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(Securities Code 5726)
June 10, 2020

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 23RD ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 23rd 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:** Thursday, June 25, 2020 at 10 a.m. Japan time (Reception will open at 9 a.m.)
- 2. Place:** Amagasaki Chamber of Commerce, Conference Room 701, 7th floor
3-96 Showa Dori, Amagasaki, Hyogo, Japan
- 3. Meeting Agenda:**
 - Matters to be reported:** The Business Report and Financial Statements for the 23rd Term
(From April 1, 2019 to March 31, 2020)
 - Proposals to be resolved:**
 - Proposal No. 1:** Election of Six (6) Directors, Members of the Board
 - Proposal No. 2:** Election of Two (2) Audit & Supervisory Board Members

The Business Report and Financial Statements are attached.

Notes:

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	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 and Raw Materials and Purchasing Departments
3	Masayuki Tsuji	Re-election	Director, Member of the Board & Senior Managing Executive Officer Oversees Sales and Marketing and High-performance Materials Departments, General Manager of Tokyo Office
4	Junji Kawafuku	New-election	Managing Executive Officer Oversees Production Control, Quality Assurance, Technology, Facilities and Titanium Manufacturing
5	Nae Iijima	Re-election Outside Independent	Outside Director, Member of the Board
6	Shigehisa Yamaguchi	New-election Outside Independent	—

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]	<p>April 1988 Joined Kobe Steel, Ltd.</p> <p>April 2011 Executive Officer, General Manager of Research & Development Planning Department, Technical Development Group, Kobe Steel, Ltd.</p> <p>April 2013 Managing Executive Officer, General Manager of Technical Development Group, Kobe Steel, Ltd.</p> <p>June 2014 Managing Director, General Manager of Technical Development Group, Kobe Steel, Ltd.</p> <p>April 2015 Senior Managing Director, Kobe Steel, Ltd.</p> <p>April 2016 Director, Senior Managing Executive Officer, Assistant to the President, Kobe Steel, Ltd.</p> <p>April 2016 Corporate Adviser, the Company</p> <p>June 2016 Representative Director, Member of the Board & President, ditto (to present)</p>	6,600 shares
<p>Reasons for appointment as a candidate for Director, Member of the Board</p> <p>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 Medium-term Management Plan starting in May 2018. 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
2	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 and Raw Materials and Purchasing Departments</p>	3,100 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 in accounting, corporate planning, and raw materials departments, and after assuming Director of the Company, he has assumed the Chief Financial Officer, as well as managing the Human Resources and General Affairs Divisions, etc., and has played an important role in enhancing the corporate governance of the Company and contributing to the improvement of corporate value. Accordingly, we propose him as a candidate for Director, Member of the Board.</p>			
3	Masayuki Tsuji (May 13, 1958) [Re-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</p> <p>June 2019 Director, Member of the Board, General Managing Executive Officer, General Manager of Tokyo Office, ditto</p>	7,800 shares

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
		April 2020 Director, Member of the Board, Senior Managing Executive Officer, General Manager of Tokyo Office, ditto (to present) Responsibilities Oversees Sales and Marketing and High-performance Materials Departments, General Manager of Tokyo Office	
Reasons for appointment as a candidate for Director, Member of the Board He has served in sales department for a long time, drastically contributed to sales expansion of titanium sponge with showing 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's entire business, including the High-performance Materials Department and making efforts to expand the business these days. 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
4	Junji Kawafuku (April 1, 1960) [New-election]	April 1985 Joined Kobe Steel, Ltd. April 2010 Manager of Titanium Plant and Head of Plant Control department, Titanium Division, Iron & Steel Business, Kobe Steel, Ltd. April 2013 Head of Titanium Division, Iron & Steel Business, Kobe Steel, Ltd. April 2014 Senior General Manager, Head of Titanium Division, Iron & Steel Business, Kobe Steel, Ltd. April 2018 Senior General Manager, Assistant Executive Officer of Titanium Division, Iron & Steel Business, Kobe Steel, Ltd. April 2020 Managing Executive Officer, the Company (to present) Responsibilities Oversees Production Control, Quality Assurance, Technology, Facilities and Titanium Manufacturing	0 shares
Reasons for appointment as a candidate for Director, Member of the Board He has served in important posts in in the Titanium Division, one of the business unit of Kobe Steel and has a wealth of experience and a wide range of insights in the manufacturing and technical development departments, and we believe that he will contribute to improve the corporate value of the Company. Accordingly, we propose him as a candidate for Director, Member of the Board.			

5	Nae Iijima (April 11, 1964) [Re-election] [Candidate for Outside Director, Member of the Board] [Candidate for Independent Director/Auditor]	April 1994 Registered as Attorney-at-Law Joined Dojima Law Office October 2001 Joined Kirkland & Ellis LLP, Washington, D.C., USA January 2002 Registered as Attorney-at-Law in New York State Bar Association September 2002 Returned to Dojima Law Office (to present) June 2003 Outside Audit and supervisory committee member NAVITAS Co., LTD. April 2013 Visiting Professor, Kyoto University Law School 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.	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
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	April 2019	Vice president, the Osaka Bar Association	Attendance at Board of Directors (FY2019): 13/13 (100%)
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.			

(Note) A summary of the criteria for determining the independence of the Company's independent directors is provided on page 6.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	
6	Shigehisa Yamaguchi (June 11, 1952) [New-election] [Candidate for Outside Director, Member of the Board] [Candidate for Independent Director/Auditor]	April 1975	Joined Anritsu Electric Co., Ltd. (currently Anritsu Corporation)
		June 1999	General Manager of Sales Department No. 2, Overseas Sales Division No. 1, Anritsu Corporation
		July 2002	General Manager of Global Marketing Division, Anritsu Corporation
		April 2003	Executive Officer, General Manager of Global Business Division, Anritsu Corporation
		June 2003	Director, Member of the Board, Executive Officer, General Manager of Global Business Division, Anritsu Corporation
		April 2007	Director, Member of the Board, Managing Executive Officer, General Manager of Global Business Division, Anritsu Corporation
		April 2008	Director, Member of the Board, Managing Executive Officer, General Manager of Sales and CRM Group, Anritsu Corporation
		April 2010	Director, Member of the Board, Managing Executive Officer, General Manager of Corporate Planning Office, Anritsu Corporation
		April 2011	Director, Member of the Board, Anritsu Corporation
		June 2011	Audit & Supervisory Board Member, Anritsu Corporation
Reasons for appointment as a candidate for Outside Director, Member of the Board He has served in important posts including overseas business and corporate planning at Anritsu Corporation and has a high level of insight and experience as a business manager, as well as a deep understanding of corporate governance, having served as a corporate auditor at Anritsu Corporation and we believe that he is capable of performing his duties appropriately by utilizing his knowledge and experience in the supervision of business execution from an independent position. Accordingly, we propose him as a candidate for Director, Member of the Board.			
Matters concerning candidate for an Outside Director, Member of the Board Shigehisa Yamaguchi are as follows. (1) He is a candidate for the position of outside director, and if this proposal is approved and he is appointed as an outside director, he will be reported to the Tokyo Stock Exchange, Inc. as an independent director. (2) The Company plans to enter into a liability limitation agreement with him up to the amount stipulated in Article 425, Paragraph 1 of the Companies Act, If this proposal is approved and he is appointed as an outside director.			

(Note) 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 (<https://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 two (2) Audit & Supervisory Board Members

Mr. Satoshi Suzuki and Mr. Takahiko Kizawa, Audit & Supervisory Board Members will resign at the conclusion of this Annual General Meeting of Shareholders. Accordingly, we propose to elect two (2) 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	
Koichiro Anzai (October 19, 1970) [New-election] [Candidate for Outside Audit & Supervisory Board Member]	April 1993 Joined NIPPON STEEL CORPORATION. October 2012 Head of Railroad tracks Department, Construction Products Sales Division, Construction Products Unit, Nippon Steel & Sumitomo Metal Corporation (currently NIPPON STEEL CORPORATION). April 2016 Senior Manager of Group Company Planning Division, NIPPON STEEL CORPORATION July 2016 General Manager of Group Company Planning Division, NIPPON STEEL CORPORATION (to present) March 2017 Outside Director, Member of the Board, Nippon Denko Co., 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 no experience of being involved in corporate management other than as an outside officer, he has a wealth of experience and a wide range of insight, including in the sales division, and we deemed that he is able to execute his duty appropriately by reflecting them. Accordingly, we propose him as a candidate for Outside Audit & Supervisory Board Member.		
Matters concerning candidate for an Outside Audit & Supervisory Board Member Koichiro Anzai 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	
Ryosaku Kadowaki (December 24, 1964) [New-election] [Candidate for Outside Audit & Supervisory Board Member]	April 1990 Joined Kobe Steel, Ltd. January 2002 Chief Member of Research & Development Planning Department, Technical Development Group, Kobe Steel, Ltd. October 2005 Chief Member of Corporate Planning Department, Kobe Steel, Ltd. April 2012 Department Manager of Corporate Planning Department, Kobe Steel, Ltd. April 2016 General Manager of Corporate Planning Department, Kobe Steel, Ltd. April 2018 Executive Officer, General Manager of Planning & Management Department, Aluminum & Copper Business Unit, Kobe Steel, Ltd. October 2018 Executive Officer, 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 Based on his background in the technical development division and later in the corporate planning division, he has a wealth of experience and a wide range of insights, and we believe that he will be able to appropriately perform his duties by reflecting these insights in the Company's audit operations. Accordingly, we propose him as a candidate for Outside Audit & Supervisory Board Member.		
Matters concerning candidate for an Outside Audit & Supervisory Board Member Ryosaku Kadowaki 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, 2019 to March 31, 2020)

1. Company overview

(1) Business progress and results

In the fiscal year under review, the Japanese economy was on a gradual recovery track thanks to the strength of capital investment, but there were growing signs of stagnation by the decline in personal consumption. In the overseas economy, the U.S.-China trade friction and other factors have intensified the concern of economic slowdown, especially in the manufacturing sector, and the spread of new coronavirus outbreaks toward the end of the fiscal year has significantly restrained economic activities, resulting in a severe situation. We foresee the economic environment to continue to be challenging, with a significant deterioration.

Regarding the business of OSAKA Titanium technologies Co., Ltd. (the “Company”), for the Titanium Business, domestic sales volume of sponge titanium, mainly for general industrial applications, decreased, resulting in a 2% decrease in sales compared to the same period of the previous year. On the other hand, sales of sponge titanium for aircraft use, which is the main sales volume for export, increased 16% from the same period of the previous year, resulting in sales of Titanium Business of 35,453 million yen (up 8.4% year on year). In addition, the utilization rate at the sponge titanium manufacturing plant remained high at over 90%.

In the High-performance Materials Business, net sales were 1,967 million yen (down 4.5% year on year) due to a decline in sales of high purity titanium for semiconductor sputtering targets as a result of a decline in related demand in the semiconductor market.

Sales of the remaining inventory in the Polycrystalline Silicon Business, which was discontinued in the previous fiscal year due to the decision to withdraw from production, amounted to 768 million yen.

As a result of the above, total sales of the Titanium Business and the High-performance materials Business increased by 2,647 million yen to 37,421 million yen (up 7.6% year on year). On the other hand, total company-wide sales, including polycrystalline silicon sales, were ¥38,189 million (down 12.5% year on year).

Operating income decreased ¥1,166 million, to ¥1,142 million (down 50.5% year on year), and ordinary income worsened ¥1,109 million, to ¥1,312 million (down 45.8% year on year), despite efforts to increase sales volume and reduce costs in the Titanium Business, due to the significant impact of rising prices for titanium raw materials.

Net income totaled 726 million yen (a loss of 1,322 million yen year on year, due to a loss on withdrawal from the Polycrystalline Silicon Business and the impact of the Osaka North Earthquake, which was recorded as an extraordinary loss).

(2) Capital investments

Capital investment during the fiscal year under review totaled 4,352 million yen. This was mainly due to investments in the replacement of aging titanium production facilities and capacity expansion.

(3) Capital procurement

The funds required for capital investment in the fiscal year under review were appropriated from the Company's own funds and borrowings.

(4) Business results and asset trends

Category	FY2016 (20th term)	FY2017 (21st term)	FY2018 (22nd term)	FY2019 (fiscal year under review)
Net sales (Millions of yen)	39,180	43,431	43,666	38,189
Ordinary Profit (loss) (Millions of yen)	1,226	2,809	2,422	1,312
Profit (loss) (Millions of yen)	579	1,857	(1,322)	726
Basic Earnings (loss) per share (Yen)	15.76	50.47	(35.95)	19.75
Total assets (Millions of yen)	93,265	92,662	80,928	76,417
Total equity (Millions of yen)	34,497	36,213	34,305	34,820

(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

In the face of continued intense competition in the global market, the Company has been working on a three-year medium-term management plan since fiscal 2018 to realize its growth strategy centered on the Titanium Business. Following the withdrawal from the Polycrystalline Silicon Business at the end of fiscal 2018, we have revised the basic policies in our medium-term management plan and reviewed our action plan.

However, the business environment is rapidly deteriorating due to the recent global outbreak of the new coronavirus infection, and at present, it is difficult to foresee a recovery period.

Under these circumstances, we will maintain our production activities while implementing thorough infection prevention measures to ensure the safety and health of our employees, customers, business partners, and all other stakeholders, and to provide our unique products and technologies in a stable manner.

In addition, we will strive to ensure profits by strengthening our business base with further reducing costs and curbing expenditures and also with the revision of business plan by swiftly shifting to an optimal production system to cope with declining demand and by deferring capital investment.

While we will give priority to responding to changes in the business environment accompanying the spread of the new coronavirus infection, we will maintain our management strategy of pursuing opportunities to expand our business in the fields of aircraft and semiconductors in which markets we provide products and technologies, because medium- to long-term growth can still be expected, despite a temporary contraction in demand.

Although there was a temporary setback in the scale of sales due to the withdrawal from the Polycrystalline Silicon Business in the process of promoting selection and concentration, we will accelerate our efforts to "transform our business portfolio in the future" with the "growth strategy" of existing businesses at the core, while further "strengthening our profit structure" by allocating management resources in a well-balanced manner fit to the business structure.

In particular, in our mainstay Titanium Business, the global supply-demand gap for sponge titanium will not be closed for the time being, and although a fiercely competitive environment is expected, medium- to long-term demand for aircraft and general industry is expected to continue to grow.

We will place our medium- and long-term efforts in the Titanium Business at the core of our growth strategy, and we will also work on business expansion of high value-added products such as high-purity

titanium and alloy TILOP, which can be expected to strengthen our earnings structure, in order to reform our business portfolio.

In order to realize our medium- and long-term management strategies, we will work on the following basic policies.

- (1) Building a lean profit structure for the growth of the next generation
- (2) Establishment of the world's strongest cost competitiveness in titanium by thorough cost reduction
- (3) Capturing growth opportunities in the High-performance Materials Business, where demand is expected to grow, and full-fledged commercialization of titanium alloy powder.
- (4) Further enhancement of the growth strategy by expanding the Titanium and High-performance Materials Businesses
- (5) Further promotion of new business development

The issues in each business segment are as follows.

1. Titanium Business

(1) Responsive establishment of an optimal production system that meets demand

- Establishment of an efficient production system while identifying the timing of demand recovery
- Re-examining production capacity expansion for the next stage of growth

(2) Acceleration of thorough cost reduction and productivity improvement

- The introduction of advanced technologies such as AI to innovate the production process and to continuously improve productivity
- Pursuit of further cost reductions through aggressive investment for rationalization.

(3) Sustaining a high level of market share and expansion sales by strengthening partnerships with major customers

- Responding to customer needs in detail by strengthening technical sales capabilities, including technical exchange meetings
- Pursuit of opportunities to expand sales by strengthening ties with customers

(4) Reform of the profit structure for the next generation

- Enrichment of the research and development system and upgrading the production process
- Strengthening low-cost and stable raw material procurement system
- Rationalization of sales prices to a level that will enable business continuity in the long term

2. High-performance Materials Business

(1) Business expansion by strengthening customer response capabilities for high-purity titanium

- Cultivation of new demand through the development of distinctive products that meet customer needs
- Deepening partnerships by strengthening technical sales capabilities

(2) Commercialization of spherical titanium alloy powder (alloy TILOP)

- Full use of the dedicated alloy TILOP plant
- Expanding sales by forming a team to integrate manufacturing, technology and sales
- Strengthening competitiveness through continuous process development and product differentiation

(3) Continuation of efforts to create high quality menus

- Development of SiO anode materials for lithium-ion batteries, etc.

3. Companywide initiatives

(1) Promoting a streamlined cost structure

1. Improving productivity and operational efficiency of back-office departments
 - Pursuit of thorough productivity improvement and operational efficiency through the full use of IT tools.
2. Company-wide promotion of productivity improvement and cost rationalization in manufacturing divisions
 - Establishment of a cross-functional team for the purpose of company-wide utilization of ICT

(2) Strengthening technological development capabilities

- Strengthening the organizational structure dedicated to the advancement of production process technology

(3) Human resource development

- Visualization and sharing of the experience and know-how of skilled personnel to pass on skills and strengthen technical staff
- Enhancement of human resource measures for the systematic development of the next generation of leaders

(4) Securing business funds

- Curbing external expenditures by reducing costs and carefully selecting investments and implementation of all measures to withstand possible financial environmental changes

(6) Major business operations (As of March 31, 2020)

Titanium Business

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

High-performance Materials Business

High-Purity Titanium, SiO, TILOP, Titanium Powder

(7) Major offices and plants (As of March 31, 2020)

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

(8) Employees (As of March 31, 2020)

Number of employees	Change from end of the previous fiscal year	Average age	Average number of years of service
698	(17)	41.6	14.8

(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 82 temporary employees (average number of employees during the fiscal year).

(9) Situation of significant parent company and subsidiaries (As of March 31, 2020)

Not applicable

(10) Major lenders (As of March 31, 2020)

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.	3,500
Development Bank of Japan Inc.	100

(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, 2020)

- (1) Total number of shares authorized to be issued 125,760,000 shares
(2) Total number of shares issued 36,800,000 shares
(Includes 1,336 shares of treasury stock)
(3) Number of shareholders 17,244 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 Corporation	8,800	23.91
Kobe Steel, Ltd.	8,800	23.91
SUMITOMO CORPORATION	864	2.35
The Master Trust Bank of Japan, Ltd. (Trust Account)	857	2.33
Japan Trustee Services Bank, Ltd. (Trust Account 5)	421	1.14
STATE STREET BANK AND TRUST COMPANY 505001	367	1.00
JP MORGAN CHASE BANK 385151	324	0.88
Japan Trustee Services Bank, Ltd. (Trust Account)	289	0.79
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	256	0.70
Japan Trustee Services Bank, Ltd. (Trust Account 1)	218	0.59
Total	21,198	57.61

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

3. Subscription right for new shares (As of March 31, 2020)

Not applicable

4. Company officers

(1) Directors, Member of the Board and Audit & Supervisory Board Members (As of March 31, 2020)

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 and Titanium Manufacturing
Director, Member of the Board, and Senior Managing Executive Officer*	Satoru Takahashi	Oversees Corporate Planning, General Affairs, Human Resources, Safety and Health, Finance and Accounting, and Raw Materials and Purchasing
Director, Member of the Board, and Managing Executive Officer*	Masayuki Tsuji	Oversees Sales and Marketing Departments and High-performance Material Manufacturing, General Manager of Tokyo Office
Director, Member of the Board	Akira Takamatsu	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)	Masayuki Okano	—
Audit & Supervisory Board Member	Satoshi Suzuki	General Manager of Group Companies Planning Division, NIPPON STEEL CORPORATION and Outside Director, NIPPON COKE & ENGINEERING COMPANY, LIMITED
Audit & Supervisory Board Member	Takahiko Kizawa	Commissioner and Assistant Executive Officer of Raw Materials Department, Iron & Steel Business, 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 Satoshi Suzuki, Takahiko Kizawa, 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 22nd Annual General Meeting of Shareholders held on June 21, 2019, Masayuki Tsuji was newly elected as Director, Member of the Board, and Masayuki Okano, Satoshi Szuki and Takahiko Kizawa were newly elected as Audit & Supervisory Board Members, and assumed their respective positions.
7. As of the closing of the 22nd Annual General Meeting of Shareholders held on June 21, 2019, Directors, Members

of the Board Mitsuo Takamura and Audit & Supervisory Board Member Munehisa Okada retired upon the expiration of their terms of office and Audit & Supervisory Board Members Hiroshi Ito and Kazuhiko Kimoto 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. The change in the position of representative director on April 1, 2020 is as follows.

Name	Position before the change	Position after the change
Takahisa Miyake	Representative Director, Member of the Board, and Executive Vice President	Director, Member of the Board

(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	146
Audit & Supervisory Board Members	3	23
Total	10	169
(Of which, Outside Officers)	(3)	(18)

(Notes)

- 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.
- 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.

Outside officers (As of March 31, 2020)

(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	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	Satoshi Suzuki	NIPPON STEEL CORPORATION	General Manager of Group Companies Planning Division	There are relationships between the Company and NIPPON STEEL CORPORATION: the Company sells metal titanium, etc. to NIPPON STEEL CORPORATION.

		NIPPON COKE & ENGINEERING COMPANY, LIMITED	Outside Director	There are relationships between the Company and NIPPON COKE & ENGINEERING COMPANY, LIMITED: the Company purchases machinery and equipment, etc. from NIPPON COKE & ENGINEERING COMPANY, LIMITED.
Outside Audit & Supervisory Board Member	Takahiko Kizawa	Kobe Steel, Ltd.	Commissioner and Assistant Executive Officer of Raw Materials Department, Iron & Steel Business	There are relationships between the Company and Kobe Steel, Ltd.: the Company sells metal titanium, etc. to Kobe Steel, Ltd..

(ii) Main activities of outside officers

Classification	Name	Main activities
Outside Director, Member of the Board	Akira Takamatsu	Participated in 13 of the 13 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 13 of the 13 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	Satoshi Suzuki	After election at the Annual General Meeting of Shareholders held in June 2019, participated in 9 of the 10 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	Takahiko Kizawa	After election at the Annual General Meeting of Shareholders held in June 2019, participated in 10 of the 10 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	Fumio Sugizaki	Participated in 13 of the 13 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: 33 million yen
2. Total amount of money and other property benefits that the Company and its subsidiaries should pay to the accounting auditor: 33 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 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. With regard to the matters that we paid particular attention to in our audits, we hear reports from the accounting auditors and the Audit Department as necessary and discuss them with them.

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, browsed through the approval documents and contracts 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 and display of posters. 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 to the ongoing compliance training provided for each glade, in the fiscal year under review, the Company invited lawyers belonging to the Osaka Bar Association to give a lecture on harassment in the workplace to executives, line managers, and representatives of the workplace.

(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. As part of the exercise to confirm the effectiveness of these measures, during the fiscal year under review, we conducted a drill assuming the occurrence of an earthquake during the daytime of a weekday.

About cyberattack, the Company has monitored the situation of unauthorized access and our system officers investigate and respond to suspicious e-mails from outside the company, and we have a system in place to detect and delete viruses from our personal computers.

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 five (5) yen per share. Since there was no interim dividend for the fiscal year under review, the amount of total dividends is five (5) yen per share.

Regarding forecasted dividends for the fiscal year ending March 31, 2021, 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, 2020)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	36,765	Current liabilities	13,509
Cash and deposits	5,789	Trade notes payable	98
Trade accounts receivable	16,079	Trade accounts payable	4,004
Finished products	7,311	Short-term bank loans	4,900
Work in process	2,389	Accounts payable - other	1,302
Raw materials and supplies	4,965	Income taxes payable	62
Advance payment	8		
Prepaid expenses	103	Accrued expenses	327
Accounts receivable-other	116	Deposits received	45
Other	3	Provision for bonuses	338
Allowance for doubtful receivables	(3)	Notes payable – facilities	67
Fixed assets	39,652	Accounts payable - facilities	1,394
Property, plant and equipment	34,731	Business withdrawal loss reserves	964
Buildings	9,428	Other	1
Structures	204	Long term liabilities	28,087
Machinery and equipment	8,126	Long-term debt	24,700
Vehicles	16	Liability for retirement benefits	1,897
Tools, furniture and fixtures	125	Asset retirement obligations	1,441
Land	14,823	Other	49
Construction in progress	2,006	Total liabilities	41,597
Intangible assets	590	(Equity)	
Software	536	Shareholders' equity	34,780
Other	53	Common stock	8,739
Investments and other assets	4,330	Capital surplus	8,943
Investment securities	111	Additional paid-in capital	8,943
Shares of subsidiaries and associates	20	Retained earnings	17,107
Long-term prepaid expenses	189	Legal reserve	38
Prepaid pension cost	964	Unappropriated	17,069
Deferred tax assets	2,953	Retained earnings brought forward	17,069
Other	90	Treasury stock	(10)
		Valuation and translation adjustments	39
		Unrealized gain on available-for-sale securities	39
		Total equity	34,820
Total assets	76,417	Total liabilities and equity	76,417

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

Statement of Operations

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Description	Amount	
Net sales		38,189
Cost of sales		31,819
Gross profit		6,370
Selling, general and administrative expenses		5,228
Operating profit		1,142
Non-operating profit		
Interest and dividend income	73	
Gain on sale of disused goods	313	
Subsidy income	41	
Insurance income	41	
Other	85	555
Non-operating expenses		
Interest expense	90	
Foreign exchange loss - net	51	
extra retirement expense	129	
Other	113	385
Ordinary Profit		1,312
Extraordinary income		
Insurance income	206	206
Extraordinary losses		
Loss on retirement of non-current assets	220	
Loss on devaluation of securities	19	240
Loss before income taxes		1,278
Income taxes-current	35	
Income taxes-deferred	516	552
Net income		726

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

Statement of Changes in Equity

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus Additional paid-in capital	Legal reserve	Retained earnings		
				Unappropriated Retained earnings brought forward	Treasury stock	
Balance as of April 1, 2018	8,739	8,943	38	16,527	(10)	34,237
Changes of items during the period						
Cash dividends (*)				(183)		(183)
Profit				726		726
Treasury stock					(0)	(0)
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	-	-	542	(0)	542
Balance As of March 31, 2020	8,739	8,943	38	17,069	(10)	34,780

	Valuation and translation adjustments		Total equity
	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2018	67	67	34,305
Changes of items during the period			
Cash dividends (*)			(183)
Profit			726
Treasury stock			(0)
Net changes of items other than shareholders' equity	(27)	(27)	(27)
Total changes of items during the period	(27)	(27)	515
Balance As of March 31, 2020	39	39	34,820

(*) Cash dividends 183 million yen was resolved at the Board on May 20, 2019.

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.

Notes to the Balance Sheet

- | | |
|--|-----------------------------|
| (1) Accumulated depreciation of Property, plant and equipment | 71,781 million yen |
| (2) Accounts receivable to subsidiaries and associates
Trade accounts receivable | 278 million yen |
| (3) Contingent liabilities
Joint liabilities on guarantees for employees' loans of housing funds | 109 million yen |
| (4) Securitization of trade receivables
Sales credit transfer balance | 100 million yen |
| (5) Contract for assumption of obligations
Accounts payable | 1,101 million yen
(Note) |
| (Note) Among outstanding accounts payable, it shows those of which deadline for assuming obligations has been extended by the contract. | |
| (6) 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: 718 million yen
- (2) Devaluation due to decline of profitability on inventories included in the cost of sales: 138 million yen

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	1,315 shares	21 share	-	1,336 shares

Summary of the change reason

The breakdown of the increase is as follows.

Increase by purchase of shares less than one unit 21 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 20, 2019	Common stock	Retained earnings	183	5.00	March 31, 2019	May 31, 2019

- 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 28, 2020	Common stock	Retained earnings	183	5.00	March 31, 2020	May 31, 2020

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	103
Enterprise tax	17
Loss on valuation of inventories	75
Liability for retirement benefits	580
Business withdrawal loss reserves	294
Depreciation	244
Asset retirement obligations	440
Impairment loss	1,232
Carry forward deficit	2,062
Other	150
Subtotal deferred tax assets	5,201
Valuation allowance	(1,769)
Total deferred tax assets	<u>3,431</u>
Deferred tax liabilities	
Property, plant and equipment	157
(Asset retirement obligations)	
Prepaid pension cost	294
Inventories	7
Unrealized gain on available-for-sale securities	17
Total deferred tax liabilities	477
Net of deferred tax assets	<u>2,953</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 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 (mainly short-term) and capital investment (long-term), and some of them are subject to interest rate fluctuation risk because they have floating interest rates. 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, 2020 (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	5,789	5,789	-
2) Trade accounts receivable	16,079	16,079	-
3) Investment securities and Shares of subsidiaries and associates			
Available-for-sale securities	111	111	-
Shares of subsidiaries and associates	20	20	-
4) Trade accounts payable	(4,004)	(4,004)	-
5) Short-term bank loans	(800)	(800)	-
6) Accounts payable	(1,302)	(1,302)	-
7) Accounts payable - facilities	(1,394)	(1,394)	-
8) Long-term debt	(28,800)	(28,799)	0

(*) 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 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)	718
Account	Trade accounts receivable
Fiscal year-end balance (millions of yen)	278

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: 946.24 yen
- (2) Basic earnings per share: 19.75 yen