Financial Section

2017 ANNUAL REPORT
Year Ended March 31, 2017

CONTENTS

Hitachi Metals, Ltd.

Eleven-Year Summary

Hitachi Metals, Ltd. and Consolidated Subsidiaries
As of and for the Years Ended March 31

	Millions of yen (except as otherwise noted)				Thousands of U.S. dollars (except per share amounts)	Thousands of euros (except per share amounts)
	IFRS					
	2017	2016	2015	2014	2017	2017
Results for the period:						
Revenues	¥ 910,486	¥ 1,017,584	¥ 1,004,373	¥ 807,794	$ 8,115,572	€ 7,600,685
Cost of sales	(731,153)	(819,433)	(793,517)	(637,081)	(6,517,096)	(6,103,623)
Selling, general and administrative expenses	(113,350)	(122,090)	(126,446)	(106,851)	(1,010,340)	(946,239)
Other income	14,070	36,416	21,303	5,844	125,412	117,456
Other expenses	(11,786)	(12,523)	(21,306)	(16,278)	(105,054)	(98,389)
Operating income	68,267	99,954	84,407	53,428	608,495	569,889
Income (loss) before income taxes and non-controlling interests	66,016	96,233	86,391	55,820	588,430	551,098
Net income (loss) attributable to shareholders of the parent company	50,593	69,056	70,569	48,133	450,958	422,347
Cash flows for the period:						
Cash flows from operating activities	89,391	115,742	108,983	99,171	796,782	746,231
Cash flows from investing activities	(35,864)	(32,147)	(113,750)	(9,832)	(319,672)	(299,391)
Free cash flows	53,527	83,595	(4,767)	89,339	477,110	446,840
Growth initiative costs:						
Capital expenditures	63,843	59,602	51,474	31,987	569,061	532,958
Depreciation and amortization	43,039	42,927	39,917	33,762	383,626	359,287
Research and development	17,971	19,121	20,903	16,814	160,184	150,021
At the period-end:						
Total assets	¥ 1,040,390	¥ 1,033,311	¥ 1,083,450	¥ 848,772	$ 9,273,465	€ 8,685,116
Interest-bearing debt	194,457	220,376	255,350	177,195	1,733,283	1,623,316
Net assets	548,746	504,675	476,176	382,840	4,891,220	4,580,900
Number of outstanding shares (thousands)	427,577	427,580	427,601	427,657	—	—
Number of shareholders	25,302	28,582	26,287	29,308	—	—
Number of employees	28,754	29,157	30,278	26,850	—	—
Per share of common stock (yen, U.S. dollars and euros):						
Net income (loss):						
Basic	¥ 118.32	¥ 161.50	¥ 165.02	¥ 116.79	$ 1.05	€ 0.99
Cash dividends	26.00	26.00	23.00	17.00	0.23	0.22
Net assets	1,254.89	1,159.70	1,090.64	870.36	11.19	10.48
Key financial indicators:						
Operating income margin (%)	7.5	9.8	8.4	6.6	—	—
Return on Sales (ROS) (%)	5.6	6.8	7.0	6.0	—	—
Return on Assets (ROA) (%)	6.4	9.1	8.9	8.0	—	—
Return on Equity (ROE) (%)	9.8	14.4	16.8	15.6	—	—
Shareholders' equity ratio (%)	51.6	48.0	43.0	43.9	—	—
Debt/equity ratio (times)	0.36	0.44	0.55	0.48	—	—

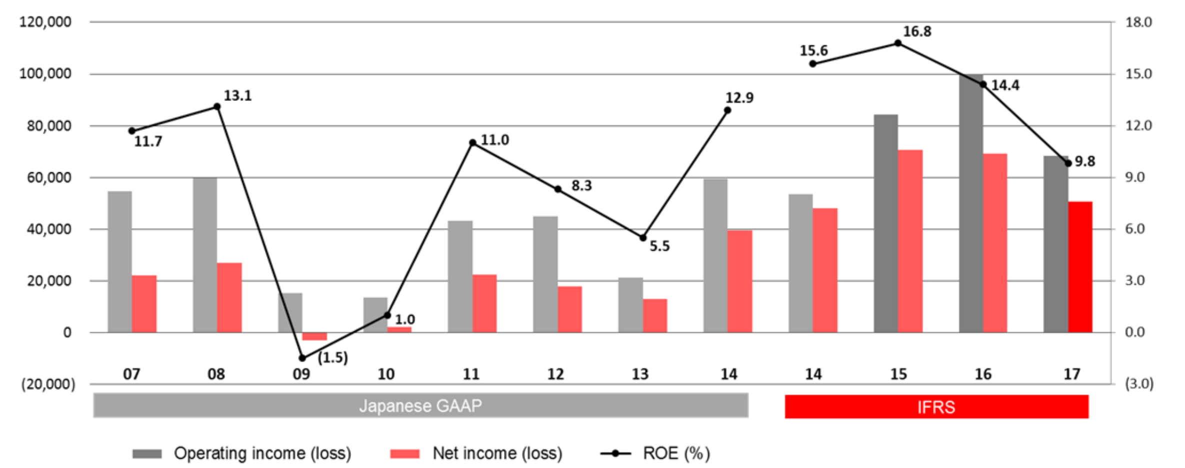
Notes:
1. The amounts are accounted for and presented in accordance with the International Financial Reporting Standards.
2. The translation of Japanese yen amounts into U.S. dollars and euros for the year ended March 31, 2017, is included in this annual report solely for the convenience of readers outside Japan. The translation has been made at the rates of ¥112.19=$1 and ¥119.79=€1, the approximate exchange rates as of March 31, 2017.
3. Diluted net income per share is not provided as Hitachi Metals, Ltd. had no dilutive common stock outstanding during the fiscal year ended March 31, 2017.
4. Net income (loss) represents net income (loss) attributable to shareholders of the parent company. Net income (loss) per share is calculated by dividing net income (loss) by the average number of outstanding shares for the period. Net assets per share are calculated by dividing net assets less non-controlling interests by the number of outstanding shares as of the period-end.
5. Return on equity (ROE) is computed as the net income (loss) divided by the sum of the average total shareholders' equity and the average total accumulated comprehensive income (the average of beginning and ending of the year).
6. Results for the year ended March 31, 2014 (FY2014) are presented in accordance with both J-GAAP and IFRS.

	Millions of yen (except as otherwise noted)			
	Japanese GAAP			
	2014	2013	2012	2011
Results for the period:				
Net sales	¥ 807,952	¥ 535,779	¥ 556,914	¥ 520,186
Cost of sales	(638,872)	(440,684)	(438,930)	(406,282)
Selling, general and administrative expenses	(109,544)	(74,016)	(73,117)	(70,761)
Operating income	59,536	21,079	44,867	43,143
Income (loss) before income taxes and minority interests	50,796	17,230	36,414	36,061
Net income (loss) attributable to shareholders of the parent company	39,417	12,955	17,886	22,204
Cash flows for the period:				
Cash flows from operating activities	100,557	62,975	3,008	42,688
Cash flows from investing activities	(30,906)	(28,718)	(21,769)	(24,607)
Free cash flows	69,651	34,257	(18,761)	18,081
Growth initiative costs:				
Capital expenditures	31,987	26,688	24,300	20,369
Depreciation and amortization	33,639	24,219	27,544	28,389
Research and development	16,814	11,076	12,153	12,224
At the period-end:				
Total assets	¥ 840,742	¥ 541,286	¥ 579,862	¥ 529,869
Interest-bearing debt	175,958	145,935	169,232	149,822
Net assets	373,198	259,865	240,395	228,010
Number of outstanding shares (thousands)	427,632	365,420	352,430	352,442
Number of shareholders	29,308	16,930	12,417	12,711
Number of employees	26,850	17,308	18,056	18,008
Per share of common stock (yen):				
Net income (loss):				
Basic	¥ 95.65	¥ 36.20	¥ 50.75	¥ 63.00
Cash dividends	17.00	14.00	12.00	12.00
Net assets	848.73	684.96	625.04	591.51
Key financial indicators:				
Operating income margin (%)	7.4	3.9	8.1	8.3
Return on Sales (ROS) (%)	4.9	2.4	3.2	4.3
Return on Assets (ROA) (%)	7.4	3.1	6.6	6.9
Return on Equity (ROE) (%)	12.9	5.5	8.3	11.0
Shareholders' equity ratio (%)	43.2	46.2	38.0	39.3
Debt/equity ratio (times)	0.48	0.58	0.77	0.72

Notes:
1. The amounts are accounted for and presented in accordance with the generally accepted accounting principles in Japan.
2. Diluted net income per share is not provided as Hitachi Metals, Ltd. had no dilutive common stock outstanding during the fiscal year ended March 31, 2017.
3. Net income (loss) per share is calculated by dividing net income (loss) by the average number of outstanding shares for the period. Net assets per share are calculated by dividing net assets less minority interests by the number of outstanding shares as of the period-end.
4. Hitachi Metals, Ltd. adopted the revised accounting standard for presentation of net assets in the consolidated balance sheet, effective from the year ended March 31, 2007.
5. Return on equity (ROE) is computed as the net income (loss) divided by the sum of the average total shareholders' equity and the average total accumulated comprehensive income (the average of beginning and ending of the year).

Millions of yen (except as otherwise noted)			
Japanese GAAP			
2010	2009	2008	2007
¥ 431,683	¥ 590,704	¥701,075	¥ 646,311
(352,382)	(495,948)	(552,459)	(504,089)
(65,952)	(79,698)	(88,918)	(87,500)
13,349	15,058	59,698	54,722
5,727	(200)	51,427	46,562
1,937	(3,016)	27,034	22,062
57,012	32,699	72,106	53,011
(21,495)	(37,347)	(38,112)	(122,583)
35,517	(4,648)	33,994	(69,572)
16,485	43,768	49,327	36,787
30,494	31,814	29,385	24,392
10,626	13,083	13,283	12,965
¥ 517,984	¥ 530,191	¥ 619,466	¥ 629,590
170,664	190,119	190,427	218,716
212,783	214,576	235,507	222,626
352,472	352,498	352,561	345,118
13,885	14,175	13,472	14,176
17,806	18,740	20,308	20,826
¥ 5.50	¥ (8.56)	¥ 76.48	¥ 63.81
12.00	13.00	12.00	10.00
548.76	550.79	604.22	575.04
3.1	2.5	8.5	8.5
0.4	(0.5)	3.9	3.4
1.1	(0.0)	8.2	7.9
1.0	(1.5)	13.1	11.7
37.3	36.6	34.4	31.5
0.88	0.98	0.89	1.10

Operating Income (Loss), Net Income (Loss) and ROE *(¥ million, %)*



Financial Review

Adoption of International Financial Reporting Standards (IFRS)

In the fiscal year ended March 31, 2015, the Group voluntarily adopted IFRS for the purposes of better understanding group management, stronger governance, and more efficient business operations.

Market Environment

During the year ended March 31, 2017, the global economy remained on a modest recovery path primarily in advanced countries. The United States maintained stable economic growth, backed by an increase in individual consumption and a favorable employment situation. European economies continued a moderate recovery despite a slowdown in improvements in some corporate sectors. The Chinese economy showed some signs of a partial rally in the market due to the effects of the government's various economic measures, and economic growth in emerging countries also remained on a recovery track. Amid these situations, the Japanese economy showed some signs of a gradual recovery thanks to the improvement in employment and income environments despite weak exports and production due to the impact of an economic slowdown in emerging countries.

Among the industries in which Hitachi Metals, Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") operate, sales in the automobile industry have increased overall compared with the fiscal year ended March 31, 2016. This is mainly due to increased demand in the Japanese market since the end of 2016 and steady demand in Europe and China, although the sales of new vehicles have reached their peak level in the United States. Supply and demand of steel showed positive signs in the construction sector in the Japanese market since the beginning of 2017, although demand for steel continued to experience challenges on a global basis affected by the economic slowdown in emerging countries. The number of new housing starts increased both in the United States and Japan. In the electronics industry, mobile devices started to show a recovery before the end of the fiscal year, and the demand for household appliances increased mainly in Japan during the latter half of the fiscal year ended March 31, 2017.

Business Overview

Under the business circumstances described above, for the fiscal year ended March 31, 2017, revenues of the Group decreased by ¥107,098 million or 10.5% to ¥910,486 million, adjusted operating income decreased by ¥10,078 million or 13.2% to ¥65,983 million, and operating income decreased by ¥31,687 million or 31.7% to ¥68,267 million, compared with those for the fiscal year ended March 31, 2016. These results were influenced mainly by a reduction in raw material prices (a sliding-scale raw material price system), the appreciation of the yen, and a decline in demand. Further, operating income decreased mainly due to a decrease in gross profit and gains on business reorganization and others of ¥30,232 million in other income arising from a transfer of shares equivalent to 51% of the issued shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) to Mitsubishi Materials Corporation as of April 1, 2015, during the fiscal year ended March 31, 2016. For the fiscal year ended March 31, 2017, income before income taxes decreased by ¥30,217 million or 31.4% to ¥66,016 million and net income attributable to owners of the parent company decreased by ¥18,463 million or 26.7% to ¥50,593 million, compared with the year ended March 31, 2016.

Business Results for the Year Ended March 31, 2017

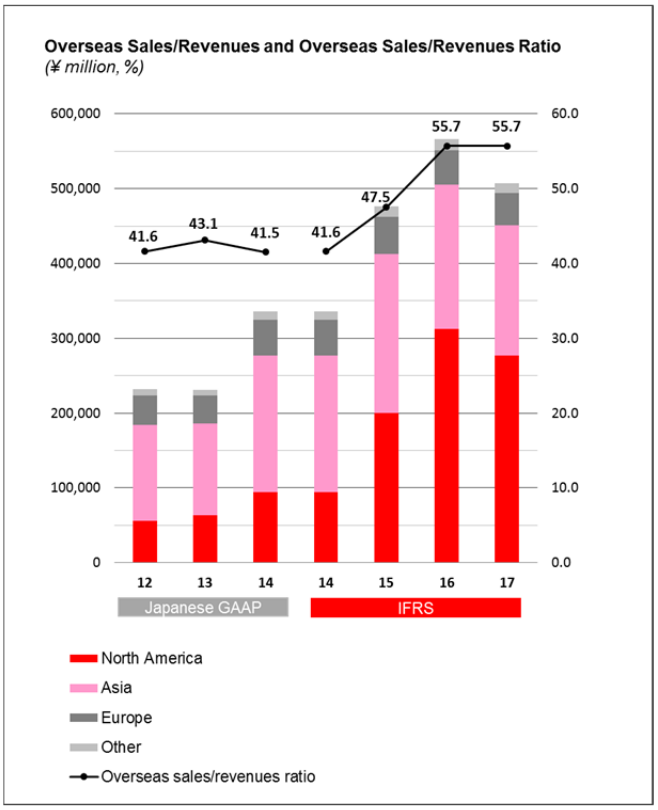
Revenues

Revenues for the fiscal year ended March 31, 2017, decreased by ¥107,098 million to ¥910,486 million, down 10.5% year-on-year.

Domestic sales accounting for 44.3% of total revenues decreased by ¥47,506 million or 10.5% year-on-year to ¥403,610 million.

Overseas sales decreased globally in the fiscal year ended March 31, 2017, amounting to ¥506,876 million, down ¥59,592 million or 10.5% from the previous year. In particular, sales in North America decreased to ¥276,803 million, down ¥36,044 million or 11.5% year-on-year. Sales in Asia were ¥174,227 million, down ¥18,546 million or 9.6% year-on-year, and sales in Europe were ¥42,755 million, down ¥3,089 million or 6.7% year-on-year.

Overseas sales accounted for 55.7% of total revenues in the year ended March 31, 2017, which was the same rate as the previous year. The Group aims to increase the percentage of overseas sales to 58.0% in the fiscal year ending March 31, 2019.



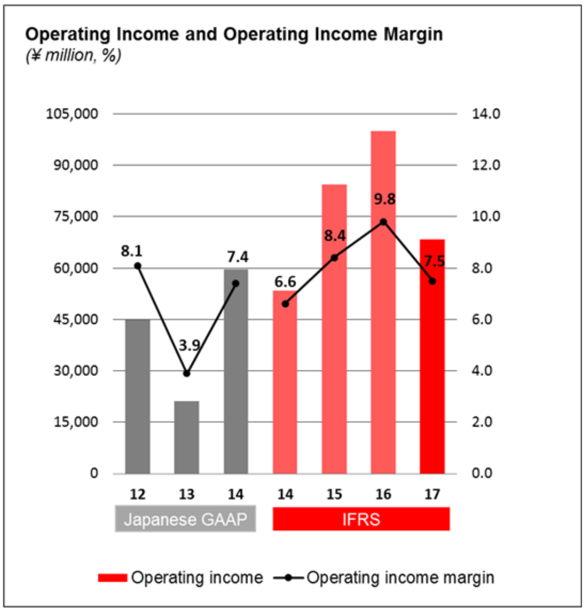
Operating Income

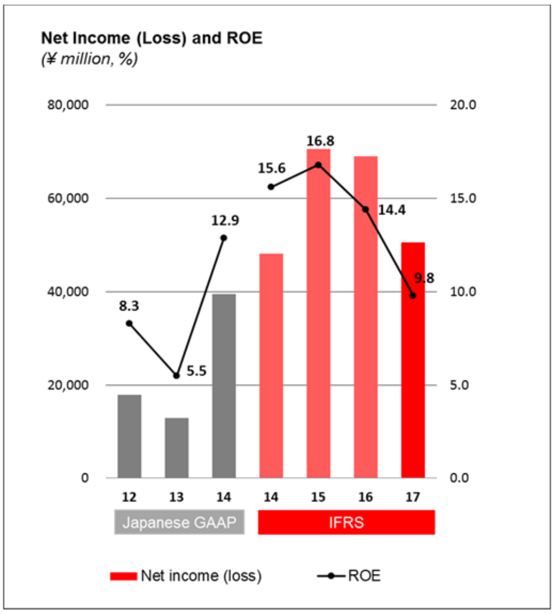
Operating income dropped ¥31,687 million or 31.7% year-on-year to ¥68,267 million. The operating income margin was 7.5%, a decrease of 2.3 percentage points year-on-year. The operating income decreased mainly due to a decrease in gross profit and gains on business reorganization and others of ¥30,232 million in other income arising from a transfer of shares equivalent to 51% of the issued shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) to Mitsubishi Materials Corporation as of April 1, 2015, during the fiscal year ended March 31, 2016.

Net Income and ROE

Interest income less interest charges for the year ended March 31, 2017, amounted to a net expense of ¥2,464 million, a decrease of ¥381 million or 13.4% from ¥2,845 million year-on-year. Income before income taxes decreased by ¥30,217 million or 31.4% to ¥66,016 million and net income attributable to owners of the parent company decreased by ¥18,463 million or 26.7% to ¥50,593 million, compared with the year ended March 31, 2016. Net income for the year ended March 31, 2017, decreased by ¥18,288 million or 26.5% from the previous year to ¥50,692 million. Net income per share was ¥118.32 while it was ¥161.50 for the previous year.

Return on equity (ROE) declined to 9.8% for the year ended March 31, 2017, mainly due to a decrease in net income. Return on assets (ROA) was 6.4%, return on sales (ROS) was 5.6%, and the financial leverage ratio was 2.0 times for the year ended March 31, 2017.





Business Results by Segment

Business Segment Information

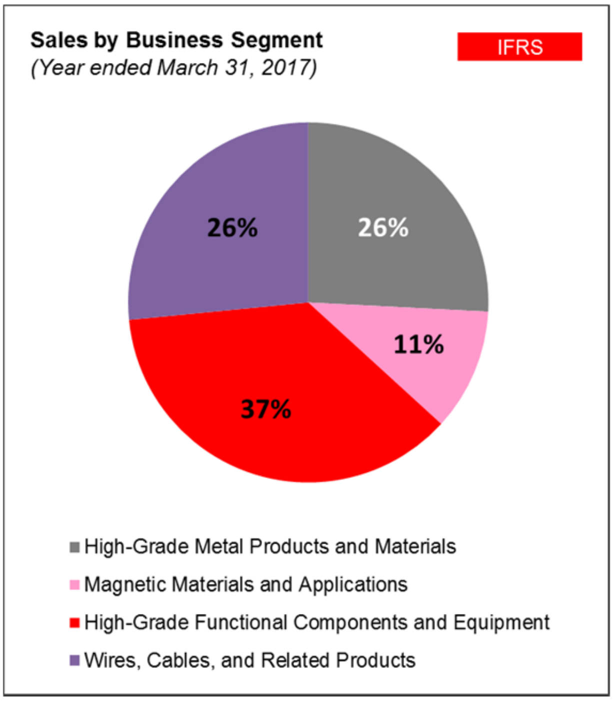
Segment revenues include intersegment sales and transfers. Business segment results are as follows.

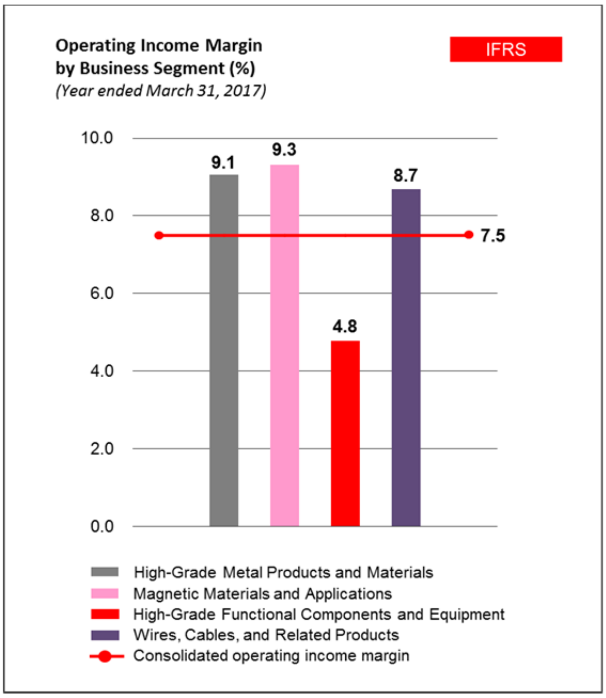
Revenues by Business Segment

Years ended March 31	Millions of yen 2017	2016	Percentage Increase (decrease)
Revenues (including intersegment sales and transfers):			
High-Grade Metal Products and Materials	**¥ 234,725**	¥ 256,652	(8.5)%
Magnetic Materials and Applications	**99,756**	105,279	(5.2)
High-Grade Functional Components and Equipment	**333,509**	365,118	(8.7)
Wires, Cables, and Related Products	**241,392**	288,246	(16.3)
Others	**2,963**	3,547	(16.5)
Adjustments	**(1,859)**	(1,258)	-
Consolidated revenues	**¥ 910,486**	¥ 1,017,584	(10.5)%

Operating Income by Business Segment

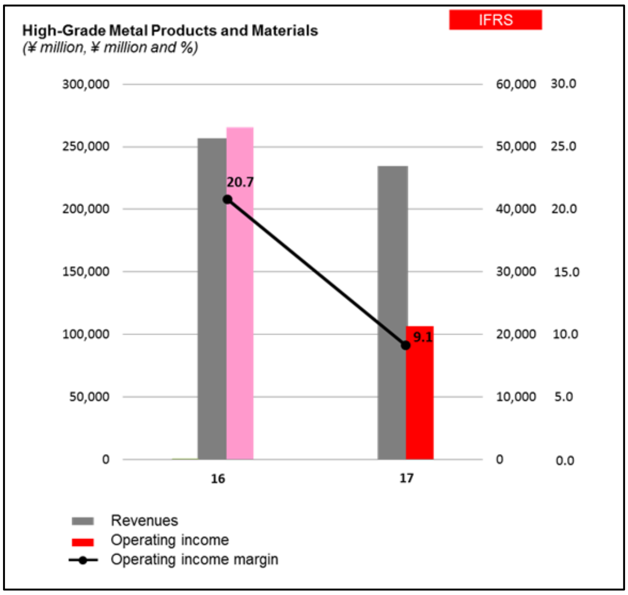
Years ended March 31	Millions of yen 2017	2016	Difference
Operating income:			
High-Grade Metal Products and Materials	**¥ 21,277**	¥ 53,070	¥ (31,793)
Magnetic Materials and Applications	**9,301**	7,027	2,274
High-Grade Functional Components and Equipment	**15,920**	23,608	(7,688)
Wires, Cables, and Related Products	**20,953**	15,979	4,974
Others	**331**	143	188
Adjustments	**485**	127	358
Consolidated operating income	**¥ 68,267**	¥ 99,954	¥ (31,687)
Operating income margin (%):			
High-Grade Metal Products and Materials	**9.1%**	20.7%	(11.6)%
Magnetic Materials and Applications	**9.3**	6.7	2.6
High-Grade Functional Components and Equipment	**4.8**	6.5	(1.7)
Wires, Cables, and Related Products	**8.7**	5.5	3.1
Consolidated operating income margin (%)	**7.5%**	9.8%	(2.3)%





High-Grade Metal Products and Materials

Revenues



Revenues in the High-Grade Metal Products and Materials segment for the fiscal year ended March 31, 2017, were ¥234,725 million, a decrease of ¥21,927 million or 8.5%, and adjusted operating income decreased by ¥3,525 million or 13.0% to ¥23,503 million, as compared with those for the fiscal year ended March 31, 2016. Operating income of the segment decreased by ¥31,793 million or 59.9% to ¥21,277 million for the same period due to the effects of the decrease in revenues as well as gains on business reorganization and others of ¥25,931 million arising from the transfer of shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) during the three months ended June 30, 2015.

Specialty Steels: Sales of molds and tool steel fell below those for the fiscal year ended March 31, 2016, due to inventory adjustments of molds and tool steel affected by an economic slowdown, mainly in Asia during the three months ended June 30, 2016. In industrial equipment materials, demand for environment-friendly products related to automobiles increased, and sales of other industrial components were strong. Sales of aircraft-related and energy-related materials faced an in-between season of demand. In alloys for electronic products, sales of display-related materials were stagnant.
Rolls: On September 1, 2016, the Group discontinued production at Baosteel Hitachi Rolls (Nantong) Ltd. with the objective of concentrating management resources in high value-added products. Additionally, sales of injection molding machine parts were affected by a decline in demand for mobile devices. As a result, sales of rolls as a whole fell year on year.
Soft Magnetic Materials and Applied Products: Sales of soft magnetic materials and applied products as a whole fell below those for the fiscal year ended March 31, 2016, due to a drop in demand in China, despite a gradual increase in demand for the mainstay Metglas® amorphous metals in India.

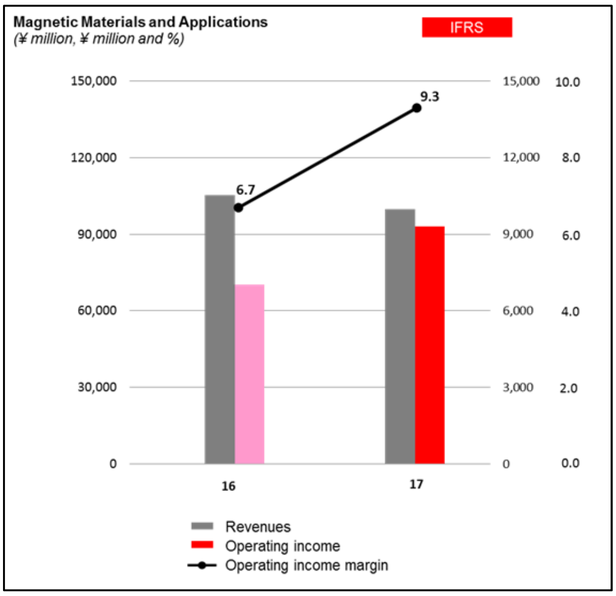
Capital Expenditures, Depreciation and Amortization, and R&D expenses Billions of yen

Years Ended March 31	**2017**	2016
Capital expenditures	**¥ 17.8**	¥ 23.8
Depreciation and amortization	**12.8**	11.9
Research and development expenses	**5.2**	5.2

Magnetic Materials and Applications

Revenues

Revenues in the Magnetic Materials and Applications segment for the fiscal year ended March 31, 2017, were ¥99,756 million, a decrease of ¥5,523 million or 5.2%, and adjusted operating income increased by ¥2,392 million or 34.6% to ¥9,314 million, as compared with those for the fiscal year ended March 31, 2016. Operating income of the segment increased by ¥2,274 million or 32.4% to ¥9,301 million for the same period.



Magnets: In rare earth magnets, demand for industrial equipment and household appliances increased as compared with that for the fiscal year ended March 31, 2016, supported by strong demand in automotive electronic components for electric power steering and hybrid automobiles. In ferrite magnets, there was strong demand for automotive electronic components and household appliance parts. However, revenues in the segment fell below those for the fiscal year ended March 31, 2016, overall due to the effects of the reduction in raw material prices (a sliding-scale raw material price system) and the appreciation of the yen.

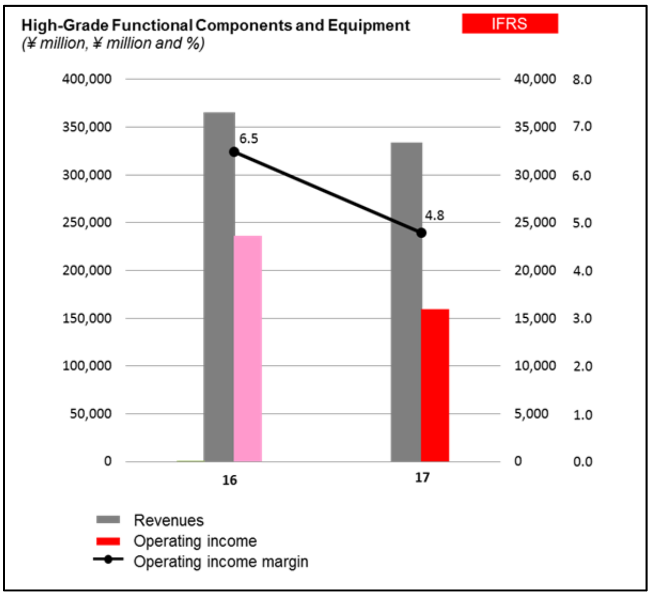
Capital Expenditures, Depreciation and Amortization, and R&D expenses Billions of yen

Years Ended March 31	2017	2016
Capital expenditures	¥ 13.7	¥ 6.1
Depreciation and amortization	6.1	5.6
Research and development expenses	2.5	2.6

High-Grade Functional Components and Equipment

Revenues

Revenues in the High-Grade Functional Components and Equipment segment for the fiscal year ended March 31, 2017, were ¥333,509 million, a decrease of ¥31,609 million or 8.7%, and adjusted operating income decreased by ¥8,662 million or 33.2% to ¥17,453 million, as compared with those for the fiscal year ended March 31, 2016. Operating income of the segment decreased by ¥7,688 million or 32.6% to ¥15,920 million for the same period.



Casting Components for Automobiles: Despite sustained high demand for casting components for pickup trucks in North America, sales of casting components for automobiles as a whole decreased compared with those for the fiscal year ended March 31, 2016, due to a decrease in demand for casting components for farming machinery and construction machinery resulting from economic slowdown in emerging countries and sluggish grain and crude oil prices. Sales of heat-resistant exhaust casting components exceeded those for the prior fiscal year due to significant sales growth in the United States and Asia. Sales of aluminum wheels fell below those for the same period of the prior year due to a decrease in shipments as well as the appreciation of the yen.

Piping Components: Sales of pipe fittings as a whole fell below those for the fiscal year ended March 31, 2016, due in part to the effects of the delay in large-scale constructions in Japan, despite a steady increase in demand for housing-related supplies following an increased number of new housing starts both in Japan and overseas.

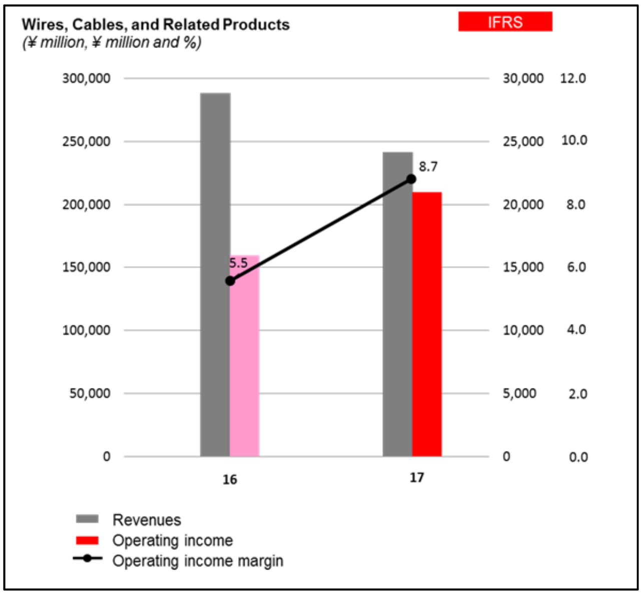
Capital Expenditures, Depreciation and Amortization, and R&D expenses Billions of yen

Years Ended March 31	2017	2016
Capital expenditures	¥ 22.6	¥ 16.8
Depreciation and amortization	14.7	15.0
Research and development expenses	2.7	2.2

Wires, Cables, and Related Products

Revenues

Revenues in the Wires, Cables, and Related Products segment for the fiscal year ended March 31, 2017, were ¥241,392 million, a decrease of ¥46,854 million or 16.3%, and adjusted operating income decreased by ¥309 million or 2.1% to ¥14,715 million, as compared with those for the fiscal year ended March 31, 2016. In the Wires, Cables, and Related Products segment, the following measures were taken for the purpose of renewing the business portfolio. The Information System Business, which is comprised of the information network business and wireless antenna business together with all issued shares of Hitachi Cable Networks, Ltd. held by Hitachi Metals, Ltd. (the "Company"), was transferred as of December 1, 2016. In addition, on January 5, 2017, for the purpose of making prompt management decisions in response to a rapidly changing market environment, the Company transferred all of its interest in SH Materials Co., Ltd, which was a joint venture between the Company and Sumitomo Metal Mining Co., Ltd. ("SMM") and accounted for using the equity-method to SMM. At the same time, the Company obtained all of SMM's interest in SH Copper Products Co., Ltd. ("SH Copper Products"), which was a joint venture between the Company and SMM and was accounted for using the equity-method, and SH Copper Products became a wholly owned subsidiary of the Company. Due to these measures, the Company recorded gains on business reorganization of ¥8,417 million for the fiscal year ended March 31, 2017. As a result, operating income increased by ¥4,974 million or 31.1% to ¥20,953 million as compared with the fiscal year ended March 31, 2016.



Electric Wires and Cables: While revenues from magnet wires and electrical wires and cables for construction decreased, sales of wires and cables for rolling stock, which is one of the focus areas of the Group, grew significantly, especially for China.
Functional Components: In automotive products, demand for both electronic components for automobiles and brake hoses was strong. Sales of probe cables for medical use fell below those for the prior year due to diminished demand in overseas countries.

Capital Expenditures, Depreciation and Amortization, and R&D expenses

Billions of yen

Years Ended March 31	**2017**	2016
Capital expenditures	**¥ 7.2**	¥ 11.5
Depreciation and amortization	**8.2**	9.2
Research and development expenses	**7.5**	9.1

Financial Conditions and Liquidity

Source of Funds and Liquidity Management

The Company endeavors to generate stable operating cash flows and maintain liquidity to secure sufficient funds for its business activities and build a solid financial position. In principal, the Company draws largely on cash and cash equivalents, and operating cash flows to fund working capital and strategic investments to secure sustainable growth. At the same time, the Company harnesses interest-bearing debt, equity finance, and a wide range of other instruments for raising funds.

To enhance efficient fund management among the Group companies, the Company and subsidiaries located in Japan have set up a cash pooling system (CPS) that ensures financial flexibility and efficient management of centrally managed surplus funds within the Group. The Group companies in North America manage their funds efficiently through a similar CPS.

As of March 31, 2017, the current ratio was 173%, the liquidity level that management considers adequate.

Rating Information

It is the Company's top management priority to build and maintain a solid credit rating, and lower financing costs for an appropriate level of liquidity, mobility, and flexibility of financial policy. Rating and Investment Information, Inc. (R&I), a major credit rating agency in Japan, assigned a rating of "A+" for the Company's long-term bonds for the year ended March 31, 2017. R&I has consistently rated the Company as "A" or above since the year ended March 31, 2009.

Rating Information

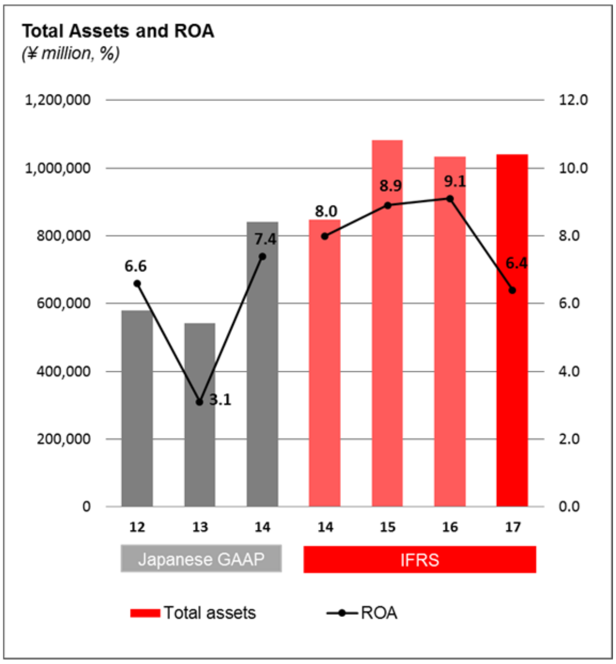
R&I		
Rating	**2017**	2016
Long-term issue rating	A+	A+

Rating Symbols and Definitions:
Rating "A+": Very high creditworthiness supported by some excellent factors.

Financial Position

Total assets were ¥1,040,390 million as of March 31, 2017, an increase of ¥7,079 million year-on-year.
Current assets were ¥491,895 million, an increase of ¥8,040 million year-on-year. This was mainly due to the net effect of an increase in cash and cash equivalents of ¥19,111 million and a decrease in other current assets of ¥14,950 million. Non-current assets were ¥548,495 million, a decrease of ¥961 million year-on-year. This was mainly attributable to decreases in investments accounted for using the equity method, goodwill and intangible assets, investments in securities and other financial assets, and other non-current assets of ¥10,198 million year-on-year, ¥7,720 million year-on-year, ¥1,482 million year-on-year, and ¥1,035 million year-on-year, respectively, despite of an increase in property, plant and equipment of ¥20,375 million year-on-year.

ROA was recorded as 6.4% in the year ended March 31, 2017, compared with 9.1% in the year ended March 31, 2016 on the back of decreasing total assets during the year.



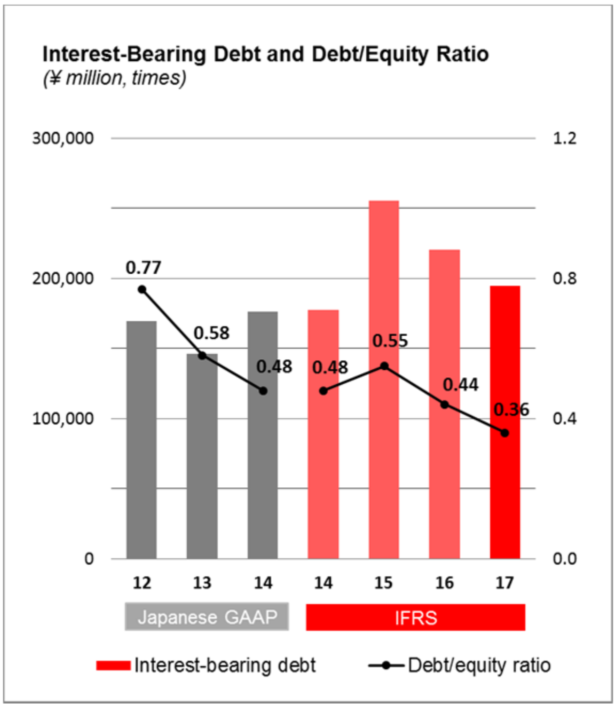
Total liabilities as of March 31, 2017, were ¥491,644 million, a decrease of ¥36,992 million year-on-year. This was mainly attributable to a decrease in current portion of long-term debt and long-term debt of ¥26,969 million year-on-year and a decrease in retirement and severance benefits of ¥ 6,521 million year on year.

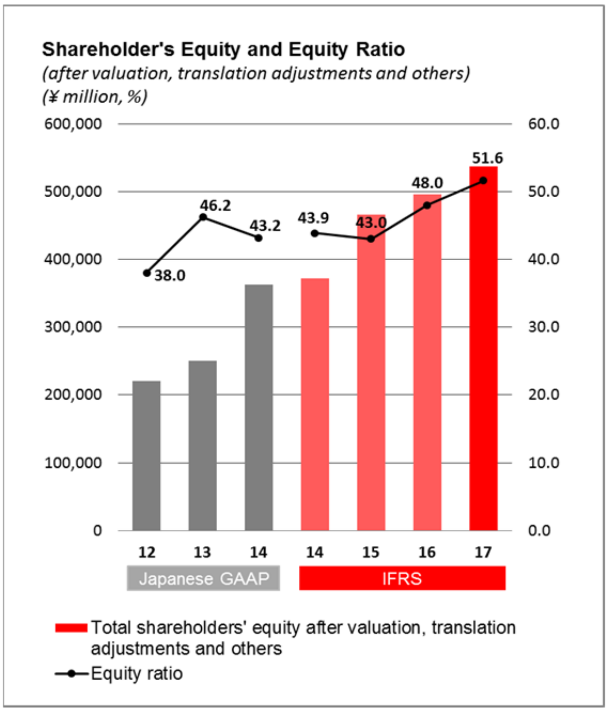
As a result, interest-bearing debt decreased by ¥25,919 million year-on-year from the previous year-end to ¥194,457 million as of March 31, 2017, the debt-to-equity ratio decreased to 0.36.

Total equity was ¥548,746 million, an increase of ¥44,071 million year-on-year. This was mainly attributable to an increase in retained earnings of ¥39,928 million year-on-year.

The equity ratio stood at 51.6%, 3.6 percentage points higher than that of the prior year, due to an increase in retained earnings of ¥39,928 million year-on-year. Return on invested capital was 6.5% during the year, 2.9 percentage points lower than that of the prior year, mainly due to a decrease in gross profit and gains on business reorganization and others of ¥30,232 million in other income arising from a transfer of shares equivalent to 51% of the issued shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) to Mitsubishi Materials Corporation.

For the year ending March 31, 2018, the management will continue to reinforce the Company’s consolidated financial position by constraining interest-bearing debt further while improving realization of investment effects.





Cash Flows

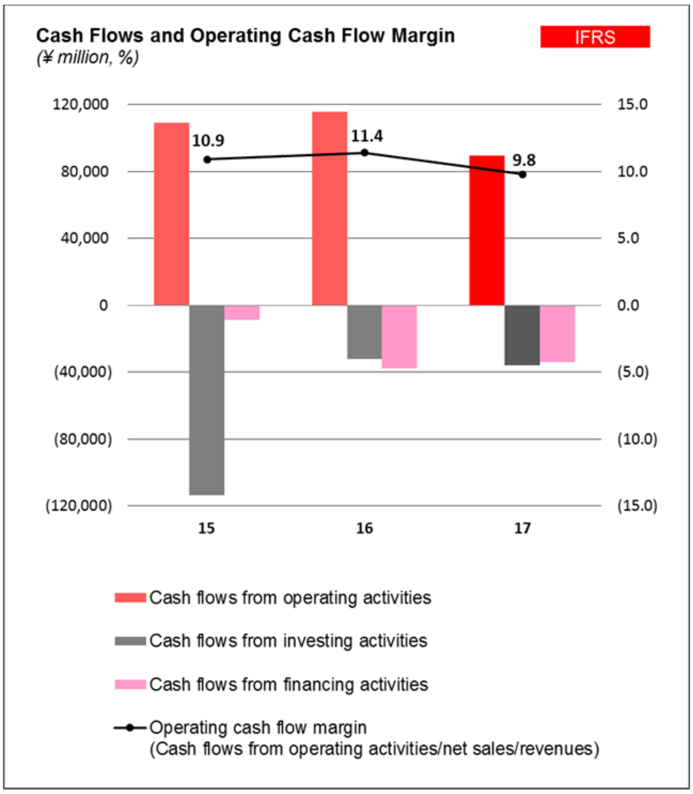
The Company's operating cash flows are the primary source of funding for operating capital necessary for business activities and capital expenditures. Repayments of interest-bearing debts and cash dividends paid to shareholders are made mainly from free cash flows.

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2017 were ¥139,411 million, an increase of ¥19,111 million from the end of the fiscal year ended March 31, 2016, as a result of net cash provided by operating activities exceeding cash used in investing activities and financing activities.

Net cash provided by operating activities was ¥89,391 million, a decrease of ¥26,351 million from the previous year, which was mainly attributable to net income of ¥50,692 million and depreciation and amortization of intangible assets of ¥43,039 million for the fiscal year ended March 31, 2017. Net cash provided by working capital was ¥2,486 million in the fiscal year ended March 31, 2017 (i.e., a decrease of ¥6,092 million in trade notes and accounts receivable, an increase of ¥7,513 million in inventories, and an increase of ¥3,907 million in trade notes and accounts payable).

The operating cash flow margin was 9.8% for the year ended March 31, 2017, down from 11.4% for the previous year.

The Company aims to reduce inventories to enhance the operating cash flow margin and shorten the working capital turnover period. The Company maintains a structure to manage appropriate inventory levels considering future trends and to reduce inventory volume over medium term to long term. Production bases and procurement units are responsible for raw material inventories. Production bases and internal companies are responsible for manufactured inventories, including work in process and finished products. Domestic and overseas sales divisions and subsidiaries, and internal companies are responsible for distribution stocks. The Company will maintain such structure and continue to manage inventories proactively.



Net cash used in investing activities was ¥35,864 million, an increase of ¥3,717 million, which was mainly attributable to the net effect of payment of ¥63,144 million for the purchase of property, plant and equipment, and proceeds of ¥27,903 million from the sale of investments in securities and other financial assets.

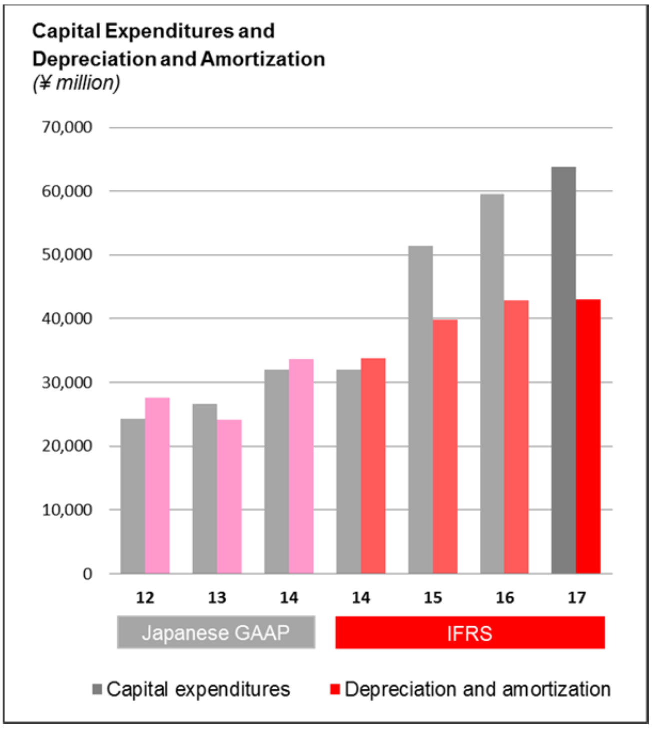
Net cash used in financing activities was ¥34,192 million, a decrease of ¥3,680 million, which was mainly attributable to repayment of long-term debt of ¥26,782 million.

Capital Expenditures, Depreciation, and Amortization

The Group invests strategically to innovate its core business processes for enhancement of production capacity and streamlining. This is in line with the Group's goals of cultivating businesses that focus on products with low environmental impacts and energy efficiency, growth opportunities, and cost competitiveness of market-dominant products.

For the year ended March 31, 2017, capital expenditures were ¥63,843 million, a 7.1% increase from the previous year, mainly due to bolstering production capacities, developing production sites and streamlining production efficiency in overseas, while enhancing production capacities in Japan. The ratio of capital expenditures (CAPEX) to operating cash flows was 0.71 times for the fiscal year ended March 31, 2017, and the entire expenditures were covered by operating cash flows.

Capital expenditures for individual business segments were as follows: ¥17,812 million for High-Grade Metal Products and Materials to improve and streamline production capacities in Japan and to establish a production structure for high-value added products; ¥13,659 million for Magnetic Materials and Applications to bolster production capacities for magnet products and develop production sites for rare-earth magnets in overseas; ¥22,575 million for High-Grade Functional Components and Equipment to boost production capacities in Japan and to streamline production efficiency in overseas; and ¥7,212 million for Wires, Cables, and Related Products to upgrade and streamline large-scale facilities in Japan and to enhance production capacities in overseas segments.



For the year ending March 31, 2018, management plans to allocate ¥93,000 million (a 45.7% increase year-on-year) to capital expenditures (including new and additional expenditures). The Specialty Steel Products segment will continue to improve and streamline production capacities and invest towards a rationalization of manufacturing in Japan. The Magnetic Materials and Applications segment will enhance its management production structure. The Functional Components and Equipment segment will strengthen its production structure of manufacturing in Japan, and enhance and streamline production capacities at production works overseas. The Wires, Cables, and Related Products segment will continue upgrade and streamline large-scale facilities in Japan. General and administrative divisions plan to establish a new base for research and development in Japan.

For both existing and new initiatives, management will endeavor to improve returns on investment and accelerate realization of investment effects.

Depreciation and amortization for the year ended March 31, 2017 were ¥43,039 million, which increased by 0.3% from the previous year.

Depreciation and amortization for the year ended March 31, 2017 for High-Grade Metal Products and Materials, Magnetic Materials and Applications, High-Grade Functional Components and Equipment, and Wires, Cables, and Related Products were ¥12,845 million, ¥6,106 million, ¥14,650 million, and ¥8,223 million, respectively.

The Group forecasts depreciation and amortization expenses for the year ending March 31, 2018, to be ¥47,000 million.

Capital Expenditures by Business Segment

	Millions of yen	
Years ended March 31	**2017**	2016
High-Grade Metal Products and Materials	**¥ 17,812**	¥ 23,849
Magnetic Materials and Applications	**13,659**	6,106
High-Grade Functional Components and Equipment	**22,575**	16,819
Wires, Cables, and Related Products	**7,212**	11,524
Others	**122**	182
Adjustments	**2,463**	1,122
Total	**¥ 63,843**	¥ 59,602
Operating cash flows	**¥ 89,391**	¥ 115,742
CAPEX to operating cash flow ratio (times)	**0.71**	0.51

Depreciation and Amortization by Business Segment

	Millions of yen	
Years ended March 31	**2017**	2016
High-Grade Metal Products and Materials	**¥ 12,845**	¥ 11,935
Magnetic Materials and Applications	**6,106**	5,588
High-Grade Functional Components and Equipment	**14,650**	14,958
Wires, Cables, and Related Products	**8,223**	9,203
Others	**390**	453
Adjustments	**825**	790
Total	**¥ 43,039**	¥ 42,927

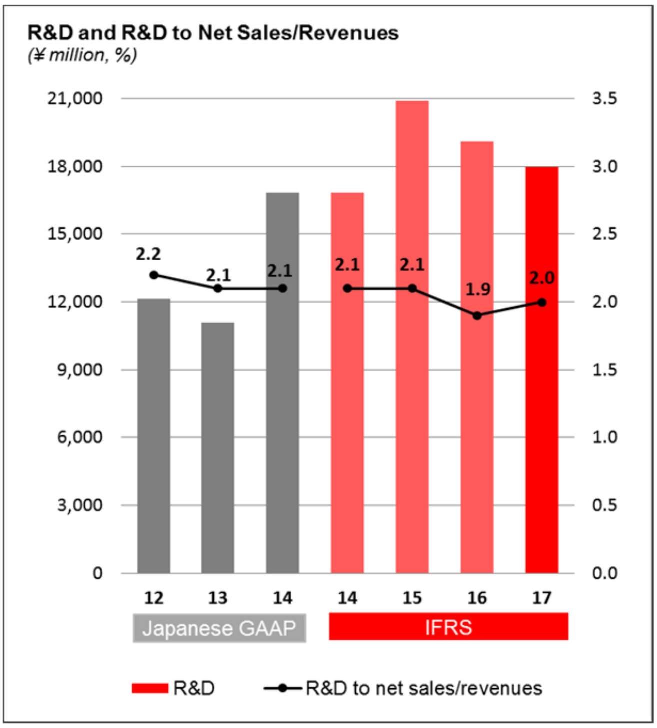
Research and Development (R&D) Activities

The Group operates R&D activities through market-oriented divisional laboratories. Each internal company pursues development activities at its own R&D section in line with its own business strategies. In addition, new products and technologies, which will play a major role in the next generation as well as fundamental technologies, are developed in the strong alliance between the Group and laboratories of Hitachi, Ltd. The Group also collaborates closely with other related divisions of the Hitachi Group to expand new applications of existing products. At the same time, the Group actively conducts and utilizes joint research with external domestic and foreign institutions, such as universities, to cultivate new materials and technologies, which leads to a development of new products in the future. Top management is involved in the development activities, in particular, for the products and technologies that are important to the Group as a whole.

For the year ended March 31, 2017, the Group invested ¥17,971 million in R&D, a 6.0% decrease from the previous year. R&D to revenues was 2.0% in the year ended March 31, 2017.

Breaking down R&D expenses by segment, the Group allocated ¥5,210 million for the High-Grade Metal Products and Materials segment, ¥2,523 million for the Magnetic Materials and Applications segment, ¥2,731 million for the High-Grade Functional Components and Equipment segment, and ¥7,507 million for the Wires, Cables, and Related Products segment.

The Group forecasts R&D expenses for the year ending March 31, 2018 to be ¥20,000 million.



R&D by Business Segment

	Millions of yen	
Years ended March 31	**2017**	2016
High-Grade Metal Products and Materials	**¥ 5,210**	¥ 5,235
Magnetic Materials and Applications	**2,523**	2,622
High-Grade Functional Components and Equipment	**2,731**	2,211
Wires, Cables, and Related Products	**7,507**	9,053
Total	**¥ 17,971**	¥ 19,121
Consolidated revenues	**¥ 910,486**	¥ 1,017,584
R&D to revenues (%)	**2.0%**	1.9%

Outlook

Performance Outlook for the year ending March 31, 2018

The global economy is expected to continue on a recovery path, although the Group's business environment is filled with uncertainties stemming from political instability in certain countries, concerns about further economic slowdown in emerging countries such as China, and fluctuations in foreign exchange rates and resource prices.

In this business environment, the Group strives for sustainable growth by executing its global growth strategies and strengthening the business base in line with the Fiscal Year 2018 Medium-Term Management Plan (ending March 31, 2019) to position itself as one of the world's leading high-performance materials company.

Management Strategies for the Future

Challenges

In order to achieve the Group's goal of becoming the world's leading high-performance materials company, with change and challenge as keywords, the Group aims to "change to be a competitive business" and "challenge ourselves to meet new targets" under the Fiscal Year 2018 Medium-term Management Plan. Specific action plans are as follows:

(a) Accelerate the creation and execution of growth strategies

The Group aims to promote new product development and growth strategy investment (including M&A) through proactive R&D based on a perspective that is attuned to what markets and customers are looking for. The Group will enhance speed from development to commercial release, mass production, and sales expansion and accelerate the creation and cultivation of what will become the next core products. Also, in addition to strengthening the business base, the Group will invest strategically for growth to globally expand business and thereby increase profitability. These efforts will make the Group more competitive, being able to develop global markets and expand the business domains in the industrial infrastructure, energy, automotive, and electronics fields.

(b) Achieve a robust business structure and highly efficient business management

To build a robust business structure capable of responding flexibly to changes in the market environment, the Group will concentrate management resources on fields where growth is expected, promoting efficient business operations, and increasing corporate value. By continuously remodeling its business portfolio, the Group aims to further strengthen its business base and establish a business structure that can compete and win on the global market level. Moreover, the Group will promote the "Corporate *Monozukuri* Innovation Project," merging GEMBA (workplace) improvement and technology development, and will further strengthen profitability to become the world's leading high-performance materials company.

(c) Strive to establish a business base that is sustainable over the long-term

By achieving the "creation and execution of growth strategies" and a "robust business structure and highly efficient business management"–the action plans in the Fiscal Year 2018 Medium-Term Management Plan–the Group will enhance management efficiency to maintain sound financial strength and become a company that is sustainable over the long term.

In addition, the Group plans to build an innovative corporate culture and achieve sustained growth by practicing diversity management and empowering people of all types to play an active role.

The Company's basic policy for management, which controls the Company's decision making on financial and operational matters, prescribes that the Company, as a development-driven entity, strives for providing new value for society through further sophistication of fundamental technologies and creation of new products and businesses by challenging new technologies. In order to pursue such commitments, as a member of the Hitachi Group led by Hitachi, Ltd., the parent company, the Company secures a close relationship with Hitachi Group companies through R&D activities, which enables the Company to utilize management resources and to offer high-quality products and services, while the Company maintains its autonomy in its business operations and transactions with Hitachi, Ltd. Moreover, considering the expectations and evaluation from shareholders, investors, and the stock market, the Company, as a listed entity, ensures timely and appropriate disclosure. Furthermore, the Company focuses on rational and intense management through implementation of management strategies for sustainable growth as well as enhancement of corporate governance. Through these measures, the Company strives to increase its corporate value while maximizing values to be offered to stakeholders, including its shareholders and the parent company.

Business Risk

The following risks may significantly influence investor's decisions. The forward-looking statements stated below are based on certain assumptions and predictions determined by the Group as of the issuance date of the Securities Report (available only in Japanese).

(1) Economic Conditions of Market and Product Demand

Demand for the Group's products is subject to market trends in the following industries: the iron and steel industry; the home electronics-related industry, such as personal computers, smart phones, and semiconductors; the automotive industry; the aviation industry; and the construction industry. The Group sells its products in Japan, the United States of America, Asia such as China, and Europe. Accordingly, economic conditions of those countries affect the sales of the Group's products.

The Group endeavors to build a profitable structure that is less subjected to changes in the business climate, by raising productivity, reducing fixed and variable costs and lowering the break-even point. However, declining demand in related industries or worsening economic conditions in the countries in which the Group's products are sold may affect the Group's operating results.

(2) Fluctuation in Prices of Raw Materials

Raw materials for the Group's metal products include scrap iron and copper, as well as cobalt, nickel, molybdenum, and rare metals, such as rare earths, for which suppliers and production areas are limited. Prices for these raw materials may fluctuate dramatically depending on market conditions. Trading volume of the raw materials may also be affected by resource policies and other factors in production countries.

The Group reflects the increase in raw material cost to selling prices of its products. Nonetheless, there is a time lag between the increase in raw material cost and the revision of selling prices in response to higher costs, and not all of the increased costs will be reflected to selling prices. Accordingly, increases in raw material cost, which are not reflected in selling prices, may affect the Group's operating results.

(3) Funding

The Group raises its funds through borrowings from financial institutions, commercial paper, and capital markets, and is subjected to fluctuations in interest rate and credit risks.

(4) Fluctuations in Foreign Exchange Rates

The Group imports raw materials from overseas countries and exports products manufactured in Japan to overseas markets. Thus, fluctuations in foreign exchange rates affect transactions, assets, and liabilities denominated in foreign currencies. The Group hedges the risks of fluctuations in foreign exchange rates that affect import and export transactions denominated in foreign currencies through financial instruments, including forward exchange contracts and currency options. Nonetheless, significant fluctuations in foreign exchange rates may affect the Group's operating results and financial position. The Group translates the financial statements of foreign consolidated subsidiaries into yen to prepare its consolidated financial statements. Therefore, fluctuations in foreign exchange rates may affect the Group's operating results and financial position.

(5) Fluctuations in Value of Marketable Securities

The Group holds marketable securities subject to impairment due to a downturn in securities markets or deteriorating financial position of issuing companies, which may affect the Group's operating results or consolidated financial position.

(6) Overseas Expansion

The Group is expanding its operations overseas, including the United States, Asia such as China, and Europe in response to maturing Japanese markets and the offshore shifts of customers.

When expanding its operations overseas, the Group is required to make large initial investments into manufacturing and other facilities and, in many cases, the Group may require time to commence its operations. Overseas expansion entails three inherent risks that may interrupt business activities: (1) regulatory changes in legal and tax system, (2) underdeveloped social systems and infrastructures, and (3) economic, social, and political conditions. If such risks materialize, they may adversely affect overseas operations and the Group's operating results or financial position.

(7) Competitive Advantage and Development and Commercialization of New Technologies and Products

The Group's competitors offer similar products in the businesses in which the Group operates. Products in the Magnetic Materials and Applications business segment are typically subjected to dramatic changes in technologies and customer needs, and the markets for existing products may shrink in a short period of time. Markets for products in other businesses may also shrink as those markets mature.

Accordingly, the Group is subjected to competition in terms of price, quality, and delivery, and is affected by ability to develop and commercialize new technologies and products.

The Group endeavors to maintain its competitiveness by identifying customer needs and developing and commercializing new technologies and products. However, if the Group is unable to respond properly to changes in technologies and customer needs or if lead times of development and commercialization for new technologies or products are prolonged, the Group's growth potential and profitability may deteriorate and the Group's operating results or financial position may be affected.

(8) Intellectual Property Rights

The Group owns and licenses numerous intellectual property rights and also exercises those rights based on its business strategy. In case where deemed necessary or effective, the Group may obtain licenses to use the intellectual property rights of third parties. If those rights are not protected, maintained or obtained as planned, the Group's operations or competitiveness may be affected. In case where the Group becomes a party to litigation regarding intellectual property rights, litigation-related costs would be incurred and may affect its operating results or financial position.

(9) Environmental Regulations

The operations of customers with which the Group does business are subjected to extensive environmental and other regulations. Regulations have and will become more stringent. The Group is required to ensure regulatory compliance with regard to the materials and parts for manufacturing its products and may unavoidably incur expenditures to meet customers' specifications.

The Group's businesses are subjected to various environmental and occupational health and safety laws and regulations covering air and water pollution, using and handling hazardous substances, rationalizing use of energy, disposing waste, and soil and groundwater contamination. The Group is responsible for risks relating to environment, health, and safety associated with its past, present, and future business activities. As related laws and regulations become more stringent and new ordinances are released, the costs related to such restrictions may affect the Group's operating results or financial position.

(10) Product Defects

Certain products of the Group, such as high-security parts, are required to be exceptionally reliable. The Group has built a rigorous quality control system to prevent manufacturing and distribution of defective products.

However, in case defective products are distributed to the market, costs for relevant repairs, replacements, recalls, damage compensation claims, and litigation may be incurred and, accordingly, such costs may affect the Group's operating results or financial position.

(11) Laws and Regulations, and Official Restrictions

The Group is subject to economic laws and regulations for trade, foreign exchange and taxation, and other related regulations and official restrictions in Japan and other countries in which it operates. The Group endeavors to comply with these laws and regulations, and official restrictions by designing and improving internal controls. However, in case the Group is considered failing to comply with these requirements, administrative punishment would be imposed, or in case these requirements are revised, such revision may increase related expenses. These expenditures may affect the Group's operating results or financial position.

(12) Earthquakes and Other Natural Disasters

The Group may experience turmoil in its logistics or supply chain in case of earthquakes, typhoons or other natural disasters that damage its facilities, or even if such disasters do not directly damage its facilities, force it to halt operations. Epidemics of a new influenza virus or other infectious diseases may also cause turmoil in the Group's business activities. In case natural disasters or other events lead to turmoil, the Group's operations may be disturbed and its operating results or financial position may be affected.

(13) Information Security

The Group recognizes the increasing importance of information systems for the Group business. In the case information systems are corrupted due to computer viruses or other causes, the Group's operations may be disturbed and its operating results or financial position may be affected.

The Group holds and manages personal information obtained from customers, and various confidential information on the Group, and customers' technologies, research and development, manufacturing, sales, and marketing activities. The Group manages and protects the confidential information; however, there is no guarantee that the Group's information management is effective enough to protect the confidential information. In case such information is disclosed without proper authority, the Group may be charged with compensation claims or filed a lawsuit. Such events may negatively affect the Group's operating results, financial position, reputation or credibility.

(14) Retirement and severance benefits

The Group owes a significant amount of retirement benefit costs and obligation derived from actuarial valuations. Inherent in these valuations are key assumptions used in estimating the amount of pension plan assets, including mortality, withdrawal rate, retirement rate, changes in wages, discount rates and expected return on plan assets. The Group is required to make judgments regarding these key assumptions by taking into account various factors, including personnel demographics, current market conditions and expected trends in interest rates. Although we believe that the key assumptions are reasonable in light of the various underlying factors, there is no assurance that the key assumptions will align with actual results. A decrease in the discount rate may result in an actuarial increase in retirement benefit obligations. Changes in key assumptions may affect the Group's financial position or operating results.

(15) Business Relationship with the Parent Company

Hitachi, Ltd. is the Company's parent company and holds 53.5% (including indirect ownership of 0.5%) of the voting rights of the Company as of March 31, 2017. Hitachi, Ltd. has a number of affiliates and engages in a broad range of business activities from product manufacturing to sales and services in segments, including Information & Telecommunication Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Life and Eco System, and Others (Logistics and Other Services.). The Company partially engages in High Functional Materials & Components. As of the issuance date of the Securities Report (available only in Japanese), one of eight directors of the Company concurrently serves as the director of Hitachi, Ltd. Further, the Company has transactions with Hitachi, Ltd., including product supplies. While securing the Company's independence, it actively participates in the Hitachi Group management and intends to maximize the effective use of Hitachi Group's research and development capabilities, as well as brand and other management resources. Thus, the Company's business may be affected by the management strategy of Hitachi, Ltd.

(16) M&A

The Group may be involved in transactions, including acquiring other entities, establishing joint ventures, and entering into strategic business alliances aimed at developing new technologies and products, enhancing competitiveness in each of the Group's business domains, and expanding business areas. Executing these strategies may require time before the Group realizes synergy benefits for certain transactions, as it addresses complex issues involving integration of businesses, technologies, products, and human resources, a process that entails both time and costs. When strategy execution does not go according to plan, there is a possibility that initially expected benefits may not be realized. Furthermore, business collaborations might be adversely affected by factors that are beyond the Group's control, such as decisions or capabilities of its strategic alliance partners and market trends. Moreover, significant costs may be incurred owing to post-integration management issues, including restructuring of acquired entities or businesses, which may impair the Group's performance or financial position.

(17) Medium-Term Management Plan

The Group has prepared the Fiscal 2018 Medium-Term Management Plan ending March 31, 2019, under which the Group aims to "change to be a competitive business" and "challenge to meet new targets." With "change" and "challenge" as its keywords, the Group plans to build a stronger business base and pursue a growth strategy to become the world's leading high-performance materials company and grow sustainably over the long term.

Although the Group strives to achieve the goals set in the Medium-Term Management Plan, unforeseen changes in the business climate or the emergence of any of the risks above described in (1) through (16) may adversely affect the Group's operating results or financial position. Accordingly, the Medium-Term Management Plan may not be implemented as planned, or the Group may fail to reach its targeted management benchmarks.

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1 Consolidated Financial Statements and Notes

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Note	Millions of yen		Thousands of U.S. dollars
		As of March 31, 2017	As of March 31, 2016	As of March 31, 2017
Assets				
Current assets				
Cash and cash equivalents		¥ 139,411	¥ 120,300	$ 1,242,633
Trade receivables	5	175,568	178,281	1,564,917
Inventories	6	153,556	146,964	1,368,714
Other current assets	20	23,360	38,310	208,218
Total current assets		491,895	483,855	4,384,482
Non-current assets				
Investments accounted for using the equity method	7	26,239	36,437	233,880
Investments in securities and other financial assets	20, 21	20,964	22,446	186,862
Property, plant and equipment	8	324,667	304,292	2,893,903
Goodwill and intangible assets	9	151,195	158,915	1,347,669
Deferred tax assets	10	11,651	12,552	103,851
Other non-current assets		13,779	14,814	122,818
Total non-current assets		548,495	549,456	4,888,983
Total assets		¥ 1,040,390	¥ 1,033,311	$ 9,273,465
Liabilities				
Current liabilities				
Short-term debt	20	¥ 26,301	¥ 25,251	$ 234,433
Current portion of long-term debt	20	35,462	27,131	316,089
Other financial liabilities	20	26,360	26,714	234,959
Trade payables	11, 20	150,785	148,999	1,344,015
Accrued expenses		37,817	38,067	337,080
Advances received		858	2,426	7,648
Other current liabilities	12	6,002	8,126	53,499
Total current liabilities		283,585	276,714	2,527,721
Non-current liabilities				
Long-term debt	20	132,694	167,994	1,182,761
Other financial liabilities	20	1,641	3,482	14,627
Retirement and severance benefits	13	60,299	66,820	537,472
Deferred tax liabilities	10	8,758	7,933	78,064
Other non-current liabilities	12	4,667	5,693	41,599
Total non-current liabilities		208,059	251,922	1,854,524
Total liabilities		491,644	528,636	4,382,244
Equity				
Equity attributable to shareholders of the parent company				
Common stock	14	26,284	26,284	234,281
Capital surplus		115,806	115,806	1,032,231
Retained earnings		376,069	336,141	3,352,072
Accumulated other comprehensive income	15	19,555	18,780	174,303
Treasury stock, at cost	14	(1,151)	(1,146)	(10,259)
Total equity attributable to shareholders of the parent company		536,563	495,865	4,782,628
Non-controlling interests		12,183	8,810	108,593
Total equity		548,746	504,675	4,891,220
Total liabilities and equity		¥ 1,040,390	¥ 1,033,311	$ 9,273,465

See accompanying notes to the consolidated financial statements.

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Note	Millions of yen		Thousands of U.S. dollars
		For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2017
Revenues		¥ 910,486	¥ 1,017,584	$ 8,115,572
Cost of sales		(731,153)	(819,433)	(6,517,096)
Gross profit		179,333	198,151	1,598,476
Selling, general, and administrative expenses		(113,350)	(122,090)	(1,010,340)
Other income	17	14,070	36,416	125,412
Other expenses	17	(11,786)	(12,523)	(105,054)
Operating income		68,267	99,954	608,495
Interest income		346	847	3,084
Other financial income	18	248	385	2,211
Interest charges		(2,810)	(3,692)	(25,047)
Other financial expenses	18	(1,189)	(1,689)	(10,598)
Share of profits of investments accounted for using the equity method	7	1,154	428	10,286
Income before income taxes		66,016	96,233	588,430
Income taxes	10	(15,324)	(27,253)	(136,590)
Net income		50,692	68,980	451,841
Net income attributable to:				
Shareholders of the parent company		50,593	69,056	450,958
Non-controlling interests		99	(76)	882
Net income		¥ 50,692	¥ 68,980	$ 451,841

	Note	Yen		U.S. dollars
		For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2017
Earnings per share attributable to shareholders of the parent company				
Basic	19	¥ 118.32	¥ 161.50	$ 1.05
Diluted		–	–	–

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	Millions of yen		Thousands of U.S. dollars
		For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2017
Net income		¥ 50,692	¥ 68,980	$ 451,841
Other comprehensive income				
Items not to be reclassified into net income				
Net change in fair value of financial assets measured at fair value through other comprehensive income		(38)	(1,166)	(339)
Remeasurements of defined benefit plans		2,628	(6,456)	23,425
Share of other comprehensive income of investments accounted for using the equity method	7	(477)	(119)	(4,252)
Total items not to be reclassified into net income		2,113	(7,741)	18,834
Items that can be reclassified into net income				
Foreign currency translation adjustments		(1,590)	(19,960)	(14,172)
Net change in fair value of cash flow hedges		1,114	(233)	9,930
Share of other comprehensive income of investments accounted for using the equity method	7	(364)	(964)	(3,244)
Total items that can be reclassified into net income		(840)	(21,157)	(7,487)
Total other comprehensive income	15	1,273	(28,898)	11,347
Comprehensive income		¥ 51,965	¥ 40,082	$ 463,187
Comprehensive income attributable to:				
Shareholders of the parent company		¥ 51,821	¥ 40,664	$ 461,904
Non-controlling interests		144	(582)	1,284
Comprehensive income		¥ 51,965	¥ 40,082	$ 463,187

See accompanying notes to the consolidated financial statements.

3) Consolidated Statement of Changes in Equity

	Note	Common stock	Capital surplus	Retained earnings	Accumu-lated other comprehen-sive income	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
		Millions of yen							
Balance at April 1, 2015		¥ 26,284	¥ 115,805	¥ 277,856	¥ 47,519	¥ (1,105)	¥ 466,359	¥ 9,817	¥ 476,176
Changes in equity									
Net income		–	–	69,056	–	–	69,056	(76)	68,980
Other comprehensive income		–	–	–	(28,392)	–	(28,392)	(506)	(28,898)
Dividends to shareholders of the parent company	16	–	–	(11,118)	–	–	(11,118)	–	(11,118)
Dividends to non-controlling interests		–	–	–	–	–	–	(425)	(425)
Acquisition of treasury stock	14	–	–	–	–	(41)	(41)	–	(41)
Sales of treasury stock	14	–	1	–	–	0	1	–	1
Transactions with non-controlling interests		–	–	–	–	–	–	–	–
Transfer to retained earnings		–	–	347	(347)	–	–	–	–
Total changes in equity		–	1	58,285	(28,739)	(41)	29,506	(1,007)	28,499
Balance at March 31, 2016		26,284	115,806	336,141	18,780	(1,146)	495,865	8,810	504,675
Changes in equity									
Net income		–	–	50,593	–	–	50,593	99	50,692
Other comprehensive income		–	–	–	1,228	–	1,228	45	1,273
Dividends to shareholders of the parent company	16	–	–	(11,118)	–	–	(11,118)	–	(11,118)
Dividends to non-controlling interests		–	–	–	–	–	–	(190)	(190)
Acquisition of treasury stock	14	–	–	–	–	(5)	(5)	–	(5)
Sales of treasury stock	14	–	0	–	–	0	0	–	0
Transactions with non-controlling interests		–	–	–	–	–	–	3,419	3,419
Transfer to retained earnings		–	–	453	(453)	–	–	–	–
Total changes in equity		–	0	39,928	775	(5)	40,698	3,373	44,071
Balance at March 31, 2017		¥ 26,284	¥ 115,806	¥ 376,069	¥ 19,555	¥ (1,151)	¥ 536,563	¥ 12,183	¥ 548,746

See accompanying notes to the consolidated financial statements.

	Note	Thousands of U.S. dollars							
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Balance at March 31, 2016		$ 234,281	$ 1,032,231	$ 2,996,176	$ 167,395	$ (10,215)	$ 4,419,868	$ 78,527	$ 4,498,396
Changes in equity									
Net income		–	–	450,958	–	–	450,958	882	451,841
Other comprehensive income		–	–	–	10,946	–	10,946	401	11,347
Dividends to shareholders of the parent company	16	–	–	(99,100)	–	–	(99,100)	–	(99,100)
Dividends to non-controlling interests		–	–	–	–	–	–	(1,694)	(1,694)
Acquisition of treasury stock	14	–	–	–	–	(45)	(45)	–	(45)
Sales of treasury stock	14	–	0	–	–	0	0	–	0
Transactions with non-controlling interests		–	–	–	–	–	–	30,475	30,475
Transfer to retained earnings		–	–	4,038	(4,038)	–	–	–	–
Total changes in equity		–	0	355,896	6,908	(45)	362,760	30,065	392,825
Balance at March 31, 2017		$ 234,281	$ 1,032,231	$ 3,352,072	$ 174,303	$ (10,259)	$ 4,782,628	$ 108,593	$ 4,891,220

See accompanying notes to the consolidated financial statements.

4) Consolidated Statement of Cash Flows

	Note	Millions of yen		Thousands of U.S. dollars
		For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from operating activities:				
Net income		¥ 50,692	¥ 68,980	$ 451,841
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		43,039	42,927	383,626
Impairment losses		1,063	1,372	9,475
Share of profits of investments accounted for using the equity method		(1,154)	(428)	(10,286)
Financial expenses		3,405	4,149	30,350
Losses on sale of property, plant and equipment		2,276	1,377	20,287
Structural reform expenses		1,495	3,250	13,326
Net gain on business reorganization and others		(7,657)	(29,841)	(68,250)
Income taxes		15,324	27,253	136,590
Decrease in trade receivables		6,092	33,731	54,301
(Increase) decrease in inventories		(7,513)	12,974	(66,967)
Decrease in accounts receivable - other		1,257	6,540	11,204
Increase (decrease) in trade payables		3,907	(24,837)	34,825
Increase (decrease) in accrued expenses		670	(1,291)	5,972
Decrease in retirement and severance benefits		(2,691)	(701)	(23,986)
Other		(4,882)	(9,407)	(43,515)
Subtotal		105,323	136,048	938,791
Interest and dividends received		2,497	1,641	22,257
Interest paid		(2,864)	(3,780)	(25,528)
Payments for structural reforms		(762)	(3,239)	(6,792)
Income taxes paid		(14,803)	(14,928)	(131,946)
Net cash provided by operating activities		89,391	115,742	796,782
Cash flows from investing activities:				
Purchase of property, plant and equipment		(63,144)	(53,646)	(562,831)
Purchase of intangible assets		(2,074)	(4,112)	(18,486)
Proceeds from sales of property, plant and equipment		1,578	1,844	14,065
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		(773)	(12,940)	(6,890)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		27,903	31,191	248,712
Proceeds from transfer of business		–	1,694	–
Payments for transfer of business		–	(1,399)	–
Other		646	5,221	5,758
Net cash used in investing activities		(35,864)	(32,147)	(319,672)

(Continued)

	Note	Millions of yen		Thousands of U.S. dollars
		For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from financing activities:				
Net increase (decrease) in short-term debt		484	(2,255)	4,314
Proceeds from long-term debt		–	6,000	–
Repayment of long-term debt		(26,782)	(30,034)	(238,720)
Proceeds from payments from non-controlling interests		3,419	–	30,475
Dividends paid to shareholders	16	(11,118)	(11,118)	(99,100)
Dividends paid to non-controlling interests		(190)	(425)	(1,694)
Acquisition of common stock for treasury		(5)	(41)	(45)
Proceeds from sales of treasury stock		–	1	–
Net cash used in financing activities		(34,192)	(37,872)	(304,769)
Effect of exchange rate changes on cash and cash equivalents		(224)	(4,452)	(1,997)
Net increase in cash and cash equivalents		19,111	41,271	170,345
Cash and cash equivalents at the beginning of the year		120,300	79,029	1,072,288
Cash and cash equivalents at the end of the year		¥ 139,411	¥ 120,300	$ 1,242,633

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1. Nature of the Reporting Company

Hitachi Metals, Ltd. (the "Company") is a Japan-based company whose shares are listed on the First Section of the Tokyo Stock Exchange. Its principal office is located at 2-70 Konan 1-chome, Minato-ku, Tokyo. The Company's consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as well as its share of the profit or loss of associates and joint ventures. The Company and its subsidiaries (the "Group") primarily manufacture and sell high-grade metal products, magnetic materials and applications, high-grade functional components and equipment, and wires, cables, and related products.

Note 2. Basis of Presentation

As the Company meets the qualification for a "Specified Company applying Designated IFRSs" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Method of Consolidated Financial Statements (Ordinance of Ministry of Finance of Japan Regulation No. 28, 1976), the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, as permitted by the provision of Article 93 of the above Ordinance.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments measured at fair value, financial instruments measured at fair value through profit or loss (FVTPL), financial instruments measured at fair value through other comprehensive income (FVTOCI), and assets and liabilities associated with defined benefit plans. The consolidated financial statements are presented in millions of Japanese yen. Amounts are rounded to the nearest million yen for presentation.

The accompanying consolidated financial statements were approved by Akitoshi Hiraki, president and chief executive officer, on June 27, 2017.

Management of the Company is required to make a number of judgments, estimates, and assumptions related to the application of accounting policies and reporting of revenues and expenses, and assets and liabilities to prepare the consolidated financial statements in accordance with IFRS. Actual results may differ from those estimates.

Estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change was made and in future periods.

The translation of Japanese yen amounts into U.S. dollars as of and for the year ended March 31, 2017, is included in this annual report solely for the convenience of readers outside Japan. The translation has been made at the rates of ¥112.19=$1, the approximate exchange rates as of March 31, 2017.

The following notes include information regarding judgments in applying accounting policies that could materially affect the Company's consolidated financial statements:
- Note 3. (1) "Basis of Consolidation"
- Note 3. (4) "Financial Instruments" and Note 20. "Financial Instruments and Other Related Information"

The following notes include information regarding uncertainties arising from assumptions and estimates that may materially affect the Company's consolidated financial statements in the following fiscal year:
- Note 3. (9) "Impairment of Non-Financial Assets"
- Note 3. (11) "Post-Employment Benefits" and Note 13. "Employee Benefits"
- Note 3. (12) "Provisions," Note 3. (13) "Contingencies," Note. 12. "Provisions" and Note 24. "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)"
- Note 3. (15) "Income Taxes" and Note 10. "Deferred Taxes and Income Taxes"

Note 3. Summary of Significant Accounting Policies

(1) Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled mainly by the Group through direct or indirect ownership of a majority voting rights.

The Company consolidates all subsidiaries from the date on which the Group acquired control until the date on which the Group loses control.

The financial statements of the Company's subsidiaries have been adjusted, if accounting policies applied by such subsidiaries differ from those of the Group, if necessary.

Changes in ownership interest in subsidiaries without a loss of control are accounted for as equity transactions. On the other hand, changes in ownership interest in subsidiaries with a loss of control are accounted for by derecognizing assets and liabilities, non-controlling interests, and accumulated other comprehensive income attributable to the subsidiary.

Financial statements of subsidiaries whose fiscal closing dates differ from the consolidated account closing date are included in the consolidated financial statements on the basis of a provisional account closing as of the consolidated account closing date.

(b) Associates and joint ventures (accounted for using the equity method)
Associates are entities over which the Group has the ability to exercise significant influence over operational and financial policies mainly by holding 20%-50% ownership directly or indirectly, but does not control such entities.

Joint ventures are entities jointly controlled by more than one party, including the Group, and decisions about operational and financial policies require unanimous consent of all parties where the Group has a right to the net assets of the arrangement.

Investments in associates and joint ventures (“equity-method investees”) are accounted for using the equity method.

Consolidated financial statements include changes in net income and other comprehensive income of the equity method investees from the date on which the Group obtains significant influence or joint control over the investees to the date on which it loses significant influence or joint control.

The financial statements of the Group’s equity-method investees have been adjusted, if necessary, when the accounting policies of such equity-method investees differ from those of the Group.

(2) Cash Equivalents
The Group considers highly liquid investments with insignificant risk of changes in value and original maturities of three months or less when purchased to be cash equivalents.

(3) Foreign Currency Translation
The consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency.

(a) Foreign currency transactions
Foreign currency transactions are translated into each functional currency of the Group using exchange rates prevailing at the dates of the transactions or rates that approximate such rates. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from currency translation and settlement are recognized in profit or loss.

(b) Translation of the financial statements of foreign operations
Assets and liabilities of the Company’s foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expense items are translated at the average exchange rate prevailing during the year.
Foreign exchange gains and losses resulting from the translation of financial statements of foreign operations are included in other comprehensive income.

(4) Financial Instruments
The Group has applied IFRS 9 *Financial Instruments* (issued in November 2009, amended in October 2010 and December 2011) earlier than the mandatory effective date.

(a) Non-derivative financial assets
The Group initially recognizes trade receivables on the actual transaction dates. All other financial assets are initially recognized on the dates on which the Group becomes party to the agreement.

The Group derecognizes financial assets when the contractual rights to cash flows from the financial assets expire or are transferred, and the risks and rewards of ownership of the financial assets are substantially transferred.

Classification and measurement models of non-derivative financial assets are summarized as follows:

<u>Financial assets measured at amortized cost</u>

Financial assets are subsequently measured at amortized cost when they meet the following requirements:

- The financial asset is held in accordance with the Group’s business model whose objective is to hold the asset in order to collect contractual cash flows.
- The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method, less impairment losses when necessary.

Impairment of financial assets measured at amortized cost

The Group evaluates financial assets measured at amortized cost for possible impairment on a periodic basis, but no less frequently than at the end of each quarterly reporting period when there is objective evidence of impairment resulting from one or more events occurring after the initial recognition and when the estimated future cash flows from the financial assets or group of assets can be reliably measured. Objective evidence of impairment includes historical credit loss; the existence of overdue payments; extended payment terms; a negative evaluation by third-party credit rating agencies; excessive debts; and findings indicating a deteriorating financial position or operating results.

An impairment loss is estimated based on the present value of estimated future cash flows of the financial asset discounted at the effective interest rate or an observable market price.

In addition, an impairment loss is recognized based on the actual bad debt ratio calculated based on factors such as historical experience, or the estimated collectible amount, after assessing multiple potential risks associated with a country in which a debtor conducts its business or business environment, including special business customs particular to the region.

In the consolidated statement of financial position, impairment losses of debt securities are directly deducted from their carrying amount and impairment losses of financial assets other than debt securities are indirectly decreased through the allowance account. For financial assets other than debt securities, account balances are generally written off against the allowance only after all means of collection have been exhausted and the recoverability of the assets is considered remote. Write-offs are generally recognized only when a debtor commences bankruptcy or liquidation proceedings because it is considered that all collection efforts will have been exhausted by that time.

FVTPL financial assets

The Group classifies equity instruments not designated as FVTOCI financial assets at the initial recognition and debt instruments not classified as financial assets measured at amortized cost as FVTPL financial assets. These instruments are subsequently measured at fair value and any changes in fair value are recognized in profit or loss.

FVTOCI financial assets

The Group holds certain equity instruments to expand its revenue base by maintaining and strengthening business relations with investees. The Group makes an irrevocable election to designate these equity instruments as FVTOCI financial assets at initial recognition. They are measured at fair value after initial recognition and changes in fair value are recognized in other comprehensive income. The cumulative amount of the changes in fair value is recognized in accumulated other comprehensive income. Dividends from equity instruments designated as FVTOCI are recognized in profit or loss unless it is obviously a return of investment.

Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to cash flows from the financial assets expire or are transferred, and the risks and rewards of ownership of the financial assets are substantially transferred.

(b) Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date of issuance. All other financial liabilities are initially recognized on the transaction dates on which the Group becomes party to the agreement.

The Group derecognizes financial liabilities when extinguished, that is, when the obligation in the contract is redeemed, or the liability is discharged, cancelled, or expires.

Non-derivative financial liabilities that the Group holds include bonds, debts, operating payables, and other liabilities. They are initially measured at fair value (less direct transaction costs) and subsequently measured at amortized cost using the effective interest method.

(c) Derivatives and hedge accounting

The Group uses derivative instruments, including forward exchange contracts, interest rate swaps, and copper futures trading, in order to hedge currency risks, interest rate risks, and raw material (copper) price fluctuation risks, respectively.

The Group applies hedge accounting as follows:

- Fair value hedge: a hedge against changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment. The changes in the fair value of the recognized assets or liabilities, or unrecognized firm commitments, and the related derivatives are recognized in profit or loss if the hedge is considered highly effective.
- Cash flow hedge: a hedge against variability in cash flows attributable to a forecasted transaction or related to a recognized asset or liability. The changes in the fair value of derivative instruments designated as cash flow hedges are recorded in other comprehensive income (loss) if the hedge is considered highly effective. This treatment is continued until net income is affected by the variability in cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative instruments are recognized in profit or loss.

The Group documents risk management objectives and strategies for undertaking various hedge transactions. In addition, the Group assesses whether the derivative used in hedging activities is highly effective in offsetting changes in fair value or cash flows of the hedged item at the hedge's inception and periodically on an ongoing basis. Hedge accounting is discontinued for ineffective hedges. Subsequent changes in the fair value of derivatives related to discontinued hedges are immediately recognized in profit or loss.

(d) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(5) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or average cost method for merchandise and finished products, and work in process, and generally by the moving average cost method or average cost method for raw materials and supplies. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to sell.

(6) Property, Plant and Equipment

The Group applies the cost model to property, plant and equipment and states such assets at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the direct cost of acquisition, and the cost of its dismantlement, removal, and restoration. Property, plant and equipment are principally depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures:	2 to 60 years
Machinery and vehicles:	2 to 20 years
Tools, furniture, and fixtures:	2 to 30 years

The estimated useful lives and the method of depreciation are reviewed at each fiscal year-end. Changes in estimated useful lives or depreciation method are accounted for as a change in an accounting estimate and applied prospectively.

(7) Goodwill and Other Intangible Assets

(a) Goodwill

Goodwill is stated at cost, less any accumulated impairment losses.

(b) Intangible assets (excluding goodwill)

The Group applies the cost model to intangible assets and states such assets at cost, less accumulated amortization and impairment losses.

Intangible assets with finite useful lives are amortized principally using the straight-line method over the following estimated useful lives:

Software:	2 to 10 years
Other intangible assets:	2 to 20 years

(8) Equity

(a) Common stock and capital surplus

The amounts of equity instruments issued by the Company are recognized in common stock and capital surplus at their issued prices, and the costs incurred directly related to the issuance are deducted from capital surplus.

(b) Treasury stock

When the Company acquires treasury stock, the acquisition costs are recognized as deductions from equity. When treasury stock is sold, the differences between the carrying amounts and the considerations are recognized in capital surplus.

(9) Impairment of Non-Financial Assets

The Group performs impairment testing for non-financial assets whenever events or circumstances have occurred that indicate that the carrying amount of the assets may not be recoverable. The Group tests goodwill and intangible assets with indefinite lives for impairment annually, generally during the fourth quarter, irrespective of whether there is any indication of impairment. The Group performs impairment testing by estimating the recoverable amount per cash generating unit (CGU) to which the asset belongs. When performing an impairment test, assets are grouped into the smallest identifiable group whose cash flows are independent.

In determining the recoverable amount, the Group uses available quoted market prices or the income approach (a present value technique) based on the estimated future cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of the assets allocated to a CGU exceeds the recoverable amount, an impairment loss on the assets of that CGU is recognized.

When there is a significant change in the facts and circumstances used to calculate the recoverable amount of an asset other than goodwill, and there is an indication that an impairment loss previously recognized on the asset may no longer exist or be decreased, the recoverable amount of the asset or the CGU is estimated. If the recoverable amount of the asset or the CGU exceeds its carrying amount, then the impairment loss is reversed to the extent of the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

(10) Assets Held for Sale

The Group classifies an asset or a disposal group of assets whose carrying amount will be recovered through a sales transaction, rather than through continuing use, as an asset or assets held for sale, if its sale is highly probable and it is available for immediate sale in its present condition. Assets held for sale are not depreciated or amortized, and measured at the lower of carrying amount or fair value, less costs to sell.

(11) Post-Employment Benefits

The Company and its subsidiaries have contributory defined benefit pension plans as well as funded and unfunded lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method.

The effects of remeasurements of the net defined benefit asset or liability are recognized in other comprehensive income when incurred. Past service cost is immediately recognized in profit or loss.

The net amount of a defined benefit asset or liability is calculated as the present value of the defined benefit obligation, less the fair value of the plan assets, and is recognized as an asset or liability in the consolidated statement of financial position.

Additionally, the Company and certain subsidiaries have defined contribution pension plans, recognizing the contributions to the plans as expenses during the fiscal year when employees have rendered service.

(12) Provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated.

When the time to settle an obligation is expected to be long and the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is a pre-tax rate that reflects the time value of money and the risks specific to the liability.

The nature and the amount of the provisions that the Group recorded are described in Note 12. “Provisions.”

(13) Contingencies

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Group discloses contingent liabilities in Note 24. “Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)” for outflows of resources embodying economic benefits whose realization is uncertain at the end of the reporting period, if it cannot be determined as a present obligation as of the end of the reporting period or if it does not meet the recognition criteria of provisions prescribed in (12) “Provisions,” unless the possibility of any outflow in settlement is remote.

The Group has financial guarantee contracts that require the group to make specified payments to reimburse the creditor for a loss when the debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group accounts for liabilities related to the financial guarantee contracts at the higher of the best estimate of expenditures required for settling the present obligation at the reporting date or the amount initially recognized, less cumulative amortization.

(14) Revenue Recognition

The Group recognizes revenue when persuasive evidence of an arrangement exists, it is probable that future economic benefits will flow to the Group, and these benefits can be measured reliably.

Revenues from the sale of products are measured at the fair value of the consideration received or receivable. The fair value is the amount less discounts and rebates.

Revenue from sales of products is recognized when the significant risks and rewards of ownership of the products have been transferred to the customer; the Group has no continuing involvement nor effective control over the products; the amount of revenue and the costs incurred related to the transaction can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to the Group. Primarily, the Group recognizes revenue from the sale of products upon delivery to the customer. The Group sells products, such as high-grade specialty steel products, various mill rolls, injection molding machine parts, structural ceramic products, steel-frame joints for construction, soft magnetic materials and related applied products, magnets, ceramic components, casting components for automobiles, aluminum wheels, other aluminum components, forged components for automobiles, piping and infrastructure components, electric wires and cables, functional products, and information systems.

(15) Income Taxes

Deferred tax assets and liabilities arising from temporary differences, unused tax losses and unused tax credits are recognized based on the asset and liability method. A deferred tax liability is not recognized on the temporary difference arising from goodwill, and the temporary difference arising from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of transaction, affects neither accounting nor taxable profit or loss. It is also not recognized on outside-basis difference arising from investments in subsidiaries and associates when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the fiscal year when those temporary differences are expected to be recovered. The effects of a change in tax rates on deferred tax assets and liabilities are recognized in profit or loss and other comprehensive income in the fiscal year that includes the date of enactment of the change in the tax rate. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which any unused tax losses, unused tax credits, and future deductible temporary difference can be utilized.

(16) Consumption Tax

Consumption tax collected and remitted to taxing authorities is excluded from revenues, cost of sales, and expenses in the consolidated statements of income.

(17) Earnings per Share

Basic earnings per share (“EPS”) attributable to shareholders of the parent company is calculated based on the weighted average of ordinary shares outstanding during the period.

(18) Business Combinations

Business combinations are accounted for using the acquisition method. Acquisition cost is determined as the total consideration transferred, measured at the acquisition date fair value and the non-controlling interests in the acquiree. For each business combination, the Group chooses to measure any non-controlling interest in the acquiree at fair value or on the basis of its proportionate interest in the acquiree’s identifiable net assets at fair value. Acquisition-related costs are recognized as incurred in profit or loss.

Business combinations under common control, in other words, business combinations in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combinations and when the control is not temporary, are accounted for based on carrying amounts.

(19) Standards Issued but Not Yet Effective

The Group has not applied the following standards and interpretations that were issued, amended, or revised but not yet effective before the approval date of the accompanying consolidated financial statements as of and for the year ended March 31, 2017. The potential impacts of applying these standards or interpretations on the consolidated financial statements are under evaluation.

IFRSs	Title	Mandatory effective date (beginning on or after)	Expected application date by the Group	Summary of new or amended standards and interpretations
IFRS 9	Financial Instruments	January 1, 2018	Effective from the fiscal year ending March 31, 2019	Revision of hedge accounting (November 2013) Revision of classification and measurement of financial instruments and introduction of the expected loss model for the impairment of financial assets (July 2014)
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Effective from the fiscal year ending March 31, 2019	Revision of accounting treatments and disclosures for revenue recognition
IFRS 16	Leases	January 1, 2019	Effective from the fiscal year ending March 31, 2020	Revision of definition of a lease and accounting treatments for a lessee.

Note 4. Segment Information

Business Segments

The Group's operating segments are components for which independent financial information is available and which are regularly reviewed by the Board of Directors to assist the Board in making decisions about resources to be allocated to the segments and to assess performance.

The Group has adopted a company-based organizational structure and established seven business headquarters based on the type of products and services. Each of the seven business units prepares a comprehensive strategy and engages in business activities related to their products and services for both the domestic and overseas markets.

The High-Grade Metal Products and Materials segment comprises the Specialty Steel Business, Roll Business, and Soft Magnetic Materials Business. The Magnetic Materials and Applications segment comprises the Magnet Business. The High-Grade Functional Components and Equipment segment comprises the Automotive Components Business and Piping Components Business. The Wire, Cables, and Related Products segment comprises the Electric Wires and Cables Business.

The primary products and services included in each segment are as follows:

Reportable segment	Major products and services
High-Grade Metal Products and Materials	YSS™ brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials, semiconductor and other package materials, and battery-related materials], materials for industrial equipment [automobile-related materials and razor and blade materials], aircraft- and energy-related materials, and precision cast components); rolls for steel mills; injection molding machine parts; structural ceramic products; steel-frame joints for construction; soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic material; and soft ferrite) and applied products
Magnetic Materials and Applications	Magnets (NEOMAX® rare-earth magnets, ferrite magnets, and other magnets and applied products); and ceramic components
High-Grade Functional Components and Equipment	Casting components for automobiles (HNM™ high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE® heat-resistant exhaust casting components); SCUBA™ aluminum wheels; other aluminum components; forged components for automobiles; piping and infrastructure components (Gourd® brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
Wires, Cables, and Related Products	Electric wires and cables (industrial cables, electronic wires, electric equipment materials, and industrial rubber products); functional products (cable assemblies, electronic automotive components, and brake hoses, and wireless systems); and information systems (APRESIA® information network products)

The same accounting policies as the ones described in Note 3. "Summary of Significant Accounting Policies" are applied to the reportable segments.

Income by reportable segment is based on operating income. Intersegment revenues are based on prevailing market price.

The following tables show business segment information for the years ended March 31, 2017 and 2016:

For the year ended March 31, 2017

	Millions of yen								
	Reportable segment								
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal	Others	Total	Adjust-ments	Consolidated statement of income
Revenues									
External customers	¥ 234,621	¥ 99,754	¥ 333,506	¥ 241,219	¥ 909,100	¥ 1,386	¥ 910,486	¥ –	¥ 910,486
Intersegment transactions	104	2	3	173	282	1,577	1,859	(1,859)	–
Total revenues	234,725	99,756	333,509	241,392	909,382	2,963	912,345	(1,859)	910,486
Segment profit	21,277	9,301	15,920	20,953	67,451	331	67,782	485	68,267
Financial income	–	–	–	–	–	–	–	–	594
Financial expenses	–	–	–	–	–	–	–	–	(3,999)
Share of profits of investments accounted for using the equity method	–	–	–	–	–	–	–	–	1,154
Income before income taxes	–	–	–	–	–	–	–	–	66,016
Segment assets	324,645	117,927	334,241	252,415	1,029,228	5,485	1,034,713	5,677	1,040,390
Other items:									
Depreciation and amortization	12,845	6,106	14,650	8,223	41,824	390	42,214	825	43,039
Capital expenditure	17,812	13,659	22,575	7,212	61,258	122	61,380	2,463	63,843
Impairment losses	123	204	–	730	1,057	–	1,057	6	1,063

	Thousands of U.S. dollars								
	Reportable segment								
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal	Others	Total	Adjust-ments	Consolidated statement of income
Revenues									
External customers	$ 2,091,283	$ 889,152	$ 2,972,689	$ 2,150,094	$ 8,103,218	$ 12,354	$ 8,115,572	$ –	$ 8,115,572
Intersegment transactions	927	18	27	1,542	2,514	14,057	16,570	(16,570)	–
Total revenues	2,092,210	889,170	2,972,716	2,151,636	8,105,731	26,411	8,132,142	(16,570)	8,115,572
Segment profit	189,651	82,904	141,902	186,764	601,221	2,950	604,171	4,323	608,495
Financial income	–	–	–	–	–	–	–	–	5,295
Financial expenses	–	–	–	–	–	–	–	–	(35,645)
Share of profits of investments accounted for using the equity method	–	–	–	–	–	–	–	–	10,286
Income before income taxes	–	–	–	–	–	–	–	–	588,430
Segment assets	2,893,707	1,051,136	2,979,241	2,249,889	9,173,973	48,890	9,222,863	50,602	9,273,465
Other items:									
Depreciation and amortization	114,493	54,426	130,582	73,295	372,796	3,476	376,272	7,354	383,626
Capital expenditure	158,766	121,749	201,221	64,284	546,020	1,087	547,108	21,954	569,061
Impairment losses	1,096	1,818	–	6,507	9,422	–	9,422	53	9,475

Notes: 1. Segment profit is based on operating income.

2. Intersegment transactions are recorded at the same prices used in transactions with third parties. Adjustments represent mainly allocation variances of general and administrative expenses for corporate assets, which are not allocated to each reportable segment.

3. Adjustments represent mainly cash and cash equivalents, investments in securities, and other financial assets allocated to corporate assets and eliminations of intersegment transactions.

4. Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.

Effective from the year ended March 31, 2017, the Group changed part of its internal managerial categories of businesses and consolidated subsidiaries related to reportable segments, aiming for enhanced operational efficiency and further growth of the soft magnetic materials-related businesses. Accordingly, the soft magnetic materials and applied products business, which was previously included in the Magnetic Materials and Applications segment, has been aggregated into the High-Grade Metal Products and Materials segment.

In accordance with the change to the internal managerial categories, the Group also changed its accounting treatment for certain corporate general and administrative expenses, including research expenses that were previously treated as adjustments, to allocate such expenses to the applicable reporting segments based on the budget.

Year-on-year comparable segment information presented below reflects the above changes to the categories of the reportable segments and accounting treatment for certain corporate general and administrative expenses.

For the year ended March 31, 2016

	Millions of yen								
	Reportable segment								
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal	Others	Total	Adjust-ments	Consolidated statement of income
Revenues									
External customers	¥ 256,343	¥ 105,257	¥ 365,112	¥ 288,216	¥ 1,014,928	¥ 2,656	¥ 1,017,584	¥ –	¥ 1,017,584
Intersegment transactions	309	22	6	30	367	891	1,258	(1,258)	—
Total revenues	256,652	105,279	365,118	288,246	1,015,295	3,547	1,018,842	(1,258)	1,017,584
Segment profit	53,070	7,027	23,608	15,979	99,684	143	99,827	127	99,954
Financial income	–	–	–	–	–	–	–	–	1,232
Financial expenses	–	–	–	–	–	–	–	–	(5,381)
Share of profits of investments accounted for using the equity method	–	–	–	–	–	–	–	–	428
Income before income taxes	–	–	–	–	–	–	–	–	96,233
Segment assets	314,724	105,961	326,600	269,031	1,016,316	15,262	1,031,578	1,733	1,033,311
Other items:									
Depreciation and amortization	11,935	5,588	14,958	9,203	41,684	453	42,137	790	42,927
Capital expenditure	23,849	6,106	16,819	11,524	58,298	182	58,480	1,122	59,602
Impairment losses	25	16	1,187	–	1,228	–	1,228	144	1,372

Notes: 1. Segment profit is based on operating income.

2. Intersegment transactions are recorded at the same prices used in transactions with third parties. Adjustments represent mainly allocation variances of general and administrative expenses for corporate assets, which are not allocated to each reportable segment.

3. Adjustments represent mainly cash and cash equivalents, investments in securities, and other financial assets allocated to corporate assets and eliminations of intersegment transactions.

4. Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.

Other Related Information

For the year ended March 31, 2017

1. Product and service information

Information is similar to that presented under Segment Information above and is therefore omitted.

2. Geographic information

(1) Revenues

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 403,610	¥ 276,803	¥ 174,227	¥ 42,755	¥ 13,091	¥ 910,486

Thousands of U.S. dollars					
Japan	North America	Asia	Europe	Other areas	Total
$ 3,597,558	$ 2,467,270	$ 1,552,964	$ 381,095	$ 116,686	$ 8,115,572

Note: Revenues are classified by country or region based on the customer's location.
Revenues from external customers attributed to any individual country or region other than Japan, the United States, and China were not material.
Revenues from external customers in the United States and China were ¥245,194 million (US $2,185,525 thousand) and ¥62,743 million (US $559,257 thousand), respectively.

(2) Non-current assets (excluding financial instruments)

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 279,130	¥ 191,458	¥ 42,504	¥ 203	¥ 1,361	¥ 514,656

Thousands of U.S. dollars					
Japan	North America	Asia	Europe	Other areas	Total
$ 2,488,011	$ 1,706,551	$ 378,857	$ 1,809	$ 12,131	$ 4,587,361

Note: Non-current assets (excluding financial instruments) attributed to any individual country or region other than Japan and the United States were not material.
Non-current assets (excluding financial instruments) attributable to the United States were ¥191,458 million (US $1,706,551 thousand).

3. Significant customer information

There was no concentration of revenues from a specific customer for the year ended March 31, 2017.

For the year ended March 31, 2016

1. Product and services information

Information is similar to that presented under Segment Information above and is therefore omitted.

2. Geographic information

(1) Revenues

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 451,116	¥ 312,847	¥ 192,773	¥ 45,844	¥ 15,004	¥ 1,017,584

Note: Revenues are classified by country or region based on the customer's location.
Revenues from external customers attributed to any individual country or region other than Japan, the United States, and China were not material.
Revenues from external customers in the United States and China were ¥276,616 million and ¥73,988 million, respectively.

(2) Non-current assets (excluding financial instruments)

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 276,691	¥ 194,215	¥ 40,597	¥ 171	¥ 1,311	¥ 512,985

Note: Non-current assets (excluding financial instruments) attributed to any individual country or region other than Japan and the United States were not material.
Non-current assets (excluding financial instruments) attributable to the United States were ¥194,215 million.

3. Significant customer information

There was no concentration of revenues from a specific customer for the year ended March 31, 2016.

Note 5. Trade Receivables

Trade receivables as of March 31, 2017 and 2016, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Accounts receivable	¥ 157,564	¥ 159,162	$ 1,404,439
Notes receivable and electronically recorded monetary claims	18,270	19,480	162,849
Allowance for doubtful accounts	(266)	(361)	(2,371)
Total	¥ 175,568	¥ 178,281	$ 1,564,917

For credit risk control and fair value of trade receivables, see Note 20. "Financial Instruments and Other Related Information."

Note 6. Inventories

Inventories as of March 31, 2017and 2016, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Merchandise and finished products	¥ 54,767	¥ 55,814	$ 488,163
Work in process	59,141	53,046	527,150
Raw materials and supplies	39,648	38,104	353,400
Total	¥ 153,556	¥ 146,964	$ 1,368,714

The amount of inventories written down for the years ended March 31, 2017 and 2016, was ¥2,428 million (US $21,642 thousand) and ¥4,070 million, respectively.

Note 7. Investments Accounted for Using the Equity Method

The summarized financial information, in aggregate, for individually immaterial associates and joint ventures accounted for using the equity method as of and for the years ended March 31, 2017 and 2016, is as follows:

These amounts represent the Group's share of the associates and joint ventures per ownership percentage.

(1) Investments in associates

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Carrying amount of investments	¥ 26,239	¥ 31,312	$ 233,880

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net income	¥ 1,127	¥ 844	$ 10,045
Other comprehensive income	(598)	(1,032)	(5,330)
Total comprehensive income	¥ 529	¥ (188)	$ 4,715

(2) Investments in joint ventures

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Carrying amount of investments	¥ –	¥ 5,125	$ –

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net income	¥ 27	¥ (416)	$ 241
Other comprehensive income	(243)	(51)	(2,166)
Total comprehensive income	¥ (216)	¥ (467)	$ (1,925)

Note 8. Property, Plant and Equipment

The following tables show the reconciliation of the carrying amount, acquisition costs, accumulated depreciation, and accumulated impairment losses of property, plant and equipment as of and for the years ended March 31, 2017 and 2016:

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other tangible assets	Construction in progress	Total
Carrying amount							
At April 1, 2015	¥ 54,356	¥ 83,351	¥ 129,044	¥ 16,666	¥ 430	¥ 15,822	¥ 299,669
Additions	4	331	1,508	1,057	92	52,498	55,490
Disposals	(159)	(787)	(1,682)	(331)	(10)	(105)	(3,074)
Depreciation	–	(6,889)	(22,675)	(6,786)	(114)	–	(36,464)
Impairment losses	(172)	(203)	(519)	(10)	–	–	(904)
Effects of exchange rate changes	(368)	(2,709)	(5,547)	(603)	(2)	(665)	(9,894)
Transfer from construction in progress	–	7,326	30,419	7,299	–	(45,044)	–
Change in the scope of consolidation	–	(471)	(86)	(42)	–	21	(578)
Other	2,258	111	(1,117)	(550)	5	(660)	47
At March 31, 2016	¥ 55,919	¥ 80,060	¥ 129,345	¥ 16,700	¥ 401	¥ 21,867	¥ 304,292
Additions	–	1,848	2,639	1,354	–	55,928	61,769
Disposals	(712)	(796)	(1,062)	(296)	–	(44)	(2,910)
Depreciation	–	(6,816)	(23,608)	(7,102)	(90)	–	(37,616)
Impairment losses	(182)	(660)	(62)	(218)	–	(17)	(1,139)
Effects of exchange rate changes	37	(404)	(522)	(82)	(2)	(12)	(985)
Transfer from construction in progress	–	5,217	38,260	7,064	–	(50,541)	–
Change in the scope of consolidation	(251)	953	844	(1,076)	(85)	(131)	254
Other	638	384	208	2	(9)	(221)	1,002
At March 31, 2017	¥ 55,449	¥ 79,786	¥ 146,042	¥ 16,346	¥ 215	¥ 26,829	¥ 324,667

	Thousands of U.S. dollars						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other tangible assets	Construction in progress	Total
Carrying amount							
At April 1, 2016	$ 498,431	$ 713,611	$ 1,152,910	$ 148,855	$ 3,574	$ 194,910	$ 2,712,292
Additions	–	16,472	23,523	12,069	–	498,511	550,575
Disposals	(6,346)	(7,095)	(9,466)	(2,638)	–	(392)	(25,938)
Depreciation	–	(60,754)	(210,429)	(63,303)	(802)	–	(335,288)
Impairment losses	(1,622)	(5,883)	(553)	(1,943)	–	(152)	(10,152)
Effects of exchange rate changes	330	(3,601)	(4,653)	(731)	(18)	(107)	(8,780)
Transfer from construction in progress	–	46,501	341,029	62,965	–	(450,495)	–
Change in the scope of consolidation	(2,237)	8,495	7,523	(9,591)	(758)	(1,168)	2,264
Other	5,687	3,423	1,854	18	(80)	(1,970)	8,931
At March 31, 2017	$ 494,242	$ 711,169	$ 1,301,738	$ 145,699	$ 1,916	$ 239,139	$ 2,893,903

Note: Property, plant and equipment under construction are presented as construction in progress.

Depreciation charges recognized for the years ended March 31, 2017 and 2016, are included in cost of sales and selling, general and administrative expenses of the consolidated statement of income. Impairment losses are included in other expenses of the consolidated statement of income.

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other tangible assets	Construction in progress	Total
Acquisition cost							
At April 1, 2015	¥ 55,228	¥ 256,534	¥ 606,660	¥ 87,555	¥ 1,180	¥ 16,662	¥ 1,023,819
At March 31, 2016	56,837	250,953	580,858	88,499	1,128	22,047	1,000,322
At March 31, 2017	55,904	259,939	641,348	91,243	944	26,847	1,076,225
Accumulated depreciation and accumulated impairment losses							
At April 1, 2015	¥ 872	¥ 173,183	¥ 477,616	¥ 70,889	¥ 750	¥ 840	¥ 724,150
At March 31, 2016	918	170,893	451,513	71,799	727	180	696,030
At March 31, 2017	455	180,153	495,306	74,897	729	18	751,558

	Thousands of U.S. dollars						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other tangible assets	Construction in progress	Total
Acquisition cost							
At March 31, 2017	$ 498,298	$ 2,316,953	$ 5,716,624	$ 813,290	$ 8,414	$ 239,299	$ 9,592,878
Accumulated depreciation and accumulated impairment losses							
At March 31, 2017	$ 4,056	$ 1,605,785	$ 4,414,885	$ 667,591	$ 6,498	$ 160	$ 6,698,975

Items of property, plant and equipment are grouped by the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows.

The Group recognized impairment losses of ¥1,139 million (US $10,152 thousand) and ¥904 million on property, plant and equipment for the years ended March 31, 2017 and 2016, respectively.

Impairment losses were recognized for the year ended March 31, 2016, to reduce the carrying amounts of business-use assets (mainly machinery and buildings) due to a decline in profitability in part of the High-Grade Functional Components and Equipment business and idle assets (mainly land and buildings) in the High-Grade Metal Products and Materials business, Magnetic Materials and Applications business, and High-Grade Functional Components and Equipment business to their recoverable amounts.

Impairment losses were recognized for the year ended March 31, 2017, to reduce the carrying amounts of business-use assets (mainly buildings, and tools, furniture, and fixtures) due to a decline in profitability in part of the High-Grade Metal Products and Materials business and idle assets (mainly land and buildings) in the High-Grade Metal Products and Materials business and Wires, Cables, and Related Products business to their recoverable amounts.

Note 9. Goodwill and Intangible Assets

The following tables show the reconciliation of the carrying amounts, acquisition costs, and the accumulated amortization and accumulated impairment losses of goodwill and intangible assets as of and for the years ended March 31, 2017 and 2016:

	Millions of yen				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Carrying amount					
At April 1, 2015	¥ 112,126	¥ 2,406	¥ 4,082	¥ 41,655	¥ 160,269
Purchases	–	217	3	3,892	4,112
Amortization	–	(1,257)	(2,170)	(2,882)	(6,309)
Impairment losses	(468)	–	–	–	(468)
Disposals	–	(132)	–	(7)	(139)
Effects of exchange rate changes	(5,622)	(23)	(43)	(2,316)	(8,004)
Transfer from software in progress	–	2,572	871	(3,443)	–
Change in the scope of consolidation	7,422	(1)	–	2,431	9,852
Other	(123)	155	–	(430)	(398)
At March 31, 2016	¥ 113,335	¥ 3,937	¥ 2,743	¥ 38,900	¥ 158,915
Purchases	–	109	3	1,962	2,074
Amortization	–	(1,259)	(1,459)	(2,572)	(5,290)
Impairment losses	–	(32)	–	(176)	(208)
Disposals	–	(13)	–	(4)	(17)
Effects of exchange rate changes	(369)	(9)	(11)	(248)	(637)
Transfer from software in progress	–	1,155	595	(1,750)	–
Change in the scope of consolidation	–	(110)	(1,877)	(1,507)	(3,494)
Other	98	(465)	464	(245)	(148)
At March 31, 2017	¥ 113,064	¥ 3,313	¥ 458	¥ 34,360	¥ 151,195

	Thousands of U.S. dollars				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Carrying amount					
At April 1, 2016	$ 1,010,206	$ 35,092	$ 24,450	$ 346,733	$ 1,416,481
Purchases	–	972	27	17,488	18,486
Amortization	–	(11,222)	(13,005)	(22,925)	(47,152)
Impairment losses	–	(285)	–	(1,569)	(1,854)
Disposals	–	(116)	–	(36)	(152)
Effects of exchange rate changes	(3,289)	(80)	(98)	(2,211)	(5,678)
Transfer from software in progress	–	10,295	5,304	(15,599)	–
Change in the scope of consolidation	–	(980)	(16,731)	(13,433)	(31,144)
Other	874	(4,145)	4,136	(2,184)	(1,319)
At March 31, 2017	$ 1,007,790	$ 29,530	$ 4,082	$ 306,266	$ 1,347,669

Amortization recognized for the years ended March 31, 2017 and 2016, was included in the cost of sales and selling, general and administrative expenses of the consolidated statement of income. Impairment losses are included in other expenses in the consolidated statement of income.

	Millions of yen				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Acquisition cost					
At April 1, 2015	¥ 112,126	¥ 15,527	¥ 17,774	¥ 46,045	¥ 191,472
At March 31, 2016	113,830	16,149	18,542	45,408	193,929
At March 31, 2017	113,559	14,860	1,530	44,051	174,000
Accumulated amortization and accumulated impairment losses					
At April 1, 2015	¥ –	¥ 13,121	¥ 13,692	¥ 4,390	¥ 31,203
At March 31, 2016	495	12,212	15,799	6,508	35,014
At March 31, 2017	495	11,547	1,072	9,691	22,805

	Thousands of U.S. dollars				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Acquisition cost					
At March 31, 2017	$ 1,012,203	$ 132,454	$ 13,638	$ 392,646	$ 1,550,940
Accumulated amortization and accumulated impairment losses					
At March 31, 2017	$ 4,412	$ 102,924	$ 9,555	$ 86,380	$ 203,271

For the years ended March 31, 2017 and 2016, there were no material intangible assets with indefinite useful lives.

The Group recorded impairment losses of ¥208 million (US $1,854 thousand) and ¥468 million on goodwill and intangible assets for the years ended March 31, 2017, and 2016, respectively.

Impairment losses were recognized for the year ended March 31, 2016, to reduce the carrying amount of goodwill to its recoverable amount due to a decline in profitability in part of the High-Grade Functional Components and Equipment business.
Impairment losses were recognized for the year ended March 31, 2017, to reduce the carrying amount of software for internal use and other intangible assets to their recoverable amounts due to a decline in profitability in part of the Wires, Cables, and Related Products business.

The Group expenditures on R&D recognized as expenses for the years ended March 31, 2017 and 2016, are ¥17,971 million (US $160,184 thousand) and ¥19,121 million, respectively. R&D expenses are included in cost of sales and selling, general and administrative expense in the consolidated statement of income.

The Group performs impairment testing for goodwill acquired through business combinations by comparing the carrying amount and the recoverable amount per CGU or group of CGUs.

Significant goodwill recognized in the consolidated statement of financial position is primarily goodwill related to the High-Grade Functional Components and Equipment business arising from the acquisition of Waupaca in 2014 (¥69,399 million (US $618,585 thousand) and ¥69,731 million as of March 31, 2017 and 2016, respectively) and that related to the Magnetic Materials and Applications business in connection with the acquisition of additional shares in NEOMAX Co., Ltd. through a tender offer in 2006 (¥35,781 million (US $318,932 thousand) as of March 31, 2017 and 2016).

The Group measures the recoverable amount for each CGU or group of CGUs by the value in use. In assessing the value in use, estimated future cash flows based on management-approved business plans are discounted to their present values using the discount rate based on the weighted-average cost of capital. The business plan to be used is based on external information and reflects historical trends, generally with a maximum period of five years. Since the Group is engaged in a wide range of business activities from development, production, and sale of diverse products to providing various services, appropriate external information for each business activity is used for evaluating the value in use. In addition, the estimated future cash flows subsequent to the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the CGU belongs.

The discount rate used for impairment testing of the significant goodwill is estimated based on prior years' weighted average cost of capital (approximately 4.0% to 10.0%). For future cash flows, a permanent growth rate (maximum 2.0%) is applied. Such rate is determined not to exceed the growth rate of countries and regions making estimates, including budgets, and engaged in business activities. Furthermore, even when primary assumptions used for the impairment test change within a reasonable and foreseeable range, the Group management considers that any significant impairment losses will be unlikely to occur.

Note 10. Deferred Taxes and Income Taxes

The following table shows major components of income taxes:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Income taxes			
Current tax expense	¥ 15,382	¥ 22,851	$ 137,107
Deferred tax expense			
Accruals and reversals of temporary differences	1,803	7,323	16,071
Changes in realizability of deferred tax assets	(1,861)	(2,921)	(16,588)
Total	¥ 15,324	¥ 27,253	$ 136,590

The Company is subject to a national corporate tax, inhabitant tax and deductible business tax, and those taxes resulted in combined statutory income tax rates of 30.7% and 32.8% for the years ended March 31, 2017 and 2016, respectively.

The Company has elected to file a consolidated income tax return.

The reconciliation between the combined statutory income tax rate and the effective income tax rate as a percentage of income before income taxes is as follows:

	2017	2016
Combined statutory income tax rate	30.7%	32.8%
Share of profits of investments accounted for using the equity method	(0.5)	(0.4)
Expenses not deductible for tax purposes	0.2	0.2
Special tax credit for corporate taxes	(2.9)	(1.9)
Adjustments to deferred tax assets and liabilities due to enacted tax laws and rates	0.1	1.6
Change in realizability of deferred tax assets	(2.8)	(3.0)
Other, net	(1.6)	(1.0)
Effective income tax rate	23.2%	28.3%

Changes in significant portion of the deferred tax assets and liabilities are as follows:

	Millions of yen				
	April 1, 2016	Recognized in profit or loss	Recognized in other comprehensive income	Changes in the scope of consolidation	March 31, 2017
Deferred tax assets					
Retirement and severance benefits	¥ 21,881	¥ (307)	¥ (1,166)	¥ (308)	¥ 20,100
Accrued expenses	3,930	(1,608)	–	(47)	2,275
Depreciation and amortization	5,769	(415)	–	227	5,581
Net operating loss carry-forwards	904	(707)	–	–	197
Other	15,722	922	(489)	242	16,397
Total deferred tax assets	¥ 48,206	¥ (2,115)	¥ (1,655)	¥ 114	¥ 44,550
Deferred tax liabilities					
Tax purpose reserve regulated by Japanese tax laws	(1,819)	31	–	–	(1,788)
Investments in securities	(2,176)	(35)	13	–	(2,198)
Depreciation and amortization	(8,373)	(831)	–	–	(9,204)
Intangible assets acquired in business combinations	(11,985)	746	–	–	(11,239)
Other	(19,234)	2,262	–	(256)	(17,228)
Total deferred tax liabilities	¥ (43,587)	¥ 2,173	¥ 13	¥ (256)	¥ (41,657)
Net deferred tax assets	¥ 4,619	¥ 58	¥ (1,642)	¥ (142)	¥ 2,893

	Millions of yen				
	April 1, 2015	Recognized in profit or loss	Recognized in other comprehensive income	Changes in the scope of consolidation	March 31, 2016
Deferred tax assets					
Retirement and severance benefits	¥ 19,160	¥ (1,698)	¥ 4,419	¥ –	¥ 21,881
Accrued expenses	4,082	(152)	–	–	3,930
Depreciation and amortization	5,707	62	–	–	5,769
Net operating loss carry-forwards	1,980	(1,076)	–	–	904
Other	15,796	523	152	(749)	15,722
Total deferred tax assets	¥ 46,725	¥ (2,341)	¥ 4,571	¥ (749)	¥ 48,206
Deferred tax liabilities					
Tax purpose reserve regulated by Japanese tax laws	(1,929)	110	–	–	(1,819)
Investments in securities	(2,805)	(192)	821	–	(2,176)
Depreciation and amortization	(7,965)	(408)	–	–	(8,373)
Intangible assets acquired in business combinations	(13,795)	1,810	–	–	(11,985)
Other	(15,853)	(3,381)	–	–	(19,234)
Total deferred tax liabilities	¥ (42,347)	¥ (2,061)	¥ 821	¥ –	¥ (43,587)
Net deferred tax assets	¥ 4,378	¥ (4,402)	¥ 5,392	¥ (749)	¥ 4,619

	Thousands of U.S. dollars				
	April 1, 2016	Recognized in profit or loss	Recognized in other comprehensive income	Changes in the scope of consolidation	March 31, 2017
Deferred tax assets					
Retirement and severance benefits	$ 195,035	$ (2,736)	$ (10,393)	$ (2,745)	$ 179,160
Accrued expenses	35,030	(14,333)	–	(419)	20,278
Depreciation and amortization	51,422	(3,699)	–	2,023	49,746
Net operating loss carry-forwards	8,058	(6,302)	–	–	1,756
Other	140,137	8,218	(4,359)	2,157	146,154
Total deferred tax assets	$ 429,682	$ (18,852)	$ (14,752)	$1,016	$ 397,094
Deferred tax liabilities					
Tax purpose reserve regulated by Japanese tax laws	(16,214)	276	–	–	(15,937)
Investments in securities	(19,396)	(312)	116	–	(19,592)
Depreciation and amortization	(74,632)	(7,407)	–	–	(82,039)
Intangible assets acquired in business combinations	(106,828)	6,649	–	–	(100,178)
Other	(171,441)	20,162	–	(2,282)	(153,561)
Total deferred tax liabilities	$ (388,511)	$ 19,369	$ 116	$ (2,282)	$ (371,308)
Net deferred tax assets	$ 41,171	$ 517	$ (14,636)	$ (1,266)	$ 25,787

Deferred tax liabilities have not been recognized for excess amounts over the tax bases of investments in foreign subsidiaries and associates that are considered to be reinvested indefinitely, because such differences will not reverse in the foreseeable future.

Total temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized as of March 31, 2017 and 2016, were ¥143,620 million (US $1,280,150 thousand) and ¥135,285 million, respectively.

In assessing the realizability of deferred tax assets, the Group considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during periods in which these deductible temporary differences become deductible or unused tax credits can be used. Although realization is not assured, the Group considers the scheduled reversals of deferred tax liabilities and projected future taxable income in making the assessment. Based on these factors, the Group believes that it is probable that it will realize the recognized deferred tax assets as of March 31, 2017.

Deductible temporary differences, net operating loss carry-forwards, and unused tax credits carry-forwards for which no deferred tax asset is recognized are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Deductible temporary difference	¥ 49,145	¥ 49,260	$ 438,052
Net operating loss carry-forwards	6,931	7,635	61,779
Unused tax credits carry-forwards	646	730	5,758
Total	¥ 56,722	¥ 57,625	$ 505,589

Carry-forwards related to net operating losses and unused tax credits on which no deferred tax asset is recognized will expire as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Net operating loss carry-forwards			
Within 5 years	¥ 6,809	¥ 6,751	$ 60,692
After 5 years but not more than 10 years	122	884	1,087
Total net operating loss carry-forwards	¥ 6,931	¥ 7,635	$ 61,779
Unused tax credits carry-forwards			
Within 5 years	¥ 646	¥ 730	$ 5,758
After 5 years but not more than 10 years	–	–	–
Total unused tax credits carry-forwards	¥ 646	¥ 730	$ 5,758

Note 11. Trade Payables

Trade payables as of March 31, 2017 and 2016, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Accounts payable	¥ 133,366	¥ 136,347	$ 1,188,751
Notes payable and electronically recorded obligations	17,419	12,652	155,263
Total	¥ 150,785	¥ 148,999	$ 1,344,015

Note 12. Provisions

Details and the reconciliation of provisions included in other current liabilities and other non-current liabilities as of and for the year ended March 31, 2017, are as follows:

	Millions of yen	
	Asset retirement obligations	Provision for environmental measures
Balance at April 1, 2016	¥ 962	¥ 1,563
Additions	3	185
Utilized	(171)	(246)
Reversals	(15)	(9)
Effects of exchange rate changes	1	–
Changes in the scope of consolidation and others	(6)	(1)
Balance at March 31, 2017	¥ 774	¥ 1,492
Current	–	436
Non-current	¥ 774	¥ 1,056

	Thousands of U.S. dollars	
	Asset retirement obligations	Provision for environmental measures
Balance at April 1, 2016	$ 8,575	$ 13,932
Additions	27	1,649
Utilized	(1,524)	(2,193)
Reversals	(134)	(80)
Effects of exchange rate changes	9	–
Changes in the scope of consolidation and others	(53)	(9)
Balance at March 31, 2017	$ 6,899	$ 13,299
Current	–	3,886
Non-current	$ 6,899	$ 9,413

Asset retirement obligations:

The Group recognizes asset retirement obligations principally based on estimated future expenditures using historical trends when the Group has a legal obligation associated with the retirement of property, plant and equipment used in normal operation, such as obligations to restore the site in relation to lease agreements for plant facilities and premises.

Provision for environmental measures:

A provision for environmental measures is provided for disposal costs anticipated to be incurred with respect to the Law Concerning Special Measures against PCB Waste.

Note 13. Employee Benefits

(1) Post-Employment Benefits

The Company, its subsidiaries located in Japan, and certain overseas subsidiaries have contributory defined benefit pension plans and funded and unfunded lump-sum payment plans to provide retirement and severance benefits to employees. An employee retirement benefit trust is established for the pension plans and the lump-sum payment plans.

The Company and some of its subsidiaries have contract-type pension plans based on the pension rules. They also have established a post-employment benefits committee as an advisory body for significant matters related to the pension plans. The committee holds meetings to report various matters, such as asset management performance, plan status, and accounting treatments, and to discuss agendas, such as plan revisions and investment policy changes, as necessary.

Under the unfunded lump-sum payment plans, employees are entitled to receive lump-sum payments based on their earnings and the length of service at retirement.

In addition, the Company and certain subsidiaries have defined contribution pension plans.

The multi-employer corporate pension fund plan, in which certain subsidiaries had previously participated, was wound up with the permission of the Minister of Health, Labour and Welfare of Japan as of May 20, 2016.

Reconciliations of the beginning and ending balances of the benefit obligation and the fair value of the plan assets of the defined benefit pension plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Defined benefit obligations at the beginning of the year	¥ 202,730	¥ 204,058	$ 1,807,024
Service costs	6,806	7,832	60,665
Interest costs	1,962	2,582	17,488
Actuarial gains and losses	(111)	6,302	(989)
Past service cost	250	30	2,228
Benefits paid	(12,882)	(14,407)	(114,823)
Wind-up of some plans	(5,257)	–	(46,858)
Effects of exchange rate changes and others	(3,490)	(3,667)	(31,108)
Defined benefit obligation at the end of the year	¥ 190,008	¥ 202,730	$ 1,693,627

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Fair value of plan assets at the beginning of the year	¥ 137,383	¥ 145,977	$ 1,224,557
Interest income	1,047	2,258	9,332
Return on plan assets (excluding interest income)	3,683	(3,774)	32,828
Contributions to defined benefit pension plans (Note)	3,477	3,461	30,992
Benefits paid	(7,978)	(9,778)	(71,112)
Wind-up of some plans	(5,257)	–	(46,858)
Effects of exchange rate changes and others	(1,421)	(761)	(12,666)
Fair value of plan assets at the end of the year	¥ 130,934	¥ 137,383	$ 1,167,074

Note: As of March 31, 2017, the estimated contributions to the defined benefit pension plans for the year ending March 31, 2018, were ¥3,314 million (US $29,539 thousand).

The amounts recognized in relation to defined benefit plans in the consolidated statement of financial position are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Present value of defined benefit obligations (funded)	¥ (183,270)	¥ (195,039)	$ (1,633,568)
Fair value of plan assets	130,934	137,383	1,167,074
Funded status	(52,336)	(57,656)	(466,494)
Present value of defined benefit obligations (unfunded)	(6,738)	(7,691)	(60,059)
Net asset (liability) recognized in the consolidated statement of financial position	¥ (59,074)	¥ (65,347)	$ (526,553)

Components of actuarial gains and losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Arising from changes in financial assumptions	¥ (1,528)	¥ 4,440	$ (13,620)
Arising from changes in demographic assumptions	559	642	4,983
Other	858	1,220	7,648

The Company and all of its subsidiaries use their year-end as a measurement date. The primary assumptions used for actuarial valuation are as follows:

	March 31, 2017	March 31, 2016
Discount rate	1.1%	1.0%

If, as of March 31, 2017, the discount rate rose by 0.5%, the defined benefit obligations would decrease by ¥9,100 million (US $81,112 thousand), and the discount rate decreased by 0.5%, the defined benefit obligations would increase by ¥9,920 million (US $88,421 thousand). If, as of March 31, 2016, the discount rate rose by 0.5%, the defined benefit obligations would decrease by ¥9,804 million, and the discount rate decreased by 0.5%, the defined benefit obligations would increase by ¥8,546 million.

Although sensitivity analysis is based on the assumption that all other variables are constant, in reality, changes in other assumptions may affect the sensitivity analysis.

The weighted average duration (weighted average maturity) of defined benefit obligations is as follows:

	March 31, 2017	March 31, 2016
Duration	10.8 years	11.1 years

The objective of the investment policy of the plan is to ensure stable returns from investments over the long term, which allows the pension funds to meet their future benefit payments, and to maintain the pension funds in a sound condition.

In order to achieve the above objective, the plan establishes a target rate of return, taking into consideration the participants' demographics, funded status, the Company's and certain subsidiaries' capacity to absorb risks, and the current economic environment. To meet the target rate of return, the plan also employs strategic target asset allocation based on the expected rate of return by asset class, the standard deviation of the rate of return, and the correlation coefficient among assets.

When markets fluctuate in excess of certain levels, the asset allocation of the plan assets is rebalanced to the strategic target asset allocation. The Company and certain subsidiaries periodically review actual returns on the plan assets, economic trends, and their capacity to absorb risks and realign the strategic target asset allocation, if necessary.

The following tables show the fair value of the plan assets as of March 31, 2017 and 2016:

	Millions of yen		
	March 31, 2017		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	¥ 10,046	¥ 318	¥ 10,364
Government and municipal debt securities	637	193	830
Corporate and other debt securities	–	1,197	1,197
Securitized products	27	2,668	2,695
Cash and cash equivalents	6,202	0	6,202
Life insurance company general accounts	–	18,354	18,354
Commingled funds	–	90,364	90,364
Other	107	821	928
Total	¥ 17,019	¥ 113,915	¥ 130,934

	Millions of yen		
	March 31, 2016		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	¥ 9,417	¥ 186	¥ 9,603
Government and municipal debt securities	471	545	1,016
Corporate and other debt securities	–	1,311	1,311
Securitized products	28	2,006	2,034
Cash and cash equivalents	7,318	16	7,334
Life insurance company general accounts	–	18,627	18,627
Commingled funds	–	91,296	91,296
Other	200	5,962	6,162
Total	¥ 17,434	¥ 119,949	¥ 137,383

	Thousands of U.S. dollars		
	March 31, 2017		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	$ 89,545	$ 2,834	$ 92,379
Government and municipal debt securities	5,678	1,720	7,398
Corporate and other debt securities	–	10,669	10,669
Securitized products	241	23,781	24,022
Cash and cash equivalents	55,281	–	55,281
Life insurance company general accounts	–	163,597	163,597
Commingled funds	–	805,455	805,455
Other	954	7,318	8,272
Total	$ 151,698	$ 1,015,376	$ 1,167,074

Commingled funds represent pooled institutional investments. Approximately 34% and 32% of commingled funds were invested in listed stocks as of March 31, 2017 and 2016, respectively. Approximately 46% and 49% were invested in government and municipal debt securities as of March 31, 2017 and 2016, respectively. Approximately 10% and 11% were invested in corporate and other debt securities as of March 31, 2017 and 2016, respectively. Approximately 10% and 8% were invested in other assets as of March 31, 2017 and 2016, respectively.

Expenses recognized in relation to the Company's and certain subsidiaries' contributions to the defined contribution plans amounted to ¥3,295 million (US $29,370 thousand) and ¥3,501 million for the years ended March 31, 2017 and 2016, respectively.

Contributions to the multi-employer welfare pension fund plan, a corporate pension fund plan, accounted for as a defined contribution plan are as follows:

The multi-employer corporate pension fund plan, in which certain subsidiaries had previously participated, was wound up with the permission of the Minister of Health, Labour and Welfare of Japan as of May 20, 2016. There were no additional contributions due to the wind-up of the plans.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Contributions	¥ 9	¥ 55	$ 80

Funded status of the multi-employer corporate pension fund plan is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Plan assets	¥ –	¥ 19,313	$ –
Retirement benefit obligations	–	15,528	–
Difference	–	3,785	–

The proportion of the Group’s total contributions to the plan was 4.38% for the year ended March 31, 2016.
The amounts for the year ended March 31, 2017, are not disclosed due to the wind-up of the plans as stated above.

(2) Employee Benefit Expense

The aggregated amounts of employee benefit expenses recognized in the consolidated statement of income for the years ended March 31, 2017 and 2016, were ¥135,666 million (US $1,209,252 thousand) and ¥143,440 million, respectively.

Note 14. Equity

(1) Common Stock

	March 31, 2017	March 31, 2016
Authorized issuance	500,000,000 shares	500,000,000 shares

	Issued shares
Balance as of April 1, 2015	428,904,352
Changes during the year	–
Balance as of March 31, 2016	428,904,352
Changes during the year	–
Balance as of March 31, 2017	428,904,352

Shares issued by the Company are non-par value common stock. The issued shares above include treasury stock. Changes in treasury stock for the years ended March 31, 2017 and 2016, are as follows:

	Shares
Balance as of April 1, 2015	1,303,157
Acquisition of treasury stock	22,137
Sales of treasury stock	(874)
Balance as of March 31, 2016	1,324,420
Acquisition of treasury stock	3,750
Sales of treasury stock	(270)
Balance as of March 31, 2017	1,327,900

Treasury stock held by the Company’s associates as of March 31, 2017 and 2016, was 71,885 shares and 71,885 shares, respectively.

(2) Surplus

(a) Capital surplus

The Companies Act of Japan mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as legal reserves as part of capital surplus.

(b) Retained earnings

The Companies Act of Japan provides that an amount equal to 10% of appropriated retained earnings to be paid as dividends be reserved as legal reserve or retained earnings reserve to the extent that the total legal reserve and retained earnings reserve equals 25% of the nominal value of common stock. Retained earnings reserve may be made available for dividend payments upon a shareholders’ meeting resolution.

Note 15. Accumulated Other Comprehensive Income and Other Comprehensive Income

Accumulated other comprehensive income, net of related tax effects, as presented in the consolidated statement of changes in equity is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Foreign currency translation adjustments on foreign operations:			
Balance at the beginning of the year	¥ 9,754	¥ 30,173	$ 86,942
Net other comprehensive income	(2,029)	(20,419)	(18,085)
Balance at the end of the year	7,725	9,754	68,856
Remeasurements of defined benefit pension plans:			
Balance at the beginning of the year	2,960	9,256	26,384
Transfer to retained earnings	(86)	–	(767)
Net other comprehensive income	2,647	(6,296)	23,594
Balance at the end of the year	5,521	2,960	49,211
Net change in fair value of financial assets measured at FVTOCI:			
Balance at the beginning of the year	7,603	9,220	67,769
Transfer to retained earnings	(367)	(347)	(3,271)
Net other comprehensive income	(512)	(1,270)	(4,564)
Balance at the end of the year	6,724	7,603	59,934
Net change in fair value of cash flow hedges:			
Balance at the beginning of the year	(1,537)	(1,130)	(13,700)
Net other comprehensive income	1,122	(407)	10,001
Balance at the end of the year	(415)	(1,537)	(3,699)
Total accumulated other comprehensive income:			
Balance at the beginning of the year	18,780	47,519	167,395
Transfer to retained earnings	(453)	(347)	(4,038)
Net other comprehensive income	1,228	(28,392)	10,946
Balance at the end of the year	19,555	18,780	174,303

The following is a summary of reclassification adjustments, by line item, made to other comprehensive income, including non-controlling interests and related tax effects arising during the years ended March 31, 2017 and 2016:

	Millions of yen		
	2017		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	¥ (620)	¥ –	¥ (620)
Remeasurements of defined benefit obligations	3,794	(1,166)	2,628
Net gains or losses from financial assets measured at fair value through other comprehensive income	100	(138)	(38)
Net change in fair value of cash flow hedges	(608)	185	(423)
Share of other comprehensive income of investments accounted for using the equity method	(375)	(223)	(598)
Total	¥ 2,291	¥ (1,342)	¥ 949
Reclassification adjustments between items in other comprehensive income and net income:			
Foreign currency translation adjustments on foreign operations	¥ (970)	¥ –	¥ (970)
Net change in fair value of cash flow hedges	2,211	(674)	1,537
Share of other comprehensive income of investments accounted for using the equity method	(243)	–	(243)
Total	¥ 998	¥ (674)	¥ 324
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	¥ (1,590)	¥ –	¥ (1,590)
Remeasurements of defined benefit obligations	3,794	(1,166)	2,628
Net gains or losses from financial assets measured at fair value through other comprehensive income	100	(138)	(38)
Net change in fair value of cash flow hedges	1,603	(489)	1,114
Share of other comprehensive income of investments accounted for using the equity method	(618)	(223)	(841)
Total	¥ 3,289	¥ (2,016)	¥ 1,273
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			¥ 75
Remeasurements of defined benefit obligations			(19)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(3)
Net change in fair value of cash flow hedges			(8)
Total			¥ 45
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			¥ (1,665)
Remeasurements of defined benefit obligations			2,647
Net gains or losses from financial assets measured at fair value through other comprehensive income			(35)
Net change in fair value of cash flow hedges			1,122
Share of other comprehensive income of investments accounted for using the equity method			(841)
Total			¥ 1,228

	Millions of yen		
	2016		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	¥ (18,647)	¥ –	¥ (18,647)
Remeasurements of defined benefit obligations	(10,076)	3,620	(6,456)
Net gains or losses from financial assets measured at fair value through other comprehensive income	(1,908)	742	(1,166)
Net change in fair value of cash flow hedges	(1,957)	594	(1,363)
Share of other comprehensive income of investments accounted for using the equity method	(450)	107	(343)
Total	¥ (33,038)	¥ 5,063	¥ (27,975)
Reclassification adjustments between items in other comprehensive income and net income:			
Foreign currency translation adjustments on foreign operations	¥ (1,313)	¥ –	¥ (1,313)
Net change in fair value of cash flow hedges	1,572	(442)	1,130
Share of other comprehensive income of investments accounted for using the equity method	(740)	–	(740)
Total	¥ (481)	¥ (442)	¥ (923)
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	¥ (19,960)	¥ –	¥ (19,960)
Remeasurements of defined benefit obligations	(10,076)	3,620	(6,456)
Net gains or losses from financial assets measured at fair value through other comprehensive income	(1,908)	742	(1,166)
Net change in fair value of cash flow hedges	(385)	152	(233)
Share of other comprehensive income of investments accounted for using the equity method	(1,190)	107	(1,083)
Total	¥ (33,519)	¥ 4,621	¥ (28,898)
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			¥ (505)
Remeasurements of defined benefit obligations			(160)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(15)
Net change in fair value of cash flow hedges			174
Total			¥ (506)
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			¥ (19,455)
Remeasurements of defined benefit obligations			(6,296)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(1,151)
Net change in fair value of cash flow hedges			(407)
Share of other comprehensive income of investments accounted for using the equity method			(1,083)
Total			¥ (28,392)

	Thousands of U.S. dollars		
	2017		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	$ (5,526)	–	$ (5,526)
Remeasurements of defined benefit obligations	33,818	(10,393)	23,425
Net gains or losses from financial assets measured at fair value through other comprehensive income	891	(1,230)	(339)
Net change in fair value of cash flow hedges	(5,419)	1,649	(3,770)
Share of other comprehensive income of investments accounted for using the equity method	(3,343)	(1,988)	(5,330)
Total	$ 20,421	$ (11,962)	$ 8,459
Reclassification adjustments between items in other comprehensive income and net income:			
Foreign currency translation adjustments on foreign operations	$ (8,646)	–	$ (8,646)
Net change in fair value of cash flow hedges	19,708	(6,008)	13,700
Share of other comprehensive income of investments accounted for using the equity method	(2,166)	–	(2,166)
Total	$ 8,896	$ (6,008)	$ 2,888
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	$ (14,172)	–	$ (14,172)
Remeasurements of defined benefit obligations	33,818	(10,393)	23,425
Net gains or losses from financial assets measured at fair value through other comprehensive income	891	(1,230)	(339)
Net change in fair value of cash flow hedges	14,288	(4,359)	9,930
Share of other comprehensive income of investments accounted for using the equity method	(5,509)	(1,988)	(7,496)
Total	$ 29,316	$ (17,970)	$ 11,347
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			$ 669
Remeasurements of defined obligations			(169)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(27)
Net change in fair value of cash flow hedges			(71)
Total			$ 401
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			$ (14,841)
Remeasurements of defined benefit obligations			23,594
Net gains or losses from financial assets measured at fair value through other comprehensive income			(312)
Net change in fair value of cash flow hedges			10,001
Share of other comprehensive income of investments accounted for using the equity method			(7,496)
Total			$ 10,946

Note 16. Dividends

Dividends paid for the years ended March 31, 2017 and 2016, are as follows:

Resolution adopted	Type of shares	Millions of yen	Appropriation from	Yen	Record date	Effective date
		Aggregate amount		Amount per share		
Board of directors' meeting on May 28, 2015	Ordinary shares	¥ 5,559	Retained earnings	¥ 13.0	March 31, 2015	May 29, 2015
Board of directors' meeting on October 27, 2015	Ordinary shares	¥ 5,559	Retained earnings	¥ 13.0	September 30, 2015	November 30, 2015
Board of directors' meeting on May 30, 2016	Ordinary shares	¥ 5,559	Retained earnings	¥ 13.0	March 31, 2016	May 31, 2016
Board of directors' meeting on October 27, 2016	Ordinary shares	¥ 5,559	Retained earnings	¥ 13.0	September 30, 2016	November 29, 2016

Resolution adopted	Type of shares	Thousands of U.S. dollars	Appropriation from	U.S. dollars	Record date	Effective date
		Aggregate amount		Amount per share		
Board of directors' meeting on May 30, 2016	Ordinary shares	$ 49,550	Retained earnings	$ 0.12	March 31, 2016	May 31, 2016
Board of directors' meeting on October 27, 2016	Ordinary shares	$ 49,550	Retained earnings	$ 0.12	September 30, 2016	November 29, 2016

Dividends whose record date is during the year ended March 31, 2017, but whose effective date is in the following fiscal year are as follows:

Resolution adopted	Type of shares	Millions of yen	Appropriation from	Yen	Record date	Effective date
		Aggregate amount		Amount per share		
Board of directors' meeting on May 30, 2017	Ordinary shares	¥ 5,559	Retained earnings	¥ 13.0	March 31, 2017	May 31, 2017

Resolution adopted	Type of shares	Thousands of U.S. dollars	Appropriation from	U.S. dollars	Record date	Effective date
		Aggregate amount		Amount per share		
Board of directors' meeting on May 30, 2017	Ordinary shares	$ 49,550	Retained earnings	$ 0.12	March 31, 2017	May 31, 2017

Note 17. Other Income and Other Expenses

Other income and other expenses consist of the following items for the years ended March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Other income:			
Gain on reorganization (*)	¥ 8,475	¥ 30,232	$ 75,541
Other	5,595	6,184	49,871
Total other income	¥ 14,070	¥ 36,416	$ 125,412
Other expenses:			
Structural reform expenses	¥ 1,495	¥ 3,250	$ 13,326
Loss on disposal of property, plant and equipment	2,955	2,538	26,339
Other	7,336	6,735	65,389
Total other expenses	¥ 11,786	¥ 12,523	$ 105,054

(*) Gain on reorganization for the years ended March 31, 2017 and 2016, includes ¥4,311 million (US $38,426 thousand) and ¥29,079 million (before tax effects), respectively, as a result of the Group losing control of certain subsidiaries. Part of the gain includes ¥6,740 million (before tax effects) resulting from the remeasurement at fair value of the investment retained in the former subsidiary for the year ended March 31, 2016.There was no such gain for the year ended March 31, 2017.

Note 18. Other Financial Income and Expenses

Other financial income and expenses for the years ended March 31, 2017and 2016, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
(Other financial income)			
Dividend income (*)	¥ 220	¥ 361	$ 1,961
Other	28	24	250
Total	¥ 248	¥ 385	$ 2,211
(Other financial expenses)			
Exchange loss	1,150	1,679	10,250
Other	39	10	348
Total	¥ 1,189	¥ 1,689	$ 10,598

(*) Dividend income is from financial assets measured at FVTOCI.

Note 19. Earnings per Share

The calculation of basic earnings per share (EPS) attributable to shareholders of the parent company is summarized as follows:

	Thousands of shares	
	2017	2016
Weighted-average number of ordinary shares on which basic EPS is calculated	427,578	427,583

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net income attributable to shareholders of the parent company	¥ 50,593	¥ 69,056	$ 450,958

	Yen		U.S. dollars
	2017	2016	2017
Basic EPS attributable to shareholders of the parent company:	¥ 118.32	¥ 161.50	$ 1.05

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Potential ordinary shares without dilutive effects and not used in calculating diluted EPS attributable to shareholders of the parent company	–	Euro-yen convertible type bonds with stock acquisition rights subject to call at par due in 2019: ¥ – (outstanding issues)	–

Note that diluted EPS attributable to shareholders of the parent company is not presented because no potentially dilutive shares of common stock were issued or outstanding for the years ended March 31, 2017 and 2016.

Note 20. Financial Instruments and Other Related Information

(1) Financial Risk

The Group is engaged in business activities worldwide, and therefore exposed to various risks, including interest rate risk, currency exchange rate risk, and credit risk.

(a) Market risk

The Group's major manufacturing bases are located in Japan and Asia, but its customers are geographically diversified. As a result, the Group is exposed to market risks from fluctuations in foreign currency exchange rates.

(i) Interest rate risk

The Group is exposed to interest rate risks related principally to long-term liabilities. In order to minimize interest rate risks, the Group enters into interest rate swap agreements to hedge future cash flow exposures to fluctuations in interest rates. Those interest rate swaps are receive-floating, pay-fixed interest rate swaps. For interest rate swaps, the Group receives floating interest rate payments on long-term liabilities, including borrowings, and pays fixed interest rate payments, thereby creating fixed interest rate long-term liabilities.

Sensitivity analysis:

Sensitivity analysis for the interest rates shown below indicates the impact of assumed changes in interest rates on the income before income taxes in the Company's consolidated statement of income. If interest rates increase by 1% on financial instruments (floating-interest financial assets and liabilities measured at amortized cost, financial assets and liabilities measured at FVTPL, and derivatives), and all other variables were constant, the impact on the income before income taxes for the years ended March 31, 2017 and 2016, would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Impact on income before income taxes	¥ 986	¥ 743	$ 8,789

(ii) Currency exchange risk

The Group holds assets and liabilities exposed to currency exchange risks. In order to hedge currency exchange risks, the Group utilizes forward exchange contracts.

In order to stabilize future net cash flows from transactions denominated in foreign currencies for trade receivables and payables as well as forecast transactions, each month the Group measures the net amount of future cash flows on the settlement date for each currency and hedges fluctuation risk mainly using forward exchange contracts for a portion of these transactions. As per the Group's policy, these contracts generally expire in one year.

Hedge relationships between forward exchange contracts and hedged items are highly effective in offsetting effects on hedged items (assets and liabilities denominated in foreign currencies) arising from changes in foreign currency exchange rates.

Sensitivity analysis:

Sensitivity analysis for the currency exchange rates shown below indicates the impact of increases or decreases in currency exchange rates on income before income taxes in the Company's consolidated statement of income. If the Japanese yen had depreciated by 1% against foreign-currency denominated financial instruments held by the Group, and all other variables were constant, the impact on the income before income taxes for the years ended March 31, 2017 and 2016, would have been as follows:

	Currency	Millions of yen		Thousands of U.S. dollars
		2017	2016	2017
Impact on income before income taxes	US Dollar	138	135	1,230
	Euro	50	42	446
	Other	3	3	27

(b) Credit risk

Credit risk refers to the risk that the Group will incur a financial loss because customers or counterparties fail to discharge their contractual obligations related to a financial instrument or contract. The Group is exposed to credit risks because of its operating activities (primarily trade receivables) and financing activities, including deposits at financial institutions, currency transactions, and other financial instruments. No significant concentration of credit risk is present, as the Group has a diverse group of trading parties situated in many different regions.

The Group sets credit limits according to the credit risks of certain instruments or customers by periodically reviewing relevant factors, such as financial conditions and ratings.

The Group's maximum exposure to credit risk, without considering collateral held, is represented as the carrying amount of financial assets (excluding contingent liabilities) net of impairment losses, if any, in the consolidated statement of financial positions. The maximum exposure to credit risk from contingent liabilities is represented as the balance of contingent liabilities disclosed in Note 24.

"Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)." Balances by contractual maturity of trade receivables and other assets that are past due at the end of the reporting period but not impaired are omitted from disclosures because such balances are not material.
Fluctuation of allowance for doubtful receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Balance at the beginning of the year	¥ 432	¥ 695	$ 3,851
Additions (provision)	495	153	4,412
Utilized (write off)	(46)	(205)	(410)
Unused amount reversed (recovery)	(624)	(216)	(5,562)
Other	36	5	321
Balance at the end of the year	293	432	2,612

(c) Liquidity risk
The Group's fundamental financial policy is to maintain an appropriate level of liquidity and secure adequate funds for current and future business operations. The Group works to optimize capital utilization for its business operations through the efficient management of working capital. Further, the Group endeavors to improve group-wide capital management by centralizing this management function of the Company.

The Group also raises funds from both capital markets and commercial banks. The Group finances its capital expenditures primarily by drawing down internally generated funds and also through the issuance of debts and equity securities when necessary.

The Group also maintains commitment line agreements with a number of financial institutions to secure efficient funding as necessary. The total unused commitment lines as of March 31, 2017, are disclosed in Note 24. "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)."

The following tables present balances by maturity of non-derivative financial liabilities held by the Group as of the reporting dates:

Note that the carrying amounts of trade payables and contractual cash flows match, and their due dates are all within one year. Hence they are not included in the tables below.

	Millions of yen				
	March 31, 2017				
	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Over five years
Short-term debt	¥ 26,301	¥ 26,458	¥ 26,458	¥ –	¥ –
Current portion of long-term debt					
Current portion of long-term borrowings	15,227	15,334	15,334	–	–
Current portion of corporate bonds payable	19,994	20,224	20,224	–	–
Lease obligations	241	242	241	–	–
Long-term debt					
Long-term borrowings	122,555	125,814	1,245	123,671	898
Corporate bonds payable	9,990	10,102	72	10,030	–
Lease obligations	149	149	–	149	–

	Millions of yen				
	March 31, 2016				
	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Over five years
Short-term debt	¥ 25,251	¥ 25,595	¥ 25,595	¥ –	¥ –
Current portion of long-term debt					
Current portion of long-term borrowings	21,868	22,036	22,036	–	–
Current portion of corporate bonds payable	4,987	5,049	5,049	–	–
Lease obligations	276	277	277	–	–
Long-term debt					
Long-term borrowings	137,556	142,477	1,665	120,098	20,714
Corporate bonds payable	29,967	30,782	456	30,326	–
Lease obligations	471	475	–	475	–

	Thousands of U.S. dollars				
	March 31, 2017				
	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Over five years
Short-term debt	$ 234,433	$ 235,832	$ 235,832	$ –	$ –
Current portion of long-term debt					
Current portion of long-term borrowings	135,725	136,679	136,679	–	–
Current portion of corporate bonds payable	178,216	180,266	180,266	–	–
Lease obligations	2,148	2,157	2,148	–	–
Long-term debt					
Long-term borrowings	1,092,388	1,121,437	11,097	1,102,335	8,004
Corporate bonds payable	89,045	90,044	642	89,402	–
Lease obligations	1,328	1,328	–	1,328	–

The weighted average interest rates of short-term debt, the current portion of long-term debt, and long-term debt are 1.08%, 1.80% and 0.99%, respectively. The maturities range from 2017 to 2026. The details of corporate bonds by issue are as follows:

Issuer	Issue	Issue date	Millions of yen		Thousands of U.S. dollars	Secured/ Unsecured	Interest rate (%)	Maturity
			March 31, 2017	March 31, 2016	March 31, 2017			
The Company	The 29th unsecured corporate bond	October 29, 2007	¥19,994	¥ 19,984	$ 178,216	Unsecured	1.97	October 27, 2017
The Company	Hitachi Cable, Ltd. the 5th unsecured corporate bond	March 16, 2010	¥ –	¥ 4,987	$ –	Unsecured	1.24	March 16, 2017
The Company	The 30th unsecured corporate bond	September 13, 2011	¥ 9,990	¥ 9,983	$ 89,045	Unsecured	0.79	September 13, 2018
Total	–	–	¥ 29,984	¥ 34,954	$ 267,261	–	–	–

Contingent liabilities disclosed in Note 24. "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)" are not included in the above tables.

The following tables show the maturities of derivatives. Net settlement derivatives are also disclosed in gross amounts.

		Millions of yen			
		March 31, 2017			
		Within one year	After one and but not more than five years	Over five years	Total
Forward exchange contracts	In	¥ 148	¥ –	¥ –	¥ 148
	Out	202	–	–	202
Interest rate swaps	In	–	167	–	167
	Out	–	620	–	620
Put options	In	–	6,061	–	6,061
	Out	–	–	–	–

		Millions of yen			
		March 31, 2016			
		Within one year	After one and but not more than five years	Over five years	Total
Forward exchange contracts	In	¥ 179	¥ 1	¥ –	¥ 180
	Out	16	28	–	44
Copper futures contracts	In	1	–	–	1
	Out	4	–	–	4
Interest rate swaps	In	–	–	–	–
	Out	52	1,181	1,029	2,262
Put options	In	–	6,061	–	6,061
	Out	–	–	–	–

		Thousands of U.S. dollars			
		March 31, 2017			
		Within one year	After one and but not more than five years	Over five years	Total
Forward exchange contracts	In	$ 1,319	$ –	$ –	$ 1,319
	Out	1,801	–	–	1,801
Interest rate swaps	In	–	1,489	–	1,489
	Out	–	5,526	–	5,526
Put options	In	–	54,024	–	54,024
	Out	–	–	–	–

(d) Capital management

The Group's fundamental capital management policy is to maintain an appropriate level of assets, liabilities, and capital for current and future business operations and to optimize capital efficiency for its business operations.

The ratio of equity attributable to shareholders of the parent company is viewed as a significant indicator for the Group's capital management. A specific ratio is targeted under the Group's mid-term management plan and continuously monitored.

The Group is not subject to significant capital requirements except for general rules, such as the Companies Act of Japan.

Equity attributable to shareholders of the parent company at March 31, 2017, was ¥536,563 million (US $4,782,628 thousand), which increased by ¥40,698 million (US $362,760 thousand) from the year ended March 31, 2016. As a result, the ratio of equity attributable to shareholders of the parent company as of March 31, 2017, was 51.6%, an increase from 48.0% of previous year.

(e) Risk of stock price fluctuations

The Group pursues profit in its business and enhances corporate value through reinforcing relationships, particularly with customers and suppliers, or by delivering proposals to its investees. As part of maintaining the relationship with customers, suppliers, or other parties, the Group occasionally invests in marketable securities and therefore is exposed to the risk of stock price fluctuations. To manage this risk, the Group regularly monitors the fair values of these instruments, financial conditions, and other factors of investees. Further, holdings of stocks are reviewed by the relevant department as appropriate, considering relationships with its business partners.

(2) Fair Value of Investments in Securities and Other Financial Assets and Liabilities

(a) Methods and assumptions of fair value measurements

The following methods and assumptions are used to measure fair values of financial assets and liabilities:

Cash and cash equivalents, trade receivables, short-term debt, and trade payables:

Carrying amount of these assets and liabilities approximates their estimated fair value because of their short-term maturity.

Long-term debt:

Fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using market interest rates under similar contractual terms.

Investments in securities and other financial assets and liabilities (excluding long-term loans receivable):

Refer to fair value hierarchy at (e) "Fair value hierarchy" below.

Long-term loans receivable:

Fair value of long-term loans receivable is estimated based on the present value of future cash flows using interest rates applicable to obtain an additional loan under similar contractual terms.

(b) Fair value of investments in securities and other financial assets

Carrying amounts and estimated fair values of financial assets for the years ended March 31, 2017 and 2016, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2017		March 31, 2016		March 31, 2017	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Financial assets measured at FVTPL						
Current						
Securities	¥ 643	¥ 643	¥ 1,393	¥ 1,393	$ 5,731	$ 5,731
Derivatives						
Forward exchange contracts	148	148	179	179	1,319	1,319
Copper futures contracts	–	–	1	1	–	–
Non-current						
Securities	1,843	1,843	2,220	2,220	16,427	16,427
Derivatives						
Forward exchange contracts	–	–	1	1	–	–
Put options	6,061	6,061	6,061	6,061	54,024	54,024
Financial assets measured at FVTOCI						
Non-current					–	–
Securities	10,231	10,231	11,799	11,799	91,194	91,194
Financial assets measured at amortized cost						
Current						
Short-term loans receivable	116	116	–	–	1,034	1,034
Non-current						
Securities	2,082	2,082	1,624	1,624	18,558	18,558
Long-term loans receivable	711	711	688	688	6,337	6,337

Equity instruments are securities measured at FVTOCI, whereas debt instruments are those measured at amortized cost.

(c) Fair value of financial assets measured at FVTOCI

The following is a list of major equity instruments designated as FVTOCI and their fair values as of the reporting dates:

Millions of yen	
March 31, 2017	
Equity instruments	Fair value
Riken Corporation	¥ 1,750
Kakimoto Co., Ltd.	1,274
Kowa Kogyosho Co., Ltd.	1,154
OSG Corporation	833
Konwa Kaikan	827
Owari Precise Products Co., Ltd.	434
Kojima Co., Ltd.	324
Santoku Corporation	266
Yamaichi Special Steel Co., Ltd.	246
Mikuni Shoji Co., Ltd.	207

Millions of yen	
March 31, 2016	
Equity instruments	Fair value
Riken Corporation	¥ 1,312
Kakimoto Co., Ltd.	1,205
Kowa Kogyosho Co., Ltd.	1,070
Konwa Kaikan	803
OSG Corporation	769
Tsuchiura Cable Television Co., Ltd.	685
Daido Steel Co., Ltd.	663
Owari Precise Products Co., Ltd.	441
NHK Integrated Technology Inc.	319
Kojima Co., Ltd.	316

Thousands of U.S. dollars	
March 31, 2017	
Equity instruments	Fair value
Riken Corporation	$ 15,599
Kakimoto Co., Ltd.	11,356
Kowa Kogyosho Co., Ltd.	10,286
OSG Corporation	7,425
Konwa Kaikan	7,371
Owari Precise Products Co., Ltd.	3,868
Kojima Co., Ltd.	2,888
Santoku Corporation	2,371
Yamaichi Special Steel Co., Ltd.	2,193
Mikuni Shoji Co., Ltd.	1,845

(d) Fair value of financial liabilities

Carrying amounts and estimated fair value of financial liabilities as of the reporting dates are as follows:

The Group holds no financial liabilities designated at initial recognition as financial liabilities measured at FVTPL.

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2017		March 31, 2016		March 31, 2017	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Financial liabilities measured at FVTPL						
Current						
Derivatives						
Interest rate swaps	¥ –	¥–	¥ 52	¥ 52	$ –	$ –
Forward exchange contracts	202	202	16	16	1,801	1,801
Copper futures contracts	–	–	4	4	–	–
Non-current						
Derivatives						
Interest rate swaps	453	453	2,210	2,210	4,038	4,038
Forward exchange contracts	–	–	28	28	–	–
Financial liabilities measured at amortized cost						
Current						
Short-term debt	26,301	26,301	25,251	25,251	234,433	234,433
Current portion of long-term debt						
Current portion of long-term borrowings	15,227	15,330	21,868	22,010	135,725	136,643
Current portion of corporate bonds payable	19,994	20,224	4,987	5,055	178,216	180,266
Lease obligations	241	241	276	276	2,148	2,148
Non-current						
Long-term debt						
Long-term borrowings	122,555	125,311	137,556	141,852	1,092,388	1,116,953
Corporate bonds payable	9,990	10,110	29,967	30,777	89,045	90,115
Lease obligations	149	149	471	471	1,328	1,328

Since the fair value of finance lease obligations is not material to the consolidated statement of financial position, it is measured as the present value of the minimum lease payments discounted by the interest rates used at the initial recognition of lease obligations. Accordingly, the fair value is based on the relevant carrying amount.

(e) Fair value hierarchy

Financial instruments measured at fair value on a recurring basis after initial recognition are classified into three levels of a fair value hierarchy based on observability and materiality of inputs used for fair value measurement. The three levels of the hierarchy are as follows:

Level 1:
Fair value measured using quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2:
Fair value measured using direct or indirect observable inputs other than the quoted prices included in Level 1.

Level 3:
Fair value measured using unobservable inputs.

When several inputs are used for a fair value measurement, the measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels are deemed to have occurred at the beginning of each quarter period.

Securities:

Securities that can be measured at fair value through quoted market prices are included in Level 1. Those securities include listed stocks, government bonds or other debt securities, and exchange traded funds.

In the absence of an active market for securities, the following are used as inputs for fair value measurement: quoted prices for similar securities; quoted prices for transactions that are not distressed for identical or similar securities; or other relevant information, including observable interest rates and yield curves, credit spreads, and default rates. These inputs are included in Level 2. Included in Level 2 are short-term investments and listed stocks traded over-the-counter.

Shares of non-listed companies and other instruments, whose significant inputs for fair value measurement are unobservable, are included in Level 3. The Group uses price information provided by financial institutions to evaluate these investments. The Group corroborates the information using an income approach based on its own valuation model or a market approach, such as comparison with prices of similar securities.

Derivatives:

Derivatives measured in a model using the following are included in Level 2: quoted prices under transactions that are not distressed, quoted prices in markets that are not active, and observable interest rates and yield curves or forward and spot prices for currencies and commodities. Level 2 derivatives mainly include interest rate swaps, forward foreign exchange contracts, and commodity futures contracts.

Financial assets and liabilities measured at amortized cost:

Financial assets and liabilities measured at amortized cost are included primarily in Level 2 or Level 3.

The following tables present financial instruments that are measured at fair value on a recurring basis and the fair value hierarchy classification as of March 31, 2017 and 2016:

	Millions of yen			
	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	¥ 643	¥ –	¥ –	¥ 643
Derivatives	–	148	–	148
FVTPL (Non-current)				
Securities	–	1,007	836	1,843
Derivatives	–	–	6,061	6,061
FVTOCI (Non-current)	3,341	–	6,890	10,231
Liabilities				
FVTPL (Current)	–	202	–	202
FVTPL (Non-current)	–	453	–	453

	Millions of yen			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	¥ 1,393	¥ –	¥ –	¥ 1,393
Derivatives	–	180	–	180
FVTPL (Non-current)				
Securities	–	1,092	1,128	2,220
Derivatives	–	1	6,061	6,062
FVTOCI (Non-current)	3,532	–	8,267	11,799
Liabilities				
FVTPL (Current)	–	72	–	72
FVTPL (Non-current)	–	2,238	–	2,238

	Thousands of U.S. dollars			
	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	$ 5,731	$ –	$ –	$ 5,731
Derivatives	–	1,319	–	1,319
FVTPL (Non-current)				
Securities	–	8,976	7,452	16,427
Derivatives	–	–	54,024	54,024
FVTOCI (Non-current)	29,780	–	61,414	91,194
Liabilities				
FVTPL (Current)	–	1,801	–	1,801
FVTPL (Non-current)	–	4,038	–	4,038

Financial liabilities (current and non-current) measured at FVTPL represent derivatives.

The following tables present the changes in Level 3 instruments whose fair value were measured on a recurring basis for the years ended March 31, 2017 and 2016:

	Millions of yen		
	FVTPL	FVTOCI	Total
At April 1, 2015	¥ 2,185	¥ 7,938	¥ 10,123
Gains (losses) in profit or loss	91	–	91
Gains (losses) in other comprehensive income	–	(16)	(16)
Sales or redemption	(805)	(353)	(1,158)
Purchases or acquisition	6,096	–	6,096
Other	(378)	698	320
At March 31, 2016	¥ 7,189	¥ 8,267	¥ 15,456
Gains (losses) in profit or loss	–	–	–
Gains (losses) in other comprehensive income	–	(476)	(476)
Sales or redemption	(346)	(906)	(1,252)
Purchases or acquisition	49	–	49
Other	5	5	10
At March 31, 2017	¥ 6,897	¥ 6,890	¥ 13,787

	Thousands of U.S. dollars		
	FVTPL	FVTOCI	Total
At March 31, 2016	$ 64,079	$ 73,687	$ 137,766
Gains (losses) in profit or loss	–	–	–
Gains (losses) in other comprehensive income	–	(4,243)	(4,243)
Sales or redemption	(3,084)	(8,076)	(11,160)
Purchases or acquisition	437	–	437
Other	45	45	89
At March 31, 2017	$ 61,476	$ 61,414	$ 122,890

Changes in unrealized gains (losses) recognized in profit or loss relating to assets held as of March 31, 2016, were ¥ 91 million. There were no such changes as of March 31, 2017.

Such gains (losses) in profit or loss are included in other financial income and other financial expenses in the consolidated statement of income.

(3) Derivative Instruments and Hedging Activities

Cash flow hedge:

Foreign currency exposure:

Changes in the fair value of forward exchange contracts designated as cash flow hedges for forecasted foreign currency transactions are reported in other comprehensive income. These amounts are reclassified into profit or loss in the same period as foreign exchange gains or losses on hedged items are recognized in profit or loss.

Interest rate exposure:

Changes in fair values of interest rate swaps designated as hedging instruments for fluctuation in cash flows associated with long-term debt obligations are reported in other comprehensive income. The amount in accumulated other comprehensive income is subsequently reclassified to other financial income and expenses over the period in which interest expenses are recognized in profit or loss.

As of March 31, 2017, the expected period for cash flows arising from hedged items and affecting profit or loss is to be from April 2016 to June 2021.

The fair values of derivatives designated as hedging instruments as of March 31, 2017 and 2016, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2017		March 31, 2016		March 31, 2017	
	Asset	Liability	Asset	Liability		
Cash flow hedges						
Forward exchange contracts	¥ 1	¥202	¥ 107	¥ 44	$ 9	$ 1,801
Interest rate swaps	167	620	–	2,262	1,489	5,526
Copper futures contracts	–	–	1	–	–	–
Total	¥ 168	¥ 822	¥ 108	¥ 2,306	$ 1,497	$ 7,327

The fair values of derivative assets and liabilities to which hedge accounting is not applied were ¥6,208million (US $55,335 thousand) and ¥– million (US $– thousand), respectively, as of March 31, 2017, and ¥6,134 million and ¥4 million, respectively, as of March 31, 2016.

The contract or notional amounts of derivatives as of March 31, 2017 and 2016, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Forward exchange contracts:			
To sell foreign currencies	¥ 7,622	¥ 3,843	$ 67,938
To buy foreign currencies	3,089	3,243	27,534
Interest rate swaps	105,986	127,474	944,701
Copper futures contracts	–	4,231	–

The following tables present the amounts in relation to cash flow hedges recognized in the consolidated statement of income for the year ended March 31, 2017:

Gain or loss recognized in OCI
Effective portion of derivatives designated as hedging instruments

Derivatives	Millions of yen	Thousands of U.S. dollars
Forward exchange contracts	¥ (155)	$ (1,382)
Interest rate swaps	(453)	(4,038)
Total	¥ (608)	$ (5,419)

Gain or loss reclassified from OCI into profit or loss
Effective portion of derivatives designated as hedging instruments

Derivatives	Recognized in consolidated statement of income	Millions of yen	Thousands of U.S. dollars
Forward exchange contracts	Other financial income and expenses	¥ (50)	$ (446)
Interest rate swaps	Other financial income and expenses	2,262	20,162
Copper futures contracts	Other financial income and expenses	(1)	(9)
Total		¥ 2,211	$ 19,708

The following tables present the amounts in relation to cash flow hedges recognized in the consolidated statement of income for the year ended March 31, 2016:

Gain or loss recognized in OCI
Effective portion of derivatives designated as hedging instruments

Derivatives	Millions of yen
Forward exchange contracts	¥ 70
Interest rate swaps	(2,028)
Copper futures contracts	1
Total	¥ (1,957)

Gain or loss reclassified from OCI into profit or loss
Effective portion of derivatives designated as hedging instruments

Derivatives	Recognized in consolidated statement of income	Millions of yen
Forward exchange contracts	Other financial income and expenses	¥ 281
Interest rate swaps	Other financial income and expenses	1,291
Total		¥ 1,572

Note 21. Pledged Assets

The following assets were pledged as collateral by certain subsidiaries for their accounts payables as of March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	March 31, 2016	March 31, 2017
Securities and other financial assets	¥ 114	¥ 105	$ 1,016
Total	¥ 114	¥ 105	$ 1,016

Note 22. Major Subsidiaries and Associates

The Company's parent company is Hitachi, Ltd., which is located in Japan. The Company's consolidated financial statements include the following subsidiaries:

As of March 31, 2017

Name	Location	Principal business	Ownership %
Hitachi Metals Tool Steel, Ltd.	Minato-ku, Tokyo	High-Grade Metal Products and Materials	100.0
Hitachi Metals Neomaterial, Ltd.	Suita, Osaka	High-Grade Metal Products and Materials	100.0
Hitachi Metals Wakamatsu, Ltd.	Kita-kyushu, Fukuoka	High-Grade Metal Products and Materials	100.0
Hitachi Metals Precision, Ltd.	Minato-ku, Tokyo	High-Grade Metal Products and Materials	100.0
HMY, Ltd.	Yasugi, Shimane	High-Grade Metal Products and Materials	100.0
Hitachi Metals MMC Superalloy, Ltd.	Okegawa, Saitama	High-Grade Metal Products and Materials	51.0
NEOMAX KINKI Co., Ltd.	Yabu, Hyogo	Magnetic Materials and Applications	100.0
NEOMAX ENGINEERING Co., Ltd.	Takasaki, Gunma	Magnetic Materials and Applications	100.0
Hitachi Ferrite Electronics, Ltd.	Tottori, Tottori	Manufacturing and sales of products	100.0
NEOMAX KYUSHU Co., Ltd.	Takeo, Saga	Magnetic Materials and Applications	100.0
Hitachi Metals FineTech, Ltd.	Kuwana, Mie	High-Grade Functional Components and Equipment	100.0
Hitachi Valve, Ltd.	Mie, Mie	High-Grade Functional Components and Equipment	100.0
Alcast, Ltd.	Kumagaya, Saitama	High-Grade Functional Components and Equipment	100.0
Kyushu Technometal Co., Ltd.	Miyako, Fukuoka	High-Grade Functional Components and Equipment	100.0
Hitachi Metals Trading, Ltd.	Minato-ku, Tokyo	Sales of products	100.0
Hitachi Magnet Wire Corp.	Hitachi, Ibaraki	Manufacturing and sales of products	100.0
Tonichi Kyosan Cable, Ltd.	Ishioka, Ibaraki	Wires, Cables, and Related Products	100.0
Ibaraki Technos, Ltd.	Hitachi, Ibaraki	Wires, Cables, and Related Products	100.0
SH Copper Products Co., Ltd.	Tsuchiura, Ibaraki	Wires, Cables, and Related Products	100.0
Hitachi Metals Solutions, Ltd.	Chuo-ku, Tokyo	Real estate business and others	100.0
Metglas, Inc.	South Carolina, U.S.A.	High-Grade Metal Products and Materials	100.0
Hitachi Metals Korea Co., Ltd.	Gyeonggi-do, South Korea	Sales of products	100.0
Baosteel Hitachi Rolls (Nantong) Co., Ltd.	Jiangsu, China	High-Grade Metal Products and Materials	70.0
San Technology, Inc.	Cavite, Philippines	Magnetic Materials and Applications	100.0
Pacific Metals Co., Ltd.	North Gyeongsang, South Korea	Magnetic Materials and Applications	100.0
PT. NX INDONESIA	Banten, Indonesia	Magnetic Materials and Applications	100.0
Hitachi Metals San Huan Magnetic Materials (Nantong) Co., Ltd.	Jiangsu, China	Magnetic Materials and Applications	51.0
Waupaca Foundry, Inc.	Wisconsin, U.S.A.	High-Grade Functional Components and Equipment	100.0
AAP St. Marys Corp.	Ohio, U.S.A.	High-Grade Functional Components and Equipment	100.0

As of March 31, 2017

Name	Location	Principal business	Ownership %
Namyang Metals Co., Ltd.	Daegu, South Korea	High-Grade Functional Components and Equipment	90.8
Ward Manufacturing, LLC	Pennsylvania, U.S.A.	High-Grade Functional Components and Equipment	100.0
Hitachi Metals America, Ltd.	New York, U.S.A.	Sales of products	100.0
Hitachi Metals Hong Kong Ltd.	Hong Kong, China	Sales of products	100.0
Hitachi Metals Europe GmbH	Dusseldorf, Germany	Sales of products	100.0
Hitachi Metals Singapore Pte. Ltd.	Singapore	Sales of products	100.0
Hitachi Metals Taiwan, Ltd.	New Taipei, Taiwan	Manufacturing and sales of products	100.0
Hitachi Metals (Thailand) Ltd.	Ayutthaya, Thailand	Manufacturing and sales of products	100.0
Hitachi Metals (Suzhou) Technology, Ltd.	Jiangsu, China	Manufacturing and sales of products	100.0
Hitachi Metals (China), Ltd.	Shanghai, China	Regional headquarters and sales of products	100.0
Hitachi Cable America Inc.	New York, U.S.A.	Wires, Cables, and Related Products	100.0
Hitachi Cable (Suzhou) Co., Ltd.	Jiangsu, China	Wires, Cables, and Related Products	100.0
Hitachi Cable (Johor) Sdn. Bhd.	Johor, Malaysia	Wires, Cables, and Related Products	100.0
Hitachi Cable Vietnam Co., Ltd.	Hai Duong, Vietnam	Manufacturing and sales of products	100.0
Thai Hitachi Enamel Wire Co., Ltd.	Bangpakong Chachoengsao, Thailand	Wires, Cables, and Related Products	49.4
HC Queretaro, S.A. de C.V.	Queretaro, Mexico	Wires, Cables, and Related Products	100.0
Others 33 companies	–	–	–

Note 23. Transactions with Related Parties

(1) Transactions with Related Parties

Transactions with the related parties are as follows:

For the year ended March 31, 2017:

Attribution	Name	Nature of transaction	Millions of yen		Thousands of U.S. dollars	
			Transaction amount	Balance at year-end	Transaction amount	Balance at year-end
Parent company	Hitachi, Ltd.	Deposits with Hitachi Group cash pooling system (*1) (*3)	Deposit ¥ 18,315 (*4)	¥ 84,184	Deposit $ 163,250 (*4)	$ 750,370
Company with the same parent company	Hitachi America Capital, Ltd.	Borrowings from a cash pooling system (*2) (*3)	Borrowings 10,955 (*4)	13,463	Borrowings $ 97,647 (*4)	$ 120,002

*1 The Company participates in the Hitachi Group's cash pooling system, an initiative intended to provide integrated management of funds. Balance at the end of the fiscal year indicates deposit balance as of the year-end.

*2 The Company participates in the Hitachi Group's cash pooling system, where Hitachi America Capital Ltd. is a key participant, an initiative intended to provide integrated management of funds. Balance at the end of the fiscal year indicates borrowings balance as of the year-end.

*3 Interest rates on funding are reasonably determined based on market interest rates.

*4 As deposits and withdrawals are made on a daily basis, transaction amounts represent differences between the beginning and ending balances for the year.

For the year ended March 31, 2016:

Attribution	Name	Nature of transaction	Millions of yen	
			Transaction amount	Balance at year-end
Parent company	Hitachi, Ltd.	Deposits with Hitachi Group cash pooling system (*1) (*2)	Deposit ¥ 41,298 (*3)	¥ 65,869
Joint venture	SH Copper Products Co., Ltd.	Substitute purchase of material and others (*4)	27,448	11,537

*1 The Company participates in the Hitachi Group's cash pooling system, an initiative intended to provide integrated management of funds. Balance at the end of the fiscal year indicate deposit balance as of the year-end.

*2 Interest rates on funding are reasonably determined based on market interest rates.

*3 As deposits and withdrawals are made on a daily basis, transaction amounts represent differences between the beginning and ending balances for the year.

*4 Transaction terms for substitute purchase of material are determined in the same manner as regular transaction terms based on their market prices.

(2) Compensation for Key Management Personnel

Compensation for key management personnel of the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2017
Short-term employee benefits	¥ 608	¥ 620	$ 5,419

Note 24. Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)

(1) Loan Commitments

The Group has lines of credit arrangements with banks in order to secure a financing source for business operations. The total unused lines of credit as of March 31, 2017 and 2016, were ¥40,000 million (US $356,538 thousand) and ¥40,000 million, respectively. The Group also has overdraft facilities with banks. The unused facilities under these agreements as of March 31, 2017 and 2016, were ¥79,818 million (US $711,454 thousand) and ¥69,242 million, respectively.

(2) Commitments for Acquisition of Assets

Outstanding commitments for the purchase of property, plant and equipment as of March 31, 2017 and 2016, were ¥41,751 million (US $372,145 thousand) and ¥25,284 million respectively.

(3) Guarantee Obligations

The Group was contingently liable for loan guarantees and other guarantees to its associates and third parties in the amounts of ¥4,126 million (US $36,777 thousand) and ¥8,868 million as of March 31, 2017 and 2016, respectively.

(4) Other

The Company has identified defects in some of its products and is currently evaluating the potential impacts. At the time of issuance of this report, the Company is unable to reasonably estimate the timing or the amount of any losses to be incurred in the future. As such, the impacts are not reflected in the consolidated financial statements as of and for the year ended March 31, 2017.

Note 25. Subsequent Events

There is no applicable item.

Building a better
working world

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Independent Auditor's Report

The Board of Directors
Hitachi Metals, Ltd.

We have audited the accompanying consolidated financial statements of Hitachi Metals, Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Metals, Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 27, 2017
Tokyo, Japan