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(Securities Code 5726)
May 30, 2019

To Shareholders with Voting Rights:

Yasuaki Sugizaki
Representative Director, Member of the
Board & President
OSAKA Titanium technologies Co., Ltd.
1 Higashihama-cho,
Amagasaki, Hyogo, Japan

**NOTICE OF
THE 22ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 22nd Annual General Meeting of Shareholders of OSAKA Titanium technologies Co., Ltd. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form, or via the Internet. Please review the enclosed Reference Documents for the General Meeting of Shareholders, and exercise your voting rights.

- 1. Date and Time:** Friday, June 21, 2019 at 10 a.m. Japan time (Reception will open at 9 a.m.)
- 2. Place:** Amashin Archaic Hall Octo,
2-7-16 Showadori, Amagasaki, Hyogo, Japan
- 3. Meeting Agenda:**
Matters to be reported: The Business Report and Financial Statements for the 22nd Term
(From April 1, 2018 to March 31, 2019)

Proposals to be resolved:
Proposal No. 1: Election of Six (6) Directors, Members of the Board
Proposal No. 2: Election of Two (3) Audit & Supervisory Board Members

The Business Report and Financial Statements are attached.

Notes:

1. Among financial statements, “Statement of Changes in Equity” and “Notes to Financial Statements” are posted on the Company’s website on the Internet pursuant to the provisions of laws and regulations and Article 17 of the Articles of Incorporation of the Company.
2. The above items posted on the Company’s website have also been audited by an Independent Auditor and Audit & Supervisory Board Members to prepare the audit report.
3. If revisions are made to the Reference Documents for the General Meeting of Shareholders or the Business Report up to the day prior to the meeting, the amended version will be posted on the Company’s website (https://www.osaka-ti.co.jp/e/e_ir/general_meeting.html).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No.1: Election of Six (6) Directors, Members of the Board

The terms of office of all Directors, Members of the Board will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the election of Six (6) Directors, Members of the Board is proposed.

The candidates for Directors, Members of the Board are as follows.

No.	Name	Current positions and responsibilities at the Company
1	Yasuaki Sugizaki Re-election	Representative Director, Member of the Board & President
2	Takahisa Miyake Re-election	Representative Director, Member of the Board & Executive Vice President Oversees Production Control, Quality Assurance, Technology, Facilities, Titanium Manufacturing, Polycrystalline Silicon Manufacturing
3	Satoru Takahashi Re-election	Director, Member of the Board, Senior Managing Executive Officer Oversees Corporate Planning, General Affairs, Human Resources, Safety and Health, Finance and Accounting, System and Raw Materials and Purchasing Departments
4	Masayuki Tsuji New-election	Managing Executive Officer Oversees Sales and Marketing and High-Performance Materials Departments, General Manager of Tokyo Office
5	Akira Takamatsu Re-election Outside Independent	Outside Director, Member of the Board
6	Nae Iijima Re-election Outside Independent	Outside Director, Member of the Board

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Yasuaki Sugizaki (May 17, 1957) [Re-election]	April 1988 Joined Kobe Steel, Ltd. April 2011 Executive Officer, General Manager of Research & Development Planning Department, Technical Development Group, Kobe Steel, Ltd. April 2013 Managing Executive Officer, General Manager of Technical Development Group, Kobe Steel, Ltd. June 2014 Managing Director, General Manager of Technical Development Group, Kobe Steel, Ltd. April 2015 Senior Managing Director, Kobe Steel, Ltd. April 2016 Director, Senior Managing Executive Officer, Assistant to the President, Kobe Steel, Ltd. April 2016 Corporate Adviser, the Company June 2016 Representative Director, Member of the Board & President, ditto (to present)	5,100 shares
	Reasons for appointment as a candidate for Director, Member of the Board He has served in important posts in the technical development department of Kobe Steel, Ltd., and as Representative Director, Member of the Board & President of the Company, he has contributed to improve the value of the Company and conducted management by displaying strong leadership for constructing lean and strong business structure for the future, as he reconsidered business portfolio positively while executing the New Medium-term Management Plan starting in May 2018. Accordingly, we propose him as a candidate for Director, Member of the Board.		

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Takahisa Miyake (November 30, 1954) [Re-election]	<p>April 1979 Joined Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION)</p> <p>April 2008 Managing Executive Officer, General Manager of Corporate Research & Development Laboratories and General Manager of Center of Application Technology for Customers, Sumitomo Metal Industries, Ltd.</p> <p>April 2009 Managing Executive Officer, General Manager of Corporate Research & Development Laboratories, Sumitomo Metal Industries, Ltd.</p> <p>April 2010 Managing Executive Officer, General Manager of Wakayama Steel Works in the Pipe & Tube Company, Sumitomo Metal Industries, Ltd.</p> <p>April 2012 Senior Managing Executive Officer, General Manager of Wakayama Steel Works in the Pipe & Tube Company, Sumitomo Metal Industries, Ltd.</p> <p>October 2012 Managing Executive Officer, General Manager of Wakayama Works, Nippon Steel & Sumitomo Metal Corporation (currently NIPPON STEEL CORPORATION)</p> <p>April 2014 Executive Officer, Assistant to the President, Nippon Steel & Sumitomo Metal Corporation</p> <p>April 2014 Corporate Adviser, the Company</p> <p>June 2014 Senior Managing Director, Member of the Board, ditto</p> <p>June 2015 Director, Member of the Board, Senior Managing Executive Officer, ditto</p> <p>June 2016 Representative Director, Member of the Board & Executive Vice President, ditto (to present)</p> <p>Responsibilities Oversees Production Control, Quality Assurance, Technology, Facilities, Titanium Manufacturing, Polycrystalline Silicon Manufacturing, and High-Performance Materials Departments, Environmental Control and Disaster Planning Group and High-Performance Materials Development Group.</p>	7,100 shares
<p>Reasons for appointment as a candidate for Director, Member of the Board</p> <p>He has served in important posts in the manufacturing and technical development departments of Sumitomo Metal Industries, Ltd. and Nippon Steel & Sumitomo Metal Corporation, and as Representative Director, Member of the Board & Executive Vice President, he has contributed stable production by leading manufacturing and technology department and contributed to improve the value of the Company by broad insight and management ability which have been cultivated so far. Accordingly, we propose him as a candidate for Director, Member of the Board.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Satoru Takahashi (January 7, 1960) [Re-election]	<p>April 1982 Joined Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION)</p> <p>April 2011 Department Manager of Production Control and Purchasing Department, the Company</p> <p>June 2012 General Manager of Raw Materials Department, ditto</p> <p>June 2015 Executive Officer, General Manager of Raw Materials Department, ditto</p> <p>April 2017 Executive Officer, General Manager of Corporate Planning Department, ditto</p> <p>April 2018 Managing Executive Officer, ditto</p> <p>June 2018 Director, Member of the Board, Managing Executive Officer, ditto</p> <p>April 2019 Director, Member of the Board, Senior Managing Executive Officer, ditto (to present)</p> <p>Responsibilities Oversees Corporate Planning, General Affairs, Human Resources, Safety and Health, Finance and Accounting, System and Raw Materials and Purchasing Departments</p>	2,300 shares
		<p>Reasons for appointment as a candidate for Director, Member of the Board</p> <p>He has a wealth of experience and broad insight into accounting, corporate planning, and raw materials departments, and drastically contributed to stable procurement of raw material and reduction of raw material cost as Executive officer of the Company, and improved the value of the Company by promoting vigorously the formulation and execution of the Medium-term Management Plan as Executive officer in charge of Corporate Planning Department. Accordingly, we propose him as a candidate for Director, Member of the Board.</p>	
4	Masayuki Tsuji (May 13, 1958) [New-election]	<p>April 1982 Joined the Company</p> <p>July 2006 Department Manager of Sales and Marketing Department, ditto</p> <p>June 2008 General Manager of Sales and Marketing Department, ditto</p> <p>June 2015 Executive Officer, General Manager of Sales and Marketing Department, ditto</p> <p>July 2017 Executive Officer, ditto</p> <p>April 2018 Managing Executive Officer, ditto</p> <p>April 2019 Managing Executive Officer, General Manager of Tokyo Office, ditto (to present)</p> <p>Responsibilities Oversees Sales and Marketing and High-Performance Materials Departments, General Manager of Tokyo Office</p>	5,100 shares
		<p>Reasons for appointment as a candidate for Director, Member of the Board</p> <p>He has served in sales department for a long time, drastically contributed to sales expansion of titanium sponge with displaying leadership in constructing long-term partnership with domestic and overseas customers at deploying sales strategy matching titanium demand expansion and improved the value of the Company by overseeing the sales of the Company business as General Manager and Executive officer of sales. Accordingly, we propose him as a candidate for Director, Member of the Board.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	
5	Akira Takamatsu (December 21, 1948) [Re-election] [Candidate for Outside Director, Member of the Board] [Candidate for Independent Director/Auditor]	April 1973 Joined Bank of Japan May 1996 General Manager of Fukushima Branch, Bank of Japan September Internal Auditor, Bank of Japan 1999 June 2005 Managing Executive Officer, Nagoya Stock Exchange, Inc. June 2008 Managing Director Executive Officer, Nagoya Stock Exchange, Inc. October 2008 Visiting Professor, Nagoya University October 2012 Outside Auditor, Densai Corporation June 2013 Outside Audit & Supervisory Board Member, the Company June 2013 Outside Director, DAIBIRU CORPORATION (to present) June 2014 Outside Director, Member of the Board, the Company (to present) June 2016 Outside Director, CHUCO Co., Ltd (to present)	Number of shares of the Company held: 0 shares Term of office as Outside Director, Member of the Board (at the conclusion of this General Meeting of Shareholders): 5 years Attendance at Board of Directors (FY2018): 12/12 (100%)
	Reasons for appointment as a candidate for Outside Director, Member of the Board In addition to having excellent insight and broad experience as a manager, etc. of financial institutions, he is also versed in corporate governance, utilizes such knowledge, experience, etc. in supervising the execution of business, etc. from independent position, and execute his duty appropriately. Accordingly, we propose him as a candidate for Outside Director, Member of the Board.		
	Matters concerning candidate for an Outside Director, Member of the Board Akira Takamatsu are as follows. (1) He is a candidate for Outside Director, Member of the Board, and has been notified to Tokyo Stock Exchange, Inc. as an Independent Director/Auditor. If the proposal is approved and he becomes an Outside Director, Member of the Board, he will continue to serve as an Independent Director/Auditor. (2) The Company entered into an agreement with him to limit his liability for damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act. If the proposal is approved and he becomes an Outside Director, Member of the Board, the Company intends to continue the said agreement.		

6	Nae Iijima (April 11, 1964)	April 1994	Registered as Attorney-at-Law Joined Dojima Law Office	Number of shares of the Company held: 0 shares
	[Re-election]	October 2001	Joined Kirkland & Ellis LLP, Washington, D.C., USA	
	[Candidate for Outside Director, Member of the Board]	January 2002	Registered as Attorney-at-Law in New York State Bar Association	
	[Candidate for Independent Director/Auditor]	September 2002	Returned to Dojima Law Office (to present)	
		June 2003	Outside Audit and supervisory committee member NAVITAS Co., LTD.	Term of office as Outside Director, Member of the Board (at the conclusion of this General Meeting of Shareholders): 4 years
		April 2013	Visiting Professor, Kyoto University Law School (to present)	Attendance at Board of Directors (FY2018): 12/12 (100%)
		June 2015	Outside Director, Member of the Board, the Company (to present)	
		June 2016	Outside Director, Member of the Board, Audit committee member, NAVITAS Co., LTD.	
		June 2019	Vice president, the Osaka Bar Association (to present)	
Reasons for appointment as a candidate for Outside Director, Member of the Board Although she has never been directly involved in the management of a company in the past except as an outside director, she has expertise and broad insight as a legal professional, utilizes her knowledge and experience, etc. in supervising the execution of business, etc. from the perspective of legal risks and compliance from independent position, and plays an appropriate role. Accordingly, we propose her as a candidate for Outside Director, Member of the Board.				
Matters concerning candidate for an Outside Director, Member of the Board Nae Iijima are as follows. (1) She is a candidate for Outside Director, Member of the Board, and has been notified to Tokyo Stock Exchange, Inc. as an Independent Director/Auditor. If the proposal is approved and she becomes an Outside Director, Member of the Board, she will continue to serve as an Independent Director/Auditor. (2) The Company entered into an agreement with her to limit her liability for damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act. If the proposal is approved and she becomes an Outside Director, Member of the Board, the Company intends to continue the said agreement.				

(Notes) 1. No material conflict of interest exists between the Company and any of the candidates for Directors, Members of the Board.

(Reference) Summary of the Criteria for the Independence of Independent Directors/Auditors

The Company has determined the criteria for the independence of Independent Directors/Auditors taking into account the independence criteria established by Tokyo Stock Exchange, Inc. The following is the summary for the said criteria. For details, please refer to the Company's website (<http://www.osaka-ti.co.jp/ir/pdf/cg.pdf>). (In Japanese only)

An Outside Director, Member of the Board or Outside Audit & Supervisory Board Member of the Company is deemed independent if he/she does not fall under any of the following categories.

- 1) A spouse or relative within the second degree of kinship to a Director, Member of the Board or important employee of the Company
- 2) A major shareholder of the Company
- 3) A director or employee of a major shareholder or lender of the Company
- 4) A major counterparty of the Company or a person who executes the business thereof
- 5) A person who receives a payment, donation, or assistance exceeding a certain amount from the Company
- 6) A person who has fallen under any of 2)-5) above in the past five years
- 7) A person whose spouse or relative within the second degree of kinship falls under any of 2)-5) above

Proposal No. 2: Election of three (3) Audit & Supervisory Board Members

The terms of office of Mr. Munehisa Okada, Audit & Supervisory Board Members, will expire at the conclusion of this Annual General Meeting of Shareholders and Mr. Hiroshi Ito and Mr. Kazuhiko Kimoto, Audit & Supervisory Board Members, will resign at the conclusion of this Annual General Meeting of Shareholders. Accordingly, we propose to elect three (3) Audit & Supervisory Board Members.

Moreover, the Audit & Supervisory Board has approved this proposal.

The candidates for Audit & Supervisory Board Members are as follows.

Name (Date of birth)	Past experience, positions, and significant concurrent positions	
Masayuki Okano (March 4, 1957) [New-election] [Candidate for Outside Audit & Supervisory Board Member]	April 1981 Joined Kobe Steel, Ltd. April 2006 General Manager of Steel sheets Department of Kakogawa Works, Kobe Steel, Ltd. April 2009 General Manager of Titanium Technology Department, Titanium Business, Iron & Steel Business, Kobe Steel, Ltd. April 2010 Commissioner, General Manager of Titanium Business, Iron & Steel Business, Kobe Steel, Ltd. April 2013 Deputy Director of Titanium Business, Iron & Steel Business, Kobe Steel, Ltd. June 2013 Representative Director, Member of the Board & President, Japan Aeroforge, Ltd. June 2017 Director, Member of the Board & President, Japan Aeroforge, Ltd. June 2018 Managing Executive Officer, the Company April 2019 Corporate Adviser, ditto (to present)	Number of shares of the Company held: 100 shares
Reasons for appointment as a candidate for Outside Audit & Supervisory Board Member He has served in important posts in Titanium departments, one of the business unit of Kobe Steel, Ltd., led a business company as Representative Director, Member of the Board & Executive, and taken an important role as Managing Executive Officer of the Company since last June, and he has a wealth of experience and broad insight. Accordingly, we deemed that he is able to execute his duty appropriately by reflecting his wide experience and broad insight and propose him as a candidate for Outside Audit & Supervisory Board Member.		
Matters concerning candidate for an Outside Audit & Supervisory Board Member Hiroshi Ito are as follows. (1) He is involved in the execution of business at Nippon Steel & Sumitomo Metal Corporation, a main business partner of the Company. (2) He is a candidate for an Outside Audit & Supervisory Board Member and the Company plans to enter into an agreement with him to limit his liability for damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act if the proposal is approved and he becomes an Outside Audit & Supervisory Board Member.		

Name (Date of birth)	Past experience, positions, and significant concurrent positions	
Satoshi Suzuki (April 10, 1964) [New-election] [Candidate for Outside Audit & Supervisory Board Member]	April 1989 Joined NIPPON STEEL CORPORATION. April 2005 Leader of Accounting Group, General Affairs Department, Oita Works, NIPPON STEEL CORPORATION May 2010 Deputy Manager of Affiliated Company Group, Corporate Planning Department, NIPPON STEEL CORPORATION June 2010 Outside Audit & Supervisory Board Member, Suzuki Metal Industry Co., Ltd.(currently NIPPON STEEL SG WIRE CO., LTD) October 2012 General Manager of Group Company Planning Division, Nippon Steel & Sumitomo Metal Corporation (currently NIPPON STEEL CORPORATION) June 2014 Be loaned to Nippon Steel & Sumikin Chemical Co., Ltd.(currently NIPPON STEEL Chemical & Material Co., Ltd.) August 2014 General Manager of Corporate Planning Department, Nippon Steel & Sumikin Chemical Co., Ltd. April 2018 General Manager of Group Company Planning Division, Nippon Steel & Sumitomo Metal Corporation (currently NIPPON STEEL CORPORATION) June 2018 Outside Director, Member of the Board, NIPPON COKE & ENGINEERING CO., LTD (to present) April 2019 General Manager of Group Company Planning Division, NIPPON STEEL CORPORATION	Number of shares of the Company held: 0 shares
Reasons for appointment as a candidate for Outside Audit & Supervisory Board Member Although he has never been directly involved in the management of a company in the past except as an outside director, he has a wealth of experience and broad insight into finance and accounting and so on. We deemed that he is able to execute his duty appropriately by reflecting them and propose him as a candidate for Outside Audit & Supervisory Board Member.		
Matters concerning candidate for an Outside Audit & Supervisory Board Member Hiroshi Ito are as follows. (1) He is involved in the execution of business at NIPPON STEEL CORPORATION, a main business partner of the Company. (2) He is a candidate for an Outside Audit & Supervisory Board Member and the Company plans to enter into an agreement with him to limit his liability for damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act if the proposal is approved and he becomes an Outside Audit & Supervisory Board Member.		

Name (Date of birth)	Past experience, positions, and significant concurrent positions		
Takahiko Kizawa (August 6, 1966) [New-election] [Candidate for Outside Audit & Supervisory Board Member]	April 1989 April 2006 April 2008 April 2011 April 2014 April 2015 June 2018 April 2019	Joined Kobe Steel, Ltd. Department Manager of Wire Rod & Steel Bar Sales Department and Department Manager of Oversea Business Promotion Department, Iron & Steel Business, Kobe Steel, Ltd. Manager of Steel Bar Group of Wire Rod & Steel Bar Sales Department, Iron & Steel Business, Kobe Steel, Ltd. Deputy General Manager of Wire Rod & Steel Bar Sales Department, Iron & Steel Business, Kobe Steel, Ltd. General Manager of Sales Department, Iron & Steel Business, Kobe Steel, Ltd. General Manager of Process Department, Kakogawa Works, Iron & Steel Business, Kobe Steel, Ltd. Deputy General Manager of Kakogawa Works and General Manager of Process Department, Kakogawa Works, Iron & Steel Business, Kobe Steel, Ltd. Commissioner, Assistant Executive Officer of Raw Materials Department, Iron & Steel Business, Kobe Steel, Ltd. (to present)	Number of shares of the Company held: 0 shares
Reasons for appointment as a candidate for Outside Audit & Supervisory Board Member Although he has never been directly involved in the management of a company in the past, he has a wealth of experience and broad insight into sales department and so on. We deemed that he is able to execute his duty appropriately by reflecting them and propose him as a candidate for Outside Audit & Supervisory Board Member.			
Matters concerning candidate for an Outside Audit & Supervisory Board Member Kazuhiko Kimoto are as follows. (1) He is involved in the execution of business at Kobe Steel, Ltd., a main business partner of the Company. (2) He is a candidate for an Outside Audit & Supervisory Board Member and the Company plans to enter into an agreement with him to limit his liability for damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act if the proposal is approved and he becomes an Outside Audit & Supervisory Board Member.			

(Notes) No material conflict of interest exists between the Company and the candidates for Outside Audit & Supervisory Board Members.

Business Report

(From April 1, 2018 to March 31, 2019)

1. Company overview

(1) Business progress and results

In the fiscal year under review, the Japanese economy, despite the impact of natural disasters such as earthquakes and typhoons, has continued to show a moderate recovery trend mainly due to improvements in corporate earnings and employment conditions.

On the other hand, with regard to the global economy, there are concerns such as increased trade friction and uncertainty about the economic situation in major overseas countries, and the situation continues to require attention in the future.

Regarding the business of OSAKA Titanium technologies Co., Ltd. (the “Company”), for the Titanium Business, in addition to continued expansion of demand for aircraft for export, demand for plate heat exchangers for general industries and power plants for domestic use was also strong. As a result, Titanium Business net sales were 32,713 million yen (up 7.3% year on year). The operation rate of titanium sponge was in the mid 70% range.

In the Polycrystalline Silicon Business, sales were 8,892 million yen (down 16.3% year on year), as the Company withdrew from the business in the fiscal year under review.

For further details, at the Board of Directors meeting held on November 28, 2018, the Company resolved an agreed termination of a long-term sales contract with SUMCO in the Polycrystalline Silicon Business and withdrawal from the Business.

A loss on business withdrawal of 12,862 million yen was recorded as an extraordinary loss, and a termination money of 10,000 million yen associated with the termination of a long-term sales contract was recorded in extraordinary income.

In the high-performance materials business, although the demand for high purity spherical titanium powder (high purity TILOP) and spherical titanium alloy powder (alloy TILOP) increased, sales volume was 2,060 million yen (down 11.3% year on year) due to a decrease in sales volume of high purity titanium.

As a result of the above, net sales for the fiscal year under review increased to 43,666 million yen (up 0.5% year on year). Meanwhile, with respect to profits and losses, operating profit was 2,308 million yen (down 30.5% year on year) and ordinary profit was 2,422 million yen (down 13.8%) because of the increase in prices of titanium raw materials etc. and increase in repair costs despite efforts to increase sales volume and cost improvement in the titanium business.

On the other hand, the net loss was 1,322 million yen (a profit of 1,857 million yen in the same period of the previous year), as the business withdraw loss from the Polycrystalline Silicon business and the impact of the Osaka Northern Earthquake were recorded as extraordinary losses.

(2) Capital investments

Capital investment during the fiscal year under review totaled 1,990 million yen. This was primarily investments in titanium manufacturing equipment.

(3) Capital procurement

We allotted our own capital and loans for the funds necessary for the capital investments undertaken during the fiscal year under review.

(4) Business results and asset trends

Category	FY2015 (19th term)	FY2016 (20th term)	FY2017 (21st term)	FY2018 (fiscal year under review)
Net sales (Millions of yen)	41,149	39,180	43,431	43,666
Ordinary Profit (loss) (Millions of yen)	(2,058)	1,226	2,809	2,422
Profit (loss) (Millions of yen)	(8,840)	579	1,857	(1,322)
Basic Earnings (loss) per share (Yen)	(240.25)	15.76	50.47	(35.95)
Total assets (Millions of yen)	88,905	93,265	92,662	80,928
Total equity (Millions of yen)	33,822	34,497	36,213	34,305

(Notes) 1. Losses are denoted in parentheses.

2. Earnings (loss) per share is calculated based on the average number of issued shares during the term.

(5) Medium- to long-term management strategy and issues to be addressed

The company formulated its medium-term management plan from fiscal year 2018 to fiscal year 2020 in May 2018, but following the Board of Directors' decision to withdraw from the Polycrystalline Silicon business in November 2018, the basic policy and initiatives by business area were revised. The revised outline is as follows.

I. Basic policies of Medium-term Management Plan (FY2018 - FY2020)

Withdrawal from the Polycrystalline Silicon business will temporarily cause a decline in sales. Therefore in order to strengthen the growth strategy of existing businesses and focus on developing new businesses, the Company add the following (4) and (5) to the basic policy. Now we are working hard under the new policy.

- (1) Build a lean profit structure for the growth of the next generation
- (2) Establish the world's strongest cost competitiveness in titanium by thorough cost reduction
- (3) Capture growth opportunities in the High-performance Materials Business, where demand is expected to grow, and fast-track commercialization of titanium alloy powder.
- (4) Further strengthen the growth strategy by expanding the scale of the titanium and high-performance materials businesses
- (5) Further promotion of new business development

II. Initiatives by Business Area

1. Titanium Business

(1) Recognition of business environment and business policy

- Solid growth in demand expected for mill products for both aircrafts and general industrial applications
- Although demand will increase, the global demand and supply gap caused by supply capability exceeding demand will continue for the time being
=> The demand and supply gap is expected to decrease each year; but a severe competitive environment will persist



Acquire the world's strongest cost competitiveness through the steady capture of future demand growth by strengthening partnerships with customers and thorough cost reduction, and build a robust business foundation

(2) Business strategies

- (i) Maintain and expand a high level of market share by strengthening partnerships with major

customers

- Meet precisely customer requirements by strengthening marketing capabilities by the joint work with technical staff including technology exchanges
 - Pursue opportunities for sales expansion by strengthening links with customers
- (ii) Thoroughly implement cost reduction and productivity improvement
- Cost reduction target: FY2017→FY2020 3.0 billion yen
- Productivity improvement target: FY2017→FY2020 Up by 20% (production volume of titanium sponge per person)
- Introduce AI and other advanced technologies for innovating production processes and improving productivity continuously
 - Pursue further cost reduction through proactive rationalization investment
- (iii) Strengthen business structure to prepare for next generation
- Enhance R&D system and advance production process
 - Restoration investment and maintenance to prepare for high operating rate of facilities in the near future
- (iv) Examine to boost production capacity of titanium sponge (ensuring upside response capabilities for supply) in preparation for FY2021 onward
- 1) Further productivity improvement of large reduction furnaces
- FY2020 target 41,000 tons (current capacity of 39,000 tons + 5%)
 - 48,000 ton-capacity when combined with restarting small reduction furnaces
- 2) Examine to boost further production capacity
- Global supply system including possibility of establishing new overseas bases (considering production stability, electricity cost, BCP response, etc.)

2. High-performance Materials Business

(1) Recognition of business environment and business policy

- With global expansion of semiconductor demand, demand for high-purity titanium for targets is expected to expand
 - Innovation of materials processing is driving expectations for new demand in the metal injection molding (MIM) market as well as the layered manufacturing (3D printing) market
- fully expand into spherical titanium alloy powder (TILOP64) business



High-purity titanium: Expand sales through distinctive product development in response to customer requirements and deepen strategic relationships Titanium alloy powder (TILOP64): Position as core business for the future and pursue early entry and business expansion

(2) Business strategies

- (i) Strengthen customer response capability for high-purity titanium
- Cultivate new demand by developing the high-purity lineup
 - Deepen partnerships by strengthening marketing capabilities by the joint work with technical staff
- (ii) Promote commercialization of titanium alloy powder (TILOP64) business
- Establish new dedicated plant for TILOP64
 - Establish a manufacturing-sales integrated promotion team to drive sales expansion
 - Promote R&D to develop processes and differentiate products

3. Companywide initiatives

(1) Productivity improvement and operational efficiency of back-office divisions

- Radically innovate work procedures, review IT tools, and proactively introduce software to improve operational efficiency (RPA) in pursuit of thorough productivity improvement and operational efficiency
- => Target for operational efficiency of back-office divisions: Operational load reduced by 20% (FY2017→FY2020)

(2) Human resource development

- Transfer skills of veteran employees by visualizing and sharing their experience and expertise, and strengthen technical staffs
- Expand personnel measures aimed at systematic development of leaders for next generation

(3) Enhancement of technical development capability

- Establish new organization designed especially for advancing production process technology and invest proactively in R&D
 - Establish a company-wide team for introducing advanced technologies such as AI and have it work across the entire Company
- (4) Pursuit of stable procurement at low price and utilization of low quality materials**
- Develop technologies for utilizing low-cost raw materials and expand suppliers to ensure flexibility, extend contract periods (long-term contracts), etc.
- (5) Concentrated investment of management resources**
- Allocate management resources created by withdrawal from Polycrystalline Silicon business to accelerate growth of titanium and high-performance materials business
 - Further promotion of developing new business

(6) **Major business operations** (As of March 31, 2019)

Titanium Business

Titanium Sponge, Titanium Ingots, Titanium Tetrachloride, Titanium Tetrachloride Aqueous Solution

Polycrystalline Silicon Business

Polycrystalline Silicon

High-performance Materials Business

High-Purity Titanium, SiO, TILOP, Titanium Powder

(7) **Major offices and plants** (As of March 31, 2019)

Headquarters / Amagasaki Plant	Amagasaki, Hyogo
Tokyo Office	Minato-ku, Tokyo
Kishiwada Works	Kishiwada, Osaka

(8) **Employees** (As of March 31, 2019)

Number of employees	Change from end of the previous fiscal year	Average age	Average number of years of service
715	(20)	41.1	14.3

(Notes)

1. The number of employees excludes those employees temporarily transferred out of the Company and includes those employees temporarily transferred into the Company.
2. In addition to the number of employees in 1. above, there are 93 temporary employees (average number of employees during the fiscal year).

(9) **Situation of significant parent company and subsidiaries** (As of March 31, 2019)

Not applicable

(10) **Major lenders** (As of March 31, 2019)

Lenders	Balance of loan (Millions of yen)
Syndicated loans	18,500
Sumitomo Mitsui Banking Corporation	-
Sumitomo Mitsui Trust Bank, Limited	4,000
The Senshu Ikeda Bank, Ltd.	5,000
Development Bank of Japan Inc.	300

(Note) Syndicated loans: co-financing with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited as managers.

2. Status of shares (As of March 31, 2019)

- (1) Total number of shares authorized to be issued 125,760,000 shares
(2) Total number of shares issued 36,800,000 shares
(Includes 1,315 shares of treasury stock)
(3) Number of shareholders 17,272 persons
(4) Top 10 shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Ratio of shares held versus total number of shares issued (%)
Nippon Steel & Sumitomo Metal Corporation	8,800	23.91
Kobe Steel, Ltd.	8,800	23.91
Japan Trustee Services Bank, Ltd. (Trust Account)	1,076	2.93
SUMITOMO CORPORATION	864	2.35
The Master Trust Bank of Japan, Ltd. (Trust Account)	676	1.84
The Nomura Trust and Banking Co., Ltd.(Mutual Fund Account)	542	1.47
CLEARSTREAM BANKING S.A	455	1.24
Japan Trustee Services Bank, Ltd. (Trust Account 5)	447	1.22
THE BANK OF NEW YORK MELLON 140042	424	1.15
Japan Trustee Services Bank, Ltd. (Trust Account 1)	299	0.81
Total	22,386	60.84

(Note) 1. Figures for ratio of shares held are calculated after excluding treasury stock from the total number of shares issued.

2. Nippon Steel & Sumitomo Metal Co., Ltd. changed its trade name to Nippon Steel Corporation on April 1, 2019.

3. Subscription right for new shares (As of March 31, 2019)

Not applicable

4. Company officers

(1) Directors, Member of the Board and Audit & Supervisory Board Members (As of March 31, 2019)

Position	Name	Areas of responsibility within the Company and significant concurrent positions
Representative Director, Member of the Board, and President*	Yasuaki Sugizaki	
Representative Director, Member of the Board, and Executive Vice President*	Takahisa Miyake	Oversees Production Control, Quality Assurance, Technology, Facilities, Titanium Manufacturing, Polycrystalline Silicon Manufacturing, and High-Performance Materials Manufacturing Departments, and Environmental Control and Disaster Planning, and High-Performance Materials Marketing Group
Director, Member of the Board, and Senior Managing Executive Officer*	Mitsuo Takamura	Oversees Raw Materials and Purchasing, and Sales and Marketing Departments, General Manager of Tokyo Office
Director, Member of the Board, and Managing Executive Officer*	Satoru Takahashi	Oversees Corporate Planning, General Affairs, Human Resources, Safety and Health, Finance and Accounting, and System Departments
Director, Member of the Board	Akira Takamatsu	Outside Director, DAIBIRU CORPORATION, Outside Director, CHUCO Co.,Ltd
Director, Member of the Board	Nae Iijima	Attorney-at-Law and Partner of Dojima Law Office
Audit & Supervisory Board Member (Full Time)	Munehisa Okada	
Audit & Supervisory Board Member	Hiroshi Ito	General Manager, Group Companies Planning Division, Nippon Steel & Sumitomo Metal Corporation
Audit & Supervisory Board Member	Kazuhiko Kimoto	Executive Officer, Kobe Steel, Ltd.
Audit & Supervisory Board Member	Fumio Sugizaki	

(Notes) 1. Asterisks (*) indicate titles for Executive Officers.

2. Director, Member of the Board Akira Takamatsu and Nae Iijima are Outside Directors, Member of the Board as stipulated in Article 2, Paragraph 15 of the Companies Act.
3. Audit & Supervisory Board Members Hiroshi Ito, Kazuhiko Kimoto, and Fumio Sugizaki are Outside Audit & Supervisory Board Members as stipulated in Article 2, Paragraph 16 of the Companies Act.
4. The Company has designated Directors, Members of the Board Akira Takamatsu and Nae Iijima, Audit & Supervisory Board Member Fumio Sugizaki as Independent Director/Auditor as stipulated by the Tokyo Stock Exchange, Inc. and has registered them at the aforementioned Exchange.
5. Audit & Supervisory Board Member Fumio Sugizaki has many years of experience in operations of accounting and finance at NISSAN MOTOR CO., LTD. and its group of enterprises, and has an adequate level of knowledge in finance and accounting.
6. At the 21st Annual General Meeting of Shareholders held on June 22, 2018, Satoru Takahashi was newly elected as Director, Member of the Board, and Hiroshi Ito and Kazuhiko Kimoto were newly elected as Audit & Supervisory Board Members, and assumed their respective positions.
7. As of the closing of the 21st Annual General Meeting of Shareholders held on June 22, 2018, Directors, Members

of the Board Masato Ichise retired upon the expiration of their terms of office and Audit & Supervisory Board Members Masanori Ando and Hjime Nagara resigned.

8. The Company established regulations regarding liability limitation agreements with Outside Directors, Member of the Board and Outside Audit & Supervisory Board Members. Based on these Articles of Incorporation, the Company has concluded liability limitation agreements with all Outside Directors, Member of the Board and Outside Audit & Supervisory Board Members that limit the amount of liability to the total of each item in Article 425, Paragraph 1 of the Companies Act should the Company be harmed as a result of the execution of duties by Outside Directors, Member of the Board or Outside Audit & Supervisory Board Members, as long as they are in good faith and are not grossly negligent in performing their duties.
9. Nippon Steel & Sumitomo Metal Co., Ltd. changed its trade name to Nippon Steel Corporation on April 1, 2019.

(2) Total amount of remuneration, etc., to Directors, Members of the Board and Audit & Supervisory Board Members

Classification	Number of persons paid	Amount paid (Millions of yen)
Directors, Members of the Board	7	149
Audit & Supervisory Board Members	2	23
Total	9	172
(Of which, Outside Officers)	(3)	(18)

(Notes)

1. The amount of remuneration to Directors, Members of the Board is limited to 24 million yen per month by resolution at the 18th Annual General Meeting of Shareholders held on June 19, 2015, and the amount of remuneration to Audit & Supervisory Board Members is limited to 5 million yen per month by resolution at the 9th Annual General Meeting of Shareholders held on June 23, 2006.
2. The number of persons as of the end of the fiscal year under review is six (6) Directors, Members of the Board and four (4) Audit & Supervisory Board Members.

(3) **Outside officers** (As of March 31, 2019)

(i) **Significant concurrent position held at other companies, etc. and relationship between the Company and other such companies, etc.**

Classification	Name	Company, etc. where concurrent position is held	Description of concurrent position	Relationship
Outside Director, Member of the Board	Akira Takamatsu	DAIBIRU CORPORATION	Outside Director	There are no significant relationships between the Company and DAIBIRU CORPORATION.
		CHUCO Co.,Ltd	Outside Director	There are no significant relationships between the Company and CHUCO Co.,Ltd.
Outside Director, Member of the Board	Nae Iijima	Dojima Law Office	Attorney-at-Law and Partner	There are no significant relationships between the Company and Dojima Law Office.
Outside Audit & Supervisory Board Member	Hiroshi Ito	Nippon Steel & Sumitomo Metal Corporation	General Manager, Group Companies Planning Division	There are relationships between the Company and Nippon Steel & Sumitomo Metal Corporation: the Company sells metal titanium, etc. to Nippon Steel & Sumitomo Metal Corporation.
Outside Audit & Supervisory Board Member	Kazuhiko Kimoto	Kobe Steel, Ltd.	Executive Officer	There are relationships between the Company and Kobe Steel, Ltd.: the Company sells metal titanium, etc. to Kobe Steel, Ltd..

Nippon Steel & Sumitomo Metal Co., Ltd. changed its trade name to Nippon Steel Corporation on April 1, 2019.

Main activities of outside officers

Classification	Name	Main activities
Outside Director, Member of the Board	Akira Takamatsu	Participated in 12 of the 12 Board of Directors meetings during the fiscal year under review, and made comments as necessary from his wealth of experience and wide range of views on economics and finance to secure appropriateness of deliberations, and also provided advice and suggestions on overall corporate management.
Outside Director, Member of the Board	Nae Iijima	Participated in 12 of the 12 Board of Directors meetings during the fiscal year under review, and made comments as necessary primarily as a Director, Member of the Board with expert legal knowledge cultivated through professional practice as an attorney-at-law.
Outside Audit & Supervisory Board Member	Hiroshi Ito	After election at the Annual General Meeting of Shareholders held in June 2018, participated in 9 of the 9 Board of Directors meetings and 9 of the 9 Audit & Supervisory Board meetings during the fiscal year under review, and adequately made comments primarily based on his knowledge of the Company's business and views as an Audit & Supervisory Board Member with views on overall corporate management.
Outside Audit & Supervisory Board Member	Kazuhiko Kimoto	After election at the Annual General Meeting of Shareholders held in June 2018, participated in 8 of the 9 Board of Directors meetings and 8 of the 9 Audit & Supervisory Board meetings during the fiscal year under review, and adequately made comments primarily based on his knowledge of the Company's business and views as an Audit & Supervisory Board Member with views on overall corporate management.
Outside Audit & Supervisory Board Member	Fumio Sugizaki	Participated in 12 of the 12 Board of Directors meetings and 13 of the 13 Audit & Supervisory Board meetings during the fiscal year under review and made comments as necessary primarily as an Audit & Supervisory Board Member with knowledge of finance and accounting.

5. Certain matters concerning accounting auditor

(1) Name of accounting auditor

Deloitte Touche Tohmatsu LLC

(2) Change of accounting auditor during the fiscal year under review

Not applicable

(3) Limited liability agreement

Not applicable

(4) Amount of remuneration, etc. for the accounting auditor relating to the fiscal year under review

1. Amount of remuneration, etc. relating to the services provided for under Article 2, paragraph 1 of the Certified Public Accountants Act: 40 million yen
2. Total amount of money and other property benefits that the Company and its subsidiaries should pay to the accounting auditor: 40 million yen

(Notes)

1. The agreement concluded between the Company and the accounting auditor does not distinguish the amount of audit remuneration for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act, so the aforementioned amount of remuneration, etc. states the total amount for these audits.
2. The Audit & Supervisory Board has consented to the amount of remuneration, etc. for the accounting auditor after conducting the necessary investigation as to whether the details of the accounting auditor's audit plan, the execution of the accounting auditor's duties, and the grounds for calculating the estimated remuneration are appropriate.

(5) Policy on determining the dismissal or non-reappointment of the accounting auditor

In addition to the dismissal of the accounting auditor by the Audit & Supervisory Board provided for under Article 340, paragraph 1, each items of the Companies Act, the Audit & Supervisory Board will determine the content of a proposal for the dismissal or non-reappointment of the accounting auditor concerned that will be submitted by the Company to the General Meeting of Shareholders in cases when it is deemed difficult for the accounting auditor to execute duties appropriately, such as the occurrence of events that impair the competency of the accounting auditor, or in cases when a change of accounting auditor is deemed to be appropriate.

6. Development of systems to ensure the appropriateness of business operations

The Company has resolved the basic policy on its internal control system as below.

(1) Basic approach to the internal control system

The systems to ensure that the execution of duties by the Company's Directors Members of the Board complies with laws and regulations and the Articles of Incorporation and other systems set forth by ordinance of the Ministry of Justice as necessary to ensure the appropriateness of business operations as a stock company are resolved by the Board of Directors and described below.

(2) Systems to ensure that the execution of duties by Directors, Members of the Board complies with laws and regulations and the Articles of Incorporation

Our aim is to maintain and enhance management efficiency and to strengthen the supervisory function by having the Board of Directors composed of Directors, Member of the Board, who are well-versed in the Company's business, and Outside Directors, Members of the Board, who either have outstanding insight into management overall or have expert knowledge as an attorneys-at-law as well as no special interest in the Company. At the same time, we seek to maintain and strengthen the transparency and soundness of management by enhancing the auditing function by including Outside Audit & Supervisory Board Members.

Based on this organizational arrangement, the Board of Directors has resolved Corporate Activity Rules which should be considered the basic mission in executing the Company's business activities, and has stipulated that compliance with the Rules is an obligation for officers and employees.

As for the compliance system, a Compliance and Risk Management Committee has been established to implement management practices that comply with laws and social obligations, to take preventive measures for the risks surrounding our business and to make decision and respond when incidents occur in a quick and appropriate manner. The Company has also established both an in-house and external Compliance Helpline and Whistleblower Hotline that accept constructive suggestions and submissions from employees (includes Directors, Member of the Board, Audit & Supervisory Board Members, and Executive Officers) concerning matters relating to compliance that could seriously impact on confidence in the Company.

Moreover, the Company has also produced a Compliance Manual succinctly specifying the basic matters to be observed by the Directors, Members of the Board, Audit & Supervisory Board Members, Executive Officers and other employees in executing corporate activities.

Based on such systems, the Company strives to strictly enforce compliance all the time.

(3) Systems to ensure appropriateness of business operations

- i) Retention and management of information relating to the execution of duties by the Directors, Members of the Board

Information relating to the execution of duties by the Directors, Members of the Board is noted and recorded in the minutes of the Board of Directors, approval documents and other documents, and this information is retained and managed appropriately through the creation of internal regulations such as the Approval Documents Regulation, the Authority Standard Regulation, the Document Management Regulation, and the Electronic Information Management Regulation.

- ii) Regulations and other systems relating to managing risk of loss

The Company, in addition to each department's efforts to identify and understand the risks related to business activities, makes constant efforts to minimize such risks, the Compliance and Risk Management Committee checks the status of response, etc. to company-wide risks that may have a material impact on management. The Company has also developed a system for emergency countermeasures, in preparation for the occurrence of risks.

- iii) Systems to ensure efficient execution of duties by the Directors, Members of the Board
 The Company has introduced an Executive Officer system that separates the management decision-making and supervisory function from the execution of operations function to produce a system in which decision-making by the Board of Directors is carried out promptly and efficiently.
 Moreover, the Company has formulated appropriate decision-making rules based on the Division of Duties Regulation, the Authority Standard Regulation and other internal regulations and has produced a system in which duties are executed appropriately and efficiently.
 Important management-related matters are decided on by the Board of Directors after deliberation by the necessary members at the Management Committee, etc. whenever necessary.
- iv) Systems to ensure that execution of duties by employees complies with laws and regulations and the Articles of Incorporation
 As stated in (2) above, the Company has developed the relevant systems through determining the Corporate Activity Rules and setting up the Compliance and Risk Management Committee, etc. The Company aims to prevent irregularities through the establishment of the Compliance Helpline and Whistleblower Hotline System that facilitates consultation and whistleblowing on matters of compliance.
 The Audit & Supervisory Board Members and the Internal Auditing Department which is the internal audit division, regularly monitor and verify the compliance and appropriateness of the execution of duties.
- v) Systems to ensure appropriateness of operations in the corporate group composed of the Company, its parent company, and its subsidiaries
 While the Company has no parent companies, it is an equity-method affiliate of Nippon Steel & Sumitomo Metal Corporation and Kobe Steel Ltd. The Company bears the responsibility for its own management and engages in independent business management.
 The Company has no corporate group that corresponds to subsidiaries.
- vi) Matters regarding employees assisting duties of Audit & Supervisory Board Members, when Audit & Supervisory Board Members ask to appoint such employees
 Based on the Audit & Supervisory Board Members Audit Regulations, when the Audit & Supervisory Board Members make a request, the Company appoints assistants to the Audit & Supervisory Board Members following consultation with both parties.
 When appointing assistants, the Company considers the necessary matters to ensure the independence of the assistants, including the authority of the assistants, the organization to which they are affiliated, the right of the Audit & Supervisory Board Members to issue instructions and orders, and the right of the Audit & Supervisory Board Members to consent to assistant personnel decisions, and ensures the effectiveness of the directions of the Audit & Supervisory Board Members to the relevant employees.
- vii) Systems of reporting to the Audit & Supervisory Board Members by Directors, Members of the Board and employees and other systems for reporting to the Audit & Supervisory Board Members
 In addition to attending the Board of Directors, the Audit & Supervisory Board Members attend important meetings, including various meetings related to key management issues and meetings of the Compliance and Risk Management Committee and receive reports from the Directors, Member of the Board, Executive Officers and other employees concerning the execution of the business operations for which they are responsible.
 When the Directors, Member of the Board, Executive Officers and other employees discover facts that could cause significant damage to the Company, they are to report them to the Audit & Supervisory Board Members promptly.
 In addition, when there has been a consultation or a whistleblowing through the Compliance Helpline and Whistleblower Hotline System, the details are to be reported to the Audit & Supervisory Board Members promptly.
 Under the Employment Regulation, discrimination is prohibited against a person who has made a report, consulted with the Helpline or is a whistleblower as outlined above.

viii) Other systems to ensure that audits by the Audit & Supervisory Board Members are performed effectively

The Audit & Supervisory Board Members and the Representative Director, Member of the Board & President periodically work to communicate with each other, including exchanging opinions on company operations.

The Audit & Supervisory Board Members regularly implement audits while maintaining close connections with the Internal Auditing Department, and the Directors, Member of the Board, Executive Officers and departments concerned respond by providing explanations of such matters as the state of and challenges in the running and management of operations. The Audit & Supervisory Board Members report important matters arising from the results of audits to the Board of Directors.

When the Audit & Supervisory Board Members conduct onsite inspections, etc. in order to ascertain the actual circumstances of overall business operations, the Directors, Member of the Board, Executive Officers and departments concerned respond promptly and appropriately with the aim of effective audits.

Moreover, when the Audit & Supervisory Board members and the Audit & Supervisory Board request the necessary expenses to perform audits, the Company accommodates the request except in cases where it is deemed that the expenses are not required for the execution of duties.

7. Summary of the operational state of systems to ensure the appropriateness of business operations

(1) State of initiatives concerning the execution of the duties by the Directors, Members of the Board

Since the introduction of an Executive Officer system in June 2015, the Company has been executing enhancement of the function of the Board of Directors such as speedup of decision-making and strengthening the supervisory function of the Board of Directors by optimizing the number of Directors, Members of the Board, including increasing the number of Independent Outside Directors, Members of the Board, and reviewed the resolutions and reports of the Board of Directors.

Regarding the effectiveness of the Board of Directors, proper practice has been established essential to sufficient discussion at the Board of Directors so the effectiveness has been confirmed by conducting self-assessment through a questionnaire to all Directors and Audit & Supervisory Board Members (including Outside Directors/Auditors), with perspectives focused on the status of operations and deliberations of the Board of Directors.

Regarding the effectiveness of the Board of Directors, the Company has conducted self-assessment through a questionnaire to all Directors and Audit & Supervisory Board Members (including Outside Directors/Auditors), with perspectives focused on the status of operations and deliberations of the Board of Directors and confirmed that the effectiveness generally secured with established proper practice for sufficient discussion at the Board of Directors.

(2) State of initiatives ensuring the effectiveness of audits by the Audit & Supervisory Board Members

The Audit & Supervisory Board of the Company discussed and determined the audit policy and the auditing plan, and exchanged opinions and deliberated on and validated the legality and appropriateness of management.

In addition, based on the audit policy and the auditing plan, the Audit & Supervisory Board Members attended important internal meetings including the Board of Directors and the Management Meeting and provided monitoring, advice and recommendations on management concerning the execution of duties by the Directors, Members of the Board and the state of legal compliance.

Due to a request from the Audit & Supervisory Board Members concerning the need for assignment of an employee to assist the Audit & Supervisory Board Members, the Company has assigned one assistant.

(3) State of initiatives concerning compliance

The Company has formulated the Corporate Activity Rules, comprising compliance with laws and regulations, social norms, etc., and along with them, has produced a list of laws and regulations that are

relevant to business activities to observe legislative revision trends while checking on the status of legal compliance.

The Company has also established and runs both an in-house and external Compliance Helpline and Whistleblower Hotline. The objectives are legal compliance and conformity with social norms of corporate conduct and further improvement in the workplace environment.

Furthermore, in addition to the President's direct appeal to employees regarding the importance of compliance, the Company has been carrying out company-wide activities to raise compliance awareness, including the issue of compliance news which clearly explains manners to comply as a member of society and topics inside or outside the Company, the display of posters, and compliance training by grade, such as Officers and managers/supervisors. In addition, department compliance chiefs and section and group compliance leaders have been appointed, and, compliance training plans for each department have been formulated to promote activities to raise awareness according to the actual situation of work places. The results has been summarized at the end of this fiscal year and reflected to the training plans about next fiscal year. In addition, in the fiscal year under review, compliance awareness surveys were conducted for all employees, and the degree of improvement and penetration of awareness since the previous implementation was assessed, and used to practice compliance management.

(4) State of initiatives concerning risk management

The Company holds the Compliance and Risk Management Committee on a regular basis to make it a scheme for checking, focusing more on company-wide risks that may have a material impact on management, while continuing its efforts to minimize risks concerning the business activities of each department.

The Environment and Disaster Prevention Committee has also been working on risk assessment activities according to the business characteristics of the Company.

Furthermore, the Company established the Business Continuity Plan Regulation in order to make it possible to continue operations when a disaster, etc. strikes through the first response to an earthquake and tsunami, the establishment of a disaster response headquarters and the formulation of action plans for each department to ensure that it can respond in an emergency.

About cyberattack, the Company has monitored the situation of unauthorized access and made all employees informed of alert and handling manner to suspicious emails.

8. The Company's policy regarding the exercise of the right to determine dividends from surplus, etc.

When planning to increase the Company's value as we go into the future, the Company considers strengthening the foundations of management and, at the same time, returning profits to shareholders, as being the most important management issues.

Concerning the distribution of profits, we are mindful of securing the necessary retained earnings to fund investments in sustainable growth and also stabilize and strengthen our financial standing, while paying attention to the stability of dividends to shareholders, we aim to implement our dividend payout ratio of 25% - 35%.

Regarding the year-end dividend for the fiscal year under review, we have decided to pay fifteen (15) yen per share. Since there was no interim dividend for the fiscal year under review, the amount of total dividends is fifteen (15) yen per share.

Regarding forecasted dividends for the fiscal year ending March 31, 2019, the payment of an interim dividend and a year-end dividend is still undecided as a result of pending elements in the sales environment and so on, and will therefore be decided in the future after ascertaining business and market trends.

(Note) Regarding figures published in this business report, figures relating to monetary amounts and amounts of stock are rounded down, while other figures are rounded to the nearest full unit.

Balance Sheet
(As of March 31, 2019)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	42,498	Current liabilities	17,901
Cash and deposits	10,997	Trade notes payable	113
Trade accounts receivable	17,019	Trade accounts payable	4,571
Finished products	8,305	Short-term bank loans	8,000
Work in process	2,080	Accounts payable - other	1,276
Raw materials and supplies	3,948	Income taxes payable	422
Advance payments - trade	34	Accrued consumption taxes	471
Prepaid expenses	92	Accrued expenses	466
Other	24	Deposits received	44
Allowance for doubtful receivables	(3)	Provision for bonuses	356
Fixed assets	38,430	Notes payable – facilities	47
Property, plant and equipment	33,379	Accounts payable - facilities	883
Buildings	9,899	Business withdrawal loss reserves	1,242
Structures	220	Other	3
Machinery and equipment	7,482	Long term liabilities	28,722
Vehicles	2	Long-term debt	24,600
Tools, furniture and fixtures	136	Liability for retirement benefits	1,884
Land	14,823	Business withdrawal loss reserves	774
Construction in progress	812	Asset retirement obligations	1414
Intangible assets	365	Other	49
Software	93	Total liabilities	46,623
Other	271	(Equity)	
Investments and other assets	4,685	Shareholders' equity	34,237
Investment securities	140	Common stock	8,739
Shares of subsidiaries and associates	51	Capital surplus	8,943
Long-term prepaid expenses	1	Additional paid-in capital	8,943
Prepaid pension cost	941	Retained earnings	16,565
Deferred tax assets	3,458	Legal reserve	38
Other	91	Unappropriated	16,527
		Retained earnings brought forward	16,527
		Treasury stock	(10)
		Valuation and translation adjustments	67
		Unrealized gain on available-for-sale securities	67
		Total equity	34,305
Total assets	80,928	Total liabilities and equity	80,928

(Note) Figures are rounded down to the nearest million yen.

Statement of Operations

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Description	Amount	
Net sales		43,666
Cost of sales		36,452
Gross profit		7,214
Selling, general and administrative expenses		4,905
Operating profit		2,308
Non-operating profit		
Interest and dividend income	68	
Foreign exchange income - net	210	
Subsidy income	42	
Insurance income	3	
Other	147	473
Non-operating expenses		
Interest expenses	162	
Depreciation of inactive non-current assets	1	
Settlement on Contract	188	
Other	7	359
Ordinary Profit		2,422
Extraordinary income		
Cancellation fee	10,000	10,000
Extraordinary losses		
Loss on retirement of non-current assets	140	
Business withdrawal loss	12,862	
Loss on disaster	897	13,901
Loss before income taxes		1,478
Income taxes-current	417	
Income taxes-deferred	△573	△156
Loss		1,322

(Note) Figures are rounded down to the nearest million yen.

Statement of Changes in Equity

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity						Total shareholders' equity
	Common stock	Capital surplus	Legal reserve	Retained earnings		Treasury stock	
		Additional paid-in capital		Unappropriated			
				Reserve for advanced depreciation of non-current assets	Retained earnings brought forward		
Balance as of April 1, 2018	8,739	8,943	38	522	17,879	(9)	36,112
Changes of items during the period							
Provision of reserve for advanced depreciation of non-current assets							
Reversal of reserve for advanced depreciation of non-current assets				(522)	522		–
Cash dividends					(551)		(551)
Loss					(1,322)		(1,322)
Treasury stock						(0)	(0)
Net changes of items other than shareholders' equity							
Total changes of items during the period	–	–	–	(522)	(1,352)	(0)	(1,874)
Balance as of March 31, 2019	8,739	8,943	38	–	16,527	(10)	34,237

	Valuation and translation adjustments			Total equity
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Total valuation and translation adjustments	
Balance as of April 1, 2018	101	–	101	36,213
Changes of items during the period				
Provision of reserve for advanced depreciation of non-current assets				
Reversal of reserve for advanced depreciation of non-current assets				–
Cash dividends (*)				(551)
Loss				(1,322)
Treasury stock				(0)
Net changes of items other than shareholders' equity	(34)	–	(34)	(34)
Total changes of items during the period	(34)	–	(34)	(1,908)
Balance as of March 31, 2019	67	–	67	34,305

(*) Cash dividends 551 million yen was resolved at the Board on May 15, 2018.

Notes

Significant Accounting Policies

- (1) Basis and method for evaluation of assets
 - Basis and method for evaluation of securities
 - Other available-for-sale securities
 - Securities with market quotations

Stated at market value as of the balance sheet date (Net unrealized gains or losses are comprehensively included in equity, and the cost of securities sold is determined by the moving-average method.)
 - Securities without market quotations

Stated at cost determined by the moving-average method.
 - Derivatives transactions

Fair value method.
 - Basis and method of evaluation of inventories

Cost accounting method based on the periodic average method (the method of reducing book value when the contribution of inventories to profitability declines).
- (2) Depreciation methods for fixed assets
 - Property, plant and equipment (excluding leased assets): Declining balance method

However, the straight-line method is used for titanium manufacturing facilities (machinery and equipment), polycrystalline silicon manufacturing facilities (machinery and equipment), and buildings acquired on or after April 1, 1998 (excluding these buildings' ancillary equipment). The useful lives of major fixed assets are as follows.

Buildings (including buildings' ancillary equipment): 3-50 years.
Machinery and equipment: 5-14 years.
 - Intangible assets (excluding leased assets): Straight-line method.

Software products used by the Company are amortized over a projected usage periods that are of 5 years.
 - Long-term prepaid expenses: Straight-line method.
- (3) Basis for recording allowances and provisions
 - Allowance for doubtful receivables: To provide for potential losses on doubtful accounts, the allowance for doubtful accounts is computed based on the historically experienced default ratio for non-specific receivables as well as based on the estimated irrecoverable portion of specific doubtful receivables calculated individually
 - Provision for bonuses: The Company provides accrued bonuses for employees based on the estimated amounts to be paid in respect of the fiscal period
 - Business withdrawal loss reserves: In order to prepare for future expenditures related to business withdrawals, the Company recorded based on the estimated amount at the end of the current fiscal year.
 - Liability for retirement benefits: In order to reserve for employee retirement benefits, an allowance is recorded based on the projected amount of pension fund assets and retirement benefit obligations at the end of the fiscal year under review.
 - (i) Method of attributing projected retirement benefits to periods

The employee retirement benefit obligation is computed based on the benefit formula basis using the projected retirement benefit obligation at the end of the fiscal year under review.
 - (ii) Accounting treatment of actuarial gains/losses and prior service costs

Actuarial gains and losses are treated as expenses using the straight-line method over a fixed number of years (15 years) no longer than employees' average remaining service period starting in the fiscal year following their occurrence.
Prior service costs are treated as expenses using the straight-line method over a fixed number of years (15 years) no longer than employees' average remaining service period starting in the fiscal year in which they occur.

(4) Method for hedge accounting

Method for hedge accounting

In principle, deferred hedge accounting is applied.

If foreign exchange forwards meet requirements for appropriation treatment, this treatment is applied to the foreign exchange forwards. In addition, integrated treatment (appropriation treatment and special treatment) is applied to interest rate and currency swaps qualifying for the integrated treatment (appropriation treatment and special treatment).

Hedging instruments and hedged items

Hedging instruments: Foreign exchange forwards, interest rate swaps, and interest rate and currency swaps

Hedged items: Foreign exchange transactions, interest payments, and loans denominated in foreign currencies

Hedging policy

The Company enters into foreign exchange forward transactions to hedge its foreign exchange risk.

The Company's policy for entering into such transactions is that they be limited to actual need and not be done to earn a margin on these transactions or for other speculative purposes. The Company enters into interest rate swap transactions to avert interest rate fluctuation risk for loans, and interest rate and currency swap transactions to avert interest rate fluctuation risk and exchange fluctuation risk. Hedged items are identified for each individual contract.

Method of evaluating hedge effectiveness

Hedge effectiveness is evaluated every six months by comparing the cumulative amount of interest-rate fluctuation in interest payments on debt with the cumulative amount of interest-rate fluctuation in the interest rate swap. However, effectiveness evaluation is omitted for foreign exchange forwards to which the appropriation treatment is applied and interest rate and currency swaps to which the integrated treatment (appropriation treatment and special treatment) is applied.

(5) Accounting treatment of consumption taxes

The consumption taxes are accounted for using the tax exclusion method.

The change of estimation of accounting

The period of expense treatment of actuarial gains and losses and prior service cost has changed from 17 years to 15 years because the employees' average remaining service period went under 17 years.

Impact of the change is insignificant on operating profit, ordinary profit and profit before income taxes of the fiscal year under review.

Change of display method

Application of "Partial revision of " Accounting Standard for Tax Effect Accounting """, etc.

From the current fiscal year, "Partial revision of accounting standard for tax effect accounting" (Corporate Accounting Standard No. 28 February 16, 2018) etc. is applied, and deferred tax assets are classified as investments and other assets. It is displayed.

Notes to the Balance Sheet

(1) Accumulated depreciation of Property, plant and equipment	77,970 million yen
(2) Accounts receivable to subsidiaries and associates	
Trade accounts receivable	287 million yen
(3) Contingent liabilities	
Joint liabilities on guarantees for employees' loans of housing funds	130 million yen
(4) Book value of inactive fixed assets	
Machinery and equipment	2 million yen

(5) Securitization of trade receivables
Sales credit transfer balance 100 million yen

(6) Contract for assumption of obligations
Accounts payable 949 million yen
(Note)

(Note) Among outstanding accounts payable, it shows those of which deadline for assuming obligations has been extended by the contract.

(7) Notes regarding the financial covenant

In order to procure investment capital, the Company concluded a loan agreement (a syndicated loan) with financial covenant and the contents of that agreement are below.

If we infringe the financial covenant and there are claims by a significant number of lenders of the syndicate, we forfeit the benefit of time, and bear the obligation to pay the amount of the loan, interest and settlement money right away.

Syndicated Loan Agreement dated December 28, 2016, with Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited as managers

(Financial covenant)

- (1) Maintain the total equity amount in the balance sheet in the report for the last day of each fiscal year at 25.4 billion yen or more, or maintain it at 75% of the total equity amount in the balance sheet in the report for the last day of the most recent fiscal year, whichever is higher.
- (2) The Company shall not record cash flow amount in deficit from operating activities in the statement of cash flows of the report for the last day of each fiscal year for two consecutive years.

Syndicated Loan Agreement dated November 28, 2017, with Sumitomo Mitsui Banking Corporation as manager

(Financial covenant)

- (1) Maintain the total equity amount in the balance sheet in the report for the last day of each fiscal year at 25.9 billion yen or more, or maintain it at 75% of the total equity amount in the balance sheet in the report for the last day of the most recent fiscal year, whichever is higher.
- (2) The Company shall not record cash flow amount in deficit from operating activities in the statement of cash flows of the report for the last day of each fiscal year for two consecutive years.

Notes to the Statement of Operations

(1) Transactions with subsidiaries and associates

Net sales to subsidiaries and associates: 728 million yen

(2) Devaluation due to decline of profitability on inventories included in the cost of sales: 275 million yen

(3) Cancellation money 10,000 million yen

In the Polycrystalline Silicon business, this is a cancellation fee due to the agreement cancellation of the long-term sales contract with SUMCO in the middle.

(4) Business withdrawal loss: 12,862 million yen

In the Polycrystalline Silicon business, this is a loss associated with the cancellation of a long-term sales contract with SUMCO, Inc., and withdrawal from the Polycrystalline Silicon business.

The contents are impairment loss of 6,716 million yen, valuation loss on products and work in process of 3,528 million yen, abatement and removal costs of 2,242 million yen and others of 375 million yen.

(5) Loss from disaster: 897 million yen

It is a loss caused by the earthquake that have the northern part of Osaka Prefecture as the epicenter and the typhoon No. 21.

Notes to the Statement of Changes in Equity

(1) Number of shares issued

Type of stock	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common stock	36,800,000 shares	-	-	36,800,000 shares

(2) Treasury stock

Type of stock	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common stock	1,314 shares	1 share	-	1,315 shares

Summary of the change reason

The breakdown of the increase is as follows.

Increase by purchase of shares less than one unit 1 share

(3) Dividends

1) Amount of dividends paid

Resolution	Type of stock	Dividend resources	Amount of total dividends (millions of yen)	Dividend per share (yen)	Base date	Effective date
Board of Directors meeting May 15, 2018	Common stock	Retained earnings	551	15.00	March 31, 2018	June 1, 2018

2) Of dividends whose base date falls during the fiscal year under review, dividends whose effective date falls after the end of the fiscal year under review

Resolution	Type of stock	Dividend resources	Amount of total dividends (millions of yen)	Dividend per share (yen)	Base date	Effective date
Board of Directors meeting May 20, 2019	Common stock	Retained earnings	183	5.00	March 31, 2019	May 31, 2019

Notes to Tax-effect Accounting

(1) Principal components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
(Current assets)	
Deferred tax assets	
Provision for bonuses	109
Enterprise tax	44
Loss on valuation of inventories	258
Liability for retirement benefits	576
Business withdrawal loss reserves	616
Depreciation	240
Impairment loss	432
Asset retirement obligations	1,618
Carry forward deficit	1,485
Other	193
<hr/> Subtotal deferred tax assets	<hr/> 5,574
Valuation allowance	(1,631)
<hr/> Total deferred tax assets	<hr/> <u>3,943</u>
Deferred tax liabilities	
Property, plant and equipment	167
(Asset retirement obligations)	
Prepaid pension cost	287
Unrealized gain on available-for-sale securities	29
<hr/> Total deferred tax liabilities	<hr/> 484
<hr/> Net of deferred tax assets	<hr/> <u>3,458</u>

Notes to Financial Instruments

(1) Status of financial instruments

Funds managed by the Company are limited to short-term deposits and the like, while capital procurement by the Company consists of borrowings from banks and other financial institutions.

The Company attempts to minimize counterparty credit risk related to notes receivable - trade and trade accounts receivable in accordance with its credit control guidelines.

In addition, as investment securities consist primarily of equities, the Company checks the quoted fair value of its listed equity holdings on a quarterly basis. Borrowings are used for working capital (primarily short-term) and capital investment (long-term). The Company has entered into interest rate swap contracts to fix the interest payments for reducing interest rate fluctuation risk of some of its long-term debt. The Company has entered into interest rate and currency swap contracts to fix the principal and interest payments for reducing exchange fluctuation risk and interest rate fluctuation risk for some of its long-term debt. Derivative transactions consist of foreign exchange forwards to hedge exchange fluctuation risk for foreign currency denominated trade accounts receivable, interest rate swaps to hedge risk of fluctuation in interest payments on certain long-term debt, and interest rate and currency swaps to hedge risk of fluctuations in exchange rates for loans denominated in foreign currencies and risk of fluctuations on interest rate. As its policy, in accordance with internal control procedures, derivative transactions are conducted within actual demand, and not used for any speculative purposes.

(2) Fair value, etc. of financial instruments

Carrying amount of financial instruments on the balance sheet, fair value, and the differences as of March 31, 2019 (the closing date of the fiscal year under review) are as follows.

(Millions of yen)			
Item	Carrying amount (*)	Fair value (*)	Difference
1) Cash and deposits	10,997	10,997	-
2) Trade accounts receivable	17,019	17,019	-
3) Investment securities and Shares of subsidiaries and associates			
Available-for-sale securities	140	140	-
Shares of subsidiaries and associates	51	51	-
4) Trade accounts payable	(4,571)	(4,571)	-
5) Short-term bank loans	(800)	(800)	-
6) Accounts payable	(1,276)	(1,276)	-
7) Accounts payable - facilities	(883)	(883)	-
8) Long-term debt	(31,800)	(31,803)	(3)

(*) Liabilities are presented with parentheses.

(Notes)

Methods for computing the estimated fair value of financial instruments and matters related to securities and derivative transactions

1) Cash and deposits

The fair value is deemed to be the carrying amount, inasmuch as it approximates carrying amount.

2) Trade accounts receivable

Since it is settled in a short period of time and has fair values that are virtually the same as the carrying amounts on the Company's ledger, the ledger values have been used.

3) Investment securities and Shares of subsidiaries and associates

Regarding the fair values of these items, shares are valued at the Stock Exchange price.

4) Trade accounts payable, 5) Short-term bank loans, 6) Accounts payable, 7) Accounts payable - facilities

Since these items are settled in a short period of time and have fair values that are virtually the same as the carrying amounts on the Company's ledger, the ledger values have been used.

8) Long-term debt

The fair value of long-term loans is the present value, which is calculated by discounting the total of principal and interest by the interest rate assumed to be applied if the same loan were to be newly taken

Notes to Related Party Transactions

Parent company and major institutional shareholders, etc.

Type	Other subsidiaries and associates
Company name	Nippon Steel & Sumitomo Metal Corporation
Address	Chiyoda-ku, Tokyo
Common stock or investments in capital (millions of yen)	419,524
Business lines or occupations	Production and sales of steel and other metals
Ownership percentage of voting rights (%)	(held) Direct 23.9
Relationship	
Number of common directors	1
Business relationship	Sales of the Company's titanium metal, etc.
Description of transactions	Sales of titanium metal, etc.
Transaction amount (millions of yen)	728
Account	Trade accounts receivable
Fiscal year-end balance (millions of yen)	287

(Note) Nippon Steel & Sumitomo Metal Co., Ltd. changed its trade name to Nippon Steel Corporation on April 1, 2019.

Terms and conditions of the transaction and its policies

1. Prices and other terms and conditions of the transaction for the sale of titanium metal, etc. are identical to the terms and conditions with other parties that are not related to the Company.
2. The transaction amount does not include consumption taxes, whereas the year-end balance includes consumption taxes.

Notes to Per-Share Information

- (1) Total equity per share: 932.23 yen
- (2) Basic earnings per share: 35.95 yen