the Accounting Auditor, and the authority to dismiss a relevant Accounting Auditor in the event that it has breached an obligation pertaining to its duties, neglected its duties, or engaged in misconduct that is unsuitable for such an auditor.

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

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

Corporate Governance

The Audit Committee as an Audit Organization

The Audit Committee is composed of four committee members. It is in charge of auditing violations of laws and regulations or the Articles of Incorporation by Directors or Executive Officers, the appropriateness of management's judgments, the adequacy of internal control systems, and auditing accounting. The execution of duties by the Audit Committee is assisted by a Director who is appointed to provide support for the Audit Committee in the execution of its duties, as well as a person in charge of the Audit Committee at the Board of Directors Office. To ensure independence from

Executive Officers, these persons do not concurrently serve in any position at any other business operating division. The Audit Committee formulates annual audit implementation plans and auditing policies, and performs audits based on said plans and policies by hearing reports on important items and having Audit Committee members visit each office, etc., and each Group Company to conduct audits as regular audits. In addition, special audits are conducted when any likelihood exists of violations of laws and regulations or the Articles of Incorporation by Directors or Executive Officers.

Accounting Auditor

The certified public accountants named in the table below conducted accounting audits for the Company in fiscal 2017. Under the direction of said certified public accountants, as necessary, certified public accountants, certified public accountant

assistants, and other personnel from Ernst & Young ShinNihon LLC assisted with the execution of accounting audit duties. Seven certified public accountants and 25 other personnel assisted with the Company's accounting audit duties.

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

Matters Relating to Directors and Executive Officers

Functions and Roles of Directors

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

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

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

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

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

The Company has business dealings with Bridgestone

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

There are no items of note regarding Outside Directors Toshiko Oka and Takashi Shimada.

With respect to relationships between each Outside Director and the Company, the independence of each Outside Director is judged according to the Criteria for Independence of Outside Directors, mentioned below.

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

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

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



Toshikazu Nishino
Chairperson of the Board

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

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

Reasons for appointment

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



Masaru Igarashi
Outside Director

Attendance at meetings
Board of Directors:
16 out of 16 meetings
Nominating Committee:
2 out of 2 meetings
Audit Committee:
16 out of 16 meetings
Compensation Committee:
4 out of 4 meetings

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

Reasons for appointment

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



Toshiko Oka
Outside Director

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

Apr 1986 Joined Tohatsu Touche Ross Consulting (current name: ABeam Consulting Ltd.)
Jul 2000 Joined Asahi Arthur Andersen Ltd.
Jul 2002 Joined Deloitte Tohatsu Consulting Co., Ltd. (current name: ABeam Consulting Ltd.)
Sep 2002 Principal of Deloitte Tohatsu Consulting Co., Ltd.
Apr 2005 President and Representative Director of ABeam M&A Consulting Ltd.
Jun 2008 Outside Director of Netyear Group Corporation
Jun 2014 Outside Audit & Supervisory Board Member of Astellas Pharma Inc.
Jun 2015 Outside Audit & Supervisory Board Member of HAPPINET CORPORATION (current position)
Apr 2016 Partner of PwC Advisory LLC
Jun 2016 CEO of Oka & Company Ltd. (current position)
Outside Director of Hitachi Metals, Ltd. (current position)
Outside Director of Mitsubishi Corporation (current position)
Jun 2018 Outside Director of Sony Corporation (current position)

Reasons for appointment

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



Takashi Shimada
Outside Director

Attendance at meetings
Board of Directors:
16 out of 16 meetings
Nominating Committee:
2 out of 2 meetings
Audit Committee:
16 out of 16 meetings
Compensation Committee:
4 out of 4 meetings

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

Reasons for appointment

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

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Katsuro Sasaka
Director

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

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

Reasons for appointment

The Company determined that Mr. Katsuro Sasaka will contribute to the strengthening of the decision-making and monitoring functions of the Board of Directors and enhancing their effectiveness as a board member, by leveraging his abundant experience and in-depth knowledge gained as a senior management of the Company's finance and business planning operations as well as his thorough knowledge in the Group's operations gained as Director and President of a subsidiary controlling overseas business operations in China; therefore, the Company appointed him as a Director.



Toyoaki Nakamura
Director

Attendance at meetings
Board of Directors:
16 out of 16 meetings

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

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

Reasons for appointment

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



Toshitake Hasunuma
Director

Attendance at meetings
Board of Directors:
16 out of 16 meetings
Audit Committee:
16 out of 16 meetings

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

Reasons for appointment

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



Akitoshi Hiraki
Director

Attendance at meetings
Board of Directors:
16 out of 16 meetings
Compensation Committee:
3 out of 3 meetings

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

Reasons for appointment

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

Analysis and Evaluation of the Effectiveness of the Board of Directors

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

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

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

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

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

Main Items Discussed by the Board of Directors in Fiscal 2017

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

Business Execution System

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

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

Executive Officers (As of April 1, 2018)

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

Corporate Governance

Compensation for Directors and Executive Officers, etc.

The Policies Concerning the Determination of Compensation, etc., for Directors and Executive Officers state that “(1) Directors and Executive Officers assuming the management of the Company are compensated for executing management that enhances the Company’s corporate value and benefits stakeholders such as shareholders by determining management policies from a long-term perspective, and formulating and executing medium-term management plans and annual business budgets; (2) To motivate Directors and Executive Officers to exercise their respective management capabilities, know-how, and skills to achieve satisfactory results, the compensation system shall reflect the Company’s short-term and medium- to long-term business performance and appropriate compensation shall be paid for outstanding achievements; (3) Compensation paid by the Company consists of base compensation and a term-end bonus; and (4) To share interests with shareholders by holding treasury stock and thereby promote sustainable growth and the enhanced corporate value of the Company over the medium to long term, Directors and Executive Officers shall, as a general rule, contribute part of their compensation to the officers’ shareholding

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

The total amount of compensation, etc., for each category of Director or Executive Officer, the total amount of compensation, etc., by type, and the number of Directors and Executive Officers who received compensation, etc., during fiscal 2017 are as indicated in the table below.

Compensation, etc., for Directors and Executive Officers

Director/Executive Officer category	Total amount of compensation, etc. (millions of yen)	Total amount of compensation, etc., by type (millions of yen)		Number of Directors and Executive Officers who received compensation, etc.
		Base compensation	Term-end bonus	
Directors (excluding Outside Directors)	132	119	13	4
Executive Officers	458	333	125	15
Outside Directors and Officers	52	45	7	3

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

Relationship with the Parent Company

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

As for personnel relationships with Hitachi, Ltd., one Director and one Executive Officer of that company also serves as Directors of the Company. By expressing opinions and voting at meetings of the Company’s Board of Directors, Hitachi, Ltd. could influence management policies and other aspects of the Company. Nevertheless, the Company perceives that it is in a

position to make independent management judgments, because it has appointed three Outside Directors who are designated as Independent Directors, based on the stipulations of the stock exchange on which the Company is listed, so that a wide variety of opinions can be reflected in the discussions of the Company’s Board of Directors. No Executive Officers of the Company who perform executive duties are also Directors or Executive Officers of Hitachi, Ltd.

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

Policies Concerning Holding Shares of Other Companies as Cross-Shareholdings

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

The Company conducts an annual review of such

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

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

Internal Controls

Internal Audit Organization

The Company has an Internal Auditing Office (with 10 dedicated staff members) that is in charge of internal audits. This office formulates annual audit implementation plans and audit policies, and regularly conducts audits regarding the status of business execution and management of each office and Group Company based on said plans and policies. Furthermore, it may conduct special audits when necessary, and issues recommendations for

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

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

The Audit Committee (1) receives explanations from the Accounting Auditor regarding audit implementation plans, and engages in consultation and adjustments when necessary; (2) receives audit result reports and engages in an exchange of opinions; and (3) in the event that the Accounting Auditor, during the course of executing its duties, discovers misconduct or material facts in violation of laws and regulations or the Articles of Incorporation regarding the execution of duties by Executive Officers, receives reports on these matters. The Audit Committee receives reports from the Internal Audit division on its audit implementation plans and regularly examines reports. Furthermore, to promote collaboration between the Internal Audit division and the Audit Committee in auditing, the committee can instruct the Internal Audit division to (1) conduct a special audit of certain divisions deemed to be required by the Audit Committee, and (2) decide on critical audit items in audits conducted by the Internal Audit division. The Internal Auditing Office is also in charge of evaluating internal controls, and reports the status of such to the Audit Committee. Corporate divisions, etc., other than the Internal Audit division, in charge of finances, compliance, risk, and other areas also play a certain

role in the Company’s internal controls, and report the status of the execution of their duties to the Audit Committee.

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

Risk Management

With respect to risk management, each Executive Officer identifies and analyzes business risks including changes in political, economic, and social situations, currency fluctuations, rapid technological innovations, as well as changes in customer needs, examines measures against such risks, and reviews these measures whenever necessary through discussions at the Board of Directors, the Audit Committee, the Executive Committee, and other meeting bodies. In addition, each of the Group’s sites has built a system to promptly share information that has become known regarding risks relating to compliance, antisocial forces, finance, procurement, the environment, disasters, quality, information security, export control, legal affairs, etc., with each business division. Meanwhile, each corporate business division has prepared internal rules, guidelines, etc.; conducts education and enlightenment activities, preliminary checks, audits on business operations, etc.; and cooperates with the relevant internal company’s business divisions to avoid, prevent, and manage risks. Furthermore, with regard to business continuity plans (BCPs), the Company has not only prepared the plans but also implements business continuity management (BCM) that periodically and continually improves BCPs in response to changes in the business structure or risks. During the fiscal year under review, the Company reviewed its BCP, formulated in anticipation of a major earthquake at the Group’s domestic locations, and updated the plan. In addition, the Company is

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

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

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