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(Securities code: 5486)
June 5, 2015

To our shareholders:

Hitachi Metals, Ltd.
2-1, Shibaura 1-chome, Minato-ku, Tokyo

Notice of the 78th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 78th Ordinary General Meeting of Shareholders of Hitachi Metals, Ltd., which will be held as described below:

In the event that you are not able to attend the meeting, you may exercise your voting rights in writing or online. Please review the attached Reference Document for the General Meeting of Shareholders, and exercise your voting rights no later than 5:00 p.m., Monday, June 22, 2015.

[Exercising Voting Rights by Mail]

Please indicate your vote of approval or disapproval on each Item using the enclosed voting right card, and return the card to us so that it arrives by the above deadline.

[Exercising Voting Rights via the Internet]

Please read the "Procedures for Exercising Voting Rights via the Internet" shown on page 3, and enter your vote of approval or disapproval on each Item and submit it by the above deadline.

Notice

1. Date: Tuesday, June 23, 2015 at 10:00 a.m. (Reception starts from 9:00 a.m.)

2. Location: Kokuyo Hall (2nd floor)
8-35, Konan 1-chome, Minato-ku, Tokyo

3. Agenda:

Items To Be Reported:

Report on the Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements for the 78th Fiscal Year (from April 1, 2014 to March 31, 2015), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit Committee

Items To Be Resolved:

Item 1: Partial Amendments to the Articles of Incorporation

Item 2: Election of Eight (8) Directors

4. Matters regarding exercising voting rights:

(1) If you do not indicate your vote of approval or disapproval for all Items when using the voting right card, 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 right card 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,

Hideaki Takahashi
Director, Representative Executive Officer,
President and Chief Executive Officer

○ When attending the Ordinary General Meeting of Shareholders, please submit the enclosed voting right card at the reception desk.

○ Pursuant to applicable laws and regulations, and the provision of the Articles of Incorporation of the Company, of the documents to be provided with this notice, "Notes to Non-Consolidated Financial Statements" and "Notes to Consolidated Financial Statements" are not provided in this notice because they have been provided to shareholders through postings on the Company's website (http://www.hitachi-metals.co.jp/ir/ir-stock.html). Therefore, the "Non-Consolidated Financial Statements" and the "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, Non-Consolidated Financial Statements, and Consolidated Financial Statements will be posted on our website (see above).

○ We ask for your kind understanding that, in order to cooperate with the conservation of electric power, we will set the temperature of air conditioners higher than usual. Therefore, Officers and staffs may carry out the meeting in wearing lighter clothes. As such, we would like to ask your kind cooperation in wearing light clothes for the meeting.

Procedures for Exercising Voting Rights via the Internet

<How to exercise your voting rights via the Internet>

1. When you exercise your voting rights via the Internet, please access the following website "Exercise of Voting Rights" using your PC, mobile phone or smartphone.

   Exercise of Voting Rights website: http://www.tosyodai54.net

2. Please input the "Voting Right Exercise Code" and the "Password" indicated in the "Request for Shareholders" column of the enclosed voting right card.

3. Please follow the instructions on the screen and send your vote of approval or disapproval on each Item no later than **5:00 p.m., Monday, June 22, 2015.**

<Important reminders when using the Exercise of Voting Rights website>

1. Please note that communications charges (e.g., phone charges) and connectivity fees to the internet providers incurred when accessing the Exercise of Voting Rights website should be borne by the shareholder.

2. Please note that some types of mobile phones will have difficulty in accessing the website.

<For inquiries regarding exercising voting rights via the Internet>

Please contact:	Shareholders Registry Administrator, Tokyo Securities Transfer Agent Co., Ltd.
	Phone: 0120-88-0768 (toll free)
	(Business hours: 9:00 a.m. – 9:00 p.m.)

○ To Institutional Investors:

Institutional investors who have applied for the use of the "ICJ platform" for electronic proxy voting 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.

[Attachments]

Business Report

(April 1, 2014 to March 31, 2015)

1. Current Status of the Hitachi Metals Group

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

During the consolidated fiscal year under review, despite various economic issues, the global economy experienced moderate upturns and showed some steadiness. The U.S. economic conditions continued to recover, whereas in Asia, the Chinese economy shifted to grow at a relatively slow pace, South Korea's recovery showed signs of a slowdown, and Taiwan continued to experience a moderate recovery. In Europe, while there were lingering concerns throughout the year over geopolitical risks, such as government debt obligations and political uncertainty, the region as a whole maintained a relatively moderate recovery. As for the Japanese economy, despite a slowdown in consumer spending due to a drop-off in demand following last-minute demand in response to the consumption tax hike enacted on April 1, 2014, the overall economy remained stable due to the strong export environment and robust capital investments.

Among the industries in which the Hitachi Metals Group (the "Group") operates, the automobile market stayed relatively strong, supported by steady overseas demand, especially in the U.S., despite negative effects caused by the subsequent drop-off in demand in response to the consumption tax hike in Japan and decreased production due to shrinking backlogs. The mobile phone industry enjoyed favorable demand for smartphones, especially overseas. The household appliance and personal computer industries stayed weak in Japan because of lower consumer spending, whereas the overseas market remained steady. Furthermore, the Japanese housing construction market shrank, while public investment remained steady. Steel production decreased mainly due to weak automobile sales and low construction demand, although production for industrial machinery remained steady.

Amid this market environment, Hitachi Metals, Ltd. (the "Company") acquired shares equivalent to 51% of issued shares in MMC Superalloy Corporation (currently named Hitachi Metals MMC Superalloy, Ltd.), a wholly owned subsidiary of Mitsubishi Materials Corporation, on July 1, 2014, for the purpose of reinforcing the aircraft and energy materials business. Following this transaction, Hitachi Metals MMC Superalloy, Ltd. is reported under the High-Grade Metal Products and Materials segment as a consolidated subsidiary of the Group, and its operating results were reflected in the segment starting from the second quarter ended September 30, 2014. Furthermore, the Company acquired the entire ownership of Waupaca Foundry Holdings, Inc. on November 10, 2014, which is the company that holds the entire shares of Waupaca Foundry, Inc. (Waupaca Foundry, Inc. is engaged in the iron casting business for transportation machinery in North America). Accordingly, Waupaca Foundry, Inc. is reported under the High-Grade Functional Components and Equipment segment as a consolidated subsidiary of the Group, and its operating results were reflected in the segment starting from November 2014.

The financial results of the Group for the fiscal year under review, are as follows when compared with those for the previous fiscal year, partly owing to the merger with Hitachi Cable, Ltd. on July 1, 2013: net sales of the Group increased by 24.5% to ¥1,006,301 million; operating income increased by ¥18,680 million to ¥78,216 million; and ordinary income increased by ¥13,976 million to ¥74,874 million. While ¥6,792 million of loss on structural reform was recorded as an extraordinary loss, net income increased by ¥27,136 million to ¥66,553 million for the same period year on year. This was not only due to the boost in net sales and income as well as recognition of a gain on the transfer of business of ¥3,937 million under extraordinary income, but also the recording of ¥8,736 million from a gain on sales of stocks of subsidiaries and affiliates following the completion of a tender offer (hereafter, the "Tender Offer"). The Company accepted the Tender Offer from CK Holdings Ltd. for the shares of Hitachi Metals Techno, Ltd., which operated as a consolidated subsidiary as part of the High-Grade Functional Components and Equipment segment. The Company transferred its entire shares of Hitachi Metals Techno, Ltd. on March 25, 2015 upon completion of the Tender Offer.

Results by individual business segment are as follows. Sales amounts include intersegment sales and transfers.

[High-Grade Metal Products and Materials]

Net sales: ¥262,306 million (up 10.4% year on year)
Operating income: ¥32,274 million (up ¥6,862 million year on year)

<Special Steels>

Sales of tool steels increased during the fiscal year ended March 31, 2015, due to robust demand in Japan backed by strong capital investment as well as steady overseas markets. Sales of alloys for electronic products also increased, supported by strong demand for display-related materials. Meanwhile, sales of semiconductor and other package materials remained steady year on year thanks to generally robust demand, despite a partial slowdown in

demand (mainly for smartphones and tablet devices) in the latter half of the fiscal year. For industrial equipment materials, automobile-related materials sales showed an overall increase in both Japanese and overseas markets, supported by steady demand for environment-friendly products. Aircraft- and energy-related materials sales both increased not only because of continuing robust demand, but also due to the performance of Hitachi Metals MMC Superalloy, Ltd., which became a consolidated subsidiary of the Group from the second quarter ended September 30, 2014.

<Rolls>

Sales of rolls increased on steady demand in overseas markets and a recovery in domestic demand. Sales of injection molding machine parts showed favorable demand, both in Japan and overseas, mainly for smartphones and tablet devices.

<Amorphous Materials>

Sales of amorphous materials decreased due to the sluggish Chinese market, the major market for the product, from the latter stage of the first half of the fiscal year.

<Cutting Tools>

Sales of cutting tools increased because of favorable demand for industrial machinery in Japan as well as steady demand in overseas markets driven by an increase in exports.

[Magnetic Materials and Applications]

Net sales: ¥135,517 million (up 0.9% year on year)
Operating income: ¥16,412 million (up ¥4,694 million year on year)

<Magnets>

Steady year-on-year sales of rare earth magnets was supported not only by strong demand for automotive electronic components from hybrid cars for overseas markets and electric power steering, but also by steady demand for factory automated- and household/elevator-related products, although there were signs of a slowdown in domestic automobile demand in Japan. Sales of ferrite magnets increased due to strong demand for automotive electronic components and household appliance parts, both in Japanese and overseas markets.

<Soft Magnetic Materials and Applied Products>

Sales of ferrite applied products experienced a slowdown in demand for solar power generation systems parts in the latter half of the fiscal year. Sales of ferrite core remained steady mainly for automotive electronic components and smartphones. An increase in sales of FINEMET® was largely attributable to steady demand in general-purpose inverters and air conditioners.

[High-Grade Functional Components and Equipment]

Net sales: ¥282,280 million (up 50.4% year on year)
Operating income: ¥17,872 million (up ¥5,041 million year on year)

<Casting Components for Automobiles>

Sales of heat-resistant exhaust casting components remained flat, supported by a recovery in the European market, the leading market for the products, and by strong demand in the U.S. market. Overall, the increase in sales of high-grade ductile iron products was due to favorable demand for automobiles in overseas markets, including the U.S., as well as no clear adverse impact from the consumption tax hike in Japan. Despite a decrease in production of certain automobiles types equipped with the products in Japan, sales of aluminum wheels increased, supported by robust demand in the U.S. market. Furthermore, since the operating results of the Group included those of Waupaca Foundry Inc. starting from November 2014, this significantly contributed to the overall increase in sales of Casting Components for Automobiles during the fiscal year under review.

<Piping Components>

Sales of pipe fittings remained flat year-on-year: robust demand in the U.S. market was offset by a decrease in housing starts in Japan caused by the consumption tax hike. Sales of stainless steel and plastic piping components also remained flat due to the following: proven advantages in light of construction and earthquake resistance contributed to steady demand for gas-related products; however, the decrease in housing starts in Japan had a negative effect on sales.

<Construction Components>

Although sales of construction components were supported by private capital expenditures and public investments in Japan, the sales amount decreased compared with the fiscal year ended March 31, 2014, the period when there were one-time events increasing the sales amount, such as extended scope of application of the percentage of completion method.

[Wires, Cables, and Related Products]

Net sales: ¥328,411 million (up 30.8% year on year)
Operating income: ¥20,204 million (up ¥3,157 million year on year)

<Electric Wires and Cables>

Sales of electric wires and cables were supported by the following: continuous demand for construction/capital investments and machine tools in Japan; steady demand in wires and cables for rolling stock, which is one of the focused areas of the Group, especially in the Chinese market; and an increase in sales of probe cables for medical use in the global market.

<Automotive Products>

Sales of electronic components, including vehicle-mounted sensors, showed a steady increase, supported by brisk demand for automobiles, especially in North America.

<Information System Devices and Materials>

Despite strong demand for telecommunications devices driven by the widespread use of smartphones, network products and wireless systems sales remained anemic in the latter half of the fiscal year, owing to weak capital investments by telecommunications carriers during the latter half of fiscal year.

[Others]

Net sales: ¥4,375 million (up 35.0% year on year)
Operating income: ¥319 million (down ¥277 million year on year)

(2) Tasks for the Hitachi Metals Group

As for the Group's business environment, the Group expects the U.S. economy to stay robust overall, though the European economy could continue to raise concerns over geopolitical risks, and emerging countries are likely to experience an economic slowdown. In Japan, despite concerns of decreasing demand in response to the consumption tax hike, the Group expects exports to continue increasing due to the weakening yen. The Group believes this will lead to an increase in domestic production and solid growth in public and private sector investments. On the other hand, amid this business environment, market globalization has accelerated as the world economy has changed structurally, with expectations that competition will be increasingly intense.

In this business environment, the Group will implement its fiscal 2015 medium-term management plan, the final year of which is the fiscal year ending in March 2016.

The Company's goal under the fiscal 2015 medium-term management plan is to achieve sustained growth as a world-top-class manufacturer of highly functional materials through "Change" and "Challenge." To that end, the Company will review its business portfolio for advancing reallocation of management resources to focused areas. It will also strengthen and accelerate global growth strategies, bolster its capabilities in developing new products and technologies, and maximize the synergy generated by the merger.

Specifically, we will focus on the following areas:

(1) Bolster our capabilities in developing new products and technologies

Increasing the speed of everything from material and product development to market launches, commencement of mass production, and sales promotions, we will accelerate the creation and development of the new products that will be our next mainstays. The development of materials, in particular, serves as the basis of the industrial revolution, and is also the wellspring of the Group's continuing existence and contributions to society. In the midst of ongoing efforts to achieve low-carbon societies in countries and regions around the world, we will continue to enhance our efforts and focus corporate resources on eco-friendly products.

(2) Strengthen and accelerate global growth strategies

Strengthening and expanding our marketing and sales forces while accelerating globalization of our production, we will also strive to strengthen our cost competitiveness on two tracks: improvements to our production technologies and expansion of global procurement and centralized purchasing. We will establish a cost structure to enable us to do battle in the global marketplace. Doing this will increase our ability to expand into global markets and bolster our competitiveness, and we will put our strengths to work in efforts to expand the scope of our operations in the infrastructure, energy, automotive, and electronics sectors.

(3) Establish robust corporate foundations

We will build robust financial foundations by endeavoring to quickly demonstrate the benefits of our corporate integration, in addition to expanding global procurement and centralized purchasing and cutting

IT and logistics costs. In tandem with this, we will deploy capital and assets strategically and adeptly, endeavoring to maximize our corporate value. Furthermore, as we execute the actions put forth in this medium-term management plan, we will encourage the training and promotion of the human resources who represent our future, providing the driving force to achieve sustained growth.

(3) Capital Investments at the Hitachi Metals Group

Capital investments in the fiscal year under review totaled ¥51,474 million (based on the purchase cost of tangible fixed assets and intangible assets). The details by business segment are as follows:

- High-Grade Metal Products and Materials: ¥18,724 million invested mainly for the enhancement and rationalization of production systems and the establishment of high-value added products production lines in Japan.
- Magnetic Materials and Applications: ¥10,209 million invested mainly for the enhancement of magnet production systems in Japan and overseas.
- High-Grade Functional Components and Equipment: ¥12,576 million invested mainly for the development and maintenance of overseas production functions and rationalization of production systems in Japan.
- Wires, Cables, and Related Products: ¥9,094 million invested mainly for strengthening high-value added products development functions in Japan and for the expansion of overseas production functions.

(4) Financing and Borrowings by the Hitachi Metals Group

The Company acquired a long-term loan of ¥123,610 million in order to purchase the shares of Waupaca Foundry Holdings, Inc. Meanwhile, the Group's interest-bearing debt at the end of the fiscal year under review increased by ¥77,739 million compared with the end of the previous fiscal year to ¥259,491 million after making repayments for borrowings during the fiscal year under review.

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.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	(millions of yen) 58,763
	Mizuho Bank, Ltd.	27,038
	Sumitomo Mitsui Trust Bank, Limited	9,480
	The San-in Godo Bank, Ltd.	8,400
	The Joyo Bank, Ltd.	4,820
Hitachi Metals MMC Superalloy, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,800
Hitachi Metals America, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	(thousands of U.S. dollars) 35,000 (millions of yen) (4,206)
	Mizuho Bank, Ltd.	(thousands of U.S. dollars) 35,000 (millions of yen) (4,206)

(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, 2015.

(5) Significant Corporate Restructuring, etc.

(i) The Company received part of the shares of MMC Superalloy Corporation ("MMC Superalloy") held by Mitsubishi Materials Corporation through share transfer, and MMC Superalloy issued shares through a third-party allotment to the Company, on July 1, 2014. As a result, the Company acquired 51% of the issued shares of MMC Superalloy.

(ii) The Company acquired 100% of the shares of Waupaca Foundry Holdings, Inc., which owns 100% of the shares of Waupaca Foundry, Inc. from WF Global II B.V. on November 10, 2014.

(iii) The Company decided to accept a tender offer for the shares, etc. of Hitachi Metals Techno, Ltd. made by CK Holdings Ltd. and transferred all shares of Hitachi Metals Techno, Ltd. owned by the Company to CK Holdings Ltd. on March 25, 2015.

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

(i) Assets and Income of the Hitachi Metals Group

Item	75th business term (Fiscal 2011)	76th business term (Fiscal 2012)	77th business term (Fiscal 2013)	78th business term (Fiscal 2014)
Orders received (millions of yen)	564,107	524,039	807,876	1,010,150
Net sales (millions of yen)	556,914	535,779	807,952	1,006,301
Ordinary income (millions of yen)	44,288	21,251	60,898	74,874
Net income (millions of yen)	17,886	12,955	39,417	66,553
Net income per share (yen)	50.75	36.20	95.65	155.64
Net assets (millions of yen)	240,395	259,865	373,198	459,727
Total assets (millions of yen)	579,862	541,286	840,742	1,065,990

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

(ii) Assets and Income of the Company

Item	75th business term (Fiscal 2011)	76th business term (Fiscal 2012)	77th business term (Fiscal 2013)	78th business term (Fiscal 2014)
Orders received (millions of yen)	350,604	301,877	431,274	487,186
Net sales (millions of yen)	345,569	316,468	431,526	500,203
Ordinary income (millions of yen)	21,439	7,936	30,463	51,711
Net income (millions of yen)	13,550	5,790	27,891	71,293
Net income per share (yen)	38.44	16.18	67.68	166.72
Net assets (millions of yen)	140,521	152,139	250,211	312,251
Total assets (millions of yen)	406,364	373,796	599,341	739,112

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

(7) Major Businesses of the Hitachi Metals Group (as of March 31, 2015)

Business segment	Principal products
High-Grade Metal Products and Materials	High grade specialty steel products (molds and tool steel and alloys for electronic products [display-related materials and semiconductor and other package materials], industrial equipment materials [automobile-, aircraft-, and energy-related materials], and razor and blade materials) Precision cast components Rolls for steel mills Injection molding machine parts Structural ceramic products Steel-frame joints for construction Amorphous metals Cutting tools
Magnetic Materials and Applications	Magnets (rare-earth magnets, ferrite magnets, other magnets and applied products) Soft magnetic materials (soft ferrite and nanocrystalline magnetic material) and applied products Amorphous metals and applied products IT materials and components Materials and components for medical equipment
High-Grade Functional Components and Equipment	Casting components for automobiles (high-grade ductile iron products; cast iron products for transportation equipment; and heat-resistant exhaust casting components) Aluminum wheels and other aluminum components Forged components for automobiles Piping and infrastructure components (pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
Wires, Cables, and Related Products	Electric wires and cables (electric power and industrial systems; electronic and telecommunication materials; electric equipment materials; and industrial rubber products) Automotive products (electronic components and brake hoses) Information system devices and materials (information networks, wireless systems, and compound semiconductor products)
Others	Real estate business Software business, etc.

(8) Major Facilities of the Hitachi Metals Group (as of March 31, 2015)

(i) Major Facilities of the Company

Facility		Location	Facility		Location
Head Office		Tokyo	Plants	Kyushu Works	Fukuoka
Sales Offices	Kansai Sales Office	Osaka		Moka Works	Tochigi
	Shikoku Sales Office	Kagawa		Kuwana Works	Mie
	Kyushu Sales Office	Fukuoka		Yasugi Works	Shimane
	Okinawa Sales office	Okinawa		Kumagaya Works (High-Grade Functional Components Company)	Saitama
	Chubu-Tokai Sales Office	Aichi		Yamazaki Manufacturing Dept.	Osaka
	Hokuriku Sales Office	Toyama		Kumagaya Works (Magnetic Materials Company)	Saitama
	Hamamatsu Sales Office	Shizuoka		Saga Works	Saga
	Shizuoka Sales Office	Shizuoka		Metglas Yasugi Works	Shimane
				Ibaraki Works	Ibaraki
				Takasago Works	Ibaraki
				Hitaka Works	Ibaraki
				Toyoura Works	Ibaraki
				Densen Works	Ibaraki
	Chugoku Sales Office	Hiroshima			
	Kitakanto Sales Office	Gunma			
	Kitanihon Sales Office	Miyagi	Research institutes	Production System Laboratory	Saitama
	Hokkaido Sales Office	Hokkaido		Casting Technology Research Laboratory	Tochigi
	Niigata Sales Office	Niigata		Metallurgical Research Laboratory	Shimane
	Ibaraki Sales Office	Ibaraki		Magnetic Materials Research Laboratory	Osaka
				Cable Materials Research Laboratory	Ibaraki

(Notes)

1. The Kumagaya Works (Saitama), which belongs to the internal company "Magnetic Materials Company," changed its Japanese name from *Kumagaya Seisakusho* to *Kumagaya Jizai Kojo* on April 1, 2014.
2. The Ibaraki Works (Ibaraki) was established as of April 1, 2014.

(ii) Major Facilities of Subsidiaries

The addresses of key subsidiaries are shown on pages 12-13.

(9) Employees of the Hitachi Metals Group (as of March 31, 2015)

(i) Employees of the Hitachi Metals Group

Business segment	Number of employees
High-Grade Metal Products and Materials	6,790
Magnetic Materials and Applications	4,826
High-Grade Functional Components and Equipment	8,296
Wires, Cables, and Related Products	9,513
Others	385
All Companies (Combined)	468
Total	30,278

(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 (5,919 employees).
2. The number of employees listed for "All Companies (Combined)" refers to employees that cannot be classified into specific business segments such as those in administrative divisions.
3. The number of employees increased by 3,428 compared to the end of the previous fiscal year mainly due to the acquisition of 100% of the shares of Waupaca Foundry Holdings, Inc., which owns 100% of the shares of Waupaca Foundry, Inc. and became a wholly-owned subsidiary of the Company on November 10, 2014.

(ii) Employees of the Company

Number of employees	Average age	Average length of service
6,306	43.0	20.0 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 (631 employees).
2. The number of employees decreased by 56 compared to the end of the previous fiscal year.

(10) Parent Company and Key Subsidiaries (As of March 31, 2015)

(i) Relationship with the Parent Company

Name of company	Capital	Voting rights	Description
	(millions of yen)	%	
Hitachi, Ltd.	458,791	54.0 (0.5)	The Company and Hitachi, Ltd. engage on an ongoing basis in transactions that include trade in products, provision of services, technology transfers, and the provision of loans.

(Note) The number in ( ) in the Voting rights column refers to the percentage of indirect ownership (included in the total), which is held by subsidiaries of the parent company.

(ii) Key Subsidiaries

Name of company	Capital	Voting rights	Location	Major business domains
(Subsidiaries)	(millions of yen)	%		
Hitachi Metals Admet, Ltd.	350	100	Tokyo	Sale of special steels, magnetic materials and applications, molded goods, machinery and equipment etc.
Hitachi Densen Shoji, Ltd.	380	100	Tokyo	Sale of electric wires and cables, information network equipment and chemically fabricated products
Hitachi Metals Tool Steel, Ltd.	100	100	Tokyo	Sales, heat treating and processing of special steel etc.
Tonichi Kyosan Cable, Ltd.	3,569	100	Ibaraki	Manufacturing, assembling and sale of electric wires and cables, and fiber optic cables
Hitachi Magnet Wire Corp.	300	100	Ibaraki	Manufacturing of magnet wires, special steel wires and copper wires
NEOMAX KINKI Co., Ltd.	400	100	Hyogo	Manufacturing and sale of magnetic materials and application
Hitachi Tool Engineering, Ltd.	1,455	100	Tokyo	Manufacturing and sale of tools made of special steels, carbide alloys etc.
Hitachi Metals Wakamatsu, Ltd.	65	100	Fukuoka	Manufacturing and sale of rolls, injection molding machine cylinders, ceramics etc.
Hitachi Metals MMC Superalloy, Ltd.	3,808	51	Saitama	Manufacturing and sale of special heat-resistant and corrosion-resistant alloys, abrasion-resistant alloys, and special copper alloys
NEOMAX MATERIALS Co., Ltd.	400	100	Osaka	Manufacturing and sale of metallic electronic materials etc.
HMY, Ltd.	144	100	Shimane	Manufacturing and sale of precision processed goods of special steels etc.
NEOMAX Engineering Co., Ltd.	410	100	Gunma	Manufacturing and sale of magnetic application products
Waupaca Foundry, Inc.	(thousands of U.S. dollars) 0	100 (100)	USA	Development, Manufacturing and sale of cast iron products for transportation machinery
Hitachi Metals America, Ltd.	(thousands of U.S. dollars) 50,000 (millions of yen) (6,009)	100 (100)	USA	Manufacturing, processing and sale of special steels, magnetic materials and applications, molded goods and cable materials in North America
Hitachi Metals Hong Kong Ltd.	(thousands of Hong Kong dollars) 24,000 (millions of yen) (372)	100	China	Sale of magnet materials, sale of wires and cables, manufacturing and sales of ferrite products and application parts in Hong Kong and South China
Hitachi Metals Europe GmbH	(thousands of euros) 2,220 (millions of yen) (289)	100	Germany	Sale of high-grade casting components for automobiles, automotive products, high-grade specialty steel products, magnetic materials and applications and cable materials in Europe
Hitachi Cable America Inc.	(thousands of U.S. dollars) 49,947 (millions of yen) (6,002)	100 (100)	USA	Manufacturing and sale of automotive sensors, brake hoses, wires, cables, and optic fiber cables in North America.
Hitachi Metals Singapore Pte. Ltd.	(thousands of U.S. dollars) 16,009 (millions of yen) (1,924)	100	Singapore	Sale of high-grade metal products, magnetic materials and applications, high-grade functional components and equipment and cable materials in Southeast Asia
Hitachi Metals (Thailand) Ltd.	(thousands of Thai baht) 1,368,700 (millions of yen) (5,064)	100	Thailand	Manufacturing and sale of IT devices, automotive products, and cutting tools

Name of company	Capital	Voting rights	Location	Major business domains
AAP St. Marys Corp.	(thousands of U.S. dollars) 20,000 (millions of yen) (2,463)	100 (100)	USA	Manufacturing of aluminum wheel
Nam Yang Metals Co., Ltd.	(millions of Korean Won) 19,000 (millions of yen) (2,065)	90.8	South Korea	Manufacturing and sale of cast iron products for automobile
Hitachi Metals Automotive Components USA, LLC	(thousands of U.S. dollars) 35,800 (millions of yen) (4,302)	100 (100)	USA	Manufacturing of cast iron products for automobile
Hitachi Metals Taiwan, Ltd.	(thousands of Taiwan dollars) 50,500 (millions of yen) (194)	100	Taiwan region	Manufacturing and sale of target materials; sale of wires, cables and magnet materials
Ward Manufacturing, LLC	(thousands of U.S. dollars) 44,074 (millions of yen) (5,296)	100 (100)	USA	Manufacturing of pipe joints
Thai Hitachi Enamel Wire Co., Ltd.	(thousands of Thai baht) 240,000 (millions of yen) (888)	49.4	Thailand	Manufacturing and sale of winding wires
Hitachi Cable (Suzhou), Co., Ltd.	(thousands of RMB) 338,613 (millions of yen) (6,556)	100 (5.0)	China	Manufacturing and sale of electric wires for electronic devices, processed electric wires, and wiring devices
Hitachi Metals Korea Co., Ltd.	(millions of Korean Won) 1,427 (millions of yen) (155)	100	South Korea	Manufacturing and sale of target materials; sale of special steels
Hitachi Metals (India) Private Limited	(thousands of rupee) 9,000 (millions of yen) (17)	100	India	Manufacturing and sale of amorphous metal products; sale of rolls and special steels
Hitachi Metals (China), Ltd.	(thousands of RMB) 749, 021 (millions of yen) (14,501)	100	China	Manufacturing, processing and sale of special steels and molded goods, etc. and sale of magnetic materials and applications in China

(Notes)

1. The number of consolidated subsidiaries of the Company is 97, including 29 key subsidiaries that are selected based on their sales, 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, 2015.
3. Figures shown in parentheses in the column of "Voting rights" are indirect shareholding ratios.
4. Hitachi Metals Admet, Ltd. and Hitachi Densen Shoji, Ltd. merged on April 1, 2015, with the former being a surviving company and the trade name was changed to Hitachi Metals Trading, Ltd.
5. Hitachi Metals Tool Steel, Ltd. merged with Tokyo Seimitsu Kogyou, Ltd., a subsidiary of the Company, by way of an absorption-type merger on April 1, 2014. Hitachi Metals Tool Steel, Ltd. also acquired the mold materials sales business from Die & Mold Service, Ltd., a subsidiary of the Company by way of a company split on October 1, 2014.
6. Hitachi Tool Engineering, Ltd. was excluded from consolidated subsidiaries of the Company since the Company transferred 51% of issued shares of Hitachi Tool Engineering, Ltd. held by the Company to Mitsubishi Materials Corporation on April 1, 2015. Hitachi Tool Engineering, Ltd. changed its trade name to Mitsubishi Hitachi Tool Engineering, Ltd. on the same day.
7. 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.
8. The Company conducted the restructuring of subsidiaries in the North America region. As a result, Hitachi Metals America, LLC, which is a subsidiary of the Company, merged with Hitachi Metals America, Ltd. on April 1, 2015 in an absorption-type merger.
9. Hitachi Metals (Thailand) Ltd. completed a capital increase of 518,700 baht during the fiscal year under review.
10. Han Il Special Steel Co., Ltd. merged with HMF Technology Korea Co., Ltd. both of which are wholly-owned subsidiaries of the Company, through absorption-type merger with the former being a surviving company on January 1, 2015, and changed its trade name to Hitachi Metals Korea Co., Ltd.

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

(1) Name, Position and Responsibilities, etc. of Directors and Executive Officers (as of March 31, 2015)

[Directors]

Position	Name	Responsibilities (Committee Membership)	Principal Concurrent Positions
Board Director (Chair)	Taiji Yamada	Audit Committee	
Director	Kazuyuki Konishi	Nominating Committee	
Director	Hideaki Takahashi	Compensation Committee	
Director	Yasutoshi Noguchi	Nominating Committee Audit Committee Compensation Committee	
Director	Hisashi Machida	Nominating Committee Audit Committee	
Director	Koji Tanaka	Compensation Committee	Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd.
Director	Toshikazu Nishino	Audit Committee	Senior Vice President and Executive Officer of Hitachi, Ltd.
Director	Nobuhiko Shima		

(Notes)

1. Three (3) Directors, Messrs. Taiji Yamada, Kazuyuki Konishi, and Koji Tanaka were newly appointed as Directors at the 77th Ordinary General Meeting of Shareholders held on June 25, 2014.
2. Four (4) Directors, Messrs. Yasutoshi Noguchi, Hisashi Machida, Koji Tanaka and Toshikazu Nishino are Outside Directors.
3. The Company has assigned Messrs. Yasutoshi Noguchi and Hisashi Machida as Independent Directors in accordance with the regulations of Tokyo Stock Exchange, the fact of which has been reported to the Exchange accordingly.
4. The Company and Hitachi, Ltd., with which Outside Directors hold principal concurrent positions, have a business relationship including continuous trading of products, provision of services, technological transactions, and loans.
5. Among Audit Committee members, Messrs. Taiji Yamada and Yasutoshi Noguchi have experiences as responsible officers in charge of the finance division; therefore, both of them have considerable knowledge in finance and accounting.
6. Mr. Kazuyuki Konishi assumed the position of Chairman of the Board, while Mr. Taiji Yamada retired from his post of Board Director (Chair) and assumed the position of Director on April 1, 2015.

[Executive Officers]

Position	Name	Responsibilities	Principal Concurrent Positions
Representative Executive Officer Chairman and Chief Executive Officer	* Kazuyuki Konishi	Chief Executive Officer	
Representative Executive Officer President and Chief Operating Officer	* Hideaki Takahashi	Chief Operating Officer	
Representative Executive Officer Vice President and Executive Officer	* Nobuhiko Shima	In charge of Corporate Administration, Technology, Environment, and Energy General Manager of Engineering & Technology Center General Manager of Corporate Export Regulation Office	
Vice President and Executive Officer	Shinichiro Murayama	In charge of Sales and Marketing General Manager of Corporate Sales Administration Center	
Vice President and Executive Officer	Mitsuaki Nishiyama	In charge of Corporate Administration Chief Financial Officer General Manager of Finance Center General Manager of Human Resources and Administration Center General Manager of Information Systems Center	

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

Executive Officers changed as of April 1, 2015. The new executive members are as follows:

Position	Name	Responsibilities	Principal Concurrent Positions
Representative Executive Officer President and Chief Executive Officer	* Hideaki Takahashi	Chief Executive Officer	
Representative Executive Officer Vice President and Executive Officer	Akitoshi Hiraki	In charge of High-Grade Metals Business, Corporate Administration, Technology, Environment, and Energy President, High-Grade Metals Company Deputy General Manager, Corporate Export Regulation Office	
Representative Executive Officer Executive Officer	Kenichi Nishiie	In charge of Corporate Administration General Manager, Procurement Center General Manager, Corporate Export Regulation Office	
Executive Officer	Masashi Aisa	In charge of Sales and Marketing General Manager, Corporate Sales Administration Center	
Executive Officer	Masahiro Otsuka	In charge of Corporate Administration General Manager, Corporate Management Planning Center	
Executive Officer	Hiroyuki Okada	In charge of Corporate Administration Chief Financial Officer General Manager, Finance Center General Manager, Information Systems Center	
Executive Officer	Shigekazu Suwabe	In charge of Magnetic Materials Business President, Magnetic Materials Company Deputy General Manager, Corporate Export Regulation Office	
Executive Officer	Eiji Nakano	In charge of High-Grade Functional Components Business President, High-Grade Functional Components Company Deputy General Manager, Corporate Export Regulation Office	Director & President & CEO of Hitachi Metals Foundry America Inc. Director & Executive Chairman of Waupaca Foundry, Inc.

Position	Name	Responsibilities	Principal Concurrent Positions
Executive Officer	Masato Hasegawa	In charge of Cable Materials Business President, Cable Materials Company Deputy General Manager, Corporate Export Regulation Office	

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

[Although Mr. Hideaki Takahashi's position as "Shikkouyaku-Shacho" in Japanese remains the same, its English translation changed from "President and Chief Operating Officer" to "President and Chief Executive Officer" after the executive change on April 2015.]

Managing Officers as of April 1, 2015, are as follows:

Position	Name	Responsibilities
Vice President and Managing Officer	Junichi Kamata	Assistant to President
Managing Officer	Fumio Kanaya	Deputy General Manager of Cable Materials Company General Manager of Metal Materials & Component Products Unit
Managing Officer	Yasuhiko Sakamoto	Vice President of Cable Materials Company General Manager of Ibaraki Works General Manager of Takasago Works General Manager of Hitaka Works General Manager of Toyoura Works General Manager of Densen Works

(2) Matters Related to Outside Directors

(i) Major Activities of Outside Directors

Name	Major activities
Yasutoshi Noguchi	Attended all meetings of the Board of Directors and the Audit Committee held during the fiscal year under review, and as needed provided objective comments as Independent Director, based on his extensive experience and advanced knowledge as a manager of an international manufacturing company.
Hisashi Machida	Attended all meetings of the Board of Directors and the Audit Committee held during the fiscal year under review, and as needed provided objective comments as Independent Director, based on his extensive experience and advanced knowledge of corporate management gained as management executive of an international manufacturing company.
Koji Tanaka	Attended six out of nine meetings of the Board of Directors after being newly appointed as Director at the 77th Ordinary General Meeting of Shareholders, and as needed provided comments based on his extensive experience and advanced knowledge of corporate management gained as a management executive of an international manufacturing company.
Toshikazu Nishino	Attended all meetings of the Board of Directors and 12 out of 13 meetings of the Audit Committee held during the fiscal year under review, and as needed provided comments based on his extensive experience and advanced knowledge of corporate management gained as management executive of an international manufacturing company.

(ii) Outline of Limited Liability Agreement

In accordance with the provisions of the Articles of Incorporation, the Company has concluded limited liability agreements with each of Directors Yasutoshi Noguchi, Hisashi Machida, Koji Tanaka and Toshikazu Nishino to limit their liability as provided for in Article 423, Paragraph 1, of the Companies Act. The maximum amount of liability under the said agreements shall be the higher of (a) JPY12 million or (b) the amount provided for in laws and regulations.

(3) Compensation for Directors and Executive Officers

(i) Policies Concerning the Determination of Compensation, etc., for Directors and Executive Officers

1) Method of determination of policies

Pursuant to the stipulations of the Companies Act, the Compensation Committee establishes the policies for the determination of amounts of compensation, etc. for individual Directors and Executive Officers.

2) Summary of policies

Policies concerning the determination of compensation, etc., for Directors and Executive Officers for the fiscal year under review 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, and 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.

At the Compensation Committee meeting held on March 24, 2008, the Company reviewed the compensation system for Directors and Executive Officers and decided to discontinue retirement benefits for Directors and Executive Officers, beginning with the 72nd Fiscal Year. Retirement benefits corresponding to the duration of the tenure until the effective date of discontinuation on March 31, 2008, will be paid after individual beneficiaries have retired from both positions of Director and Executive Officer.

(ii) Total Amount of Compensation, etc. for Directors and Executive Officers

Position	Number	Amount
	(Persons)	(millions of yen)
Directors	8	103
(including Outside Directors)	(4)	(44)
Executive Officers	5	311
Total	13	414

(Notes)

1. Directors with concurrent post as Executive Officers are compensated as Executive Officers but not as Directors.
2. During the fiscal year under review, year-end bonuses related to the previous fiscal year were paid as described below.

   Directors: ¥10 million to five Directors (Including ¥6 million to three Outside Directors)

   Executive Officers: ¥112 million to eight Executive Officers

   For the amounts shown above, provisions for the year-end bonuses (¥17 million for Directors (including ¥6 million for Outside Directors), ¥95 million for Executive Officers) were included in "Total Amount of Compensation, etc. for Directors and Executive Officers" in the Business Report for the previous fiscal year.
3. Retirement benefits of ¥42 million were paid to two Directors, who retired from their post at the conclusion of the 77th Ordinary General Meeting of Shareholders held on June 25, 2014, corresponding to the term of their office until the date on which the retirement benefit system was abolished.
4. Total amount of compensation etc., received by Outside Directors with concurrent post as Officers of the Company's parent company or its subsidiaries as officers of the parent company or its subsidiaries (excluding the Company) during the terms of Outside Directors in this business term was ¥117 million.

3. Share Information (as of March 31, 2015)

(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: 26,287

(5) Major Shareholders (Top 10 Shareholders)

Name	Shareholder's equity in the Company	
	Share ownership	Shareholding percentage
	(thousands of shares)	%
Hitachi, Ltd.	226,233	52.9
Japan Trustee Services Bank, Ltd. (Trust account)	11,596	2.7
The Master Trust Bank of Japan, Ltd. (Trust account)	11,303	2.6
JPMorgan Chase Bank 385078	4,612	1.1
State Street Bank and Trust Company 505225	4,600	1.1
Nippon Life Insurance Company	2,801	0.7
Pictet & Cie (Europe) S.A.	2,646	0.6
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	2,550	0.6
HSBC Bank plc State of Kuwait Investment Authority. Kuwait Investment Office	2,403	0.6
JPMorgan Chase Bank 380634	2,310	0.5

(Notes)

1. Shareholding percentages are calculated excluding treasury stock (1,303,157 shares).
2. We do not conduct the aggregation of number of shares held by a shareholder with multiple accounts from this fiscal year under review.

4. Subscription Rights to Shares (as of March 31, 2015)

Name	Euro yen convertible bond-type bond (2019) with subscription rights to shares with acquisition clause (net share settlement)
Date of resolution to issue	August 28, 2007
Number of stock acquisition rights	4,495
Class and number of shares subject to stock acquisition rights	Common Stock 2,201,273 shares
Issue price of stock acquisition rights	Gratis
Exercise period of stock acquisition rights	From September 27, 2007 to August 30, 2019
Conversion price	¥2,042

(Note) The number of shares for delivery on exercise of the stock acquisition rights from the above-mentioned convertible bonds with stock acquisition rights (further in this Article, the "Bonds") is calculated by dividing the total face value at conversion by the conversion price. If a fraction of 1 share results from this calculation, the fraction will be truncated. If less-than-one-unit shares arise, these will be settled in a cash settlement by the Company pursuant to a deemed repurchase request from the shareholder. The number of shares subject to stock acquisition rights is calculated based on the Bonds' outstanding as of March 31, 2015, and the conversion price.

5. Information Concerning the Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Compensation, etc. of the Accounting Auditor

(i)	Compensation	¥128 million
(ii)	Total cash and other financial benefits that should be paid by the Company and its subsidiaries	¥167 million

(Note) 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, which distinction is not possible in practice. The amount stated in Item (i) therefore includes both.

(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 12 and 13), the financial statements of foreign subsidiaries are audited by accounting auditors other than Ernst & Young ShinNihon LLC.

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

(i) Dismissal

1) In case the accounting firm serving as accounting auditor is ordered by the Prime Minister to suspend all or part of its auditing operations of financial statements or to dissolve its operations in accordance with the stipulations of Article 34-21, Paragraph 2, of the Certified Public Accountants Act, the accounting auditor is automatically dismissed since this order corresponds to a disqualifying cause as accounting auditor as stipulated in Article 337, Paragraph 3, Item 1, of the Companies Act.

2) In addition to Item 1) above, if circumstances exist that give rise to reasonable expectations that an order will be issued by the Prime Minister to the accounting auditor to suspend all or part of its auditing operations of financial statements or to dissolve its operations, and the Audit Committee determines that the accounting auditor is subject of an event as stipulated in Article 340, Paragraph 1, Item 1 or Item 2, of the Companies Act, the Audit Committee determines the contents of a proposal for the general meeting of shareholders regarding the dismissal of the accounting auditor.

3) With respect to Item 2) above, if circumstances exist that give rise to reasonable expectations that the auditing of financial statements will suffer great interference, the accounting auditor is dismissed by unanimous consent of the Audit Committee members. 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.

(ii) Determination Not to Re-Appoint

1) With respect to the person appointed by the accounting firm from among its members who is in charge of the affairs of an accounting auditor, if any of the events stipulated under Article 340, Paragraph 1, of the Companies Act becomes applicable or a breach of duties as certified public accountant stipulated in the Certified Public Accountants Act is committed, and if the accounting firm fails to appoint promptly other person to replace the said person who is in charge of the affairs of an accounting auditor, the Audit Committee determines the contents of a proposal for the general meeting of shareholders regarding not to re-appoint the accounting auditor.

2) If it is determined that the appropriate execution of duties cannot be ensured with respect to matters concerning the execution of duties as accounting auditor stipulated in Article 131 of the Corporate Accounting Regulations, the Audit Committee determines the contents of a proposal for the general meeting of shareholders regarding not to re-appoint the accounting auditor.

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.

7. Summary of Resolutions of the Board of Directors on Establishing 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	
(i) Matters Concerning Directors and Employees to Assist with the Duties of the Audit Committee	1) The Audit Committee may appoint full-time Audit Committee members. Duties of full-time Audit Committee members include 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. In case a position of a full-time Audit Committee member becomes vacant or a member has not been appointed, if the Audit Committee requests that an appointment be made from among the Directors to assist in the duties of the Audit Committee, the Board of Directors shall make such appointment. 2) To assist with the duties of the Audit Committee, the Secretariat of the Board of Directors shall have a person in charge of the Audit Committee. 3) The Audit Committee may, when considered 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) Independence of Directors and Employees Referred to in the Preceding Item from Executive Officers	1) The person in charge of the Audit Committee at the Secretariat of the Board of Directors 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 is 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 must 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 under the hierarchy of command of the Executive Officers when providing such assistance.
(iii) Systems for Reports to the Audit Committee by the Executive Officers and Employees, and Other Reporting to the Audit Committee	1) Pursuant to the provisions stipulated by the Audit Committee, Executive Officers and employees shall report the status of execution of their duties. Matters either submitted for discussion at, or reported to, the Board of Directors by the Executive Officers are deemed reported to the Audit Committee. 2) Executive Officers shall submit the following documents to the Audit Committee. Executive Committee meeting materials, documents for approval by the Executive Officers and Managing Officers, medium-term management plan and budget deliberation materials, monthly and quarterly financial statements, and the operational audit reports from the Internal Audit division. 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) If persons responsible as contact for whistleblower protection system (stipulated in (2) (i) 3)) receive reports concerning facts related to a violation of laws and regulations, etc., regarding the operations of the Company or its subsidiaries, they shall immediately report to Appointed Audit Committee Member(s).
(iv)Other Systems to Ensure the Effective Execution of Audits by the Audit Committee	1) When the head of the Internal Audit division formulates the audit plan for the next fiscal year, Appointed Audit Committee Member(s) may state their opinions on the contents of such audit plan. The head of the Internal Audit division must report the formulated audit plan to the Audit Committee. 2) As stipulated by the Audit Committee, the Audit Committee or Appointed Audit Committee Member(s) 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 Executive Officers with Laws and Regulations and the Articles of Incorporation, and Other Systems Prescribed by the Applicable Ordinance of the Ministry of Justice as Systems Necessary to Ensure the Properness of Operations of a Stock Company	
(i) Systems to Ensure Compliance of Execution of Duties by Executive Officers with Laws and Regulations and the Articles of Incorporation	1) The Company shall establish and communicate a code of conduct for its Directors and Executive Officers, and employees in order to assure compliance with laws and regulations and the Articles of Incorporation and adherence to social norms in the performance of business activities. 2) Executive Officers shall organize an Executive Committee that consists of all Executive Officers and is attended by Appointed Audit Committee Member(s), and deliberate on important management matters that have company-wide effect. 3) The Company shall establish a whistleblower protection system which enables all employees of the Company and its subsidiaries, as well as temporary employees engaged in the operations of these entities, to report to the designated whistleblower contact without suffering disadvantages, any fact relating to a violation of laws and regulations found in the operations of the Company and its subsidiaries. The division serving as the whistleblower contact shall investigate the reported matters, as needed, request the Executive Officers to consider corrective measures and take appropriate actions to prevent recurrence. 4) The Company has a policy of taking a firm stance against and avoiding all relationships with antisocial movements that threaten the order and security of civil society. In order to ensure the effectiveness of this policy, the Company shall establish a responsible division, creates systems for managing relevant information, preventing relevant transactions, and implementing other measures with respect to antisocial movements, and work closely with external specialist institutions such as law enforcement.
(ii) Systems for the Retention and Management of Information Related to the Execution of Duties by Executive Officers	1) Executive Committee meeting documents, documents for approval, and any other documents related to the execution of duties by Executive Officers must be retained and managed at the respective business operating divisions in accordance with internal rules on document retention and management. 2) Appointed Audit Committee Member(s) 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.
(iii) Rules and Other Systems for Managing Risks of Loss	1) With respect to risks of loss related to compliance, antisocial movements, finance, procurement, environment, disasters, quality, information management, and export control, etc., 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. 2) Executive Officers shall establish a specialized organization designed to

	handle with promptness the realized risks of loss as they arise. 3) In order to handle newly arising risks of loss, Executive Officers shall direct to the relevant business operating divisions as needed and promptly appoint persons in charge of handling such risks. 4) Executive Officers shall immediately report to the Audit Committee if a risk of loss realizes.
(iv)Systems to Ensure the Efficient Execution of Duties of Executive Officers	———— In addition to Item (i) 2), the following systems are established. 1) The 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. 2) 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. 3) The Company shall ensure consistent execution and verification of documented business operation processes with respect to all information to be incorporated in financial reporting.
(v) Systems to Ensure Compliance of Employees' Execution of Duties with Laws and Regulations and the Articles of Incorporation	———— In addition to Items (i) 1), 3), and 4), the following systems are established. 1) The Company shall designate a compliance supervision officer in charge of overseeing the division in charge of compliance and establishing company-wide compliance systems. The position of compliance supervision officer shall be served by the Representative Executive Officer. 2) Executive Officers shall establish an Internal Audit division that conducts operational audits of business operating divisions.
(vi)Systems to Ensure Appropriate Operations of the Corporate Group Comprising the Stock Company, its Parent Company, and its Subsidiaries	———— In addition to Item (i) 3), the following systems are established. 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) The Company shall appoint at least one Outside Director, who is independent from the parent company. 3) It is a policy of the Company to carry out fair transactions with the parent company and subsidiaries based on fair market value. 4) When the Internal Audit division of the parent company conducts operational audits of the operations of the Company and its subsidiaries to ensure the appropriate operations of the company group consisting of the parent company and its subsidiaries, the Company shall cooperate with such audits, review the results and make improvements to its operations. 5) The Company shall ensure consistent execution and verification of documented business operation processes with respect to all information to be incorporated in financial reporting together with the parent company and subsidiaries. 6) The Company shall stipulate basic policies for consolidated group management to maximize the group corporate value of the Hitachi Metals Group. 7) The Company shall mutually share with its subsidiaries the information on 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 manages consolidated performance. 8) The Company shall establish a division in charge of subsidiaries to communicate business policies and measures, collect information, and

	support subsidiaries' business operations. 9) The Company shall stipulate legally compliant rules regarding business operations such as environmental management, quality control, information management, export control and others, and under the leadership of the relevant business execution divisions, communicate such rules to subsidiaries to promote legal compliance. 10) The Internal Audit division of the Company shall audit the business operations of the subsidiaries and report the results to the subsidiaries concerned and to the Audit Committee of the Company or to Appointed Audit Committee Member(s). 11) The Company shall dispatch its employees, etc. as Directors and Auditors to its subsidiaries as needed. Upon the request of Executive Officers, such Directors shall report on the status of execution of their duties to the extent not detrimental to the interests of the subsidiary. Upon the request of Appointed Audit Committee Member(s), such Auditors shall report on the results of their audits.

(Note) The Company made resolutions at the Board of Directors meeting held on April 22, 2015 to make changes to the above content in response to the enforcement of the "Act for Partial Revision of the Companies Act (Act No. 90 of 2014)" and the Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act (Ordinance of the Ministry of Justice No. 6 of 2015) on May 1, 2015.

8. 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 aims to maintain close cooperation through R&D collaboration, etc. with the group companies of the Hitachi Group, centered around Hitachi, Ltd., the parent company, of which the Company is a group member, while remaining independent in its business operations and transactions with Hitachi, Ltd. and by using its 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.

Consolidated Balance Sheets (As of March 31, 2015)

(Unit: Millions of yen)

(ASSETS)		(LIABILITIES)	
Current assets	**547,704**	**Current liabilities**	**321,138**
Cash and deposits	62,969	Notes and accounts payable-trade	179,369
Notes and accounts receivable-trade	226,707	Short-term loans payable	31,964
Marketable securities	683	Current portion of long-term loans payable	24,437
Finished products	63,652	Income taxes payable	4,319
Work in process	58,714	Accrued expenses	40,564
Raw materials	49,561	Advances received	2,525
Deferred tax assets	14,024	Allowance for directors' bonuses	329
Accounts receivable-other	31,054	Other	37,631
Group pooling cash deposits	24,571		
Other	16,429	**Fixed liabilities**	**285,125**
Allowance for doubtful accounts	(660)	Bonds payable	35,000
		Convertible bond-type bonds with subscription rights to shares	4,495
Fixed assets	**518,286**	Long-term loans payable	158,463
		Liability for retirement benefits	66,311
Tangible fixed assets	306,801	Provision for directors' retirement benefits	21
Buildings and structures, net	88,069	Provision for environmental measures	1,530
Machinery, equipment and vehicles, net	130,733	Deferred tax liabilities	13,569
Land	54,682	Asset retirement obligations	1,034
Construction in progress	16,129	Other	4,702
Other, net	17,188		
		Total liabilities	**606,263**
Intangible assets	154,655		
Goodwill	105,028	**(NET ASSETS)**	
Other	49,627	**Shareholders' equity**	**438,284**
		Capital stock	26,284
Investments and other assets	56,830	Capital surplus	115,693
Investment securities	29,607	Retained earnings	297,412
Deferred tax assets	10,077	Treasury stock	(1,105)
Other	17,648	**Accumulated other comprehensive income**	**11,985**
Allowance for doubtful accounts	(502)	Net unrealized holding gain on securities available-for-sale	5,490
		Gain (loss) on deferred hedge transactions	(65)
		Foreign currency translation adjustments	16,262
		Remeasurements of retirement benefits	(9,702)
		Minority interests	**9,458**
		Total net assets	**459,727**
Total assets	**1,065,990**	**Total liabilities and net assets**	**1,065,990**

Consolidated Statements of Income (Fiscal year ended March 31, 2015)

(Unit: Millions of yen)

Net sales		1,006,301
Cost of sales		796,121
Gross profit		**210,180**
Selling, general and administrative expenses		131,964
Operating income		**78,216**
Non-operating income		
Interest and dividends income	1,058	
Equity in earnings of affiliates	843	
Foreign exchange gains	2,722	
Other	5,661	10,284
Non-operating expenses		
Interest expenses	2,920	
Loss on disposal of fixed assets	2,368	
Other	8,338	13,626
Ordinary income		**74,874**
Extraordinary income		
Gain on transfer of business	3,937	
Gain on sales of property and equipment	479	
Gain on sales of stocks of subsidiaries and affiliates	8,736	
Gain on bargain purchase	242	
Refund of foreign value added taxes	1,731	15,125
Extraordinary losses		
Loss on impairment of property and equipment	497	
Loss on structural reform	6,792	
Loss on revision of retirement benefit plan	2,367	
Loss on sales of stocks of subsidiaries and affiliates	1,009	10,665
Income before income taxes and minority interests		**79,334**
Income taxes-current	18,255	
Income taxes-deferred	(6,673)	11,582
Income before minority interests		67,752
Minority interests in income		1,199
Net income		**66,553**

Consolidated Statements of Changes in Net Assets (Fiscal year ended March 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	26,284	115,692	239,530	(1,010)	380,496
Changes during the fiscal 2014					
Cash dividends			(8,553)		(8,553)
Net income (loss) for the fiscal 2014			66,553		66,553
Acquisition of treasury stock				(107)	(107)
Disposal of treasury stock		3		3	6
Change in treasury stock arising from change in equity in entities accounted for using equity method		(2)		9	7
Change of scope of consolidation			(118)		(118)
Net increase/decrease during the fiscal 2014 of non shareholders' equity items					
Total increase/decrease during the fiscal 2014	–	1	57,882	(95)	57,788
Balance as of March 31, 2015	26,284	115,693	297,412	(1,105)	438,284

	Accumulated other comprehensive income					Minority interests	Total net assets
	Net unrealized holding gain on securities available-for-sale	Gain (loss) on deferred hedge transactions	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2014	4,802	(876)	(4,693)	(16,785)	(17,552)	10,254	373,198
Changes during the fiscal 2014							
Cash dividends							(8,553)
Net income (loss) for the fiscal 2014							66,553
Acquisition of treasury stock							(107)
Disposal of treasury stock							6
Change in treasury stock arising from change in equity in entities accounted for using equity method							7
Change of scope of consolidation							(118)
Net increase/decrease during the fiscal 2014 of non shareholders' equity items	688	811	20,955	7,083	29,537	(796)	28,741
Total increase/decrease during the fiscal 2014	688	811	20,955	7,083	29,537	(796)	86,529
Balance as of March 31, 2015	5,490	(65)	16,262	(9,702)	11,985	9,458	459,727

Non-Consolidated Balance Sheets (As of March 31, 2015)

(Unit: Millions of yen)

(ASSETS)	
Current assets	**287,089**
Cash and deposits	6,869
Notes receivable-trade	4,484
Accounts receivable-trade	94,911
Finished products	10,880
Work in process	29,725
Raw materials	19,819
Advance payments-trade	25
Prepaid expenses	989
Deferred tax assets	5,102
Accounts receivable-other	45,944
Short-term loans receivable	45,017
Group pooling cash deposits	24,571
Other	188
Allowance for doubtful accounts	(1,435)
Fixed assets	**452,023**
Tangible fixed assets	106,019
Buildings, net	28,026
Structures, net	1,592
Machinery and equipment, net	33,760
Vehicles, net	97
Tools, furniture and fixtures, net	6,119
Land	29,632
Lease assets	2
Construction in progress	6,791
Intangible assets	40,550
Goodwill	30,872
Leasehold right	628
Patent right	86
Right of trademark	287
Software	6,715
Right of using facilities	97
Other	1,865
Investments and other assets	305,454
Investment securities	4,840
Stocks of subsidiaries and affiliates	205,909
Investments in capital	751
Long-term loans receivable from subsidiaries and affiliates	88,559
Long-term loans receivable from employees	26
Claims provable in bankruptcy, claims provable in rehabilitation and other	6
Long-term prepaid expenses	362
Prepaid pension cost	3,729
Deferred tax assets	7,766
Other	2,864
Allowance for doubtful accounts	(9,218)
Allowance for investment loss	(140)
Total assets	**739,112**

(LIABILITIES)	
Current liabilities	**211,728**
Accounts payable-trade	122,362
Short-term loans payable	33,147
Current portion of long-term loans payable	19,217
Lease obligations	1
Accounts payable-other	14,432
Accrued expenses	13,742
Income taxes payable	926
Advances received	450
Deposits received	3,176
Allowance for directors' bonuses	87
Other	4,188
Fixed liabilities	**215,133**
Bonds payable	35,000
Convertible bond-type bonds with subscription rights to shares	4,495
Long-term loans payable	150,094
Lease obligations	1
Provision for retirement benefits	23,968
Provision for loss on guarantees	40
Provision for environmental measures	892
Provision for product warranties	12
Other	631
Total liabilities	**426,861**
(NET ASSETS)	
Shareholders' equity	**311,235**
Capital stock	26,284
Capital surplus	128,475
Legal capital surplus	36,699
Other capital surplus	91,776
Retained earnings	157,577
Legal retained earnings	6,571
Other retained earnings	151,006
Reserve for special depreciation	1,720
Reserve for advanced depreciation of fixed assets	1,168
General reserve	44,580
Retained earnings brought forward	103,538
Treasury stock	(1,101)
Valuation, translation adjustments and others	**1,016**
Net unrealized holding gain on securities available-for-sale	1,024
Gain (loss) on deferred hedge transactions	(8)
Total net assets	**312,251**
Total liabilities and net assets	**739,112**

Non-Consolidated Statements of Income (Fiscal year ended March 31, 2015)

(Unit: Millions of yen)

Net sales		500,203
Cost of sales		421,427
Gross profit		**78,776**
Selling, general and administrative expenses		52,847
Operating income		**25,929**
Non-operating income		
Interest and dividends income	23,800	
Other	9,840	33,640
Non-operating expenses		
Interest expenses	1,901	
Other	5,957	7,858
Ordinary income		**51,711**
Extraordinary income		
Gain on sales of property and equipment	301	
Gain on sales of stocks of subsidiaries and affiliates	19,376	
Gain on transfer of business	5,142	
Reversal of provision for loss on business of subsidiaries and affiliates	1,035	25,854
Extraordinary losses		
Loss on impairment of property and equipment	174	
Loss on valuation of stocks of subsidiaries and affiliates	1,385	
Loss on structural reform	3,195	
Loss on revision of retirement benefit plan	2,367	7,121
Income before income taxes		**70,444**
Income taxes-current		2,540
Income taxes-deferred		(3,389)
Net income		**71,293**

Non-Consolidated Statements of Changes in Net Assets (Fiscal year ended March 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earning	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward	Total retained earning
Balance as of April 1, 2014	26,284	36,699	91,773	128,472	6,571	7	987	44,580	42,692	94,837
Changes during the fiscal 2014										
Provision of reserve for special depreciation						1,720			(1,720)	–
Reversal of reserve for special depreciation						(7)			7	–
Provision of reserve for advanced depreciation of fixed assets							199		(199)	–
Reversal of reserve for advanced depreciation of fixed assets							(18)		18	–
Cash dividends									(8,553)	(8,553)
Net income (loss) for the fiscal 2014									71,293	71,293
Acquisition of treasury stock										
Disposal of treasury stock			3	3						
Net increase/decrease during the fiscal 2014 of non shareholders' equity items										
Total increase/decrease during the fiscal 2014	–	–	3	3	–	1,713	181	–	60,846	62,740
Balance as of March 31, 2015	26,284	36,699	91,776	128,475	6,571	1,720	1,168	44,580	103,538	157,577

	Shareholders' equity		Valuation, translation adjustments and others			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities available-for-sale	Gain (loss) on deferred hedge transactions	Total valuation, translation adjustments and others	
Balance as of April 1, 2014	(997)	248,596	1,585	30	1,615	250,211
Changes during the fiscal 2014						
Provision of reserve for special depreciation		–				–
Reversal of reserve for special depreciation		–				–
Provision of reserve for advanced depreciation of fixed assets		–				–
Reversal of reserve for advanced depreciation of fixed assets		–				–
Cash dividends		(8,553)				(8,553)
Net income (loss) for the fiscal 2014		71,293				71,293
Acquisition of treasury stock	(107)	(107)				(107)
Disposal of treasury stock	3	6				6
Net increase/decrease during the fiscal 2014 of non shareholders' equity items			(561)	(38)	(599)	(599)
Total increase/decrease during the fiscal 2014	(104)	62,639	(561)	(38)	(599)	62,040
Balance as of March 31, 2015	(1,101)	311,235	1,024	(8)	1,016	312,251

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

Independent Auditors' Report

May 20, 2015

Hideaki Takahashi
Representative Executive Officer,
President and Chief Executive Officer
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC

Kiyomi Nakayama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masami Katakura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Seiji Kuzunuki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Pursuant to the provisions of Article 444, Paragraph 4 of the Corporation Law, we have audited the consolidated financial statements of Hitachi Metals, Ltd., which comprise the Consolidated Balance Sheets as of March 31, 2015, and the Consolidated Statements of Income and the Consolidated Statements of Changes in Net Assets for the fiscal year from April 1, 2014 to March 31, 2015, and the related Notes to Consolidated Financial Statements.

Management's responsibility for the consolidated financial statements, etc.
Management is responsible for the preparation and fair presentation of these consolidated financial statements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their

application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hitachi Metals, Ltd. and its consolidated subsidiaries as of March 31, 2015, and the results of their operations for the period then ended in accordance with accounting principles generally accepted in Japan.

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

We, the Audit Committee of the Company, have audited the consolidated financial statements (the Consolidated Balance Sheets, the Consolidated Statements of Income, the Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements) during the 78th fiscal period, from April 1, 2014 to March 31, 2015.
We report the method and the results as follows:

1. Auditing methods and their contents
   Pursuant to the audit policy, assigned duties and other rules that the audit committee decided, we have received reports on consolidated financial statements from executive officers and other personnel and requested them explanation. In addition, we have overseen and inspected whether the Accounting Auditors keep their independence and conduct appropriate audits. We have received reports on the execution of their duties from the Accounting Auditors and requested them explanation. Also, we have received notice from the Accounting Auditor that they maintain systems to ensure appropriateness of execution of duties (items described in each item of Article 131 of the Regulations for Corporate Accounting) in accordance with "Quality Control Standards for Audits" (October 28, 2005, Business Accounting Council), and requested them explanation.
   Based on the method above, we have examined consolidated financial statements for the 78th fiscal period.

2. Results of audit
   The method and results of the audit by Ernst & Young ShinNihon LLC, audit firm, the accounting auditor, are appropriate.

May 22, 2015

The Audit Committee, Hitachi Metals, Ltd.

Member of the Audit Committee (Full-time):	Taiji Yamada	(Seal)
Member of the Audit Committee:	Yasutoshi Noguchi	(Seal)
Member of the Audit Committee:	Hisashi Machida	(Seal)
Member of the Audit Committee:	Toshikazu Nishino	(Seal)

Note: Members of Audit Committee, Yasutoshi Noguchi, Hisashi Machida and Toshikazu Nishino are outside directors provided for in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

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

Independent Auditors' Report

May 20, 2015

Hideaki Takahashi
Representative Executive Officer,
President and Chief Executive Officer
Hitachi Metals, Ltd.

Ernst & Young ShinNihon LLC

Kiyomi Nakayama (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masami Katakura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Seiji Kuzunuki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Corporation Law, we have audited the financial statements of Hitachi Metals, Ltd., which comprise the Non-Consolidated Balance Sheets as of March 31, 2015, and the Non-Consolidated Statements of Income and the Non-Consolidated Statements of Changes in Net Assets for the 78th fiscal term from April 1, 2014 to March 31, 2015, and the related Notes to Non-Consolidated Financial Statements as well as the supporting schedules thereto.

Management's responsibility for the consolidated financial statements, etc.
Management is responsible for the preparation and fair presentation of these financial statements and supporting schedules 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 financial statements and supporting schedules that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility
Our responsibility is to express an opinion on the financial statements and supporting schedules based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supporting schedules are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and supporting schedules. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and supporting schedules, whether due to fraud or error. The purpose of an audit 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 entity's preparation and fair presentation of the financial statements and supporting schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used,

the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and supporting schedules.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion
In our opinion, the financial statements and supporting schedules referred to above present fairly, in all material respects, the financial position of Hitachi Metals, Ltd. as of March 31, 2015, and the results of its operations for the period then ended in accordance with accounting principles generally accepted in Japan.

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 78th term from April 1, 2014 to March 31, 2015, 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, and employees, etc., and we have requested explanations from them as necessary and expressed our views on these matters. Also, 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. Also, we have examined basic policies pertaining to individuals controlling decisions on the financing and business of the Company described in the Business Report based on discussions in the Board and other meetings. Meanwhile, we communicated and exchanged information with Directors, Corporate Auditors, etc. of subsidiaries, and received reports from subsidiaries on their operations whenever necessary.

   In addition, 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 Company Calculation Regulations) 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 non-consolidated financial statements (Balance Sheets, Statements of Income, Statements of Changes in Net Assets, and Notes to Financial Statements) and the supporting schedules 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. As for the performance of duties by Directors or Executive Officers, we find no significant evidence of wrongful act or violation of related laws and regulations, nor the Articles of Incorporation.

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

   iv. 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.

   (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.

May 22, 2015

The Audit Committee, Hitachi Metals, Ltd.

Member of the Audit Committee (Full-time):	Taiji Yamada	(Seal)
Member of the Audit Committee:	Yasutoshi Noguchi	(Seal)
Member of the Audit Committee:	Hisashi Machida	(Seal)
Member of the Audit Committee:	Toshikazu Nishino	(Seal)

Note: Members of Audit Committee, Yasutoshi Noguchi, Hisashi Machida and Toshikazu Nishino are outside directors provided for in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

Reference Document for the General Meeting of Shareholders

Item 1: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

(1) The Company proposes the following amendments to its Articles of Incorporation in accordance with the "Act for Partial Revision of the Companies Act (Act No. 90 of 2014; hereinafter, the Companies Act after this revision is referred to as the "Revised Companies Act")" enacted on May 1, 2015.

(i) Under the Revised Companies Act, the term "a company with committees" is changed to the term "a company with nominating committee, etc." Therefore, the Company will change the provisions of Article 3, Chapter 4 and Article 25 of the current Articles of Incorporation that include the above terms. Please be noted that the amendments to the provisions of above Article 3 regarding the establishment of a nominating committee, etc. became effective as of May 1, 2015 in accordance with the supplementary provisions of the Revised Companies Act.

(ii) Under the Revised Companies Act, the Company is allowed to conclude a limited liability agreement with Directors who do not concurrently serve as Executive Officers as well as with Outside Directors. Therefore, the Company will change the provisions of Article 24, Paragraph 2 of the current Articles of Incorporation in order to encourage the said Directors to fully perform their expected duties. The Company has already obtained consent from all Audit Committee members regarding the above proposal to the General Meeting of Shareholders.

(2) The Company proposes the maximum number of Executive Officers specified in Article 27 of the current Articles of Incorporation to be changed from 10 to 15, in response to its initiatives to strengthen the business foundation and expand the scale of businesses.

2. Description of the amendments

The Description of the amendments are as follows.

(Underlined portions are amended)

Current provisions	Proposed amendment
Article 3. Company with Committees The Company shall establish a Board of Directors, Committees, accounting auditors and executive officers.	Article 3. Company with Nominating Committee, etc. The Company shall establish a Board of Directors, Nominating Committee, etc. (meaning a nominating committee, an audit committee and a compensation committee; hereinafter the same shall apply), accounting auditors and executive officers.
Chapter 4. Directors, Board of Directors and Committees	Chapter 4. Directors, Board of Directors and Nominating Committee, etc.
Article 24. Exemption from Liability of Directors The Company may, by resolution of the Board of Directors, exempt the directors (including any former directors) from their liability under Article 423, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations. The Company may execute an agreement with the outside directors to limit the liability under Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of liability under such agreement shall be the higher of (a) the predetermined amount that is JPY12,000,000 or more or (b) the amount provided for in laws and regulations.	Article 24. Exemption from Liability of Directors The Company may, by resolution of the Board of Directors, exempt the directors (including any former directors) from their liability under Article 423, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations. The Company may execute an agreement with the directors (excluding executive director, etc.) to limit the liability under Article 423, Paragraph 1 of the Companies Act; provided, however, that the maximum amount of liability under such agreement shall be the higher of (a) the predetermined amount that is JPY12,000,000 or more or (b) the amount provided for in laws and regulations.

Current provisions	Proposed amendment
Article 25. Rules of Committees Any matters concerning Committees shall be subject to the rules established by each Committee in addition to laws and regulations, Articles of Incorporation or those established by the Board of Directors.	Article 25. Rules of Committees Any matters concerning Nominating Committee, etc. shall be subject to the rules established by each Committee in addition to laws and regulations, Articles of Incorporation or those established by the Board of Directors.
Article 27. Number of Executive Officers The Company shall have not more than ten (10) executive officers by resolution of the Board of Directors.	Article 27. Number of Executive Officers The Company shall have not more than fifteen (15) executive officers by resolution of the Board of Directors.

Item 2: Election of Eight (8) 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 eight (8) Directors. The following are the eight (8) candidates for the Directors.

No.	Name (Date of Birth)	Position and Areas of Responsibilities at the Company, and Significant Concurrent Positions outside the Company	Brief Biography		Number of Shares of the Company Held
1	Kazuyuki Konishi (May 4, 1951)	Chairman of the Board of Hitachi Metals, Ltd. (Member of the Nominating Committee)	4/1976	Joined Hitachi Metals, Ltd.	8,000 shares
			1/2004	Vice President of Automotive Components Company	
			4/2005	Managing Officer, Vice President of Automotive Components Company	
			4/2006	Managing Officer, President of Automotive Components Company	
			4/2008	Managing Officer of Hitachi Metals, Ltd. President &CEO of Hitachi Metals America, Ltd.	
			4/2010	Managing Officer, President of Soft Magnetic Materials Company of Hitachi Metals, Ltd.	
			6/2010	Managing Officer of Hitachi Metals, Ltd. Director and CEO of Metglas, Inc.	
			4/2012	Vice president and Executive Officer, President of High-Grade Functional Components Company of Hitachi Metals, Ltd.	
			4/2013	Vice president and Executive Officer, General Manager of Overseas Business Planning Center	
			4/2014	Representative Executive Officer, Chairman and Chief Executive Officer	
			4/2015	Chairman of the Board (current position)	
2	*Keiji Kojima (October 9, 1956)	Vice President and Executive Officer of Hitachi, Ltd.	4/1982	Joined Hitachi, Ltd.	0 shares
			4/2008	General Manager of Central Research Laboratory of Hitachi, Ltd.	
			4/2011	General Manager of Hitachi Research Laboratory of Research & Development Group of Hitachi, Ltd.	
			4/2012	Vice President and Executive Officer of Hitachi, Ltd. (current position)	

No.	Name (Date of Birth)	Position and Areas of Responsibilities at the Company, and Significant Concurrent Positions outside the Company	Brief Biography	Number of Shares of the Company Held
3	*Takashi Shimada (July 18, 1952)	President of Medtronic Japan Co., Ltd. President of Medtronic Sofamor Danek, Co., Ltd. President of Covidien Japan, Inc. President of Nippon Covidien Inc.	4/1976 Joined The Boston Consulting Group 10/1987 Vice President of The Boston Consulting Group 1/1994 Vice President of Hilti Japan 11/1996 President of Walt Disney Television International Japan 7/1998 Vice President of A.T. Kearney 10/2005 Vice President of Medtronic, Inc. (current position) Vice President of Medtronic Japan Co., Ltd. 5/2008 President of Medtronic Japan Co., Ltd. (current position) President of Medtronic Sofamor Danek, Co., Ltd. (current position) 5/2015 President of Covidien Japan Inc. (current position) President of Nippon Covidien Inc. (current position)	0 shares
4	*Toyoaki Nakamura (August 3, 1952)	Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. Director of Hitachi High-Technologies Corporation	4/1975 Joined Hitachi, Ltd. 1/2006 General Manager of Finance Department I of Hitachi, Ltd. 4/2007 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd. 6/2007 Representative Executive Officer, Senior Vice President and Executive Officer, and Director of Hitachi, Ltd. 6/2009 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi, Ltd. 6/2010 Director of Hitachi Metals, Ltd. 6/2011 Director of Hitachi High-Technologies Corporation (current position) 4/2012 Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. (current position) 6/2012 Audit & Supervisory Board Member of Sompo Japan Insurance Inc. (current name: Sompo Japan Nipponkoa Insurance Inc.) 4/2013 Director of Hitachi Consumer Electronics Co., Ltd. Director of Hitachi Appliances, Inc. (current position) 5/2013 Director of Hitachi Consumer Marketing, Inc. (current position)	2,000 shares

No.	Name (Date of Birth)	Position and Areas of Responsibilities at the Company, and Significant Concurrent Positions outside the Company	Brief Biography	Number of Shares of the Company Held
5	Hisashi Machida (Oct. 8, 1947)	Director of Hitachi Metals, Ltd. (Member of the Nominating Committee and the Audit Committee)	4/1973 Joined NSK Ltd. 2/1999 Manager of CVT Project Team of NSK Ltd. 4/2000 Vice President, Center President of Research & Development Center, General Manager of Development Project Office of NSK Ltd. 4/2001 Senior Vice President, Center President of Corporate Research & Development Center and New Technology Development Center of NSK Ltd. 6/2002 Director, Senior Vice President, Center President of Corporate Research & Development Center and Bearing Technology Center, Deputy Head of Technology Development Division HQ of NSK Ltd. 6/2004 Director, Representative Executive Officer, Executive Vice President, responsible for Technology Divisions, Head of Technology Development Division HQ, Center President of Corporate Research & Development Center and Bearing Technology Center of NSK Ltd. 6/2007 Director, Representative Executive Officer, Senior Executive Vice President, responsible for Technology Divisions, Head of Technology Development Division HQ of NSK Ltd. 6/2009 Special Adviser of NSK Ltd. 6/2011 Director of Hitachi Metals, Ltd. (current position)	4,000 shares
6	* Junichi Kamata (Nov. 28, 1953)	Vice President and Managing Officer (Assistant to President) of Hitachi Metals, Ltd.	4/1978 Joined Hitachi Metals, Ltd. 1/2005 General Manager of Human Resources & General Administration Dept. of Corporate Business Center 4/2008 Managing Officer, General Manager of Corporate Management Planning Office 4/2011 Managing Officer, President of Piping Components Company 4/2012 Managing Officer, General Manager of Piping Components Division 4/2014 Vice President and Managing Officer of Hitachi Metals, Ltd. President & CEO of Hitachi Metals America, Ltd. 4/2015 Vice President and Managing Officer, Assistant to President of Hitachi Metals, Ltd. (current position)	0 shares

No.	Name (Date of Birth)	Position and Areas of Responsibilities at the Company, and Significant Concurrent Positions outside the Company	Brief Biography	Number of Shares of the Company Held
7	Hideaki Takahashi (Aug. 20, 1952)	Director, Representative Executive Officer, President and Chief Executive Officer of Hitachi Metals, Ltd. (Member of the Compensation Committee)	4/1978 Joined Hitachi, Ltd. 4/2005 President and Representative Director of Hitachi Building System Co., Ltd. 4/2007 Vice President and Executive Officer of Hitachi, Ltd. 4/2011 Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd. 6/2011 Director, Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd. 6/2013 Director of Hitachi Metals, Ltd. 7/2013 Director, Representative Executive Officer and Executive Vice President 4/2014 Director, Representative Executive Officer, President and Chief Executive Officer (current position)	1,700 shares
8	* Akitoshi Hiraki (Mar. 2, 1961)	Vice President and Representative Executive Officer, in charge of High-Grade Metals Business, Corporate Administration, Technology, Environment and Energy, President of High-Grade Metals Company, Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd.	4/1985 Joined Hitachi Metals, Ltd. 6/2008 President and Director of Hitachi Setsubi Engineering Co., Ltd. 4/2010 Managing Officer, President of Specialty Steel Company, Deputy General Manager of Corporate Export Regulation Office of Hitachi Metals, Ltd. 4/2012 Vice President and Managing Officer, President of High-Grade Metals Company, General Manager of Specialty Steel Division, Deputy General Manager of Corporate Export Regulation Office 4/2015 Vice President and Representative Executive Officer, in charge of High-Grade Metals Business, Corporate Administration, Technology, Environment and Energy, President of High-Grade Metals Company, Deputy General Manager of Corporate Export Regulation Office (current position)	4,000 shares

(Notes)

1. An asterisk (*) indicates a new candidate.
2. In accordance with the provisions of the Articles of Incorporation, the Company has concluded a limited liability agreement with Mr. Hisashi Machida to limit his liability as provided for in Article 423, Paragraph 1 of the Companies Act. If he is elected as Director at this General Meeting of Shareholders, the Company will continue the said agreement. The maximum amount of liability under the said agreement shall be the higher of (a) JPY12 million or (b) the amount provided for in laws and regulations. If Messrs. Keiji Kojima, Takashi Shimada, and Toyoaki Nakamura are elected as Directors, the Company will conclude the same agreement with them. In addition, if Messrs. Kazuyuki Konishi and Junichi Kamata are elected as Directors, the Company will conclude the same agreement with them on condition that Item 1: “Partial Amendments to the Articles of Incorporation” is resolved.
3. Mr. Keiji Kojima concurrently serves as Vice President and Executive Officer of Hitachi, Ltd., and Mr. Toyoaki Nakamura concurrently serves as Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd. The Company maintains business relations with Hitachi, Ltd. that include the buying and selling of products on a continuous basis, the provision of services, technology transactions, cash loans for consumption, etc. There are no special conflict of interests between the other candidates for Directors and the Company.
4. The candidates for Directors are serving or have served during the past five 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 the above Brief Biography.

   (1) Keiji Kojima

   4/2008-3/2011 General Manager of Central Research Laboratory of Hitachi, Ltd.

   4/2011-3/2012 General Manager of Hitachi Research Laboratory of Research & Development Group of Hitachi, Ltd.

4/2012-3/2014	Vice President and Executive Officer of Hitachi, Ltd. (General Manager of Hitachi Research Laboratory of Research & Development Group)
4/2014- present	Vice President and Executive Officer of Hitachi, Ltd. (Chief Technology Officer and General Manager of Research & Development Group)

(2) Toyoaki Nakamura

4/2010-3/2012	Representative Executive Officer, Senior Vice President and Executive Officer, in charge of Corporate Pension System; General Manager of Finance & Accounting Group of Hitachi, Ltd.
4/2012-7/2012	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Management Strategy and Corporate Pension System; General Manager of Finance & Accounting Group of Hitachi, Ltd.
8/2012-3/2013	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Management Strategy and Corporate Pension System; General Manager of Finance & Accounting Group; Deputy General Manager of Smart Transformation Project Initiatives Division; and Project Leader of Administrative Operations Transformation Project of Hitachi, Ltd.
4/2013-9/2013	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Management Strategy, Finance and Corporate Pension System; and General Manager of Consumer Business Division of Hitachi, Ltd.
10/2013-3/2014	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Corporate Pension System; Chief Financial Officer; and General Manager of Consumer Business Division of Hitachi, Ltd.
4/2014-present	Representative Executive Officer, Executive Vice President and Executive Officer, in charge of Corporate Pension System; Chief Financial Officer; and General Manager of Smart Life & Ecofriendly Systems Division of Hitachi, Ltd.

(3) Hideaki Takahashi

10/2009-3/2011	Vice President and Executive Officer of Hitachi, Ltd. (President & CEO of Urban Planning and Development Systems Company of Hitachi, Ltd.)
4/2011-3/2013	Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd.
4/2013-6/2013	Representative Executive Officer, President and Chief Executive Officer, General Manager of Corporate Export Regulation Office of Hitachi Cable, Ltd.

(Note) Hitachi Cable, Ltd., was merged with the Company on July 1, 2013, and dissolved.

5. Matters regarding the candidates for Outside Directors are as follows:

(1) Messrs. Keiji Kojima, Takashi Shimada, Toyoaki Nakamura, and Hisashi Machida are candidates for Outside Directors of the Company. The Company adopts the definition of Outside Director specified in the Companies Act before revisions in accordance with the transitional provisions as specified in the supplement provisions of the Revised Companies Act. The reasons for nomination as Outside Director are as described below.

(i) The Company judges that Mr. Keiji Kojima will contribute to the strengthening of the decision-making and monitoring functions of the management of the Company as well as the enhancement of its effectiveness by reflecting his abundant experience and in-depth knowledge as a corporate manager at Hitachi, Ltd. and working to build closer ties with other Hitachi Group companies.

(ii) Messrs. Takashi Shimada and Hisashi Machida have experience as corporate managers of global manufacturing companies outside the Hitachi Group, and the Company judges that they will contribute to the strengthening of the decision-making and monitoring functions of the management of the Company as well as enhance its effectiveness by reflecting, from a more objective standpoint as Independent Director, their abundant experience and in-depth knowledge.

(iii) The Company judges that Mr. Toyoaki Nakamura will contribute to the strengthening of the decision-making and monitoring functions of the management of the Company as well as enhance its effectiveness by reflecting his abundant experience and in-depth knowledge as a corporate manager at Hitachi, Ltd. and other Hitachi Group companies and working to build closer ties with other Hitachi Group companies.

(2) The Company has assigned Mr. Hisashi Machida as Independent Director in accordance with the regulations of Tokyo Stock Exchange, Inc. If Mr. Takashi Shimada is elected as Director, the Company shall assign him as Independent Director. There are no business relations between the companies for which they have worked and the Company during the 78th fiscal period, from April 1, 2014 to March 31, 2015.

(3) Messrs. Keiji Kojima and Toyoaki Nakamura are serving or have served during the past five years as "executing persons" or directors at entities with a special relationship with the Company, as explained in the above Brief Biography and Note 4.

(4) Mr. Hisashi Machida has been serving as Outside Director of the Company. Term of office of Mr. Machida will be four (4) years upon the conclusion of this General Meeting of Shareholders.

[Although Mr. Hideaki Takahashi's position as "Shikkouyaku-Shacho" in Japanese remains the same, its English translation changed from "President and Chief Operating Officer" to "President and Chief Executive Officer" after the executive change on April 2015.]

Note: This document has been translated from the Japanese original for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

The 78th Ordinary General Meeting of Shareholders

Items Disclosed on the Internet

1. **Notes to Consolidated Financial Statements**
2. **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.

Notes to Consolidated Financial Statements

Significant matters presenting Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 97 companies

Principal consolidated subsidiaries:

Hitachi Metals Admet, Ltd., Hitachi Densen Shoji, Ltd., Hitachi Metals Tool Steel, Ltd., Waupaca Foundry Inc., Hitachi Metals America, Ltd., and Hitachi Metals Hong Kong Ltd.

Hitachi Metals Admet, Ltd. and Hitachi Densen Shoji, Ltd. merged on April 1, 2015, and the name was changed to Hitachi Metals Trading, Ltd.

(Changes in the fiscal year under review)

Added: 10 companies

Excluded: 9 companies

(2) Non-consolidated subsidiaries: not applicable

2. Equity-method application

(1) Non-consolidated equity-method subsidiaries: not applicable

(2) Number of equity-method affiliates: 14 companies

Principal equity-method affiliates: Sumiden Hitachi Cable Ltd., Aoyama Special Steel Co., Ltd.

(Changes in the fiscal year under review)

Added: 0 companies

Excluded: 6 companies

(3) Non-consolidated subsidiaries and affiliates not subject to equity-method application: not applicable

3. Notes concerning accounting standards

(1) Valuation standards and methods for principal assets

(i) Securities

Available-for-sale securities

- Available-for-sale securities with market value are stated at fair value based on market prices on the balance sheet date. (Valuation differences are taken in the full amount to net assets; the cost of securities sales are calculated using the moving average method or periodic average method)
- Available-for-sale securities without market value are stated at cost determined by the moving average method or periodic average method.

(ii) Derivatives are stated at fair value.

(iii) Inventories

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, work in process: Certain high-grade metal products, fixtures, and construction materials are stated at values determined by specific identification method. Other inventories are stated at cost determined by the periodic average method.

Raw materials are stated at cost determined by the moving average method or periodic average method.

(2) Depreciation on principal depreciable assets

(i) Tangible fixed assets (excluding lease assets)

The Company and consolidated subsidiaries use the straight-line method.

(ii) Intangible assets (excluding lease assets)

The Company and consolidated subsidiaries use the straight-line method. Software for own use is amortized over an internal useful life within 10 years based on the straight-line method.

(iii) 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.

  Also, the accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008, follows same method as for ordinary operating lease transactions.

(3) Standards for principal provisions

(i) Allowance for doubtful accounts

To provide for doubtful accounts such as receivables and loans receivable, provisions are made for general receivables based on historical default rates and provisions for specific receivables such as delinquent claims in the expected non-recoverable amounts based on recoverability reviews.

(ii) Allowance for directors' bonuses

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

(iii) Provision for directors' retirement benefits

Some consolidated subsidiaries post provision for directors' retirement benefits in the benefit amount payable at the end of the current fiscal year based on the internal rules for retirement benefits for directors, executive officers and corporate auditors. Notably, at the Company's Compensation Committee meeting held on March 24, 2008, the Company decided to abolish retirement benefits for directors and executive officers. As a result, no new provisions have been recorded afterwards. Some consolidated subsidiaries also decided to abolish retirement benefits for directors and executive officers at their ordinary general meeting of shareholders held in 2008 and no new provisions have been recorded afterwards. As for the balance of the provision for directors' retirement benefits, the estimated payable benefit amount to be paid to the directors and executive officers who were in office at the time of the abolition of the retirement benefits plan and at the end of the fiscal year under review based on the previous internal rules for retirement benefits for directors and executive officers was recognized as benefit amount for current tenures until the effective termination date on accounts.

(iv) Provision for environmental measures

Provisions in the estimated necessary amounts were 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.

(v) Provision for surcharge

Provision for the potential payment of surcharge has been made in relation to the international cartel of high voltage power cables, against which we have received Statement of Objections from the European Commission.

The balance of provision for surcharge at the end of the fiscal year under review is nil.

(4) Accounting method for retirement benefits

The Company and its principal consolidated subsidiaries recognize a liability for retirement benefits of employees based on projected benefit obligations and estimated plan assets at the consolidated balance sheet date. Some consolidated subsidiaries use simple method to calculate benefit obligations.

In the event plan assets which should be recognized at the consolidated balance sheet date exceed the amount obtained by subtracting the actuarial gains or losses from projected benefit obligations, that amount is included in "Other" in investments and other assets as an asset for retirement benefits.

• 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 following fiscal year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the employees. Prior service cost is amortized by the straight-line method over 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) Standards for the yen conversion of principal foreign-denominated assets and liabilities

Foreign-denominated accounts receivable and payable are converted into yen at the foreign exchange spot rates on the consolidated balance sheet date. Translation adjustments are taken to the statements of income. Assets and liabilities of foreign subsidiaries, etc., are converted into yen at the spot rates on the consolidate balance sheet date. Revenues and expenses of foreign subsidiaries, etc., are converted at period average foreign exchange rates. Translation adjustments are recognized in net assets under foreign currency translation adjustments and minority interests.

(6) Principal hedge accounting methods

As a rule, derivative transactions are subject to deferred hedge accounting. Interest swaps that satisfy the required conditions are subject to accounting under special exceptions. Hedging instruments, hedge objects, and hedging policies used in hedge accounting and methods for the assessment of hedge effectiveness are as follows.

(i) Hedging instruments and hedge objects

Hedging instruments: interest swaps; forward exchange contracts

Hedge objects: interest on loans payable; foreign-denominated receivable and payable, etc.

(ii) Hedging policy

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

(iii) Method of hedge effectiveness assessment

Hedge effectiveness is assessed by comparing at the end of each half-term 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.

(7) Accounting treatment of consumption taxes

Consumption taxes are not accounted for.

(8) Consolidated taxation

The Company files consolidated tax returns.

(9) Amortization of goodwill and negative goodwill

Goodwill, and negative goodwill which arose before March 31, 2010, are 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. Negative goodwill arising from April 1, 2010 onwards is handled as profit for the fiscal year in which it arises.

Goodwill and negative goodwill associated with the acquisition of additional equity in NEOMAX Co., Ltd. under a tender offer in fiscal 2006 are amortized in even amounts over a period of 20 years. Goodwill associated with the acquisition of shares of Waupaca Foundry, Inc. in the fiscal 2014 is amortized in even amounts over a period of 20 years. Other goodwill and negative goodwill are amortized over five years in even amounts.

Notes concerning consolidated balance sheets

1. Accumulated depreciation on tangible fixed assets: ¥734,643 million

2. Pledged assets and collateralized debt

Pledged assets

Land:	¥195 million
Buildings:	¥652 million
Investment securities:	¥117 million
Total:	¥964 million

Collateralized debt

Long-term loans payable:	¥127 million
(including current portions of long-term loans payable)	
Other short-term payables:	¥186 million
Total:	¥313 million

3. Guarantee obligations

The Company provides guarantees for loans from financial institutions to companies other than consolidated subsidiaries.

Guarantee purpose and amount:

Employees (housing loans, etc.):	¥235 million
Japan Aeroforge, Ltd.:	¥4,410 million
SH Electronics Suzhou Co., Ltd.:	¥1,778 million
SH Copper Products Co., Ltd.:	¥1,600 million
SH Materials Co., Ltd.:	¥392 million
Shanghai Sunshine Copper Products Co., Ltd.:	¥1,275 million
Niihama Materials Co., Ltd.:	¥1,137 million
Suzhou SH Precision Co., Ltd.:	¥919 million
Zhongtian Hitachi Radio Frequency Cable Co., Ltd.:	¥678 million
MALAYSIAN SH PRECISION SDN. BHD.:	¥181 million
Total:	¥12,605 million

4. Endorsed trade notes

Endorsed trade notes: ¥73 million

Notes concerning consolidated statements of income

Loss on structural reform

Loss on structural reform was recorded in response to a sharp decrease in demand comprising special retirement benefits paid as support for employees seeking other employment and surplus equipment disposal costs resulting from organizational restructuring. Said disposal costs include a ¥5,384 million loss on impairment of property and equipment as follows:

Application	Location	Type
Productive assets	Kishima-gun, Saga	Land and buildings, machinery and equipment, etc.
Idle assets	Hitachi-shi, Ibaraki Kitakyushu-shi, Fukuoka Shanghai City, China Jiangsu Province, China Guangdong Province, China North Carolina, USA Johor, Malaysia	Buildings, machinery and equipment, etc.

The book values of productive assets have been written down to recoverable amounts, due to lower profitability in some part of the Magnetic Materials segment. These write-down amounts are recognized as extraordinary losses. The book values of idle assets, which are part of assets of the Magnetic Materials segment and the Wires, Cables, and Related Products segment, have been written down to recoverable amounts due to production discontinuation and closing down. These write-down amounts are recognized as extraordinary losses. The recoverable amounts are measured based on net sales proceeds. The values of land and buildings are measured based on appraisal values, while the values of machinery and equipment, etc. are measured based on reasonable estimations.

Notes concerning consolidated statements of changes in net assets

1. Total number of shares outstanding as of the balance sheet date

Common stock: 428,904,352 shares

2. Dividends paid during the fiscal year

(1) Dividends paid

Resolution	Share class	Total dividend amount (millions of yen)	Dividends per share (yen)	Base date	Effective date
May 28, 2014 Board of Directors	Common Stock	4,277	10.0	March 31, 2014	May 30, 2014
October 27, 2014 Board of Directors	Common Stock	4,276	10.0	September 30, 2014	November 26, 2014

(2) Dividends whose record date is in the current fiscal year, but whose effective date falls in the next fiscal year

Resolution (Scheduled)	Share class	Total dividend amount (millions of yen)	Source of dividends	Dividends per share (yen)	Base date	Effective date
May 28, 2015 Board of Directors	Common Stock	5,559	Retained earnings	13.0	March 31, 2015	May 29, 2015

3. Share classes and number of shares subject to share subscription rights to shares outstanding as of the balance sheet date

Euro yen convertible bond-type bond (2019) with subscription rights to shares with acquisition clause (net share settlement)

Common stock: 2,201,273 shares

Notes concerning financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group, in light of capital investment plans to carry out its business, procures required funds (primarily bank loans and bond issuance). Temporary surplus funds are invested in very safe financial assets and, additionally, short-term operating capital is procured through bank loans and short-term bonds. Derivatives are used to avoid the risks set forth below and the Group's policy is not to use derivatives for speculative transactions.

(2) Details of financial instruments, risks involved and management system

Although the Group is exposed to customer credit risks with respect to notes and accounts receivable-trade, which are trade receivables, the Group ascertains and manages the credit standing of its trading partners in accordance with the Group's credit risk management regulations. Additionally, as the Group imports raw materials from overseas and exports overseas products manufactured in Japan, the Group is exposed to risks of exchange rate fluctuations impacting foreign-currency-denominated transactions and foreign-currency-denominated assets and liabilities. With respect to these foreign exchange risks relating to foreign-currency-denominated imports/exports, the Group strives to minimize these risks through forward exchange contracts and currency options, etc.

With regards to marketable securities and investment securities, the Group holds shares, primarily in connection with business alliances, etc. with trading partners, and is exposed to market price risks. To address these risks, the Group maintains a clear grasp of the fair value and the financial status, etc. of the issuer and, taking into consideration the relationship with the trading partner, undertakes reviews of the state of those holdings.

Notes and accounts payable-trade, which are trade payables, have, for the most part, a maturity date of less than one year.

Short-term loans payable is financing related primarily to business transactions, and bonds payable and long-term loans payable are financing related primarily to capital investments. Additionally, convertible bond-type bonds with subscription rights to shares are financing for the tender offer of NEOMAX Co., Ltd. executed in December 2006. Variable rate loans payable expose the Group to interest rate risks and, with respect to a portion of the long-term loans payable from amongst these variable rate loans payable, the Group avoids interest rate risks utilizing individually contracted derivative transactions (interest swaps) in order to fix interest expenses. With respect to the hedge effectiveness assessment, these derivative transactions meet the requirements of the interest swap special exceptions, and thus, on the basis of this judgment, the hedge effectiveness assessment is omitted.

Derivative transactions we enter into are currency exchange forward contracts to hedge the risk of exchange rate fluctuations associated with foreign currency account receivable/payables-trade, interest rate swaps to hedge the risk of changes in interest payments associated with loans payable and corporate bonds, and copper futures to hedge the risk of changes in the price of copper, which is used as a raw material.

The execution and management of derivative transactions is undertaken in accordance with internal regulations prescribing transaction authority, while transactions are undertaken with only highly rated financial institutions so as to reduce credit risks when utilizing derivatives.

Additionally, notes and accounts payable-trade, and loans payable, bonds payable and convertible bond-type bonds with subscription rights to shares expose the Group to liquidity risks. The Group manages these risks through methods such as by having each Group company prepare a monthly cash-flow plan.

(3) Supplemental explanation concerning the 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 consolidated balance sheet amount, fair value and the difference in these amounts as of the last day of March, 2015 (the last day of the fiscal year under review) is as follows.

Financial instruments which are reasonably deemed to be extremely difficult to ascertain their fair value are not included in the following table.

(Unit: Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	62,969	62,969	–
(2) Notes and accounts receivable-trade	226,707		
Allowance for doubtful accounts	(660)		
	226,047	226,047	–
(3) Group pooling cash deposits	24,571	24,571	–
(4) Marketable securities and investment securities Available-for-sale securities	7,626	7,626	–
(5) Notes and accounts payable-trade (*1)	[179,369]	[179,369]	–
(6) Short-term loans payable (*1)	[31,964]	[31,964]	–
(7) Bonds payable (*1)	[35,000]	[36,182]	1,182
(8) Convertible bond-type bonds with subscription rights to shares (*1)	[4,495]	[4,556]	61
(9) Long-term loans payable (*1)	[182,900]	[187,805]	4,905
(10) Derivative transactions (*2)	[230]	[230]	–

*1 Items included in liabilities are indicated in square brackets.

*2 Net receivables and payables arising from derivative transactions are shown as a net amount, and items which are a net payables in total are indicated in square brackets.

(Note 1) Calculation method of the fair value of financial instruments and matters relating to marketable securities and derivatives transactions

(1) Cash and deposits, (2) Notes and accounts receivable-trade and (3) Group pooling cash deposits

As these are settled in a short period of time, the fair value and book value are essentially equal, so the said book value is used.

(4) Marketable securities and investment securities

(i) Marketable securities: As these are settled in a short period of time, the fair value and book value are essentially equal, so the said book value is used.

(ii) Investment securities: The stock exchange price of shares is used for fair value.

(iii) Marketable securities and investment securities are held as available-for-sale securities and the difference between the consolidated balance sheet amount relating to these and the acquisition cost is as follows.

(Unit: Millions of yen)

	Type	Acquisition cost	Consolidated balance sheet amount	Difference
Financial instruments where the consolidated balance sheet amount exceeds the acquisition cost	Shares and others	3,455	7,603	4,148
Financial instruments where the consolidated balance sheet amount does not exceed the acquisition cost	Shares	27	23	(4)
Total		3,482	7,626	4,144

(5) Notes and accounts payable-trade and (6) Short-term loans payable

As these are settled in a short period of time, the fair value and book value are essentially equal, so the said book value is used.

(7) Bonds payable and (8) Convertible bond-type bonds with subscription rights to shares

The fair value of bonds payable and convertible bond-type bonds with subscription rights to shares is based on market price.

(9) Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total amount of principal and interest at an estimated interest rate in the event that a new similar loan was made. Long-term loans payable based on variable interest rates are deemed subject to the interest swap special exceptions (see (10) (ii) (2) below) and the total amount of principal and interest processed as a single entity with the relevant interest swap is discounted at an estimated interest rate reasonably applied in the event that a similar loan was made.

Also, the balance sheet amount of long-term loans payable includes the current portion of long-term loans payable.

(10) Derivative transactions

(i) Derivative transactions to which hedge accounting is not applied:

(1) Currency-related (Unit: Millions of yen)

Classification	Type	Contract amount, etc.	Of which over 1 year	Fair value	Profit and loss from valuation
Transactions other than market transactions	Currency exchange forward contract				
	Short position				
	US dollar	1,506	–	0	0
	Euro	19	–	2	2
	GBP	54	–	0	0
	Sell euro / Buy KRW	56	–	1	1
Total		1,635	–	3	3

* Calculation method for fair value

Currency exchange forward contract: Based on value provided by correspondent bank.

(2) Commodity-related (Unit: Millions of yen)

Classification	Type	Contract amount, etc.	Of which over 1 year	Fair value	Profit and loss from valuation
Transactions other than market transactions	Copper futures				
	Short position	2,022	–	(64)	(64)
	Long position	2,087	–	(1)	(1)
Total		4,109	–	(65)	(65)

* Calculation method for fair value

Based on closing prices at the LME (London Metal Exchange) and spot exchange rates on the balance sheet date of the fiscal year under review.

(ii) Derivative transactions to which hedge accounting is applied:

(1) Currency-related (Unit: Millions of yen)

Hedge accounting method	Type of transaction	Primary hedge object	Contract amount, etc.	Of which contract amount over 1 year	Fair value
Basic handling method	Currency exchange forward contract				
	Short positions				
	US dollar	Accounts receivable (forecasted transaction)	1,846	–	(157)
	Euro	Accounts receivable (forecasted transaction)	102	–	4
	Long positions				
	US dollar	Accounts payable (forecasted transaction)	75	–	0
	Euro	Accounts payable (forecasted transaction)	1,231	–	(15)
Total			3,254	–	(168)

* Calculation method for fair value

Currency exchange forward contract: Based on value provided by correspondent bank.

(2) Interest-related (Unit: Millions of yen)

Hedge accounting method	Type of derivative transaction	Primary hedge object	Contract amount, etc.		Fair value	Calculation method of relevant fair value
				Of which over 1 year		
Interest swap special exceptions	Interest swap transaction Fixed payment / variable rate	Long-term loans payable			*	–
	Japanese yen		70,500	65,500		
	US dollar		78,111	78,111		
Total			148,611	143,611		

* With regard to items subject to the special exceptions of interest swaps, fair value is included in the fair value of the long-term loans payable which is the hedge object as these are processed as a single entity with the said long-term loans payable. (See (9) above.)

(Note 2) Unlisted shares (consolidated balance sheet amount of ¥22,664 million) are not included in "(4) Marketable securities and investment securities" as they have no market price and it is thus reasonably deemed extremely difficult to ascertain fair value.

(Note 3) Anticipated redemption amount after the consolidated balance sheet date of items which have maturity from amongst receivables and available-for-sale securities.

(Unit: Millions of yen)

	Up to one year	More than one year and up to five years	More than five years and up to ten years	More than ten years
(1) Cash and deposits	62,969	–	–	–
(2) Notes and accounts receivable-trade	226,707	–	–	–
(3) Group pooling cash deposits	24,571	–	–	–
(4) Marketable securities and investment securities Available-for-sale securities with maturity	683	3	–	–
Total	314,930	3	–	–

(Note 4) Anticipated repayment amount of bonds payable, convertible bond-type bonds with subscription rights to shares and long-term loans payable

(Unit: Millions of yen)

	Up to one year	More than one year and up to five years	More than five years and up to ten years	More than ten years
(7) Bonds payable	–	35,000	–	–
(8) Convertible bond-type bonds with subscription rights to shares	–	4,495	–	–
(9) Long-term loans payable	24,437	90,191	68,272	–
Total	24,437	129,686	68,272	–

Notes concerning per-share information

1. Net assets per share: ¥1,053.06

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

Total net assets as per consolidated balance sheets:	¥459,727 million
Net assets attributable to common stock:	¥450,269 million
Difference between total net assets as per consolidated balance sheets and net assets at the consolidated balance sheet date pursuant to the number of common shares used as basis of calculation of net assets per share:	¥9,458 million
Number of common shares outstanding at the consolidated balance sheet date:	428,904,352 shares
Number of common shares held as treasury stock:	1,322,108 shares
Number of common shares used as basis of calculation of net assets per share:	427,582,244 shares

2. Net income per share for the period under review: ¥155.64

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

Net income for the period under review:	¥66,553 million
Net income for the period not attributable to common stockholders:	–
Net income for the period attributable to common stock:	¥66,553 million
Average number of common shares during the term:	427,606,515 shares
Summary of equity instruments that are not dilutive and therefore not included in the calculation of diluted per-share information for net income for the period:	Euro yen convertible bond-type bond (2019) with subscription rights to shares with acquisition clause (net share settlement) (¥4,495 million outstanding).

Notes on business combinations

Business combination by way of acquisition

1. Outline of business combination

(1) Name of an entity acquired and its business lines

Name: Waupaca Foundry Holdings, Inc. ("Waupaca HD")

Description of business: Controlling and supervising the business activities of its wholly-owned subsidiary Waupaca Foundry Inc. ("Waupaca")* through the ownership of its shares.

* Waupaca is engaged in the development, manufacturing and sale of cast iron products for transportation machinery.

(2) Main reason for business combination

We are striving to expand our business in the global market aiming to realize sustainable growth. We are currently working to enhance and expand the customer base in the global market and establish global production and marketing systems based on our medium-term management plan.

The iron casting business has been one of our core businesses over many years targeting the automotive parts market. In particular, we have been striving to enhance the global supply system of high-grade ductile cast iron products, by establishing several production bases in Japan, South Korea and the U.S. as well as acquiring a cast iron manufacturing company for automotive parts in India in April 2014. However, we found it necessary to expand the scope of our business and establish a significantly competitive business base in the global market, in order to achieve further growth.

Waupaca is the world's largest supplier of cast iron products, having its main office in Wisconsin in the U.S. and six plants across the country. The company is primarily engaged in the iron casting business for transportation machinery in the North American market, and supplies its products for various fields such as automotive brake parts as well as industrial, agricultural, and construction machinery. The company maintains the world's largest and agile production capacity of cast iron products by leveraging its excellent production technologies and quality management, and holds a dominant market share in North America. It has a strong customer base developed over the years with its proven stable supply capabilities, which adds another advantage to the competitiveness of the company. The global market of cast iron products for transportation machinery is expected to grow continuously driven by the demand of automobile in emerging countries. Considering its competitiveness and excellent past performance, Waupaca is also expected to keep growing steadily. Under such circumstances, we determined that, in order to achieve medium- to long-term growth in the iron casting business of the Company, it is essential for us to incorporate Waupaca's enormous production capacity, business and customer base, and to obtain a business foundation which enables to secure competitiveness in the global market.

After the acquisition of Waupaca, we will strive to expand our business scale as a world's leading cast iron supplier, utilizing our target of a high-value-added niche zone and Waupaca's competitive mass-production zone and develop our business based on a strong business foundation.

At the same time, we will strive to enhance and expand our scope of operations, by developing a broader range of business in the transportation machinery field such as automobile, and offering products, services and solutions that can meet the needs of the market and our customers, thus achieving sustainable growth in the global market.

(3) Date of business combination

November 10, 2014

(4) Legal form of business combination

Share acquisition in exchange for cash

(5) Name of the combined entity

No change

(6) Ratio of voting rights acquired

100%

(7) Reason for determining the acquisition

Our wholly-owned subsidiary Hitachi Metals Foundry Holdings, Inc. (current Hitachi Metals America Holdings, Inc.) acquired the shares for 100% of voting rights of Waupaca HD in exchange for cash.

2. The accounting term of the entity acquired subject to the consolidated financial statements

From November 1, 2014 to March 31, 2015

3. Acquisition cost

US$1,362 million (¥149,334 million)

The acquisition cost includes the acquisition cost of shares (US$861 million) and the repayment of Waupaca's bank borrowings (US$501 million). The figures above in Japanese yen are converted using mainly the exchange rate as of November 10, 2014 and those used for foreign exchange forwards.

Advisory costs and other acquisition-related costs of ¥1,485 million were incurred in addition to the above acquisition cost.

4. Amount and cause of goodwill incurred; amortization method and period

(1) Amount of goodwill incurred

¥70,990 million

(2) Cause of goodwill

Since the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount was recognized as goodwill.

(3) Amortization method and period

20 years in even amounts

5. With respect to the distribution of the acquisition cost, the intangible fixed assets of ¥35,109 million was recognized in addition to goodwill, namely, customer-related assets of ¥18,869 million (to be amortized for 20 years) and technology-related assets of ¥11,436 million (to be amortized for 14 years).

6. Amounts and descriptions of assets acquired and liabilities assumed on the business combination date

Current assets:	¥43,413 million
Fixed assets:	¥54,351 million
Total assets:	¥97,764 million
Current liabilities:	¥27,801 million
Fixed liabilities:	¥70,643 million
Total liabilities:	¥98,444 million

7. Estimated amounts of impact of the business combination on the consolidated statements of income for the fiscal year under review, assuming that the combination was completed on the commencement date of the fiscal year under review; calculation method of the estimated amounts

Net sales:	¥114,879 million
Operating income:	¥10,081 million
Income before income taxes and minority interests:	¥8,129 million
Net income:	¥5,410 million

(Calculation method of the above estimated amounts)

The estimated amounts of impact are the differences between the amounts of net sales, income and losses calculated based on the assumption that the business combination was completed on the commencement date of the fiscal year under review and the amounts of net sales, income and losses on the consolidated statements of income of the Company.
The above contents of these notes have not been officially audited.

Notes to significant subsequent events

(Transfer of shares of Hitachi Tool Engineering, Ltd.)

The Company and Mitsubishi Materials Corporation ("Mitsubishi Materials") entered into an agreement on the transfer of 51% of the issued and outstanding shares of Hitachi Tool Engineering, Ltd. ("Hitachi Tool"), a wholly-owned subsidiary of the Company, to Mitsubishi Materials in order to strengthen the business foundation of the cemented carbide products (cutting tools) business on September 26, 2014 ("Share Transfer Agreement"). On April 1, 2015, shares of Hitachi Tool were transferred to Mitsubishi Materials under the Share Transfer Agreement and changed its name to Mitsubishi Hitachi Tool Engineering, Ltd.

The gain from the share transfer is expected to be around ¥13.3 billion.

Notes to Non-Consolidated Financial Statements

1. Notes concerning matters relating to significant accounting policies

1.1. Valuation standards and methods for assets

(1) 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 with market value are stated at fair value based on market prices on the balance sheet date. (Valuation differences are taken in the full amount to net assets; the cost of securities sales are calculated based on the moving average method.)

Available-for-sale securities without market value are stated at cost as determined by the moving average method.

(2) 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:

Certain high-grade metal products and materials, fixtures, and construction materials are stated at values determined by specific identification method.

Other inventories are stated at cost as determined by the periodic average method.

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

1.2. Depreciation on fixed assets

Tangible fixed assets (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.

Also, the accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008, follows same method as for treating ordinary operating leases.

1.3. Standards for provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts such as 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 surcharge

Provision for the potential payment of surcharge has been made in relation to the international cartel of high voltage power cables, against which we have received Statement of Objections from the European Commission.

The balance of provision for surcharge at the end of the fiscal year under review is nil.

(5) 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 the average remaining years of service of the employees. Prior service cost is amortized by the straight-line method over the average remaining years of service of the employees or recognized in profit or loss in the fiscal year in which it is incurred.

(6) Provision for directors' retirement benefits

Provision for directors' retirement benefits is recognized in the benefit amount to be paid at the end of the current fiscal year based on the regulations for retirement benefits of directors and executive officers. Notably, at the Compensation Committee meeting convened on March 24, 2008 the Company decided to abolish retirement benefits of directors and executive officers and no new provisions have been recorded since April 2008.

As for the provision for directors' retirement benefits, the benefit amount for current tenures until the effective termination date (March 31, 2008) is the estimated payable benefit amount at the time of the abolition of the retirement benefits scheme and the amount to be paid to directors and executive officers currently serving at the end of the fiscal year under review based on the previous internal rules for retirement benefits of directors and executive officers was recognized.

No provisions have been recorded at the end of this fiscal year under review.

(7) Provision for loss on guarantees

Provisions for losses from guarantees for affiliates have been made in the amount of estimated losses to the Company with consideration of the financial status of the affiliates that are the subject of such guarantees.

(8) Provision for loss on business of subsidiaries and affiliates

Provision for loss on business of subsidiaries and affiliates has been made in the amount of estimated losses to the Company taking into consideration the financial status of the relevant subsidiaries and affiliates.

No outstanding amounts of provision for loss on business of subsidiaries and affiliates are recognized at the end of the fiscal year under review.

(9) 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.

(10) Provision for product warranties

Provision for product warranties has been made in anticipation for expenditure for repair, etc. related to product warranties in the amount of estimated cost for repair, etc. related to product warranties based on product life and the contractual terms of warranties provided by subcontractors.

1.4. Other significant matters presenting non-consolidated financial statements

(1) Hedge accounting

Hedge accounting:

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) Consolidated taxation

The Company files consolidated tax returns.

(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.

1.5. Change in significant matters presenting non-consolidated financial statements

Not applicable.

2. Notes concerning the non-consolidated balance sheets

(1) Accumulated depreciation on tangible fixed assets:	¥388,092	million
(2) Guarantee obligations, etc.		
Endorsed trade notes:	¥1	million
Guarantee obligations:	¥28,338	million
(3) Accounts payable and receivable – affiliates		
Notes receivable-trade:	¥1	million
Accounts receivable-trade:	¥46,385	million
Accounts receivable-other:	¥36,882	million
Short-term loans receivable:	¥45,016	million
Group pooling cash deposits:	¥24,571	million
Long-term loans receivable:	¥88,559	million
Long-term accounts receivable-other:	¥576	million
Accounts payable-trade:	¥18,726	million
Accounts payable-other:	¥6,663	million
Short-term loans payable:	¥21,146	million

3. Notes concerning the non-consolidated statements of income

(1) Transactions with affiliates

Net sales:	¥215,137 million
Purchase of goods:	¥244,605 million
Other transactions:	¥28,023 million

(2) Loss on structural reform

The costs include a ¥2,763 million loss on impairment of property and equipment as follows:

Application	Location	Type
Productive assets	Kishima-gun, Saga	Land and buildings, machinery and equipment, etc.
Idle assets	Hitachi-shi, Ibaraki	Machinery and equipment, etc.

The book values of the above productive assets have been written down to their recoverable amounts, due to lower profitability in some part of the Magnetic Materials segment. These write-down amounts are recognized as extraordinary losses. The book values of the above idle assets, which are part of the Wires, Cables, and Related Products segment, have been written down to their recoverable amounts due to a decision on closing-down of the facility. These write-down amounts are recognized as extraordinary losses. The recoverable amounts are measured based on net sales proceeds. The values of land and buildings are measured based on appraisal values, while the values of machinery and equipment, etc. are measured based on reasonable estimations.

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

Number of treasury shares as of the balance sheet date: 1,303,157 shares of common stock

5. Notes concerning tax effect accounting

(1) Breakdown of significant components of deferred tax assets and deferred tax liabilities:

Deferred tax assets		
Accrued bonuses:	¥2,157	million
Allowance for doubtful accounts:	¥3,427	million
Provision for retirement benefits:	¥7,665	million
Provision for directors' retirement benefits:	¥29	million
Contribution of securities to retirement benefit trust:	¥2,383	million
Impairment loss:	¥572	million
Accounting depreciation in excess of tax depreciation:	¥4,864	million
Loss on devaluation of investment securities:	¥7,142	million
Loss carry-forwards for corporate income tax:	¥1,603	million
Others:	¥4,816	million
Deferred tax assets – Subtotal:	¥34,658	million
Valuation allowance:	(¥14,782)	million
Deferred tax assets – Total:	¥19,876	million
Deferred tax liabilities		
Reserve for advanced depreciation of fixed assets:	(¥812)	million
Reserve for special depreciation:	(¥811)	million
Prepaid pension cost:	(¥1,195)	million
Investment book value correction:	(¥1,797)	million
Valuation gain – land:	(¥1,336)	million
Stocks of subsidiaries:	(¥712)	million
Other:	(¥345)	million
Deferred tax liabilities – Total:	(¥7,008)	million
Deferred tax assets – Net:	¥12,868	million

(2) Adjustment to the amounts of deferred tax assets and deferred tax liabilities due to changes in the corporate income tax rate

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 2 of 2015) were promulgated on March 31, 2015 and the reduction of corporate tax rate, etc. became effective for fiscal years starting on or after April 1, 2015.

Accordingly, the statutory effective tax rate to be used to calculate deferred tax assets and deferred tax liabilities will be changed from 35.4% to 32.8% for the temporary differences expected to be reversed in the fiscal year starting on April 1, 2015, and to 32.1% for the temporary differences expected to be reversed in the fiscal years starting on or after April 1, 2016.

As a result, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥2,898 million, the amount of income taxes-deferred increased by ¥2,915 million, and net unrealized holding gain on securities available-for-sale increased by ¥17 million.

6. Notes concerning fixed assets used in leases

In addition to the fixed assets recorded in the balance sheets, fixed assets used in lease transactions consist of a portion of manufacturing equipment for high-grade metal products and materials, magnetic materials, high-grade functional components and equipment, wires, cables, and related products, etc.

7. Notes concerning transactions with related parties

7.1. 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	458,791	Manufacture and sales of electrical equipment	Direct: 53.5 Indirect: 0.5	Continuous trade in products Provision of services Technology transfers Provision of loans Concurrent position as officer	Deposit under the Hitachi Group Pooling Scheme *1, 2	Withdrawal 24,625*3	Group pooling cash deposits	24,571

(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	Hitachi Metals Admet, Ltd. *1	Chuo-ku, Tokyo	350	Sales of various products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Sales of products *3	37,922	Accounts receivable-trade	8,523
Subsidiary	Hitachi Metals Tool Steel, Ltd.	Chuo-ku, Tokyo	100	High-Grade Metal Products and Materials	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Sales of products *3	26,158	Accounts receivable-trade	7,708
Subsidiary	Hitachi Densen Shoji, Ltd. *1	Taito-ku, Tokyo	380	Wires, Cables, and Related Products	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Sales of products *3	25,013	Accounts receivable-trade	8,013
Subsidiary	Hitachi Tool Engineering, Ltd. *2	Minato-ku, Tokyo	1,455	High-Grade Metal Products and Materials	Direct: 100.0	Sale of products Purchase of products Dispatch of officers	Receipt of dividends *4	10,586	-	-
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	Loan under the Company's centralized settlement scheme *5, 6	Repayment 589 *7	Short-term loans receivable	10,535
Subsidiary	Hitachi Magnet Wire Corp.	Hitachi-shi, Ibaraki	300	Wires, Cables, and Related Products	Direct: 100.0	Purchase of materials as an agent Purchase of products Dispatch of officers	Purchase of products *3	52,552	-	-
Subsidiary	Hitachi Cable Film Device, Ltd.	Chuo-shi, Yamanashi	10	Wires, Cables, and Related Products	Direct: 100.0	Loan of funds Dispatch of officers	Loan of funds *8, 9	Repayment 184 *7	Long-term loans receivable	10,007
Subsidiary	Hitachi Metals America, Ltd.	New York, U.S.A.	(thousands of U.S. dollars) 50,000	Sales of various products Regional headquarters	Indirect: 100.0	Sale of products Purchase of products Performance of concurrent roles as director	Guarantees for loans *10	8,763	-	-
							Loan of funds *6	Loan 7,210	Short-term loans receivable	7,210
Subsidiary	Hitachi Metals America, Holding Inc.	New York, U.S.A.	(thousands of U.S. dollars) 0	Regional headquarters	Direct: 100.0	Performance of concurrent roles as director	Loan of funds *6	Loan 85,321	Short-term loans receivable	12,017
									Long-term loans receivable	73,304
Affiliate	SH Copper Products Co., Ltd.	Tsuchiura-shi, Ibaraki	1,000	Wires, Cables, and Related Products	Direct: 50.0	Purchase of materials, etc. as an agent, etc. Dispatch of officers	Purchase of materials, etc. as an agent, etc. *3	41,400	Accounts receivable-other	16,068

(Notes)

1. Hitachi Metals Admet, Ltd. and Hitachi Densen Shoji, Ltd. merged on April 1, 2015 and the name was changed to Hitachi Metals Trading, Ltd.
2. Hitachi Tool Engineering, Ltd. was moved from the category of Subsidiary to the category of Affiliate due to the share transfer of 51% of its issued and outstanding shares on April 1, 2015.
3. 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.
4. The receipt of dividends is mainly for special dividends.
5. The centralized settlement scheme is a scheme to offset transactions between the old Hitachi Cable group companies on a daily basis for the purpose of the centralized management of funds and the term-end balance indicates the balance of loans receivable/payable as of the balance sheet date.
6. Interest rates on funds are determined with reasonable consideration of market interest rates.
7. The transaction amount indicates a difference from the amount at the end of the previous fiscal year.
8. The long-term loans receivable from Hitachi Cable Film Device, Ltd. are non-interest bearing.
9. The Company recognized an allowance for doubtful accounts of ¥7,704 million for long-term loans receivable from Hitachi Cable Film Device, Ltd. In the fiscal year under review, the Company recognized a gain on reversal of allowance for doubtful accounts of ¥710 million.
10. The Company provided guarantees for loans from banks and received no fees.

7.2. Notes concerning the parent company or significant affiliates

Parent company information

Hitachi, Ltd. (Shares are listed on exchanges in Tokyo and Nagoya.)

8. Notes concerning per-share information

(1) Net assets per share: ¥730.24

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

Total net assets as per non-consolidated balance sheets	¥312,251 million
Net assets attributable to common stock	¥312,251 million
Number of common shares outstanding at the non-consolidated balance sheet date	428,904,352 shares
Number of common shares held as treasury stock	1,303,157 shares
Number of common shares used as basis of calculation of net assets per share	427,601,195 shares

(2) Net income per share for the period under review: ¥166.72

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

Net income for the period under review as per non-consolidated statements of income	¥71,293 million
Amounts not attributable to common stockholders	–
Net income for the period attributable to common stock	¥71,293 million
Average number of common shares outstanding during the period	427,629,682 shares
Summary of equity instruments that are not dilutive and therefore not included in the calculation of diluted per-share information for net income for the period	Euro yen convertible bond-type bond (2019) with subscription rights to shares with acquisition clause (net share settlement) (¥4,495 million outstanding)

9. Notes to significant subsequent events

(Transfer of shares of Hitachi Tool Engineering, Ltd.)

The Company and Mitsubishi Materials Corporation (“Mitsubishi Materials”) entered into an agreement on the transfer of 51% of the issued and outstanding shares of Hitachi Tool Engineering, Ltd. (“Hitachi Tool”), a wholly-owned subsidiary of the Company, to Mitsubishi Materials in order to strengthen the business foundation of the cemented carbide products (cutting tools) business on September 26, 2014 (“Share Transfer Agreement”). On April 1, 2015, shares of Hitachi Tool were transferred to Mitsubishi Materials under the Share Transfer Agreement and changed its name to Mitsubishi Hitachi Tool Engineering, Ltd.

The gain from the share transfer is expected to be around ¥14.9 billion.