Business Report

(From April 1, 2016 to March 31, 2017)

1. Company overview

(1) Business progress and results

While having been on a moderate recovery trend as evidenced by the improvement in corporate earnings and the employment situation, the Japanese economy during the fiscal year ended March 31, 2017 continued to show an unclear situation partly due to the increased uncertainties about overseas economies.

Regarding the business of OSAKA Titanium technologies Co., Ltd. (the "Company"), for the Titanium Business, sales volume increased as demand for mill products for aircrafts was steady on an expanding trend combined with the effect of sales promotion efforts mainly for fuselages, etc., although our exports were affected by a stronger yen in the foreign exchange rate compared to last fiscal year. However, for the domestic market, in addition to decrease of seawater desalination projects, lowered demand for mill products for general industrial applications, mainly for shipbuilding-use plate heat exchangers and power plants, had a substantial impact. As a result, Titanium Business net sales were 25,038 million yen (down 10.3% year on year).

As for our Polycrystalline Silicon Business, the adjustments in supply and demand for polycrystalline silicon for semiconductors continued, and production and shipments decreased, despite our efforts for early recovery, due to the suspension of polycrystalline silicon plants after a sudden power failure in a wide range of areas, including Kishiwada Works, caused by a fire near a high-voltage line steel tower of Kansai Electric Power in October 2016. As a result, while Polycrystalline Silicon Business net sales were 11,758 million yen, which was less than the initial forecast, net sales increased by 8.5% year on year, as shipments declined in the last fiscal year due to trouble with respect to production of products for major domestic customers.

In the High-performance Materials Business, despite increased demand for high-purity titanium that accompanied an increase in demand for semiconductors, titanium powder net sales decreased due to adjustments in the demand for TILOP for use in liquid crystal panels. As a result, High-performance Materials Business net sales were nearly at the same level as last fiscal year at 2,383 million yen (down 0.3%).

As a result of the above, net sales for the fiscal year under review decreased to 39,180 million yen (down 4.8%). However, with respect to profits and losses, even though a decline due to power failure at Kishiwada Works and a stronger yen had some effect, improved cost and the resolution of trouble in the previous fiscal year regarding polycrystalline silicon production of products for major domestic customers had a positive impact, resulting in an operating profit of 2,050 million yen (compared to an operating loss of 1,643 million yen during the previous fiscal year). Additionally, due mainly to the posting of foreign exchange losses from foreign currency denominated trade accounts receivable under non-operating expenses, our ordinary profit was 1,226 million yen (compared to an ordinary loss of 2,058 million yen) with profit of 579 million yen (compared to a net loss of 8,840 million yen).

(2) **Capital investments**

Capital investment during the fiscal year under review totaled 1,774 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	FY2013 (17th term)	FY2014 (18th term)	FY2015 (19th term)	FY2016 (fiscal year under review)
Net sales (Millions of yen)	42,909	40,356	41,149	39,180
Ordinary Profit (loss) (Millions of yen)	326	3,496	(2,058)	1,226
Profit (loss) (Millions of yen)	(2,906)	2,666	(8,840)	579
Basic Earnings (loss) per share (Yen)	(78.99)	72.47	(240.25)	15.76
Total assets (Millions of yen)	110,220	102,395	88,905	93,265
Total equity (Millions of yen)	41,129	43,539	33,822	34,497

(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 May 2015, we formulated a Medium-term Management Plan (FY2015–FY2017) and after that, because of the impairment loss posted in FY2015 for fixed assets related to the Polycrystalline Silicon Business, in April 2016 we revised our basic policy, business strategy and business result targets.

A summary of the Plan after revision is below.

Summary of the Medium-term Management Plan (FY2015 – FY2017)

I. Basic policies of the Medium-term Management Plan (FY2015 – FY2017)

1. We will aim to expand our share of global markets faster than market expansion with growth centered on the Titanium Business, in which demand from the aircraft market is expected to increase.
   (1) Strengthen long-term partnerships with customers and promote sales in the largest market segment
   (2) Comprehensively maintain and reinforce cost and quality competitiveness

2. Maintain stable production and strengthen relationships with main customers by giving first priority to quality in the Polycrystalline Silicon Business

3. Expand High-performance Materials Business

II. Business strategy by area

1. Titanium Business

(1) Expand market share by strengthening relationships with major customers inside and outside Japan and identifying their requirements

- Differentiate engine and fuselage purchase specifications => strengthen sales of fuselage products (largest market segment)
- Utilize outcomes of strengthening competitiveness and ensuring upside response capabilities
- Respond to customer requirements

} Aim for sales growth that exceeds market growth rate

(2) Strengthen competitiveness

(i) Further improve productivity

- Increase current real annual production capacity from 44,000 tons (nominal 40,000 tons) to 47,000 tons in FY2017
- Establish 40,000 ton-system with large reduction furnaces alone

} Secure upside response capabilities with the world's No. 1 production capacity and achieve the world's No. 1 productivity

(ii) Comprehensive cost rationalization
=> cost rationalization target 2.0 billion yen (FY2014 to FY2017)

(3) Response to production volume exceeding 40,000 tons

(i) Up to 47,000 tons/year, respond by restarting out-of-service reserve reduction furnaces

(ii) Consider a global supply system with overseas production sites when annual production exceeds 47,000 tons

2. Polycrystalline Silicon Business

(1) Thorough strengthening of quality management system
=> Reduction of costs due to quality loss and loss of opportunity

(2) Strengthening relationships with main customers

(3) Establish stable production technology for high quality polycrystalline silicon and expand sales

3. High-performance Materials Business

(High-Purity Titanium)

(1) Expand sales through strategic partnerships with customers

(2) Respond actively to the need for high quality

(TILOP)

Establish minimum cost production technologies tailored to market needs.

(New Businesses)

Expand into titanium powder for layered manufacturing businesses, etc.

III. Business result targets

In April of this year the business results targets for the Polycrystalline Silicon Business were revised

FY2017 business results targets (Billions of yen)

	Titanium	33.0
	Polycrystalline Silicon	14.0
	High-performance Materials	3.0
	Net sales	50.0
	Titanium	5.0
	Polycrystalline Silicon	0.3
	High-performance Materials	1.0
	Operating profit	6.3
	Ordinary profit	6.3
	Profit	4.0

Assumed exchange rate	110 yen/US dollar

Currently, while demand for titanium for aircraft market is increasing as expected and the Company's sales volume of exports is increasing faster than the growth of the market based on the above sales expansion strategy in the Titanium Business, sales prices have been in a severe situation given the increasingly severe competitive environment resulting mainly from overseas competitors selling at low prices on the back of currency depreciation in the midst of continued global supply and demand gaps where supply capacities exceed demand. Moreover, for the domestic market, desalination projects have run out, and other demand for mill products for general industrial applications has declined although recovery is expected in the future. As for polycrystalline silicon for semiconductors, the resolution of supply and demand gaps is expected to take more time, resulting in continued severe price competition.

Under such a business environment, while striving to strengthen competitiveness through comprehensive manufacturing cost rationalization, further productivity improvement, and cost improvement such as higher operational efficiency, the Company will endeavor to further promote sales and focus on improving its profit structure.

(6) Major business operations (As of March 31, 2017)

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, 2017)

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

(8) Employees (As of March 31, 2017)

Number of employees	Change from end of the previous fiscal year	Average age	Average number of years of service
766	+ 20	39.6	13.4

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

(9) Situation of significant parent company and subsidiaries (As of March 31, 2017)

Not applicable

(10) Major lenders (As of March 31, 2017)

Lenders	Balance of loan (Millions of yen)
Syndicated loans	26,000
Sumitomo Mitsui Banking Corporation	1,500
Sumitomo Mitsui Trust Bank, Limited	4,000
The Senshu Ikeda Bank, Ltd.	6,000
Development Bank of Japan Inc.	500

(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, 2017)

(1) Total number of shares authorized to be issued 125,760,000 shares
(2) Total number of shares issued 36,800,000 shares
(Includes 1,244 shares of treasury stock)
(3) Number of shareholders 21,065 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
SUMITOMO CORPORATION	864	2.35
Japan Trustee Services Bank, Ltd. (Trust Account 5)	419	1.14
Japan Trustee Services Bank, Ltd. (Trust Account)	342	0.93
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/HENDERSON HHF SICAV	335	0.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	315	0.86
Japan Trustee Services Bank, Ltd. (Trust Account 1)	303	0.82
Japan Trustee Services Bank, Ltd. (Trust Account 2)	302	0.82
JUNIPER	229	0.62
Total	20,712	56.29

(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, 2017)

Not applicable

4. Company officers

(1) Directors, Member of the Board and Audit & Supervisory Board Members (As of March 31, 2017)

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 Technology, Titanium Manufacturing, Polycrystalline Silicon Manufacturing, and High-Performance Materials Manufacturing Departments, and High-Performance Materials Marketing Group. In charge of Production Control, Quality Assurance, and Facilities Departments, and Environmental Control and Disaster Planning Group.
Director, Member of the Board, and Senior Managing Executive Officer*	Mitsuo Takamura	Oversees Raw Materials, and Sales and Marketing Departments, General Manager of Tokyo Office
Director, Member of the Board, and Senior Managing Executive Officer*	Masato Ichise	Oversees General Affairs, Human Resources, Safety and Health, GENBA-RYOKU Planning & Promotion, Finance and Accounting and System Departments, and Kishiwada Works
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 Outside Auditor, NAVITAS Co., LTD.
Audit & Supervisory Board Member (Full Time)	Munehisa Okada	
Audit & Supervisory Board Member	Masanori Ando	General Manager, Group Companies Planning Division, Nippon Steel & Sumitomo Metal Corporation
Audit & Supervisory Board Member	Hajime Nagara	Executive Officer, General Manager of Planning & Administration 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 Masanori Ando, Hajime Nagara, 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 19th Annual General Meeting of Shareholders held on June 19, 2016, Yasuaki Sugizaki was newly elected as Director, Member of the Board, and Masanori Ando was newly elected as Audit & Supervisory Board Member, and assumed their respective positions.
7. As of the closing of the 19th Annual General Meeting of Shareholders held on June 24, 2016, Directors, Members of the Board Yuichi Seki and Fumio Otaguro, Audit & Supervisory Board Members, Masafumi Morisaki retired upon the expiration of their terms of office.
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.

(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	8	150
Audit & Supervisory Board Members	2	23
Total (Of which, Outside Officers)	10 (3)	174 (17)

(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 total amount of remuneration, etc., includes those for two Directors, Members of the Board whose terms expired at the close of the most recent Annual General Meeting of Shareholders. Furthermore, the number of persons as of the end of the fiscal year under review is seven (6) Directors, Members of the Board and four (4) Audit & Supervisory Board Members.

(3) Outside officers (As of March 31, 2017)

(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.
		NAVITAS Co., LTD.	Outside Auditor	There are no significant relationships between the Company and NAVITAS Co., LTD..
Outside Audit & Supervisory Board Member	Masanori Ando	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	Hajime Nagara	Kobe Steel, Ltd.	Executive Officer, General Manager of Planning & Administration 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 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	Masanori Ando	After election at the Annual General Meeting of Shareholders held in June 2016, participated in 9 of the 9 Board of Directors meetings and 8 of the 9 Audit & Supervisory Board meetings during the fiscal year under review, and made comments as necessary 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	Hajime Nagara	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 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

Amount of remuneration, etc. relating to the services provided for under Article 2, paragraph 1 of the Certified Public Accountants Act (Law No. 103 of 1948): 32 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 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, the on-going steady development of functions of the Board of Directors has been confirmed by conducting self-assessment through opinion exchanges by 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.

(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 regular issue of compliance news, 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, starting in the second half of the fiscal year under review, compliance training plans for each department have been formulated to promote activities to raise awareness according to the actual situation of work places.

(4) State of initiatives concerning risk management

The Company has reviewed the operating method of the Compliance and Risk Management Committee 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 drills for checking on the effectiveness of these measures, the Company conducted a drill assuming the occurrence of an earthquake at night/on a holiday for the first time in the fiscal year under review.

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, 2018, 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, 2017)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		**(Liabilities)**	
Current assets	**43,321**	**Current liabilities**	**25,911**
Cash and deposits	2,182	Trade notes payable	348
Trade accounts receivable	15,458	Trade accounts payable	3,882
Finished products	15,168	Short-term bank loans	18,200
Work in process	4,219	Accounts payable - other	1,778
Raw materials and supplies	5,590	Income taxes payable	64
Advance payments - trade	6	Accrued consumption taxes	362
Prepaid expenses	95	Accrued expenses	552
Deferred tax assets	546	Deposits received	46
Other	58	Provision for bonuses	367
Allowance for doubtful receivables	(3)	Notes payable – facilities	65
Fixed assets	**49,943**	Accounts payable - facilities	193
Property, plant and equipment	**44,910**	Other	49
Buildings	11,650	**Long term liabilities**	**32,856**
Structures	437	Long-term debt	29,000
Machinery and equipment	17,472	Liability for retirement benefits	1,825
Vehicles	3	Asset retirement obligations	1,356
Tools, furniture and fixtures	122	Other	674
Land	14,823	**Total liabilities**	**58,767**
Construction in progress	400	**(Equity)**	
Intangible assets	**570**	**Shareholders' equity**	**34,439**
Software	304	**Common stock**	**8,739**
Other	266	**Capital surplus**	**8,943**
Investments and other assets	**4462**	Additional paid-in capital	8,943
Investment securities	170	**Retained earnings**	**16,766**
Shares of subsidiaries and associates	63	Legal reserve	38
Long-term prepaid expenses	168	Unappropriated	16,728
Prepaid pension cost	954	Reserve for advanced depreciation of non-current assets	584
Deferred tax assets	3,010		
Other	94	Retained earnings brought forward	16,143
		Treasury stock	**(9)**
		Valuation and translation adjustments	**57**
		Unrealized gain on available-for-sale securities	**96**
		Deferred loss on derivatives under hedge accounting	**(38)**
		Total equity	**34,497**
Total assets	**93,265**	**Total liabilities and equity**	**93,265**

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

Statement of Operations

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Description	Amount	
Net sales		**39,180**
Cost of sales		**31,267**
Gross profit		**7,912**
Selling, general and administrative expenses		**5,861**
Operating profit		**2,050**
Non-operating profit		
Interest and dividend income	5	
Subsidy income	42	
Insurance income	159	
Other	207	414
Non-operating expenses		
Interest expenses	207	
Depreciation of inactive non-current assets	1	
Foreign exchange losses - net	621	
Settlement on contract	127	
Other	281	1,239
Ordinary Profit		**1,226**
Extraordinary losses		
Loss on retirement of non-current assets	321	
Loss on valuation of golf club membership	2	**323**
Profit before income taxes		**903**
Income taxes-current	13	
Income taxes-deferred	310	323
Profit		**579**

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

Statement of Changes in Equity

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus	Retained earnings			Treasury stock	Total shareholders' equity
		Additional paid-in capital	Legal reserve	Unappropriated			
				Reserve for advanced depreciation of non-current assets	Retained earnings brought forward		
Balance as of April 1, 2016	**8,739**	**8,943**	**38**	**647**	**15,501**	**(9)**	**33,859**
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				(62)	62		–
Cash dividends							
Profit					579		579
Net changes of items other than shareholders' equity							
Total changes of items during the period	**–**	–	–	**(62)**	**642**	–	**579**
Balance as of March 31, 2017	**8,739**	**8,943**	**38**	**584**	**16,143**	**(9)**	**34,439**

	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, 2016	**63**	**(100)**	**(37)**	**33,822**
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				
Profit				579
Net changes of items other than shareholders' equity	32	61	94	94
Total changes of items during the period	**32**	**61**	**94**	**674**
Balance as of March 31, 2017	**96**	**(38)**	**57**	**34,497**

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.

Leased assets

Finance leases in which ownership has been transferred

The same depreciation method as that used for fixed assets owned by the Company.

Finance leases in which ownership has not been transferred

The straight-line method, in which the lease period is equivalent to the useful life of the asset and the residual value is zero.

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

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 (17 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 (17 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.

(Additional information)

Application of ASBJ Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year under review, the Company has applied the Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

Notes to the Balance Sheet

(1) Accumulated depreciation of Property, plant and equipment

87,085 million yen

(2) Accounts receivable to subsidiaries and associates

Trade accounts receivable	352 million yen

(3) Contingent liabilities

Joint liabilities on guarantees for employees' loans of housing funds	186 million yen
Forward purchase contracts for raw materials	421 million yen (Note)

(Note) It shows outstanding forward purchase items whose ownership has not been transferred to the Company. If there is an outstanding unpurchased item at the time of the expiration of a forward purchase contract, the Company may suffer losses depending on the status of resale by the contracting party to a third party.

(4) Book value of inactive fixed assets

Machinery and equipment	4 million yen

(5) Securitization of accounts receivable

Accounts receivable transfer balance 2,459 million yen

(6) Contract for assumption of obligations

Accounts payable 1,640 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 30, 2013, 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 33.1 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 each fiscal year for two consecutive years.

Syndicated Loan Agreement dated July 31, 2014, 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 30.9 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.

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.

Notes to the Statement of Operations

(1) Transactions with subsidiaries and associates

Net sales to subsidiaries and associates: 734 million yen

(2) Devaluation due to decline of profitability on inventories included in the cost of sales: (298) 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	1,244 shares	–	–	1,244 shares

(3) Dividends

1) Amount of dividends paid

Not applicable.

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 15, 2017	Common stock	Retained earnings	183	5.00	March 31, 2017	June 5, 2017

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	113
Accrued social insurance premiums	17
Enterprise tax	16
Loss on valuation of inventories	248
Other	150
Total deferred tax assets	546
(Fixed assets)	
Deferred tax assets	
Golf club membership	31
Liability for retirement benefits	558
Deferred loss on derivatives under hedge accounting	15
Depreciation	257
Asset retirement obligations	414
Impairment loss	1,443
Other	216
Loss brought forward from the previous term	2,140
Sub total	5,077
Valuation allowance	(1,284)
Total deferred tax assets	3,793
Deferred tax liabilities	
Property, plant and equipment (Asset retirement obligations)	190
Prepaid pension cost	291
Unrealized gain on available-for-sale securities	42
Reserve for advanced depreciation of non-current assets	257
Total deferred tax liabilities	782
Net of deferred tax assets	3,010

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, 2017 (the closing date of the fiscal year under review) are as follows.

(Millions of yen)

Item	Carrying amount (*1)	Fair value (*1)	Difference
1) Cash and deposits	2,182	2,182	–
2) Trade accounts receivable	15,458	15,458	–
3) Investment securities and Shares of subsidiaries and associates			
Available-for-sale securities	170	170	–
Shares of subsidiaries and associates	63	63	–
4) Trade accounts payable	(3,882)	(3,882)	–
5) Short-term bank loans	(6,200)	(6,200)	–
6) Accounts payable	(1,778)	(1,778)	
7) Accounts payable - facilities	(193)	(193)	–
8) Long-term debt	(41,000)	(40,957)	42
9) Derivative transactions (*2)	(55)	(55)	–

(*1) Liabilities are presented with parentheses.

(*2) Net receivables and payables arising from derivative transactions are presented on a net basis.

(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

9) Derivatives transactions

a. Items to which hedge accounting is not applied

(Millions of yen)

Classification	Derivative type, etc.	Contract amount, etc.		Fair value (*1)	Loss (gain) on valuation
			Amount of more than 1 year-period contracts		
Transactions other than market transactions	Foreign exchange forward contracts Selling U.S. dollars (*2)	1,466	–	(44)	(44)
	Foreign exchange forward contracts Buying US dollar (*2)	(1,466)	–	44	44
Total		–	–	–	–

(*1) Calculation method of fair value. It is calculated based on prices, etc. provided by counterparty financial institutions, etc.

(*2) It was incurred due to the securitization of the foreign currency denominated trade accounts receivable after conducting foreign exchange forward contract transactions for said trade accounts receivable.

b. Items to which hedge accounting is applied: The contract amount or equivalent of the principal amount prescribed by the contract as of the closing date of consolidated accounting according to hedge accounting methods are as follows.

(Millions of yen)

Hedge accounting method	Derivative type, etc.	Contract amount, etc.		Fair value	Method of calculating the applicable fair value
			Amount of more than 1 year-period contracts		
Appropriation of foreign exchange forwards, etc.	Foreign exchange forward contracts Selling U.S. dollars	6,155	–	(*1)	
Deferred hedge accounting	Interest rate swap contracts Fixed interest payments and floating interest receivables	13,000	7,000	(55)	
Integrated treatment (special treatment and appropriation treatment) of interest rate and currency swaps	Interest rate and currency swap contracts Fixed interest payments and floating interest receivables Payment in US dollar Receipt in yen	6,000	6,000	(*2)	

(*1) Items in appropriation of foreign exchange forwards are recognized together with hedged items (i.e. trade accounts receivable), therefore, their fair values are included in the fair value of trade accounts receivable.

(*2) Since items to which the integrated treatment is applied are accounted for as an integral part of long-term debt that is the hedged item, their fair values are included in the fair value of the long-term debt.

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)	734
Account	Trade accounts receivable
Fiscal year-end balance (millions of yen)	352

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: 937.46 yen
(2) Basic earnings per share: 15.76 yen