Financial Section

2021 ANNUAL REPORT
Year Ended March 31, 2021

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)							
	IFRS							
	2021	2020	2019	2018	2017	2016	2015	2014
Results for the period:								
Revenues	¥ 761,615	¥ 881,402	¥ 1,023,421	¥ 988,303	¥ 910,486	¥ 1,017,584	¥ 1,004,373	¥ 807,794
Cost of sales	(666,246)	(755,947)	(851,029)	(803,607)	(731,153)	(819,433)	(793,517)	(637,081)
Selling, general and administrative expenses	(100,346)	(111,072)	(120,965)	(119,566)	(113,350)	(122,090)	(126,446)	(106,851)
Other income	9,726	8,599	10,667	5,401	14,070	36,416	21,303	5,844
Other expenses	(53,962)	(62,108)	(19,652)	(24,205)	(11,786)	(12,523)	(21,306)	(16,278)
Operating income (loss)	(49,213)	(39,126)	42,442	46,326	68,267	99,954	84,407	53,428
Income (loss) before income taxes and non-controlling interests	(50,588)	(40,614)	43,039	46,985	66,016	96,233	86,391	55,820
Net income (loss) attributable to shareholders of the parent company	(42,285)	(37,648)	31,370	42,210	50,593	69,056	70,569	48,133
Cash flows for the period:								
Cash flows from operating activities	52,586	105,958	66,582	39,133	89,391	115,742	108,983	99,171
Cash flows from investing activities	2,191	(56,418)	(96,247)	(75,080)	(35,864)	(32,147)	(113,750)	(9,832)
Free cash flows	54,777	49,540	(29,665)	(35,947)	53,527	83,595	(4,767)	89,339
Growth initiative costs:								
Capital expenditures	28,806	53,019	95,389	91,786	63,843	59,602	51,474	31,987
Depreciation and amortization	50,407	55,180	50,901	46,138	43,039	42,927	39,917	33,762
Research and development	14,475	15,918	18,604	17,749	17,971	19,121	20,903	16,814
At the period-end:								
Total assets	¥ 972,249	¥ 977,766	¥ 1,099,252	¥ 1,058,832	¥ 1,040,390	¥ 1,033,311	¥ 1,083,450	¥ 848,772
Interest-bearing debt	195,318	187,586	202,098	160,844	194,457	220,376	255,350	177,195
Net assets	492,118	522,853	595,211	570,192	548,746	504,675	476,176	382,840
Number of outstanding shares (thousands)	427,563	427,566	427,569	427,572	427,576	427,579	427,601	427,657
Number of shareholders	20,782	23,162	28,053	29,148	25,302	28,582	26,287	29,308
Number of employees	28,620	29,805	30,304	30,390	28,754	29,157	30,278	26,850
Per share of common stock (yen):								
Net income (loss):								
Basic	¥ (98.90)	¥ (88.05)	¥ 73.37	¥ 98.72	¥ 118.32	¥ 161.50	¥ 165.02	¥ 116.79
Cash dividends	–	26.00	34.00	26.00	26.00	26.00	23.00	17.00
Net assets	1,145.26	1,216.92	1,375.16	1,316.08	1,254.89	1,159.70	1,090.64	870.36
Key financial indicators:								
Operating income margin (%)	(6.5)	(4.4)	4.1	4.7	7.5	9.8	8.4	6.6
Return on Sales (ROS) (%)	(5.6)	(4.3)	3.1	4.3	5.6	6.8	7.0	6.0
Return on Assets (ROA) (%)	(5.2)	(3.9)	4.0	4.5	6.4	9.1	8.9	8.0
Return on Equity (ROE) (%)	(8.4)	(6.8)	5.5	7.7	9.8	14.4	16.8	15.6
Shareholders' equity ratio (%)	50.4	53.2	53.5	53.1	51.6	48.0	43.0	43.9
Debt/equity ratio (%)	39.9	36.1	34.4	28.6	36.2	44.4	54.8	47.6

Notes: 1. The amounts are accounted for and presented in accordance with the International Financial Reporting Standards (IFRS).
2. The translation of Japanese yen amounts into U.S. dollars and euros for the fiscal year ended March 31, 2021, is included in this annual report solely for the convenience of readers outside Japan. The translation has been made at the rates of ¥110.71 to $1 and ¥129.80 to €1, the approximate exchange rates as of March 31, 2021.
3. Diluted net income per share is not provided for the periods presented as there were no outstanding common stock with a dilutive effect during the periods presented and also there were no outstanding potential common stock during the periods ended March 31, 2017, 2018, 2019, 2020, and 2021.
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 fiscal year ended March 31, 2014 (FY2014) are presented in accordance with both generally accepted accounting principles in Japan (J-GAAP) and IFRS.

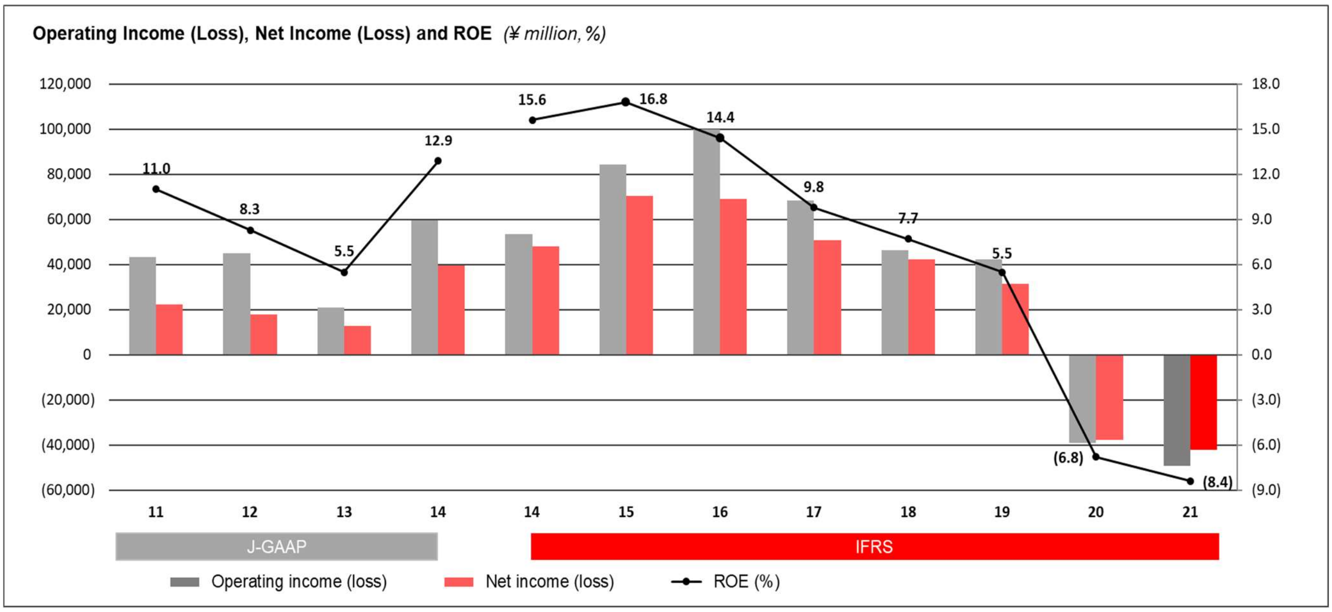
Eleven-Year Summary

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

	Thousands of U.S. dollars (except per share amounts)	Thousands of euros (except per share amounts)
	IFRS	
	2021	2021
Results for the period:		
Revenues	$ 6,879,370	€ 5,867,604
Cost of sales	(6,017,939)	(5,132,866)
Selling, general and administrative expenses	(906,386)	(773,082)
Other income	87,851	74,931
Other expenses	(487,418)	(415,732)
Operating loss	(444,522)	(379,145)
Loss before income taxes and non-controlling interests	(456,942)	(389,738)
Net loss attributable to shareholders of the parent company	(381,944)	(325,770)
Cash flows for the period:		
Cash flows from operating activities	474,989	405,131
Cash flows from investing activities	19,790	16,880
Free cash flows	494,779	422,011
Growth initiative costs:		
Capital expenditures	260,193	221,926
Depreciation and amortization	455,307	388,344
Research and development	130,747	111,518
At the period-end:		
Total assets	$ 8,781,944	€ 7,490,362
Interest-bearing debt	1,764,231	1,504,761
Net assets	4,445,109	3,791,356
Number of outstanding shares (thousands)	–	–
Number of shareholders	–	–
Number of employees	–	–
Per share of common stock (U.S. dollars and euros):		
Net loss:		
Basic	$ (0.89)	€ (0.76)
Cash dividends	–	–
Net assets	10.34	8.82
Key financial indicators:		
Operating income margin (%)	–	–
Return on Sales (ROS) (%)	–	–
Return on Assets (ROA) (%)	–	–
Return on Equity (ROE) (%)	–	–
Shareholders' equity ratio (%)	–	–
Debt/equity ratio (%)	–	–

	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 before income taxes and minority interests	50,796	17,230	36,414	36,061
Net income 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)	427,631	365,419	352,429	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:				
Basic	¥ 95.65	¥ 36.20	¥ 50.75	¥ 5.50
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 (%)	48.5	58.3	76.8	71.9

Notes:
1. The amounts are accounted for and presented in accordance with J-GAAP.
2. Diluted net income per share is not provided for the periods presented as there were no dilutive common stock with a dilutive effect.
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. 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).


Operating Income (Loss), Net Income (Loss) and ROE (¥ million, %)
120,000
100,000
80,000
60,000
40,000
20,000
0
(20,000)
(40,000)
(60,000)
18.0
15.0
12.0
9.0
6.0
3.0
0.0
(3.0)
(6.0)
(9.0)
11.0
8.3
5.5
12.9
15.6
16.8
14.4
9.8
7.7
5.5
(6.8)
(8.4)
11
12
13
14
14
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16
17
18
19
20
21
J-GAAP
IFRS
Operating income (loss)
Net income (loss)
ROE (%)

Financial Review

Adoption of International Financial Reporting Standards (IFRS)

In the fiscal year ended March 31, 2015, Hitachi Metals, Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") voluntarily adopted IFRS for the purposes of better understanding group management, stronger governance, and more efficient business operations.

Market Environment

During the fiscal year ended March 31, 2021, economic and social activities in various regions of the world remained restricted due to the global pandemic of the novel coronavirus disease (COVID-19). With the world economy expected to contract by 3.3% in 2020 (released by the International Monetary Fund in April 2021), the global economy was faced with extremely challenging conditions with China being the only major economy that achieved growth.

Business Overview

Under the business circumstances described above, the Group's operating results for the fiscal year ended March 31, 2021, were as follows.

In the business fields of the Group, signs of a recovery in demand had continued since the six months ended September 30, 2020, after reaching its lowest point in the three months ended June 30, 2020. However, revenues for the fiscal year ended March 31, 2021, decreased by 13.6% to ¥761,615 million, due to the significant drop in the three months ended June 30, 2020.

Adjusted operating income* showed an improvement following the recovery of revenues since the six months ended September 30, 2020, due to the measures taken by the Group, such as the reduction of fixed costs. However, the Group recorded a loss of ¥4,977 million for the fiscal year ended March 31, 2021, a decrease of ¥19,360 million from the previous year, reflecting a decrease in revenues and other factors.

Under other income, ¥1,971 million was recorded in the Specialty Steel Products segment as "Gain on business reorganization and others" in line with the transfer of all of the shares of Mitsubishi Hitachi Tool, Ltd. (currently, MOLDINO Tool Engineering, Ltd.) held by the Company to Mitsubishi Materials Corporation in the first quarter ended June 30, 2020. In addition, ¥1,474 million was recorded in the Functional Components and Equipment segment as "Gain on business reorganization and others" in line with the sale of certain plant owned by Waupaca Foundry, Inc. in the U.S. in the three months ended March 31, 2021. Under other expenses, in the Specialty Steel Products segment, impairment losses amounting to ¥6,812 million and ¥5,290 million were recorded in the three months ended September 30, 2020, and the three months ended March 31, 2021, respectively, as a result of reviewing the future profitability of the Aircraft- and energy-related materials business. In the Functional Components and Equipment segment, impairment losses of ¥5,457 million relating to a certain plant owned by Waupaca Foundry, Inc. in the U.S. were recorded in the three months ended March 31, 2021. Also, in the Magnetic Materials and Applications / Power Electronics Materials segment, impairment losses amounting to ¥15,657 million were recorded as a result of reviewing the expected future profitability of the Magnetic Materials business in the three months ended September 30, 2020. Additionally, in the Wires, Cables, and Related Products segment, impairment losses amounting to ¥2,000 million were recorded as a result of reviewing the expected future profitability of the Automotive Components business in the three months ended September 30, 2020. As a result, operating loss was ¥49,213 million, which deteriorated by ¥10,087 million compared with the prior year. Loss before income taxes increased by ¥9,974 million compared with the prior year, resulting in loss before income taxes of ¥50,588 million, and net loss attributable to shareholders of the parent company increased by ¥4,637 million, resulting in net loss attributable to shareholders of the parent company of ¥42,285 million.

The Group introduced business management control based on Return on Invested Capital (ROIC) with the aim of improving cash flows and capital efficiency as the important challenges in the Medium-term Management Plan. In particular, under circumstances in which the future of the business environment is uncertain due to the COVID-19 pandemic for the year ended March 31, 2021, the Group believes that it is even more important to secure sufficient liquidity to ensure financial soundness and to steadily promote effective initiatives through its own efforts, regardless of external factors, such as fluctuation in demand. For this purpose, the Group has worked to curb capital expenditure through carefully selected investments in core business areas while enhancing working capital efficiency. Thus, free cash flows in the year ended March 31, 2021, improved by ¥5,237 million compared with the prior year.

(*) In order to give a true view of the condition of the whole Group's business without the effects of business restructuring, the Group shows "adjusted operating income," which is the operating income (loss) recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses. Adjusted operating income is a unified profit indicator for the Hitachi Group, including Hitachi, Ltd.

Business Results by Segment

Business Segment Information

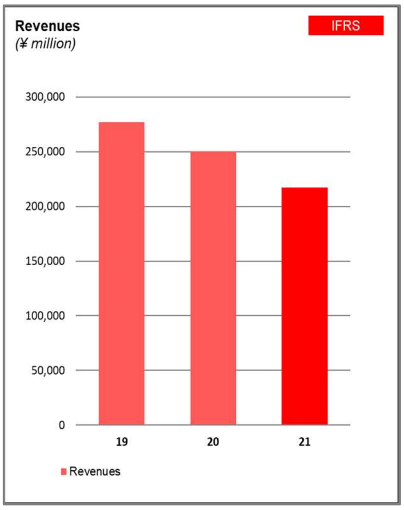
The results by business segment are as follows. Note that revenues for each segment include intersegment revenues. There were no significant changes to the businesses of the Group during the fiscal year ended March 31, 2021.

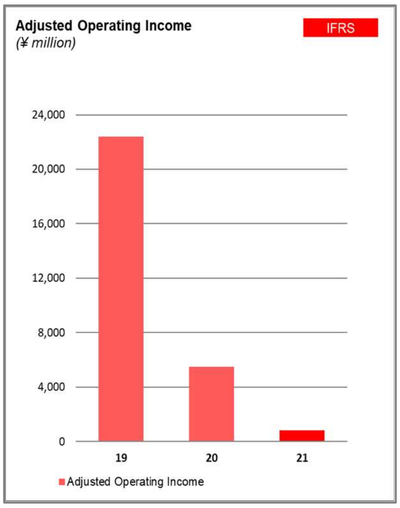
Specialty Steel Products

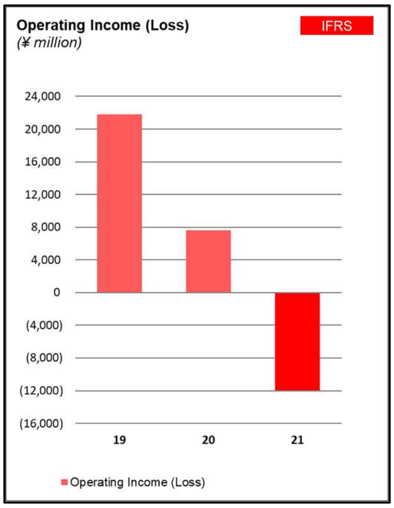
Revenues across the entire Specialty Steel Products segment were ¥217,420 million for the fiscal year ended March 31, 2021, a decrease of 13.3% as compared with those of the fiscal year ended March 31, 2020. Breaking down the revenues by business, sales of molds and tool steel were down for the year ended March 31, 2021, compared with the prior year, although inventory adjustments including the distributions were completed by the end of the three months ended December 31, 2020, the revenues related to sales of molds and tool steels were down for the year ended March 31, 2021 compared to the prior year. However, signs of recovery in demand were observed in both domestic and international markets since the three months ended March 31, 2021. Sales of industrial materials decreased year on year for the year ended March 31, 2021, although a strong recovery in demand was seen for automotive-related products since the three months ended September 30, 2020, and even recovered to its prior year level in the three months ended March 31, 2021. Sales of aircraft & energy materials decreased year on year due to a decline in demand for the unit's mainstay aircraft-related materials, mainly in the private sector. Overall sales of electronic materials increased year on year due to a recovery in demand for semiconductor package components in the three months ended March 31, 2021, in addition to increased sales of organic EL panel-related components and clad metals for smartphones and batteries.

Sales of rolls decreased year on year, reflecting a decline in demand for rolls, injection molding machine parts and steel-frame joints for construction.

Adjusted operating income decreased by ¥4,663 million year on year to ¥811 million, due to a decline in demand for mainstay molds and tool steel and industrial materials. Included in operating income was ¥1,971 million of "Gain on business reorganization and others" under other income, which was recorded in the three months ended June 30, 2020, in line with the transfer of all of the shares of Mitsubishi Hitachi Tool, Ltd. (currently, MOLDINO Tool Engineering, Ltd.) held by the Company to Mitsubishi Materials Corporation on April 1, 2020. Also included were impairment losses under other expenses amounting to ¥6,812 million and ¥5,290 million in the three months ended September 30, 2020, and the three months ended March 31, 2021, respectively, as a result of reviewing the future profitability of the Aircraft- and energy-related materials business. Consequently, the operating income of the segment decreased by ¥19,561 million year on year, resulting in operating loss of ¥11,976 million for the year ended March 31, 2021.







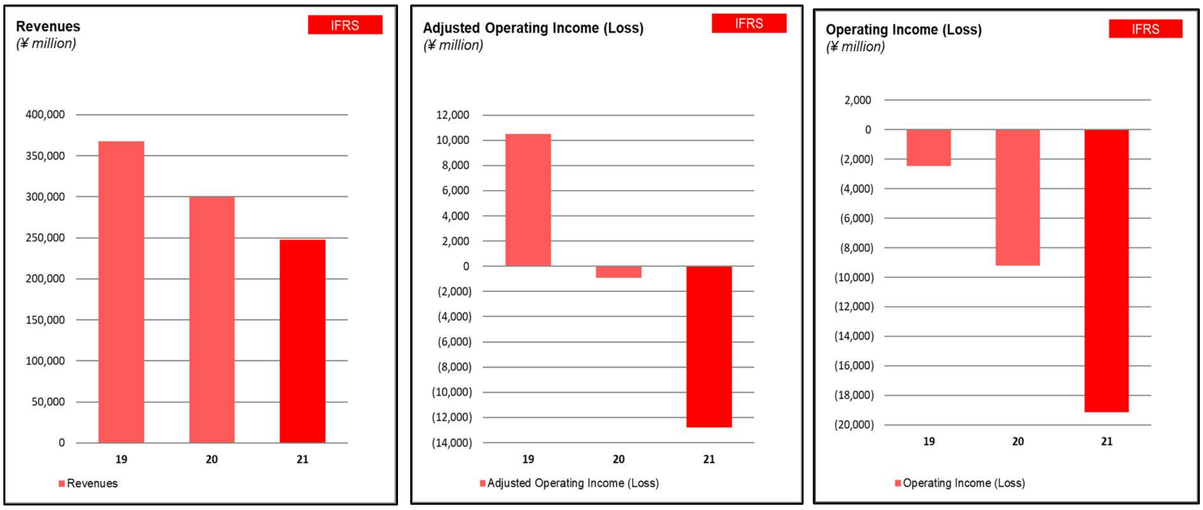
Functional Components and Equipment

Revenues across the entire Functional Components and Equipment segment were ¥247,939 million for the fiscal year ended March 31, 2021, a decrease of 17.3% compared with those of the fiscal year ended March 31, 2020.

Breaking down the revenues by business, among casting components for automobiles, sales of cast iron products significantly declined and reached its lowest point in the three months ended June 30, 2020, as the operations of major customers were suspended in various parts of the world during the period as a result of the COVID-19 pandemic. As automobile sales subsequently recovered in various regions and the operations of major customers resumed, the Group's business remained on a recovery trend. However, during the three months ended March 31, 2021, the sales were affected mainly in the North America by production adjustments implemented by automobile manufacturers, as a result of a supply shortage of semiconductors for automobiles. Accordingly, revenue for the year ended March 31, 2021, decreased year on year. Driven by demand recovery, sales of heat-resistant exhaust casting components had remained higher than the same period of the previous fiscal year since the three months ended December 31, 2020. However, overall revenue for the year decreased compared with the prior year due to a significant decline in the three months ended June 30, 2020. The Company decided to withdraw from the Aluminum wheels business, and its production was terminated at the end of September 2020. As a result, overall revenue of casting components for automobiles decreased year on year.

Among piping components, sales of semiconductor manufacturing equipment increased year on year due to the recovery of capital investment demand. Sales of pipe fittings, the segment's mainstay products, decreased year on year, reflecting declines in the number of housing starts and large-scale construction projects in the Japanese market. As a result, overall revenue of piping components decreased year on year.

Adjusted operating income decreased by ¥11,902 million year on year, resulting in an adjusted operating loss of ¥12,812 million. This was primarily due to a decrease in demand of the automotive casting components, which is the segment's core business. Under other income, ¥1,474 million was recorded as "Gain on business reorganization and others" in line with the sale of certain plant owned by Waupaca Foundry, Inc. in the U.S. in the three months ended March 31, 2021. Also, impairment losses of ¥5,457 million was recorded under other expenses in the period, relating to certain plant owned by Waupaca Foundry, Inc. in the U.S. Thus, operating loss was ¥19,128 million, an increase of ¥9,906 million from the previous fiscal year.



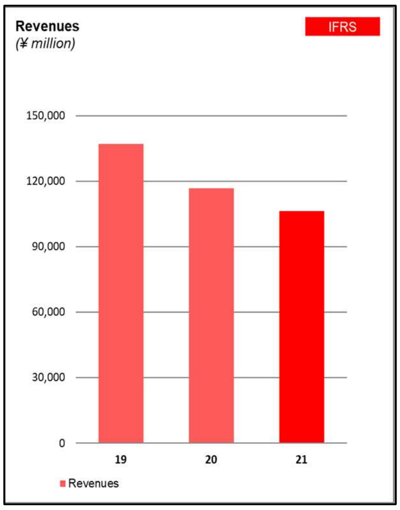
Magnetic Materials and Applications / Power Electronics Materials

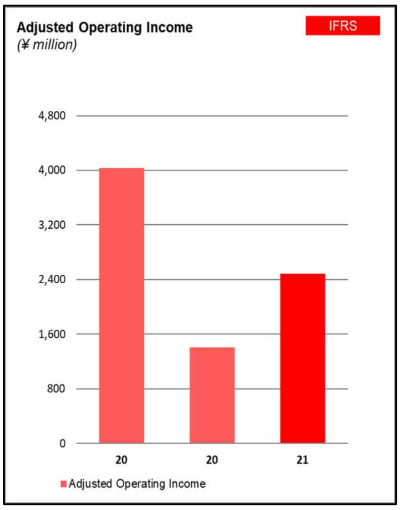
Revenues in the Magnetic Materials and Applications / Power Electronics Materials segment were ¥106,142 million for the fiscal year ended March 31, 2021, a decrease of 9.1% compared with those of the fiscal year ended March 31, 2020.

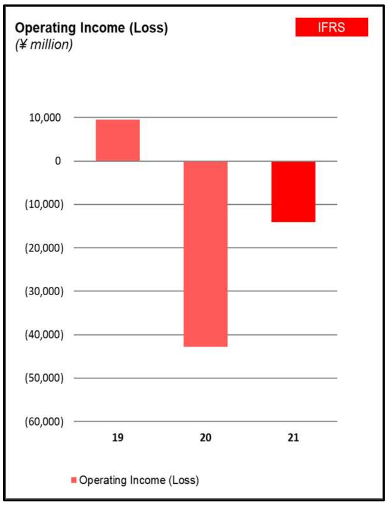
Breaking down the revenues by business, demand for both rare earth magnets and ferrite magnets among magnetic materials significantly declined due to a decline in demand and reached its lowest point in the three months ended June 30, 2020. However, demand continued to recover for automotive electronic components from the three months ended September 30, 2020. Sales for the three months ended March 31, 2021, increased year on year as demand related to FA/robots and electronics had picked up since the three months ended December 31, 2020. Overall revenue for the fiscal year ended March 31, 2021 decreased year on year.

Among power electronics materials, sales of soft magnetic materials and their applied products decreased year on year due to a decline in demand for amorphous metals for transformers, despite an increase in demand related to telecommunications, such as server equipment. Meanwhile, sales of ceramic components remained flat year on year due to a decrease in demand for use in telecommunications equipment, despite an increase in demand for use in medical devices. As a result, overall revenue of power electronics materials decreased year on year.

Adjusted operating income increased by ¥1,076 million to ¥2,481 million year on year. Operating loss was ¥14,084 million, increased by ¥28,666 million year on year. Although an impairment loss of ¥15,657 million was recorded under other expenses in the three months ended September 30, 2020, as a result of reviewing the expected future profitability of the Magnetic Materials business, the amount was lower compared with an impairment loss of ¥42,581 million that was recorded in the three months ended September 30, 2019, under other expenses.







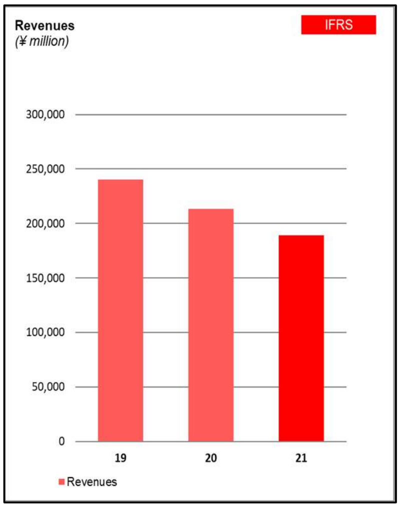
Wires, Cables, and Related Products

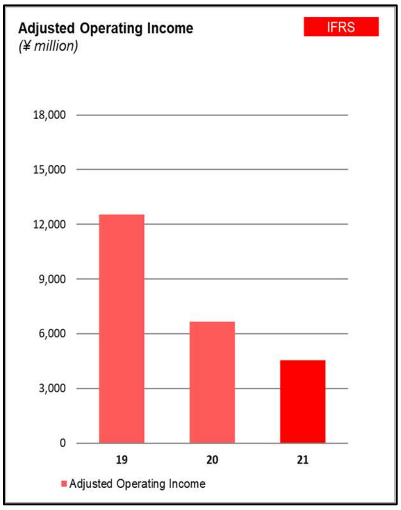
Revenues in the Wires, Cables, and Related Products segment were ¥189,244 million for the fiscal year ended March 31, 2021, a decrease of 11.3% compared with those of the fiscal year ended March 31, 2020.

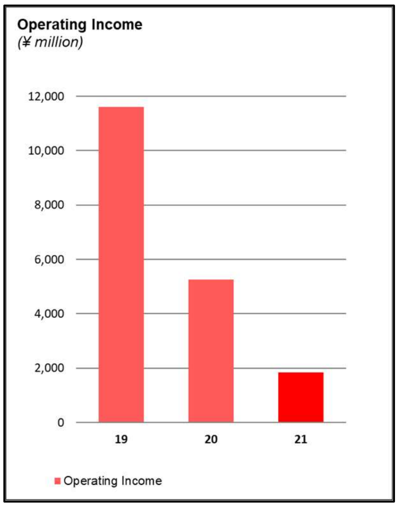
Breaking down the revenues by business, sales of electronic wires increased year on year due to an increase in demand for FA/robot applications and brisk demand related to base stations for the fifth-generation technology standard for cellular networks (5G). Meanwhile, sales of wires and cables for rolling stock increased year on year as a result of a rise in demand in the Chinese market, despite a decline in demand in the domestic market. Sales of wires and cables for medical devices decreased year on year, as demand for cables remained virtually flat but demand for tubes decreased over the fiscal year. Sales of magnet wires for the full fiscal year went down, despite a recovery in demand mainly for automotive applications since the three months ended December 31, 2020. As a result, overall revenue of electric wires and cables decreased compared with the previous fiscal year.

Following the recovery of the automobile market, demand for automotive components recovered, mainly for use in automotive electronic components. For this reason, sales of automotive components had remained higher than the same period of the previous fiscal year since the three months ended December 31, 2020. However, overall revenue for the year ended March 31, 2021, went down due to a significant drop in the three months ended June 30, 2020.

Adjusted operating income was ¥4,560 million, a decrease of ¥2,109 million compared with the previous fiscal year, led in part by a decline in demand for the wires, cables, and automotive components. Operating income of the segment was ¥1,832 million, a decrease of ¥3,425 million year on year due to impairment losses amounting to ¥2,000 million recorded under other expenses as a result of reviewing the expected future profitability of the Automotive Components business during the three months ended September 30, 2020.







Financial Conditions and Liquidity

Financial Position

The analysis of changes in the Group's consolidated statement of financial position as of March 31, 2021, is as follows:

Total assets were ¥972,249 million, a decrease of ¥5,517 million compared with March 31, 2020. Current assets were ¥462,558 million, an increase of ¥56,439 million compared with March 31, 2020. This was mainly due to an increase of ¥56,986 million in cash and cash equivalents. Non-current assets were ¥509,691 million, a decrease of ¥61,956 million compared with March 31, 2020. Property, plant and equipment decreased by ¥47,647 million, which resulted primarily from impairment losses of ¥30,469 million. In addition, goodwill and intangible assets decreased by ¥6,743 million, which resulted mainly from impairment losses of ¥5,388 million. Additionally, investments accounted for using the equity method decreased by ¥17,582 million. This was mainly attributable to a transfer of 49% of the total number of outstanding shares of Mitsubishi Hitachi Tool, Ltd. (currently, MOLDINO Tool Engineering, Ltd.) on April 1, 2020, which resulted as an exclusion from the scope of application of the equity method.

Total liabilities were ¥480,131 million, an increase of ¥25,218 million compared with March 31, 2020. This was mainly due to increases in trade payables of ¥23,999 million and short-term debt of ¥19,463 million, offset by a decrease of ¥11,731 million in the current portion of long-term debt and long-term debt. Total equity was ¥492,118 million, a decrease of ¥30,735 million compared with March 31, 2020. This was mainly due to a decrease of ¥47,932 million in retained earnings, offset by an increase of ¥17,295 million in accumulated other comprehensive income.

Cash Flows

Cash and cash equivalents as of March 31, 2021, were ¥99,339million, an increase of ¥56,986 million from March 31, 2020, as a result of cash provided by operating and investing activities exceeding net cash used in financing activities. The analysis of cash flows for each category as of March 31, 2021, is as follows:

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥52,586 million. This was mainly attributable to the net effect of net loss of ¥42,556 million, depreciation and amortization of ¥50,407 million, impairment losses of ¥35,857 million, and ¥26,960 million decrease in working capital.

<Cash Flows from Investing Activities>

Net cash provided in investing activities was ¥2,191 million. This was primarily attributable to proceeds of ¥26,329 million from the sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) as a result of transferring 49% of the total number of outstanding shares of Mitsubishi Hitachi Tool, Ltd. (currently, MOLDINO Tool Engineering, Ltd.) held by the Company on April 1, 2020, offset by a payment of ¥29,129 million for the purchase of property, plant and equipment.

<Cash Flows from Financing Activities>

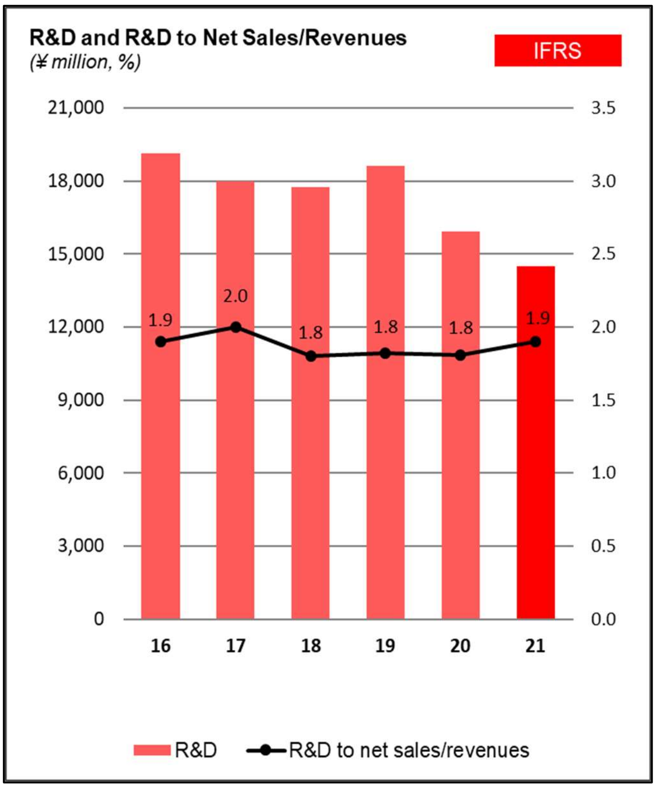
Net cash used in financing activities was ¥1,096 million. This was mainly due to the net effect of repayment of long-term debts of ¥50,839 million and dividends paid to shareholders of ¥5,570 million, offset by proceeds of ¥36,749 million from long-term debts and a net increase of ¥18,569 million in short-term debt.

Research and Development (R&D) Activities

The Group continues to invest in cutting-edge material R&D areas to achieve sustainable growth and contribute to the society. Further, the Group strives to shorten the R&D period by leveraging digital technologies, such as AI and materials informatics.

For the fiscal year ended March 31, 2021, the Group invested ¥14,475 million in R&D.

Breaking down R&D expenses by segment, the Group allocated ¥4,486 million to the Specialty Steel Products segment, ¥3,145 million to the Functional Components and Equipment segment, ¥2,199 million to the Magnetic Materials and Applications / Power Electronics Materials segment, and ¥4,645 million to the Wires, Cables, and Related Products segment.



R&D by Business Segment

	Millions of yen	
Years ended March 31	**2021**	2020
Specialty Steel Products	**¥ 4,486**	¥ 4,525
Functional Components and Equipment	**3,145**	3,317
Magnetic Materials and Applications / Power Electronics Materials	**2,199**	3,201
Wires, Cables, and Related Products	**4,645**	4,875
Total	**¥ 14,475**	¥ 15,918
Consolidated revenues	**¥ 761,615**	¥ 881,402
R&D to revenues (%)	**1.9%**	1.8%

Capital Expenditures, Depreciation, and Amortization

The Group invested strategically to innovate its core business processes for enhancement of production capacity and gaining a competitive edge through streamlining production efficiency.

For the fiscal year ended March 31, 2021, capital expenditures were ¥28,806 million, and amounts invested by business segment are as follows:

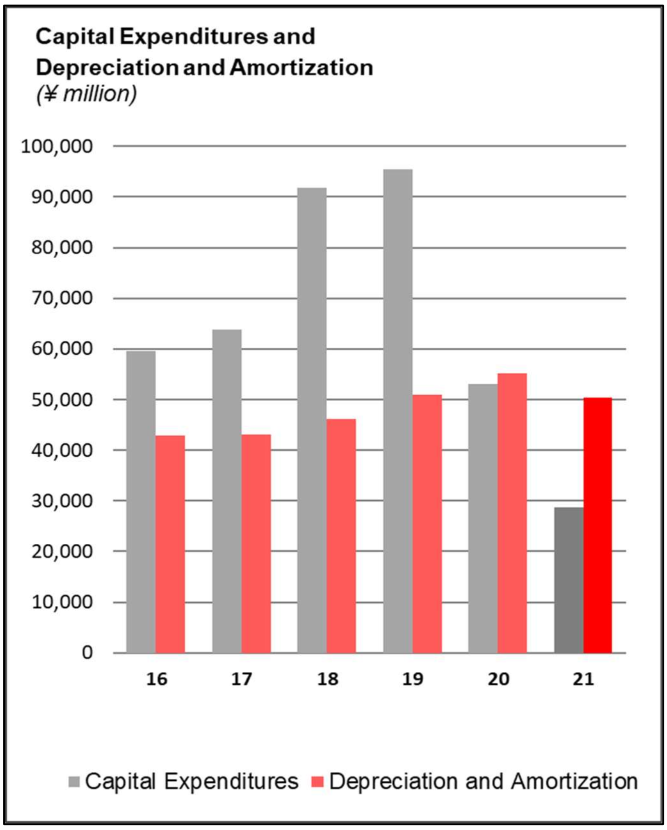
In the Specialty Steel Products segment, ¥13,003 million was invested to build production systems for the electronic material sector and to streamline production facilities for the industrial equipment sector, and the molds and tool steel sector in Japan. In the Functional Components and Equipment segment, ¥6,436 million was invested to build, streamline, and renew production systems for the casting components for the automobiles sector in Japan and overseas. In the Magnetic Materials and Applications / Power Electronics Materials segment, ¥3,625 million was invested to build production systems and boost the production capacity for the magnetic materials sector and the power electronics materials sector in Japan and overseas. In the Wires, Cables, and Related Products segment, ¥4,680 million was invested to build production systems and boost the production capacity for the electronic wires sector and the automotive components sector in Japan and overseas.

The Group is investing proactively in next-generation metal products, and the above capital investments include investments that incorporate an element of R&D. At the same time, the Company is taking steps to strengthen its production technologies using IoT.

The above expenditures were covered by own funds and funds raised through the issuance of corporate bonds.

For the fiscal year ended March 31, 2021, there were no significant disposals or sales of facilities.

For the fiscal year ending March 31, 2022, management plans to allocate ¥40,000 million to capital expenditures (including new and additional expenditures). The Specialty Steel Products segment will continue to enhance, streamline, and renew the production capacity, primarily in Japan. The Functional Components and Equipment segment will enhance, streamline, and renew the production capacity both in Japan and overseas. The Magnetic Materials and Applications / Power Electronics Materials segment will build production systems and enhance the production capacity both in Japan and overseas. The Wires, Cables, and Related Products segment will build production systems and enhance the production capacity with respect to electric wires and automotive components in Japan and overseas.



Capital Expenditures by Business Segment

	Millions of yen	
Years ended March 31	**2021**	2020
Specialty Steel Products	**¥ 13,003**	¥ 19,140
Functional Components and Equipment	**6,436**	14,813
Magnetic Materials and Applications / Power Electronics Materials	**3,625**	7,613
Wires, Cables, and Related Products	**4,680**	9,874
Others	**192**	156
Adjustments	**870**	1,423
Total	**¥ 28,806**	¥ 53,019
Operating cash flows	**¥ 52,586**	¥ 105,958
CAPEX to operating cash flow ratio (times)	**0.5**	0.5

Depreciation and Amortization by Business Segment

	Millions of yen	
Years ended March 31	**2021**	2020
Specialty Steel Products	**¥ 16,976**	¥ 16,715
Functional Components and Equipment	**15,395**	17,166
Magnetic Materials and Applications / Power Electronics Materials	**6,389**	9,281
Wires, Cables, and Related Products	**7,970**	8,300
Others	**400**	453
Adjustments	**3,277**	3,265
Total	**¥ 50,407**	¥ 55,180

Outlook

For Performance Outlook for the fiscal year ending March 31, 2022, and Management Strategies for the Future, refer to the Integrated Report.

Business Risk

For Business Risks for the fiscal year ending March 31, 2022, refer to the Integrated Report.

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Consolidated Financial Statements and Notes

Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Note	Millions of yen		Thousands of U.S. dollars
		As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Assets				
Current assets				
Cash and cash equivalents		¥ 99,339	¥ 42,353	$ 897,290
Trade receivables	5	167,553	157,732	1,513,441
Inventories	6	170,094	179,925	1,536,392
Other current assets	23	25,572	26,109	230,982
Total current assets		462,558	406,119	4,178,105
Non-current assets				
Investments accounted for using the equity method	7	10,772	28,354	97,299
Investments in securities and other financial assets	23	11,859	13,234	107,118
Property, plant and equipment	8, 10	333,448	381,095	3,011,905
Goodwill and intangible assets	9	111,431	118,174	1,006,513
Deferred tax assets	11	23,835	17,816	215,292
Other non-current assets		18,346	12,974	165,712
Total non-current assets		509,691	571,647	4,603,839
Total assets		¥ 972,249	¥ 977,766	$ 8,781,944
Liabilities				
Current liabilities				
Short-term debt	23	¥ 72,511	¥ 53,048	$ 654,963
Current portion of long-term debt	23	29,132	51,253	263,138
Other financial liabilities	23	22,016	26,642	198,862
Trade payables	12, 23	150,639	126,640	1,360,663
Accrued expenses		40,668	35,042	367,338
Contract liabilities		1,015	640	9,168
Other current liabilities	13	1,799	3,934	16,250
Total current liabilities		317,780	297,199	2,870,382
Non-current liabilities				
Long-term debt	23	93,675	83,285	846,130
Other financial liabilities	23	217	978	1,960
Retirement and severance benefits	14	64,260	67,560	580,435
Deferred tax liabilities	11	438	2,420	3,956
Other non-current liabilities	13	3,761	3,471	33,972
Total non-current liabilities		162,351	157,714	1,466,453
Total liabilities		480,131	454,913	4,336,835
Equity				
Equity attributable to shareholders of the parent company				
Common stock	15	26,284	26,284	237,413
Capital surplus	15	115,405	115,405	1,042,408
Retained earnings	15, 17	326,888	374,820	2,952,651
Accumulated other comprehensive income	16	22,264	4,969	201,102
Treasury stock, at cost	15	(1,170)	(1,165)	(10,568)
Total equity attributable to shareholders of the parent company		489,671	520,313	4,423,006
Non-controlling interests		2,447	2,540	22,103
Total equity		492,118	522,853	4,445,109
Total liabilities and equity		¥ 972,249	¥ 977,766	$ 8,781,944

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, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021
Revenues	4, 18	¥ 761,615	¥ 881,402	$ 6,879,370
Cost of sales		(666,246)	(755,947)	(6,017,939)
Gross profit		95,369	125,455	861,431
Selling, general, and administrative expenses		(100,346)	(111,072)	(906,386)
Other income	19	9,726	8,599	87,851
Other expenses	19	(53,962)	(62,108)	(487,418)
Operating loss		(49,213)	(39,126)	(444,522)
Interest income		217	456	1,960
Other financial income	20	789	122	7,127
Interest charges		(1,650)	(2,646)	(14,904)
Other financial expenses	20	(808)	(1,087)	(7,298)
Share of profits of investments accounted for using the equity method	7	77	1,667	696
Loss before income taxes		(50,588)	(40,614)	(456,942)
Income tax benefits	11	8,032	1,076	72,550
Net loss		(42,556)	(39,538)	(384,392)
Net loss attributable to:				
Shareholders of the parent company		(42,285)	(37,648)	(381,944)
Non-controlling interests		(271)	(1,890)	(2,448)
Net loss		¥ (42,556)	¥ (39,538)	$ (384,392)

	Note	Yen		U.S. dollars
		For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021
Loss per share attributable to shareholders of the parent company				
Basic	21	¥ (98.90)	¥ (88.05)	$ (0.89)
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, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021
Net loss		¥ (42,556)	¥ (39,538)	$ (384,392)
Other comprehensive income (loss)				
Items not to be reclassified into net income				
Net change in fair value of financial assets measured at fair value through other comprehensive income		(98)	(573)	(885)
Remeasurements of defined benefit plans		7,499	(7,069)	67,736
Share of other comprehensive income of investments accounted for using the equity method	7	104	219	939
Total items not to be reclassified into net income		7,505	(7,423)	67,790
Items that can be reclassified into net income				
Foreign currency translation adjustments		9,762	(9,723)	88,176
Net change in fair value of cash flow hedges		89	(109)	804
Share of other comprehensive income of investments accounted for using the equity method	7	40	(11)	361
Total items that can be reclassified into net income		9,891	(9,843)	89,342
Total other comprehensive income (loss)	16	17,396	(17,266)	157,131
Comprehensive loss		¥ (25,160)	¥ (56,804)	$ (227,260)
Comprehensive loss attributable to:				
Shareholders of the parent company		¥ (25,079)	¥ (54,588)	$ (226,529)
Non-controlling interests		(81)	(2,216)	(732)
Comprehensive loss		¥ (25,160)	¥ (56,804)	$ (227,260)

See accompanying notes to the consolidated financial statements.

3) Consolidated Statement of Changes in Equity

	Note	Millions of yen							
		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, 2019		¥ 26,284	¥ 115,045	¥ 425,886	¥ 21,925	¥ (1,161)	¥ 587,979	¥ 7,232	¥ 595,211
Cumulative effect of accounting change		–	–	(607)	–	–	(607)	–	(607)
Restated balance		26,284	115,045	425,279	21,925	(1,161)	587,372	7,232	594,604
Changes in equity									
Net loss		–	–	(37,648)	–	–	(37,648)	(1,890)	(39,538)
Other comprehensive income		–	–	–	(16,940)	–	(16,940)	(326)	(17,266)
Dividends to shareholders of the parent company	17	–	–	(12,827)	–	–	(12,827)	–	(12,827)
Dividends to non-controlling interests		–	–	–	–	–	–	(22)	(22)
Acquisition of treasury stock	15	–	–	–	–	(4)	(4)	–	(4)
Sales of treasury stock	15	–	0	–	–	0	0	–	0
Transactions with non-controlling interests		–	360	–	–	–	360	(2,454)	(2,094)
Transfer to retained earnings		–	–	16	(16)	–	–	–	–
Total changes in equity		–	360	(50,459)	(16,956)	(4)	(67,059)	(4,692)	(71,751)
Balance at March 31, 2020		¥ 26,284	¥ 115,405	¥ 374,820	¥ 4,969	¥ (1,165)	¥ 520,313	¥ 2,540	¥ 522,853
Changes in equity									
Net loss		–	–	(42,285)	–	–	(42,285)	(271)	(42,556)
Other comprehensive income		–	–	–	17,206	–	17,206	190	17,396
Dividends to shareholders of the parent company	17	–	–	(5,558)	–	–	(5,558)	–	(5,558)
Dividends to non-controlling interests		–	–	–	–	–	–	(12)	(12)
Acquisition of treasury stock	15	–	–	–	–	(5)	(5)	–	(5)
Sales of treasury stock	15	–	0	–	–	0	0	–	0
Transactions with non-controlling interests		–	–	–	–	–	–	–	–
Transfer to retained earnings		–	–	(89)	89	–	–	–	–
Total changes in equity		–	0	(47,932)	17,295	(5)	(30,642)	(93)	(30,735)
Balance at March 31, 2021		¥ 26,284	¥ 115,405	¥ 326,888	¥ 22,264	¥ (1,170)	¥ 489,671	¥ 2,447	¥ 492,118

See accompanying notes to the consolidated financial statements.

	Note	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
		Thousands of U.S. dollars							
Balance at March 31, 2020		$ 237,413	$ 1,042,408	$ 3,385,602	$ 44,883	$ (10,523)	$ 4,699,783	$ 22,943	$ 4,722,726
Changes in equity									
Net loss		–	–	(381,944)	–	–	(381,944)	(2,448)	(384,392)
Other comprehensive income		–	–	–	155,415	–	155,415	1,716	157,131
Dividends to shareholders of the parent company	17	–	–	(50,203)	–	–	(50,203)	–	(50,203)
Dividends to non-controlling interests		–	–	–	–	–	–	(108)	(108)
Acquisition of treasury stock	15	–	–	–	–	(45)	(45)	–	(45)
Sales of treasury stock	15	–	0	–	–	0	0	–	0
Transactions with non-controlling interests		–	–	–	–	–	–	–	–
Transfer to retained earnings		–	–	(804)	804	–	–	–	–
Total changes in equity		–	–	(432,951)	156,219	(45)	(276,777)	(840)	(277,617)
Balance at March 31, 2021		$ 237,413	$ 1,042,408	$ 2,952,651	$ 201,102	$ (10,568)	$ 4,423,006	$ 22,103	$ 4,445,109

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, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from operating activities:				
Net loss		¥ (42,556)	¥ (39,538)	$ (384,392)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		50,407	55,180	455,307
Impairment losses		35,857	49,391	323,882
Share of loss of investments accounted for using the equity method		(77)	(1,667)	(696)
Financial expenses		1,452	3,155	13,115
Losses (gains) on sale of property, plant and equipment		1,184	(2,155)	10,695
Structural reform expenses		5,620	5,460	50,763
Net (gain) loss on reorganization and others		(3,726)	43	(33,655)
Income tax benefits		(8,032)	(1,076)	(72,550)
(Increase) decrease in trade receivables		(4,823)	33,673	(43,564)
Decrease in inventories		10,960	31,460	98,997
(Increase) decrease in accounts receivable - other		(1,022)	5,683	(9,231)
Increase (decrease) in trade payables		20,823	(26,254)	188,086
Increase (decrease) in accrued expenses		4,989	(2,359)	45,064
Increase in retirement and severance benefits		6,605	472	59,660
Other		(14,208)	(3,598)	(128,335)
Subtotal		63,453	107,870	573,146
Interest and dividends received		669	2,361	6,043
Interest paid		(1,690)	(2,678)	(15,265)
Payments for structural reforms		(2,547)	(1,998)	(23,006)
Income taxes (paid) refund		(7,299)	403	(65,929)
Net cash provided by operating activities		52,586	105,958	474,989
Cash flows from investing activities:				
Purchase of property, plant and equipment		(29,129)	(59,520)	(263,111)
Purchase of intangible assets		(936)	(1,328)	(8,455)
Proceeds from sales of property, plant and equipment		1,602	5,321	14,470
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		(424)	(115)	(3,830)
Proceeds from sales of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		26,329	171	237,820
Proceeds from transfer of business		4,157	–	37,549
Other		592	(947)	5,347
Net cash provided by (used in) investing activities		2,191	(56,418)	19,790

(Continued)

	Note	Millions of yen		Thousands of U.S. dollars
		For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from financing activities:				
Net increase in short-term debt	22	18,569	5,271	167,726
Proceeds from long-term debt	22	36,749	1,424	331,939
Repayment of long-term debt	22	(50,839)	(37,488)	(459,209)
Purchase of shares of consolidated subsidiaries from non-controlling interests		–	(2,089)	–
Dividends paid to shareholders	17	(5,558)	(12,827)	(50,203)
Dividends paid to non-controlling interests		(12)	(22)	(108)
Acquisition of common stock for treasury		(5)	(4)	(45)
Proceeds from sales of treasury stock		0	0	0
Net cash provided by financing activities		(1,096)	(45,735)	(9,900)
Effect of exchange rate changes on cash and cash equivalents		3,305	(2,550)	29,853
Net increase in cash and cash equivalents		56,986	1,255	514,732
Cash and cash equivalents at the beginning of the year		42,353	41,098	382,558
Cash and cash equivalents at the end of the year		¥ 99,339	¥ 42,353	$ 897,290

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 specialty steel products, functional components and equipment, magnetic materials and applications / power electronics materials, 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 Mitsuaki Nishiyama, Chairperson, President and Chief Executive Officer, on June 18, 2021.

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, 2021, is included in this annual report solely for the convenience of readers outside of Japan. The translation has been made at the rate of ¥ 110.71 to $1, the approximate exchange rate as of March 31, 2021.

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 23. "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. (10) "Impairment of Non-Financial Assets"
• Note 3. (12) "Post-Employment Benefits" and Note 14. "Employee Benefits"
• Note 3. (14) "Contingencies," and Note 26. "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)"
• Note 3. (16) "Income Taxes" and Note 11. "Deferred Taxes and Income Taxes"

The Group, which widely operates its business on a global basis, assumes sluggish economic activities seen around the globe due to the COVID-19 pandemic will recover over the mid- to long-term (although situations could differ among regions or segments). Based on this understanding, the Group has applied accounting treatments for the fiscal year ended March 31, 2021, that require estimates of future cash flows and future taxable income, such as impairment testing on non-financial assets and assessment on the recoverability of deferred tax assets. However, given that economic and social activities continue to be significantly restricted across the globe, the recovery in demand for the Group's businesses is expected to be slower, compared with the recovery speed that had originally been projected at the beginning of the fiscal year. Under such circumstances, the Group recognized impairment losses for the fiscal year ended March 31, 2021, as profitability deteriorated in certain businesses, which are further disclosed in Note 8. "Property, Plant and Equipment" and Note 9. "Goodwill and Intangible Assets" per the Notes to the Consolidated Financial Statements.

The Company believes that the assumptions are the best estimates that could be made by the Company as of March 31, 2021. However, if those negative effects due to the COVID-19 pandemic continue or worsen beyond expectation, they may affect the Group's significant accounting estimates and judgements, including the assessments of non-financial assets and recoverability of deferred tax assets.

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 of 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. In contrast, 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 based on 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% to 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

(a) Non-derivative financial assets

The Group initially recognizes trade and other receivables on the actual transaction dates. 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 all the risks and rewards of ownership of the financial assets are substantially transferred. For transactions under which all the risks and rewards of ownership of the financial assets are not substantially retained nor transferred, the Group derecognizes financial assets when it does not retain control of the financial asset.

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

Financial assets measured at amortized cost

Financial assets are classified as 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 determined using the effective interest method. Interest income from financial assets measured at amortized cost is included in interest income in the consolidated statement of income.

FVTOCI financial assets

The Group holds certain equity instruments to expand its revenue base by primarily maintaining and strengthening business relations with investees and classifies these equity instruments as FVTOCI financial assets. At initial recognition, FVTOCI financial assets are measured at fair value and subsequently measured at fair value at the date of fiscal year-end. Changes in fair value are recognized in other comprehensive income, and the cumulative amount of the changes in fair value is recognized in accumulated other comprehensive income. Dividends from equity instruments designated as FVTOCI financial assets are recognized in profit or loss unless the dividends clearly represent a return of investment.

FVTPL financial assets

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

Impairment of financial assets

The Group assesses an allowance for expected credit losses on trade and other receivables at least on a quarterly basis, regardless of whether the credit risk on those receivables has increased significantly since initial recognition.

The Group measures an allowance for doubtful accounts for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures an allowance for doubtful accounts for that financial asset at an amount equal to 12-month expected credit losses. The Group, however, measures an allowance for doubtful accounts for trade receivables at an amount equal to the lifetime expected credit losses without exceptions.

The Group determines whether the credit risk on financial assets has increased significantly based on changes in the risk of a default occurring. The Group defines a default event by the debtor as a situation in which a significant issue arises on the debtor's payment of contractual cash flows, causing the Group to have no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. In assessing the changes in the risk of a default occurring, the Group mainly considers external credit ratings and past due information.

Expected credit losses are measured at the present value of differences between all contractual cash flows that are due to the Group and all future cash flows that the Group is expected to receive from the financial assets, which is weighted by the probability of a credit loss event occurring. When one or more events, such as 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, have occurred, the Group individually assesses the financial assets as credit-impaired and estimates expected credit losses based on primarily historical default events and amounts recoverable in future periods. If the financial assets are not credit-impaired, the Group estimates the expected credit losses using allowance rates on a collective basis based primarily on historical default events, adjusted by considering present and future economic conditions as necessary.

The Group recognizes an allowance for doubtful accounts for expected credit losses on trade and other receivables, and does not directly reduce the carrying amounts of those receivables. Any changes in credit losses are recognized as impairment losses in profit or loss, which are included in selling, general, and administrative expenses in the consolidated statement of income. Once all means of collection have been exhausted and the recoverability of the financial asset is considered remote, the Group determines that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof and directly writes off such asset.

(b) Non-derivative financial liabilities

The Group initially recognizes debt instruments 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, trade payables, and other financial liabilities. They are initially recognized at fair value (less direct transaction costs). Bonds and debts are subsequently measured at amortized cost using the effective interest method, and interest income is recognized in interest charges in the consolidated statement of income.

(c) Derivatives and hedge accounting

The Group uses derivative instruments, including forward exchange contracts, interest rate swaps, currency swaps, and copper futures trading, in order to hedge currency risks, interest rate risks, and raw material (copper) price fluctuation risks. These derivatives are all recorded at fair value regardless of the purposes or intentions of holding the derivatives.

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 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 recognized in other comprehensive income (loss) if the hedge is considered effective. This treatment is continued until the unrecognized firm commitment of the designated hedged item or changes in hedged expected future cash flows are recognized in profit or loss, at which point changes in fair value of the derivative instruments are also recognized in profit or loss. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, changes in fair value of derivatives recognized as other comprehensive income (loss) are directly included in the cost or other carrying amount of the asset or liability when the non-financial asset or non-financial liability is recognized.

The Group documents risk management objectives and strategies for undertaking various hedge transactions as stipulated in IFRS 9 *Financial Instruments*. In addition, the Group assesses whether the derivative used in hedging activities is 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.

(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
Right-of-use assets	2 to 50 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) Leases

(a) Lessee

The Company and certain subsidiaries use leased facilities, including buildings, machinery, and vehicles as lessees. The Group recognizes a right-of-use asset, a right to use the underlying asset, and expenses related to leases, and recognizes gains and liability, an obligation to make lease payments, and also recognizes lease expenses as depreciation charges for right-of-use assets and interest expenses on lease liabilities.

Lease payments for short-term leases with a lease term of 12 months or less are recognized in profit or loss on a straight-line basis over the lease term.

Right-of-use asset

The Group applies the cost method to measure the right-of-use asset, which is included in property, plant and equipment or intangible assets at cost at the commencement date of the lease less any accumulated depreciation and any accumulated impairment losses. The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and the initial direct cost incurred by the lessee. The right-of-use asset is depreciated from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset or the end of the lease term on a straight-line basis. Changes in the useful life or the lease term are accounted for on a prospective basis as a change in accounting estimate.

Lease liability

The lease liability is measured at the present value of lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate, and is included in the current portion of long-term debt or long-term debt. Interest expense on the lease liability in each period during the lease term is recognized in profit or loss over the lease term at a constant periodic rate of interest on the remaining balance of the lease liability, and is included in interest charges in the consolidated statement of profit or loss.

(b) Lessor

The Company and certain subsidiaries lease facilities, including buildings, machinery, and equipment as lessors. When substantially all the risks and rewards incidental to the ownership of items of property, plant and equipment are transferred to the lessee, such lease is classified as a finance lease with the derecognition of the underlying assets and the present value of the total amount of lease payments is used to recognize and measure the net investment in the lease.

If substantially all the risks and rewards incidental to the ownership remain with the lessor, it is classified as an operating lease, under which the underlying asset is continuously recognized and lease income is recognized over the lease term on a straight-line basis.

(9) 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.

(10) 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.

(11) 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 are measured at the lower of carrying amount or fair value, less costs to sell.

(12) 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.

Retirement benefit costs derived under actuarial calculations include various actuarial assumptions used for estimating such costs, including mortality, plan withdrawals, employee turnover, future increase in salaries, and discount rates. The Group takes various factors into account to estimate actuarial assumptions, such as the number of employees, market condition, and projected interest rates. Actuarial assumptions are determined based on the Group's best estimate and judgement, which could be affected by changes in uncertain future economic condition, or issuance of and amendment to related laws and regulations.

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.

(13) 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.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). 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 13. "Provisions."

(14) Contingencies

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Group discloses contingent liabilities in Note 26. "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 (13) "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.

(15) Revenue Recognition

The Group recognizes revenue by applying the following five steps:
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group engages in a wide range of transactions, and some are tailored based on customers' requests where it offers two or more products or services to customers under the transactions. When the Group enters into two or more contracts with a customer to provide products or services, related contracts are combined taking into account the relationships between considerations in the contracts or the timing of the contracts entered into with the customers. The transaction price is allocated to performance obligations on a relative standalone selling price basis, and revenue is recognized accordingly.

The relative standalone selling price is estimated by taking many factors into account, including market conditions, market prices of competitive products, costs of products, and information about the customer.

The transaction price is determined at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, are included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised consideration does not contain a significant financing component.

(16) 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.

(17) 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.

(18) Earnings per Share

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

(19) 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 based on 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.

(20) Standards Issued but not yet Effective

None of the standards and interpretations that were issued, amended, or revised before the approval date of the accompanying consolidated financial statements for the fiscal year ended March 31, 2021, have significant impact on the consolidated financial statements of the Group.

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 two-Business Division-based organization structure, which is composed by Advanced Metals Division and Advanced Components and Materials Division. Both of the business divisions prepare a comprehensive strategy and engage in business activities related to their products and services in both the domestic and overseas markets.

There are four business segments under these Divisions: the Specialty Steel Products segment and the Functional Components and Equipment segment comprise the Advanced Metals Division; and the Magnetic Materials and Applications / Power Electronics Materials segment, and Wire, Cables, and Related Products segment comprise the Advanced Components and Materials Division. The four segments represent the Group’s reportable segments.

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

Reportable segments	Major products and services
Specialty Steel Products	<Specialty Steel> · Molds and tool steel, Automobile-related materials, Razor and blade materials, Precision cast components, Aircraft- and energy-related materials, Display-related materials, Semiconductor and other package materials, and Battery-related materials <Roll> · Rolls for steel mills, Injection molding machine parts, Structural ceramic products, and Steel-frame joints for construction
Functional Components and Equipment	<Automotive Casting> · HNM ductile cast iron products, Cast iron products for transportation equipment, HERCUNITE heat-resistant exhaust casting components, and Aluminum components <Piping Components> · Piping and infrastructure components (Gourd brand pipe fittings, valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
Magnetic Materials and Applications / Power Electronics Materials	<Magnetic Materials> · NEOMAX® rare-earth magnets, Ferrite magnets, and Other magnets and applied products <Power Electronics Materials> · Soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic material; and soft ferrite) and applied products, and Ceramic components
Wires, Cables, and Related Products	<Electric Wire & Cable> · Industrial cables, Electronic wires, Electric equipment materials, Cable assemblies, and Industrial rubber products <Automotive Components> · Automotive electronic components and Brake hoses

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, 2021 and 2020:

For the year ended March 31, 2021

	Millions of yen								
	Reportable segment								
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications / Power Electronics Materials	Wires, Cables, and Related Products	Subtotal	Others	Total	Adjust-ments	Consolidated statement of income
Revenues									
External customers	¥ 217,253	¥ 247,939	¥ 106,109	¥ 188,963	¥ 760,264	¥ 1,351	¥ 761,615	¥ –	¥ 761,615
Intersegment transactions	167	–	33	281	481	1,204	1,685	(1,685)	–
Total revenues	217,420	247,939	106,142	189,244	760,745	2,555	763,300	(1,685)	761,615
Segment profit (loss)	(11,976)	(19,128)	(14,084)	1,832	(43,356)	1,268	(42,088)	(7,125)	(49,213)
Financial income	–	–	–	–	–	–	–	–	1,006
Financial expenses	–	–	–	–	–	–	–	–	(2,458)
Share of profits of investments accounted for using the equity method	–	–	–	–	–	–	–	–	77
Loss before income taxes	–	–	–	–	–	–	–	–	(50,588)
Segment assets	328,708	287,234	147,002	241,629	1,004,573	15,179	1,019,752	(47,503)	972,249
Other items:									
Depreciation and amortization	16,976	15,395	6,389	7,970	46,730	400	47,130	3,277	50,407
Capital expenditure	13,003	6,436	3,625	4,680	27,744	192	27,936	870	28,806
Impairment losses	12,226	5,847	15,657	2,003	35,733	–	35,733	124	35,857

Notes: 1. Segment profit (loss) is based on operating income (loss).

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.

For the year ended March 31, 2020

	Millions of yen								
	Reportable segment								
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications / Power Electronics Materials	Wires, Cables, and Related Products	Subtotal	Others	Total	Adjust-ments	Consolidated statement of income
Revenues									
External customers	¥ 250,489	¥ 299,703	¥ 116,749	¥ 212,936	¥ 879,877	¥ 1,525	¥ 881,402	¥ –	¥ 881,402
Intersegment transactions	154	–	11	393	558	1,846	2,404	(2,404)	–
Total revenues	250,643	299,703	116,760	213,329	880,435	3,371	883,806	(2,404)	881,402
Segment profit (loss)	7,585	(9,222)	(42,750)	5,257	(39,130)	510	(38,620)	(506)	(39,126)
Financial income	–	–	–	–	–	–	–	–	578
Financial expenses	–	–	–	–	–	–	–	–	(3,733)
Share of profits of investments accounted for using the equity method	–	–	–	–	–	–	–	–	1,667
Loss before income taxes	–	–	–	–	–	–	–	–	(40,614)
Segment assets	368,543	308,941	147,373	244,089	1,068,946	8,814	1,077,760	(99,994)	977,766
Other items:									
Depreciation and amortization	16,715	17,166	9,281	8,300	51,462	453	51,915	3,265	55,180
Capital expenditure	19,140	14,813	7,613	9,874	51,440	156	51,596	1,423	53,019
Impairment losses	1,403	4,231	42,581	674	48,889	–	48,889	290	49,179

Notes: 1. Segment profit (loss) is based on operating income (loss).
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.

For the year ended March 31, 2021

	Thousands of U.S. dollars								
	Reportable segment								
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications / Power Electronics Materials	Wires, Cables, and Related Products	Subtotal	Others	Total	Adjust -ments	Consolidated statement of income
Revenues									
External customers	$ 1,962,361	$ 2,239,536	$ 958,441	$ 1,706,829	$ 6,867,166	$ 12,203	$ 6,879,370	$ –	$ 6,879,370
Intersegment transactions	1,508	–	298	2,538	4,345	10,875	15,220	(15,220)	–
Total revenues	1,963,870	2,239,536	958,739	1,709,367	6,871,511	23,078	6,894,589	(15,220)	6,879,370
Segment profit (loss)	(108,175)	(172,776)	(127,215)	16,548	(391,618)	11,453	(380,164)	(64,357)	(444,522)
Financial income	–	–	–	–	–	–	–	–	9,087
Financial expenses	–	–	–	–	–	–	–	–	(22,202)
Share of profits of investments accounted for using the equity method	–	–	–	–	–	–	–	–	696
Loss before income taxes	–	–	–	–	–	–	–	–	(456,942)
Segment assets	2,969,090	2,594,472	1,327,811	2,182,540	9,073,914	137,106	9,211,020	(429,076)	8,781,944
Other items:									
Depreciation and amortization	153,338	139,057	57,709	71,990	422,094	3,613	425,707	29,600	455,307
Capital expenditure	117,451	58,134	32,743	42,273	250,601	1,734	252,335	7,858	260,193
Impairment losses	110,433	52,814	141,424	18,092	322,762	–	322,762	1,120	323,882

Other Related Information

For the year ended March 31, 2021

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
¥ 342,849	¥ 207,082	¥ 160,874	¥ 35,435	¥ 15,375	¥ 761,615

Thousands of U.S. dollars					
Japan	North America	Asia	Europe	Other areas	Total
$ 3,096,821	$ 1,870,490	$ 1,453,112	$ 320,070	$ 138,876	$ 6,879,370

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 ¥191,193 million (U.S. $1,726,971 thousand) and ¥72,260 million (U.S. $652,696 thousand), respectively.

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

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 258,453	¥ 157,733	¥ 47,205	¥ 226	¥ 3,642	¥ 467,259

Thousands of U.S. dollars					
Japan	North America	Asia	Europe	Other areas	Total
$ 2,334,505	$ 1,424,740	$ 426,384	$ 2,041	$ 32,897	$ 4,220,567

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 ¥157,733 million (U.S. $1,424,740 thousand).

3. Significant customer information
   There was no concentration of revenues from a specific customer for the year ended March 31, 2021.

For the year ended March 31, 2020

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
¥ 405,410	¥ 245,349	¥ 166,136	¥ 44,542	¥ 19,965	¥ 881,402

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 ¥225,143 million and ¥63,380 million, respectively.

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

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 320,935	¥ 170,084	¥ 47,557	¥ 243	¥ 3,071	¥ 541,890

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 ¥170,084 million.

3. Significant customer information
There was no concentration of revenues from a specific customer for the year ended March 31, 2020.

Note 5. Trade Receivables

Trade receivables as of March 31, 2021 and 2020, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	March 31, 2021
Accounts receivable	¥ 149,316	¥ 138,345	$ 1,348,713
Notes receivable and electronically recorded monetary claims	18,605	19,572	168,052
Allowance for doubtful accounts	(368)	(185)	(3,324)
Total	¥ 167,553	¥ 157,732	$ 1,513,441

For credit risk control and fair value of trade receivables, see Note 23. “Financial Instruments and Other Related Information.”

Note 6. Inventories

Inventories as of March 31, 2021 and 2020, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	March 31, 2021
Merchandise and finished products	¥ 54,746	¥ 64,189	$ 494,499
Work in process	68,386	68,024	617,704
Raw materials and supplies	46,962	47,712	424,189
Total	¥ 170,094	¥ 179,925	$ 1,536,392

The amount of inventories written down for the years ended March 31, 2021 and 2020, was ¥5,594 million (U.S. $50,528 thousand) and ¥3,980 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, 2021 and 2020, 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, 2021	March 31, 2020	March 31, 2021
Carrying amount of investments	¥ 10,772	¥ 28,119	$ 97,299

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income	¥ 312	¥ 1,476	$ 2,818
Other comprehensive income	144	208	1,301
Total comprehensive income	¥ 456	¥ 1,684	$ 4,119

(2) Investments in joint ventures

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	March 31, 2021
Carrying amount of investments	¥ –	¥ 235	$ –

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net (loss) income	¥ (235)	¥ 191	$ (2,123)
Total comprehensive (loss) income	¥ (235)	¥ 191	$ (2,123)

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, 2021 and 2020:

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
Carrying amount							
At April 1, 2019	¥ 60,800	¥ 102,795	¥ 175,121	¥17,531	¥ 1,658	¥ 44,255	¥ 402,160
Cumulative effect of accounting change	–	–	–	–	17,908	–	17,908
Restated balance	60,800	102,795	175,121	17,531	19,566	44,255	420,068
Additions	7	173	1,637	1,125	2,486	46,263	51,691
Disposals	(270)	(232)	(1,583)	(454)	(1,301)	(233)	(4,073)
Depreciation	–	(7,774)	(31,686)	(7,703)	(3,405)	–	(50,568)
Impairment losses	(555)	(6,784)	(20,017)	(1,506)	(363)	(1,963)	(31,188)
Effects of exchange rate changes	(293)	(1,198)	(2,472)	(275)	(545)	(535)	(5,318)
Transfer from construction in progress	21	10,275	49,777	6,851	54	(66,978)	–
Other	81	57	(529)	9	227	638	483
At March 31, 2020	¥ 59,791	¥ 97,312	¥ 170,248	¥ 15,578	¥ 16,719	¥ 21,447	¥ 381,095
Additions	¥ –	¥ 299	¥ 763	¥ 699	¥ 2,107	¥ 24,002	¥ 27,870
Disposals	(420)	(591)	(994)	(699)	(196)	(59)	(2,959)
Depreciation	–	(7,662)	(28,599)	(6,674)	(3,285)	–	(46,220)
Impairment losses	(470)	(4,995)	(18,409)	(1,071)	(4,473)	(1,108)	(30,526)
Effects of exchange rate changes	248	1,008	2,003	230	479	177	4,145
Transfer from construction in progress	15	4,761	23,082	5,146	1	(33,005)	–
Other	(147)	28	148	17	30	(33)	43
At March 31, 2021	¥ 59,017	¥ 90,160	¥ 148,242	¥ 13,226	¥ 11,382	¥ 11,421	¥ 333,448

	Thousands of U.S. dollars						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
Carrying amount							
At April 1, 2020	$ 540,069	$ 878,981	$ 1,537,783	$ 140,710	$ 151,016	$ 193,722	$ 3,442,282
Additions	$ –	$ 2,701	$ 6,892	$ 6,314	$ 19,032	$ 216,801	$ 251,739
Disposals	(3,794)	(5,338)	(8,978)	(6,314)	(1,770)	(533)	(26,727)
Depreciation	–	(69,208)	(258,324)	(60,284)	(29,672)	–	(417,487)
Impairment losses	(4,245)	(45,118)	(166,281)	(9,674)	(40,403)	(10,008)	(275,729)
Effects of exchange rate changes	2,240	9,105	18,092	2,077	4,327	1,599	37,440
Transfer from construction in progress	135	43,004	208,491	46,482	9	(298,121)	–
Other	(1,328)	253	1,337	154	271	(298)	388
At March 31, 2021	$ 533,077	$ 814,380	$ 1,339,012	$ 119,465	$ 102,809	$ 103,161	$ 3,011,905

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

Depreciation charges recognized for the years ended March 31, 2021 and 2020, are included in “Cost of sales” as well as “Selling, general and administrative expenses” of the consolidated statements of income. Impairment losses are included in “Other expenses” of the consolidated statements of income.

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
Acquisition cost							
At April 1, 2019	¥ 61,010	¥ 292,749	¥ 694,793	¥ 97,447	¥ 4,875	¥ 44,486	¥ 1,195,360
At March 31, 2020	60,556	299,145	725,794	99,229	34,462	23,507	1,242,693
At March 31, 2021	59,887	301,559	731,466	101,629	35,218	13,410	1,243,169
Accumulated depreciation and accumulated impairment losses							
At April 1, 2019	¥ 210	¥ 189,954	¥ 519,672	¥ 79,916	¥ 3,217	¥ 231	¥ 793,200
At March 31, 2020	765	201,833	555,546	83,651	17,743	2,060	861,598
At March 31, 2021	870	211,399	583,224	88,403	23,836	1,989	909,721

	Thousands of U.S. dollars						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
Acquisition cost							
At March 31, 2021	$ 540,936	$ 2,723,864	$ 6,607,045	$ 917,975	$ 318,110	$ 121,127	$ 11,229,058
Accumulated depreciation and accumulated impairment losses							
At March 31, 2021	$ 7,858	$ 1,909,484	$ 5,268,034	$ 798,510	$ 215,301	$ 17,966	$ 8,217,153

Items of property, plant and equipment are grouped by the smallest CGU that generates largely independent cash inflows.

The Group recognized impairment losses of ¥30,526 million (U.S. $275,729 thousand) and ¥31,188 million on property, plant and equipment for the years ended March 31, 2021 and 2020, respectively. Of the ¥30,526 million impairment losses recognized in the year ended March 31, 2021, ¥30,469 million (U.S. $275,215 thousand) were recognized as “Impairment loss on property, plant and equipment” and ¥57 million (U.S. $515 thousand) as “Structural reform expense,” both of which were included in “Other expenses” of the Consolidated Statement of Income. See detail of “Other expenses” in Note 19. “Other Income and Expenses.”

Impairment losses recognized for the year ended March 31, 2021, mainly represent ¥15,657 million (U.S. $141,424 thousand) related to a decline in profitability in the Magnetic Materials business within the Magnetic Materials and Applications / Power Electronics Materials segment due to changes in the operating environment. Of the ¥15,657 million of impairment losses, ¥10,356 million (U.S. $93,542 thousand) were related to property, plant and equipment (mainly machinery) and ¥5,301 million (U.S. $47,882 thousand) were related to goodwill and intangible assets, which were recognized to reduce their carrying amounts to their recoverable amounts. The recoverable amounts of assets are determined based on their value in use, which was determined as ¥74,875 million (U.S. $676,317 thousand) as of September 30, 2020, when the impairment losses were recognized. The value in use is calculated by discounting future cash flows to the present value using a pretax weighted average capital cost of 10.1%.

In addition, impairment losses of ¥12,102 million (U.S. $109,313 thousand) were recognized due to a decline in profitability in the Aircraft- and energy-related materials business within the Specialty Steel Products segment as the business environment changed. Of the ¥12,102 million of impairment losses, ¥12,027 million (U.S. $108,635 thousand) were related to property, plant and equipment (mainly machinery) and ¥75 million (U.S. $677 thousand) were related to goodwill and intangible assets, which were recognized to reduce their carrying amounts to their recoverable amounts. The recoverable amounts of assets are determined based on the value in use, which is determined as ¥16,491 million (US $148,957 thousand) as of March 31, 2021, when the impairment losses were recognized. The value in use is calculated by discounting future cash flows to the present value using a pretax weighted average capital cost of 7.3%.

Impairment losses recognized for the year ended March 31, 2020, mainly represent ¥42,581 million related to a decline in profitability in the Magnetic Materials business due to changes in the operating environment of the Rare-earth magnets business under the Magnetic Materials and Applications / Power Electronics Materials segment. The impairment loss consists of ¥22,479 million recognized on property, plant and equipment (mainly machinery) and ¥20,102 million on goodwill and intangible assets. The carrying amounts of such assets were reduced to their recoverable amounts. The recoverable amount of an asset is determined based on the value in use, which was determined as ¥106,313 million as of September 30, 2019 when the impairment loss was recognized. The value in use is calculated by discounting future cash flows to the present value using a pretax weighted average capital cost of 9.6%.

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, 2021 and 2020:

	Millions of yen				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Carrying amount					
At April 1, 2019	¥ 112,149	¥ 3,063	¥ 165	¥ 28,181	¥ 143,558
Purchases	–	89	6	1,233	1,328
Amortization	–	(1,371)	(40)	(3,013)	(4,424)
Impairment losses	(20,033)	(134)	–	7	(20,160)
Disposals	–	(34)	–	(22)	(56)
Effects of exchange rate changes	(1,582)	(15)	(5)	(508)	(2,110)
Transfer from software in progress	–	938	–	(938)	–
Other	–	10	30	(2)	38
At March 31, 2020	¥ 90,534	¥ 2,546	¥ 156	¥ 24,938	¥ 118,174
Purchases	–	86	60	790	936
Amortization	–	(1,121)	(45)	(2,841)	(4,007)
Impairment losses	(5,278)	(105)	–	(5)	(5,388)
Disposals	–	(14)	–	(42)	(56)
Effects of exchange rate changes	1,390	18	11	289	1,708
Transfer from software in progress	–	1,056	–	(1,056)	–
Other	–	(7)	73	(2)	64
At March 31, 2021	¥ 86,646	¥ 2,459	¥ 255	¥ 22,071	¥ 111,431

	Thousands of U.S. dollars				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Carrying amount					
At April 1, 2020	$ 817,758	$ 22,997	$ 1,409	$ 225,255	$ 1,067,419
Purchases	–	777	542	7,136	8,455
Amortization	–	(10,126)	(406)	(25,662)	(36,194)
Impairment losses	(47,674)	(948)	–	(45)	(48,668)
Disposals	–	(126)	–	(379)	(506)
Effects of exchange rate changes	12,555	163	99	2,610	15,428
Transfer from software in progress	–	9,538	–	(9,538)	–
Other	–	(63)	659	(18)	578
At March 31, 2021	$ 782,639	$ 22,211	$ 2,303	$ 199,359	$ 1,006,513

Amortization recognized for the years ended March 31, 2021 and 2020, was included in "Cost of sales" as well as "Selling, general and administrative expenses" of the consolidated statements of income. Impairment losses are included in "Other expenses" in the consolidated statements of income.

	Millions of yen				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Acquisition cost					
At April 1, 2019	¥ 112,644	¥ 16,116	¥ 1,591	¥ 43,807	¥ 174,158
At March 31, 2020	111,062	16,026	1,590	43,299	171,977
At March 31, 2021	112,452	16,401	1,761	43,624	174,238
Accumulated amortization and accumulated impairment losses					
At April 1, 2019	¥ 495	¥ 13,053	¥ 1,426	¥ 15,626	¥ 30,600
At March 31, 2020	20,528	13,480	1,434	18,361	53,803
At March 31, 2021	25,806	13,942	1,506	21,553	62,807

	Thousands of U.S. dollars				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Acquisition cost					
At March 31, 2021	$ 1,015,735	$ 148,144	$ 15,906	$ 394,038	$ 1,573,824
Accumulated amortization and accumulated impairment losses					
At March 31, 2021	$ 233,095	$ 125,933	$ 13,603	$ 194,680	$ 567,311

For the years ended March 31, 2021 and 2020, there were no material intangible assets with indefinite useful lives.

The Group expenditures on R&D recognized as expenses for the years ended March 31, 2021 and 2020, are ¥14,475 million (US $130,747 thousand) and ¥15,918 million, respectively. R&D expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements 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 Functional Components and Equipment segment arising from the acquisition of Waupaca Foundry, Inc. in 2014 (¥68,398 million (US $617,812 thousand) and ¥67,125 million as of March 31, 2021 and 2020, respectively) and that related to the Magnetic Materials business in connection with the acquisition of additional shares in NEOMAX Co., Ltd. through a tender offer in 2006 (¥10,483 million (U.S. $94,689 thousand) and ¥15,761 million as of March 31, 2021 and 2020, respectively).

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 10.0% to 11.0%). 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 the 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, Group management considers any significant impairment losses unlikely to occur.

Impairment losses recognized for goodwill and intangible assets for the year ended March 31, 2021, mainly represent ¥5,301 million (U.S. $47,882 thousand) of impairment losses related to a decline in profitability in the Magnetic Materials business under the Magnetic Materials and Applications / Power Electronics Materials segment due to changes in the operating environment of the business.
See further discussion about the impairment loss in Note 8. “Property, Plant and Equipment.”

Impairment losses recognized for goodwill and intangible assets for the year ended March 31, 2020, mainly represent ¥20,102 million of impairment losses related to a decline in profitability in the Magnetic Materials business due to changes in the operating environment of the Rare-earth magnets business under the Magnetic Materials and Applications / Power Electronics Materials segment.

Note 10. Leases

(1) Lessee

The Company and certain subsidiaries use leased facilities and equipment, including buildings, machinery, and vehicles.

The following table shows the carrying amounts of right-of-use assets by class of underlying assets as of March 31, 2021 and 2020:

	Millions of yen				
	Class of underlying assets				Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	
March 31, 2021	¥ 5,868	¥ 1,322	¥ 17	¥ 4,175	¥ 11,382
March 31, 2020	¥ 6,342	¥ 1,405	¥ 26	¥ 8,946	¥ 16,719

	Thousands of U.S. dollars				
	Class of underlying assets				Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	
March 31, 2021	$ 53,003	$ 11,941	$ 154	$ 37,711	$ 102,809

Expenses related to leases, and gains and losses with cash outflows for the fiscal years ended March 31, 2021 and 2020, are as below.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Depreciation charges for right-of-use assets:			
Buildings and structures	¥ 2,036	¥ 1,971	$ 18,390
Machinery and vehicles	463	495	4,182
Tools, furniture and fixtures	8	18	72
Land	778	921	7,027
Total	¥ 3,285	¥ 3,405	$ 29,672
Interest expenses on lease liabilities	278	266	2,511
Expenses on short-term leases	170	118	1,536
Income from subleasing right-of-use assets	(24)	(24)	(217)
Total expenses related to leases	3,709	3,765	33,502
Total cash outflows for leases	¥ 3,653	¥ 3,280	$ 32,996

Additions to right-of-use assets for the years ended March 31, 2021 and 2020, are disclosed in Note 8. “Property, Plant and Equipment.”

Maturity analysis of lease liabilities as of March 31, 2021 and 2020, is disclosed in Note 23. “Financial Instruments and Other Related Information.”

Many of the Group’s real estate leases contain options to extend the lease in the contractual terms in response to the risk of price fluctuations. The Group determines whether it is reasonably certain to exercise an option to extend the lease by comprehensively taking into account various factors, such as specifications of the leased property and business strategies.

(2) Lessor

Disclosure is omitted as it is not material to the consolidated financial statements.

Note 11. Deferred Taxes and Income Taxes

The following table shows major components of income taxes:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Income taxes			
Current tax expense	¥ 2,910	¥ 6,822	$ 26,285
Deferred tax expense			
Accruals and reversals of temporary differences	(16,404)	(14,482)	(148,171)
Changes in realizability of deferred tax assets	5,462	6,584	49,336
Total	¥ (8,032)	¥ (1,076)	$ (72,550)

The Company is subject to a national corporate tax, inhabitant tax, and deductible business tax, and those taxes resulted in a combined statutory income tax rate of 30.5% for the fiscal years ended March 31, 2021 and 2020.

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:

	2021	2020
Combined statutory income tax rate	30.5%	30.5%
Share of profits of investments accounted for using the equity method	0.0	1.3
Expenses not deductible for tax purposes	(0.1)	(0.3)
Impairment on goodwill	(3.2)	(15.0)
Special tax credit for corporate taxes	–	2.5
Change in realizability of deferred tax assets	(10.8)	(16.2)
Difference between the statutory income tax rate of Japan and tax rates used in oversea subsidiaries	(0.5)	1.3
Other, net	0.0	(1.5)
Effective income tax rate	15.9%	2.6%

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

	Millions of yen				
	April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Changes in the scope of consolidation	March 31, 2021
Deferred tax assets					
Retirement and severance benefits	¥ 19,098	¥ 458	¥ (3,026)	¥ –	¥ 16,530
Accrued expenses	3,090	1,208	–	–	4,298
Depreciation and amortization	9,481	1,923	–	–	11,404
Net operating loss carry-forwards	281	9,264	–	–	9,545
Other	17,053	(8,177)	(43)	50	8,883
Total deferred tax assets	¥ 49,003	¥ 4,676	¥ (3,069)	¥ 50	¥ 50,660
Deferred tax liabilities					
Tax purpose reduction entry	(4,229)	208	–	–	(4,021)
Investments in securities	(1,856)	(78)	78	–	(1,856)
Depreciation and amortization	(7,396)	34	–	–	(7,362)
Intangible assets acquired in business combinations	(5,533)	375	–	–	(5,158)
Other	(14,593)	5,727	–	–	(8,866)
Total deferred tax liabilities	¥ (33,607)	¥ 6,266	¥ 78	¥ –	(27,263)
Net deferred tax assets	¥ 15,396	¥ 10,942	¥ (2,991)	¥ 50	¥ 23,397

	Millions of yen				
	April 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Changes in the scope of consolidation	March 31, 2020
Deferred tax assets					
Retirement and severance benefits	¥ 17,973	¥ (1,275)	¥ 2,400	¥ –	¥ 19,098
Accrued expenses	2,361	729	–	–	3,090
Depreciation and amortization	7,200	2,281	–	–	9,481
Net operating loss carry-forwards	393	(112)	–	–	281
Other	12,193	4,703	46	111	17,053
Total deferred tax assets	¥ 40,120	¥ 6,326	¥ 2,446	¥ 111	¥ 49,003
Deferred tax liabilities					
Tax purpose reduction entry	(4,289)	60	–	–	(4,229)
Investments in securities	(2,188)	79	253	–	(1,856)
Depreciation and amortization	(7,228)	(168)	–	–	(7,396)
Intangible assets acquired in business combinations	(6,147)	614	–	–	(5,533)
Other	(15,580)	987	–	–	(14,593)
Total deferred tax liabilities	¥ (35,432)	¥ 1,572	¥ 253	¥ –	¥ (33,607)
Net deferred tax assets	¥ 4,688	¥ 7,898	¥ 2,699	¥ 111	¥ 15,396

	Thousands of U.S. dollars				
	April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Changes in the scope of consolidation	March 31, 2021
Deferred tax assets					
Retirement and severance benefits	$ 172,505	$ 4,137	$ (27,333)	$ –	$ 149,309
Accrued expenses	27,911	10,911	–	–	38,822
Depreciation and amortization	85,638	17,370	–	–	103,008
Net operating loss carry-forwards	2,538	83,678	–	–	86,216
Other	154,033	(73,860)	(388)	452	80,237
Total deferred tax assets	$ 442,625	$ 42,236	$ (27,721)	$ 452	$ 457,592
Deferred tax liabilities					
Tax purpose reduction entry	(38,199)	1,879	–	–	(36,320)
Investments in securities	(16,765)	(705)	705	–	(16,765)
Depreciation and amortization	(66,805)	307	–	–	(66,498)
Intangible assets acquired in business combinations	(49,977)	3,387	–	–	(46,590)
Other	(131,813)	51,730	–	–	(80,083)
Total deferred tax liabilities	$ (303,559)	$ 56,598	$ 705	$ –	$ (246,256)
Net deferred tax assets	$ 139,066	$ 98,835	$ (27,017)	$ 452	$ 211,336

Deferred tax liabilities have not been recognized for excess amounts over the tax bases of investments in 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, 2021 and 2020, were ¥156,149 million (U.S. $1,410,433 thousand) and ¥157,765 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, 2021.

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, 2021	March 31, 2020	March 31, 2021
Deductible temporary differences	¥ 75,692	¥ 56,342	$ 683,696
Net operating loss carry-forwards	127	243	1,147
Unused tax credits carry-forwards	599	839	5,411
Total	¥ 76,418	¥ 57,424	$ 690,254

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, 2021	March 31, 2020	March 31, 2021
Net operating loss carry-forwards			
Within 5 years	¥ 127	¥ 243	$ 1,147
After 5 years but not more than 10 years	–	–	–
Total net operating loss carry-forwards	¥ 127	¥ 243	$ 1,147
Unused tax credits carry-forwards			
Within 5 years	¥ 599	¥ 839	$ 5,411
After 5 years but not more than 10 years	–	–	–
Total unused tax credits carry-forwards	¥ 599	¥ 839	$ 5,411

Note 12. Trade Payables

Trade payables as of March 31, 2021 and 2020, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	March 31, 2021
Accounts payable	¥ 135,747	¥ 111,130	$ 1,226,149
Notes payable and electronically recorded obligations	14,892	15,510	134,514
Total	¥ 150,639	¥ 126,640	$ 1,360,663

Note 13. 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, 2021, are as follows:

	Millions of yen	
	Asset retirement obligations	Provision for environmental measures
Balance at April 1, 2020	¥ 923	¥ 947
Additions	65	47
Utilized	(38)	(94)
Reversals	(76)	(283)
Effects of exchange rate changes	17	–
Balance at March 31, 2021	¥ 891	¥ 617
Current	–	–
Non-current	¥ 891	¥ 617

	Thousands of U.S. dollars	
	Asset retirement obligations	Provision for environmental measures
Balance at April 1, 2020	$ 8,337	$ 8,554
Additions	587	425
Utilized	(343)	(849)
Reversals	(686)	(2,556)
Effects of exchange rate changes	154	–
Balance at March 31, 2021	$ 8,048	$ 5,573
Current	–	–
Non-current	$ 8,048	$ 5,573

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 14. 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 its certain subsidiaries have defined contribution pension plans.

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
	2021	2020	2021
Defined benefit obligations at the beginning of the year	¥ 186,722	¥ 187,621	$ 1,686,587
Service costs	7,644	6,710	69,045
Interest costs	1,873	1,882	16,918
Actuarial gains and losses	4,019	5,054	36,302
Past service cost	(27)	–	(244)
Benefits paid	(14,538)	(13,667)	(131,316)
Effects of exchange rate changes and others	656	(878)	5,925
Defined benefit obligation at the end of the year	¥ 186,349	¥ 186,722	$ 1,683,217

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Fair value of plan assets at the beginning of the year	¥ 120,482	¥ 131,564	$ 1,088,267
Interest income	1,044	957	9,430
Return on plan assets (excluding interest income)	14,588	(4,389)	131,768
Contributions to defined benefit pension plans (Note)	3,117	3,272	28,155
Benefits paid	(10,216)	(10,576)	(92,277)
Effects of exchange rate changes and others	(257)	(346)	(2,321)
Fair value of plan assets at the end of the year	¥ 128,758	¥ 120,482	$ 1,163,021

Note: As of March 31, 2021, the estimated contributions to the defined benefit pension plans for the year ending March 31, 2022, were ¥3,233 million (U.S. $29,202 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, 2021	March 31, 2020	March 31, 2021
Present value of defined benefit obligations (funded)	¥ (179,822)	¥ (180,201)	$ (1,624,262)
Fair value of plan assets	128,758	120,482	1,163,021
Funded status	(51,064)	(59,719)	(461,241)
Present value of defined benefit obligations (unfunded)	(6,527)	(6,521)	(58,956)
Net asset (liability) recognized in the consolidated statement of financial position	¥ (57,591)	¥ (66,240)	$ (520,197)

Components of actuarial gains and losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Arising from changes in financial assumptions	¥ 2,037	¥ 3,289	$ 18,399
Arising from changes in demographic assumptions	2,323	1,716	20,983
Other	(341)	49	(3,080)

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, 2021	March 31, 2020
Discount rate	1.1%	1.1%

If, as of March 31, 2021, the discount rate rose by 0.5%, the defined benefit obligations would decrease by ¥8,639 million (U.S. $78,033 thousand), and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by ¥8,714 million (U.S. $78,710 thousand). If, as of March 31, 2020, the discount rate rose by 0.5%, the defined benefit obligations would decrease by ¥8,759 million, and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by ¥9,195 million.

Although sensitivity analysis is based on the assumption that all other variables are constant; however, 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, 2021	March 31, 2020
Duration	10.6 years	10.7 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' capacities 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 capacities 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, 2021 and 2020:

	Millions of yen		
	March 31, 2021		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	¥ 7,264	¥ 167	¥ 7,431
Government and municipal debt securities	930	−	930
Corporate and other debt securities	−	848	848
Hedge funds	−	1,178	1,178
Securitized products	−	2,232	2,232
Cash and cash equivalents	7,936	−	7,936
Life insurance company general accounts	−	19,604	19,604
Commingled funds	−	87,604	87,604
Other		995	995
Total	¥ 16,130	¥ 112,628	¥ 128,758

	Millions of yen		
	March 31, 2020		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	¥ 6,696	¥ 247	¥ 6,943
Government and municipal debt securities	1,033	185	1,218
Corporate and other debt securities	−	970	970
Hedge funds	−	1,131	1,131
Securitized products	−	1,881	1,881
Cash and cash equivalents	10,001	−	10,001
Life insurance company general accounts	−	19,548	19,548
Commingled funds	−	77,979	77,979
Other	85	726	811
Total	¥ 17,815	¥ 102,667	¥ 120,482

	Thousands of U.S. dollars		
	March 31, 2021		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	$ 65,613	$ 1,508	$ 67,121
Government and municipal debt securities	8,400	–	8,400
Corporate and other debt securities	–	7,660	7,660
Hedge funds	–	10,640	10,640
Securitized products	–	20,161	20,161
Cash and cash equivalents	71,683	–	71,683
Life insurance company general accounts	–	177,075	177,075
Commingled funds	–	791,293	791,293
Other		8,987	8,987
Total	$ 145,696	$ 1,017,325	$ 1,163,021

Commingled funds represent pooled institutional investments. Approximately 38% and 30% of commingled funds were invested in listed stocks as of March 31, 2021 and 2020, respectively. Approximately 42% and 47% were invested in government and municipal debt securities as of March 31, 2021 and 2020, respectively. Approximately 14% and 18% were invested in corporate and other debt securities as of March 31, 2021 and 2020, respectively. Approximately 6% and 5% were invested in other assets as of March 31, 2021 and 2020, respectively.

Expenses recognized in relation to the Company’s and certain subsidiaries’ contributions to the defined contribution plans amounted to ¥2,965 million (U.S. $26,782 thousand) and ¥3,155 million for the years ended March 31, 2021 and 2020, respectively.

(2) Employee Benefit Expense

The aggregated amounts of employee benefit expenses recognized in the consolidated statement of income for the years ended March 31, 2021 and 2020, were ¥132,484 million (U.S. $1,196,676 thousand) and ¥137,507 million, respectively.

Note 15. Equity

(1) Common Stock

	March 31, 2021	March 31, 2020
Authorized issuance (Number of shares)	500,000,000	500,000,000

	Issued shares (Number of shares)
Balance as of April 1, 2019	428,904,352
Changes during the year	–
Balance as of March 31, 2020	428,904,352
Changes during the year	–
Balance as of March 31, 2021	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, 2021 and 2020, are as follows:

	Treasury shares (Number of shares)
Balance as of April 1, 2019	1,334,441
Acquisition of treasury stock	3,254
Sales of treasury stock	(112)
Balance as of March 31, 2020	1,337,583
Acquisition of treasury stock	3,225
Sales of treasury stock	(98)
Balance as of March 31, 2021	1,340,710

Treasury stock held by the Company's associates was 71,885 shares as of March 31, 2021 and 2020.

(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 16. 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
	2021	2020	2021
Foreign currency translation adjustments on foreign operations:			
Balance at the beginning of the year	¥ (2,280)	¥ 7,129	$ (20,594)
Net other comprehensive income (loss)	9,611	(9,409)	86,812
Balance at the end of the year	¥ 7,331	¥ (2,280)	$ 66,218
Remeasurements of defined benefit pension plans:			
Balance at the beginning of the year	¥ 1,559	¥ 8,627	$ 14,082
Net other comprehensive income (loss)	7,497	(7,068)	67,717
Balance at the end of the year	¥ 9,056	¥ 1,559	$81,799
Net change in fair value of financial assets measured at FVTOCI:			
Balance at the beginning of the year	¥5,814	¥ 6,184	$ 52,516
Transfer to retained earnings	89	(16)	804
Net other comprehensive income (loss)	5	(354)	45
Balance at the end of the year	¥ 5,908	¥ 5,814	$ 53,365
Net change in fair value of cash flow hedges:			
Balance at the beginning of the year	¥ (124)	¥ (15)	$ (1,120)
Net other comprehensive income (loss)	93	(109)	840
Balance at the end of the year	¥ (31)	¥ (124)	$ (280)
Total accumulated other comprehensive income:			
Balance at the beginning of the year	¥ 4,969	¥ 21,925	$ 44,883
Transfer to retained earnings	89	(16)	804
Net other comprehensive income (loss)	17,206	(16,940)	155,415
Balance at the end of the year	¥ 22,264	¥ 4,969	$ 201,102

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, 2021 and 2020:

	Millions of yen		
	2021		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	¥ 9,762	¥ −	¥ 9,762
Remeasurements of defined benefit plans	10,525	(3,026)	7,499
Net gains or losses from financial assets measured at fair value through other comprehensive income	(163)	65	(98)
Net change in fair value of cash flow hedges	(46)	11	(35)
Share of other comprehensive income (loss) of investments accounted for using the equity method	203	(59)	144
Total	¥ 20,281	¥ (3,009)	¥ 17,272
Reclassification adjustments between items in other comprehensive income and net income:			
Net change in fair value of cash flow hedges	¥ 178	¥ (54)	¥ 124
Total	¥ 178	¥ (54)	¥ 124
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	¥ 9,762	¥ −	¥ 9,762
Remeasurements of defined benefit plans	10,525	(3,026)	7,499
Net gains or losses from financial assets measured at fair value through other comprehensive income	(163)	65	(98)
Net change in fair value of cash flow hedges	132	(43)	89
Share of other comprehensive income (loss) of investments accounted for using the equity method	203	(59)	144
Total	¥ 20,459	¥ (3,063)	¥ 17,396
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			¥ 191
Remeasurements of defined benefit plans			2
Net gains or losses from financial assets measured at fair value through other comprehensive income			1
Net change in fair value of cash flow hedges			(4)
Total			¥ 190
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			¥ 9,571
Remeasurements of defined benefit plans			7,497
Net gains or losses from financial assets measured at fair value through other comprehensive income			(99)
Net change in fair value of cash flow hedges			93
Share of other comprehensive income of investments accounted for using the equity method			144
Total			¥ 17,206

	Millions of yen		
	2020		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	¥ (9,749)	¥ −	¥ (9,749)
Remeasurements of defined benefit plans	(9,469)	2,400	(7,069)
Net gains or losses from financial assets measured at fair value through other comprehensive income	(817)	244	(573)
Net change in fair value of cash flow hedges	(178)	54	(124)
Share of other comprehensive income (loss) of investments accounted for using the equity method	297	(89)	208
Total	¥ (19,916)	¥ 2,609	¥ (17,307)
Reclassification adjustments between items in other comprehensive income and net income:			
Foreign currency translation adjustments on foreign operations	¥26	¥ −	¥ 26
Net change in fair value of cash flow hedges	23	(8)	15
Total	¥49	¥ (8)	¥ 41
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	¥ (9,723)	¥ −	¥ (9,723)
Remeasurements of defined benefit plans	(9,469)	2,400	(7,069)
Net gains or losses from financial assets measured at fair value through other comprehensive income	(817)	244	(573)
Net change in fair value of cash flow hedges	(155)	46	(109)
Share of other comprehensive income (loss) of investments accounted for using the equity method	297	(89)	208
Total	¥ (19,867)	¥ 2,601	¥ (17,266)
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			¥ (325)
Remeasurements of defined benefit plans			(1)
Net gains or losses from financial assets measured at fair value through other comprehensive income			–
Net change in fair value of cash flow hedges			–
Total			¥ (326)
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			¥ (9,398)
Remeasurements of defined benefit plans			(7,068)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(573)
Net change in fair value of cash flow hedges			(109)
Share of other comprehensive income of investments accounted for using the equity method			208
Total			¥ (16,940)

	Thousands of U.S. dollars		
	2021		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	$ 88,176	$ –	$ 88,176
Remeasurements of defined benefit plans	95,068	(27,333)	67,736
Net gains or losses from financial assets measured at fair value through other comprehensive income	(1,472)	587	(885)
Net change in fair value of cash flow hedges	(415)	99	(316)
Share of other comprehensive income (loss) of investments accounted for using the equity method	1,834	(533)	1,301
Total	$ 183,190	$ (27,179)	$ 156,011
Reclassification adjustments between items in other comprehensive income and net income:			
Net change in fair value of cash flow hedges	$ 1,608	$ (488)	$ 1,120
Total	$ 1,608	$ (488)	$ 1,120
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	$ 88,176	$ –	$ 88,176
Remeasurements of defined benefit plans	95,068	(27,333)	67,736
Net gains or losses from financial assets measured at fair value through other comprehensive income	(1,472)	587	(885)
Net change in fair value of cash flow hedges	1,192	(388)	804
Share of other comprehensive income (loss) of investments accounted for using the equity method	1,834	(533)	1,301
Total	$ 184,798	$ (27,667)	$ 157,131
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			$ 1,725
Remeasurements of defined benefit plans			18
Net gains or losses from financial assets measured at fair value through other comprehensive income			9
Net change in fair value of cash flow hedges			(36)
Total			$ 1,716
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			$ 86,451
Remeasurements of defined benefit plans			67,717
Net gains or losses from financial assets measured at fair value through other comprehensive income			(894)
Net change in fair value of cash flow hedges			840
Share of other comprehensive income of investments accounted for using the equity method			1,301
Total			$ 155,415

Note 17. Dividends

Dividends paid for the years ended March 31, 2021 and 2020, are as follows:

Resolution adopted	Type of shares	Millions of yen Aggregate amount	Appropriation from	Yen Amount per share	Record date	Effective date
Board of Directors' meeting on May 27, 2019	Common stock	¥ 7,269	Retained earnings	¥ 17.0	March 31, 2019	May 29, 2019
Board of Directors' meeting on October 29, 2019	Common stock	¥ 5,558	Retained earnings	¥ 13.0	September 30, 2019	November 29, 2019
Board of Directors' meeting on May 27, 2020	Common stock	¥ 5,558	Retained earnings	¥ 13.0	March 31, 2020	June 30, 2020

Resolution adopted	Type of shares	Thousands of U.S. dollars Aggregate amount	Appropriation from	U.S. dollars Amount per share	Record date	Effective date
Board of Directors' meeting on May 27, 2020	Common stock	$ 50,203	Retained earnings	$ 0.12	March 31, 2020	June 30, 2020

There are no dividends whose record date is during the year ended March 31, 2021, but whose effective date is in the following fiscal year.

Note 18. Revenues

(1) Disaggregation of revenue

The Group has four reportable segments as described in Note 4. "Segment Information," which include the Specialty Steel Products segment, the Functional Components and Equipment segment, the Magnetic Materials and Applications / Power Electronics Materials segment, and the Wires, Cables, and Related Products segment. Revenues are disaggregated according to businesses based on the types of products and services. Relationship of the disaggregated revenues and revenues of each reportable segment is as follows:

		Millions of yen		Thousands of U.S. dollars
		2021	2020	2021
Specialty Steel Products				
	Specialty Steel Business	¥ 196,720	¥ 226,071	$ 1,776,895
	Roll Business	20,700	24,572	186,975
Functional Components and Equipment				
	Automotive Casting Business	205,797	253,831	1,858,884
	Piping Components Business	42,142	45,872	380,652
Magnetic Materials and Applications / Power Electronics Materials				
	Magnetic Materials Business	70,344	79,641	635,390
	Power Electronics Materials Business	35,798	37,119	323,349
Wires, Cables, and Related Products				
	Electric Wires and Cables Business	189,244	213,329	1,709,367
Others and adjustments		870	967	7,858
Total		¥ 761,615	¥ 881,402	$ 6,879,370

(2) Information regarding satisfaction of performance obligations

The Group recognizes revenue at a point in time in which control of a product is transferred to a customer because performance obligations of all businesses described in (1) Disaggregation of revenues are satisfied mainly when the Group sells a product to a customer and the customer accepts the product. The payment terms are determined as generally accepted terms for regular transactions. There are no significant transactions with special payment terms, such as extended payment terms.

(3) Information regarding contract balances

The beginning and ending balances of trade receivables and contract liabilities that arise from contracts with customers of the Group are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	April 1, 2020	March 31, 2021
Trade receivables	¥ 167,553	¥157,732	$ 1,513,441
Contract liabilities	1,015	640	9,168

Note that the amount of revenue recognized for the fiscal year ended March 31, 2021, included in the beginning balance of contract liabilities as of April 1, 2020, is immaterial.

	Millions of yen	
	March 31, 2020	April 1, 2019
Trade receivables	¥157,732	¥ 195,306
Contract liabilities	640	534

(4) Transaction price allocated to the remaining performance obligations

The Group adopts a practical expedient and omits disclosure regarding the remaining performance obligations because there are no transactions with expected contract durations of over one year. No material consideration from contracts with customers is excluded from the transaction price.

(5) Capitalized incremental costs incurred to obtain or fulfill a contract with a customer

The Group has no capitalized incremental costs incurred to obtain or fulfill a contract with a customer.

Note 19. Other Income and Expenses

Other income and expenses consist of the following items for the years ended March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Other income:			
Gain on reorganization	¥ 3,726	¥ –	$ 33,655
Gain on sale of properties	1,179	4,900	10,649
Rental income from properties held	1,052	1,179	9,502
Other	3,769	2,520	34,044
Total	¥ 9,726	¥ 8,599	$ 87,851
Other expenses:			
Structural reform expenses	¥ 5,620	¥ 5,460	$ 50,763
Misconduct regarding product quality -related costs (*)	6,829	–	61,684
Impairment loss on property, plant and equipment	35,857	49,179	323,882
Other	5,656	7,469	51,088
Total	¥ 53,962	¥ 62,108	$ 487,418

* The Company identified misconduct regarding several products of the Company and its subsidiaries, such as magnets, specialty steel, and automotive casting products. The misconduct includes misrepresentation of the test results on product characteristics defined in the specifications agreed with customers as well as delivery of the products to customers without meeting the specifications. With regard to the products for which misconduct has been identified, the Company has been analyzing correlations between the methods of inspections actually conducted by the Company and those agreed with customers, testing performance of the products in the presence of customers, or re-inspecting sample products stored at the Company. In addition, the Company has formed a special investigation committee composed of outside specialists to verify the facts and investigate the causes. Expenses related to these investigations and other related costs are recorded as misconduct regarding product quality-related costs.

Note 20. Other Financial Income and Expenses

Other financial income and expenses for the years ended March 31, 2021 and 2020, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Other financial income:			
Dividend income (**)	¥ 93	¥ 122	$ 840
Exchange gain	414	–	3,739
Other	282	–	2,547
Total	¥ 789	¥ 122	$ 7,127
Other financial expenses:			
Exchange loss	¥ –	¥ 901	$ –
Loss on valuation of financial instruments (***)	752	1	6,793
Other	56	185	506
Total	¥ 808	¥ 1,087	$ 7,298

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

*** Loss on valuation of financial instruments is from financial assets measured at FVTPL.

Note 21. Earnings per Share

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

	Thousands of shares	
	2021	2020
Weighted-average number of common stock on which basic EPS is calculated	427,565	427,568

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net loss attributable to shareholders of the parent company	¥ (42,285)	¥ (37,648)	$ (381,944)

	Yen		U.S. dollars
	2021	2020	2021
Basic loss per share attributable to shareholders of the parent company	¥ (98.90)	¥ (88.05)	$ (0.89)

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, 2021 and 2020.

Note 22. Supplementary Explanation on the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities during the fiscal year ended March 31, 2021 and 2020, are as follows:

	Millions of yen				
	Short-term debt	Corporate bonds payable	Long-term debt	Lease liabilities	Total
Balance as of April 1, 2020	¥ 53,048	¥ 39,912	¥ 77,853	¥ 16,773	¥ 187,586
Increase (decrease) involving cash flows	18,569	(20)	(10,587)	(3,483)	4,479
Increase (decrease) not involving cash flows:					
Effects of exchange rate changes	894	–	(239)	122	777
New leases	–	–	–	1,804	1,804
Others	–	26	292	354	672
Balance as of March 31, 2021	¥ 72,511	¥ 39,918	¥ 67,319	¥ 15,570	¥ 195,318

	Millions of yen				
	Short-term debt	Corporate bonds payable	Long-term debt	Lease liabilities	Total
Balance as of April 1, 2019	¥48,844	¥ 40,606	¥ 110,830	¥ 1,818	¥ 202,098
Adjustment due to the adoption of IFRS 16	–	–	–	¥ 17,389	¥ 17,389
Balance as of April 1, 2019 (adjusted)	48,844	40,606	110,830	19,207	219,487
Increase (decrease) involving cash flows	5,271	(720)	(32,182)	(3,162)	(30,793)
Increase (decrease) not involving cash flows:					
Effects of exchange rate changes	(1,067)	–	(477)	48	(1,496)
New leases	–	–	–	2,295	2,295
Others	–	26	(318)	(1,615)	(1,907)
Balance as of March 31, 2020	¥ 53,048	¥ 39,912	¥ 77,853	¥ 16,773	¥ 187,586

	Thousands of U.S. dollars				
	Short-term debt	Corporate bonds payable	Long-term debt	Lease liabilities	Total
Balance as of April 1, 2020	$ 479,162	$ 360,509	$ 703,216	$ 151,504	$ 1,694,391
Increase (decrease) involving cash flows	167,726	(181)	(95,628)	(31,461)	40,457
Increase (decrease) not involving cash flows:					
Effects of exchange rate changes	8,075	–	(2,159)	1,102	7,018
New leases	–	–	–	16,295	16,295
Others	–	235	2,638	3,198	6,070
Balance as of March 31, 2021	$ 654,963	$ 360,564	$ 608,066	$ 140,638	$ 1,764,231

Note 23. 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. The hedging relationship between the interest rate swap contracts and hedged items is highly effective, and it offsets interest rate risks of the long-term debt that is the hedged item.

Sensitivity analysis:

Sensitivity analysis for the interest rates shown below indicates the impact of assumed changes in interest rates on income before income taxes in the Company's consolidated statement of income. If interest rates increased 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 loss before income taxes for the years ended March 31, 2021 and 2020, would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Impact on loss before income taxes	¥ (423)	¥ (420)	$ (3,821)

(ii) Currency exchange risk

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

The Group hedges the positions after netting trade receivables and payables denominated in foreign currencies using forward exchange contracts for foreign currency exchange risks. In addition, the Group utilizes forward exchange contracts to hedge currency exchange risks on future cash flows due to fluctuations in foreign exchange rates on trade payables denominated in foreign currencies, such as purchase of machinery and equipment. As per the Group's policy, these contracts generally expire in one year.

Certain subsidiaries of the Group utilize currency swap contracts to hedge currency exchange risks on future cash flows due to fluctuations in foreign exchange rates on borrowings denominated in foreign currencies. Hedge relationships between forward exchange contracts and currency swap contracts, and hedged items are highly effective in offsetting effects on hedged items (assets and liabilities denominated in foreign currencies) arising from fluctuations 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 loss before income taxes for the years ended March 31, 2021 and 2020, would have been as follows:

	Currency	Millions of yen		Thousands of U.S. dollars
		2021	2020	2021
Impact on loss before income taxes	U.S. dollar	¥ 145	¥ 123	$ 1,310
	Euro	29	33	262
	Other	8	11	72

(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 26. "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.

Reconciliation of allowance for doubtful accounts for trade receivables and other receivables, and reconciliation of the gross carrying amount for trade receivables and other receivables corresponding to the allowance for doubtful accounts are as follows:

Trade receivables	Millions of yen					
	Allowance for doubtful accounts			Gross carrying amount		
	Collective assessment basis	Individual assessment basis	Total	Collective assessment basis	Individual assessment basis	Total
April 1, 2020	¥ 48	¥ 137	¥ 185	¥ 157,772	¥ 145	¥ 157,917
Changes during the year (net)	10	183	193	9,713	301	10,014
Credit impairment (a)	–	–	–	–	–	–
Write off (b)	(10)	–	(10)	(10)	–	(10)
Others (c)	–	–	–	–	–	–
March 31, 2021	¥ 48	¥ 320	¥ 368	¥ 167,475	¥ 446	¥ 167,921

Other receivables	Millions of yen					
	Allowance for doubtful accounts			Gross carrying amount		
	Collective assessment basis	Individual assessment basis	Total	Collective assessment basis	Individual assessment basis	Total
April 1, 2020	¥ –	¥ 727	¥ 727	¥ 12,625	¥ 727	¥ 13,352
Changes during the year (net)	–	–	–	1,714	–	1,714
Credit impairment (a)	–	–	–	–	–	–
Write off (b)	–	(726)	(726)	–	(726)	(726)
Others (c)	–	–	–	–	–	–
March 31, 2021	¥ –	¥ 1	¥ 1	¥ 14,339	¥ 1	¥ 14,340

Trade receivables	Millions of yen					
	Allowance for doubtful accounts			Gross carrying amount		
	Collective assessment basis	Individual assessment basis	Total	Collective assessment basis	Individual assessment basis	Total
April 1, 2019	¥ 84	¥ 229	¥ 313	¥ 195,308	¥ 323	¥ 195,631
Changes during the year (net)	(32)	(81)	(113)	(37,532)	(167)	(37,699)
Credit impairment (a)	–	–	–	–	–	–
Write off (b)	(4)	(11)	(15)	(4)	(11)	(15)
Others (c)	–	–	–	–	–	–
March 31, 2020	¥ 48	¥ 137	¥ 185	¥ 157,772	¥ 145	¥ 157,917

Other receivables	Millions of yen					
	Allowance for doubtful accounts			Gross carrying amount		
	Collective assessment basis	Individual assessment basis	Total	Collective assessment basis	Individual assessment basis	Total
April 1, 2019	¥ 11	¥ 1	¥ 12	¥ 17,891	¥ 1	¥ 17,892
Changes during the year (net)	(11)	726	715	(5,266)	726	(4,540)
Credit impairment (a)	–	–	–	–	–	–
Write off (b)	–	–	–	–	–	–
Others (c)	–	–	–	–	–	–
March 31, 2020	¥ –	¥ 727	¥ 727	¥ 12,625	¥ 727	¥ 13,352

Trade receivables	Thousands of U.S. dollars					
	Allowance for doubtful accounts			Gross carrying amount		
	Collective assessment basis	Individual assessment basis	Total	Collective assessment basis	Individual assessment basis	Total
April 1, 2020	$ 434	$ 1,237	$ 1,671	$ 1,425,093	$ 1,310	$ 1,426,402
Changes during the year (net)	90	1,653	1,743	87,734	2,719	90,453
Credit impairment (a)	–	–	–	–	–	–
Write off (b)	(90)	–	(90)	(90)	–	(90)
Others (c)	–	–	–	–	–	–
March 31, 2021	$ 434	$ 2,890	$ 3,324	$ 1,512,736	$ 4,029	$ 1,516,765

Other receivables	Thousands of U.S. dollars					
	Allowance for doubtful accounts			Gross carrying amount		
	Collective assessment basis	Individual assessment basis	Total	Collective assessment basis	Individual assessment basis	Total
April 1, 2020	$ –	$ 6,567	$ 6,567	$ 114,037	$ 6,567	$ 120,603
Changes during the year (net)	–	–	–	15,482	–	15,482
Credit impairment (a)	–	–	–	–	–	–
Write off (b)	–	(6,558)	(6,558)	–	(6,558)	(6,558)
Others (c)	–	–	–	–	–	–
March 31, 2021	$ –	$ 9	$ 9	$ 129,519	$ 9	$ 129,528

Notes:

(a) Allowance for doubtful accounts for credit-impaired financial assets is reclassified from a collective assessment basis to an individual assessment basis in order to measure the allowance for doubtful accounts on an individual basis.

(b) When the Group determines that it no longer has reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the financial asset is directly written off and derecognized.

(c) Others include mainly change in the scope of consolidation and effects of exchange rate changes.

(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 to the Company.

The Group also raises funds from both capital markets and financial institutions. 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, 2021, are disclosed in Note 26. "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 following tables.

	Millions of yen				
	March 31, 2021				
	Carrying amount	Contractual cash flows	Within one year	After one but not more than five years	Over five years
Short-term debt	¥ 72,511	¥ 73,038	¥ 73,038	¥ –	¥ –
Current portion of long-term debt					
Current portion of long-term borrowings	25,861	25,986	25,986	–	–
Current portion of corporate bonds payable	20	20	20	–	–
Lease liabilities	3,251	3,338	3,338	–	–
Long-term debt					
Long-term borrowings	41,458	42,330	887	41,443	–
Corporate bonds payable	39,898	40,449	76	30,282	10,091
Lease liabilities	12,319	12,575	–	8,035	4,540

	Millions of yen				
	March 31, 2020				
	Carrying amount	Contractual cash flows	Within one year	After one but not more than five years	Over five years
Short-term debt	¥ 53,048	¥ 53,950	¥ 53,950	¥ –	¥ –
Current portion of long-term debt					
Current portion of long-term borrowings	47,507	47,701	47,701	–	–
Current portion of corporate bonds payable	20	20	20	–	–
Lease liabilities	3,726	3,806	3,806	–	–
Long-term debt					
Long-term borrowings	30,346	31,247	385	30,762	100
Corporate bonds payable	39,892	40,545	76	15,322	25,147
Lease liabilities	13,047	13,299	–	8,855	4,444

	Thousands of U.S. dollars				
	March 31, 2021				
	Carrying amount	Contractual cash flows	Within one year	After one but not more than five years	Over five years
Short-term debt	$ 654,963	$ 659,724	$ 659,724	$ –	$ –
Current portion of long-term debt					
Current portion of long-term borrowings	233,592	234,721	234,721	–	–
Current portion of corporate bonds payable	181	181	181	–	–
Lease liabilities	29,365	30,151	30,151	–	–
Long-term debt					
Long-term borrowings	374,474	382,350	8,012	374,338	–
Corporate bonds payable	360,383	365,360	686	273,525	91,148
Lease liabilities	111,273	113,585	–	72,577	41,008

The weighted-average interest rates of short-term debt, the current portion of long-term debt, and long-term debt are 0.96%, 0.80%, and 0.97%, respectively. The maturities range from 2021 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, 2021	March 31, 2020	March 31, 2021			
The Company	The 31st unsecured corporate bond	December 6, 2018	¥ 14,966	¥ 14,953	$ 135,182	Unsecured	0.14	December 6, 2023
The Company	The 32nd unsecured corporate bond	December 6, 2018	¥ 14,958	¥ 14,950	$ 135,110	Unsecured	0.28	December 5, 2025
The Company	The 33rd unsecured corporate bond	December 6, 2018	¥ 9,964	¥ 9,959	$ 90,001	Unsecured	0.385	December 6, 2028
Santoku Corporation	Santoku Corporation the 33rd unsecured corporate bond	September 29, 2017	¥ 30	¥ 50	$ 271	Unsecured	0.21	September 29, 2022
Total	–	–	¥ 39,918	¥ 39,912	$ 360,564	–	–	–

Contingent liabilities disclosed in Note 26. "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)" are not included in the above table.

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

		Millions of yen			
		March 31, 2021			
		Within one year	After one but not more than five years	Over five years	Total
Forward exchange contracts	In	¥ 2	¥ –	¥ –	¥ 2
	Out	–	–	–	–
Interest rate swap contracts	In	–	–	–	–
	Out	40	–	–	40
Put options	In	–	–	–	–
	Out	–	–	–	–
Currency swap contracts	In	4	–	–	4
	Out	11	34	–	45

		Millions of yen			
		March 31, 2020			
		Within one year	After one but not more than five years	Over five years	Total
Forward exchange contracts	In	¥ –	¥ –	¥ –	¥ –
	Out	–	–	–	–
Interest rate swap contracts	In	–	–	–	–
	Out	101	77	–	178
Put options	In	6,061	–	–	6,061
	Out	–	–	–	–

		Thousands of U.S. dollars			
		March 31, 2021			
		Within one year	After one but not more than five years	Over five years	Total
Forward exchange contracts	In	$ 18	$ –	$ –	$ 18
	Out	–	–	–	–
Interest rate swap contracts	In	–	–	–	–
	Out	361	–	–	361
Put options	In	–	–	–	–
	Out	–	–	–	–
Currency swap contracts	In	36	–	–	36
	Out	99	307	–	406

(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 medium-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 as of March 31, 2021, was ¥489,671 million (U.S. $4,423,006 thousand), which decreased by ¥30,642 million (U.S. $276,777 thousand) from the end of the year ended March 31, 2020. As a result, the ratio of equity attributable to shareholders of the parent company as of March 31, 2021, was 50.4%, a decrease from 53.2% as of March 31, 2020.

(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 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:

Short-term loans receivable and short-term debt:

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 derivatives:

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.

Other debt securities:

Other debt securities represent leasehold deposits and security deposits, whose fair value is estimated based on the present value of future cash flows using current market interest rates.

(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, 2021 and 2020, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2021		March 31, 2020		March 31, 2021	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Financial assets measured at FVTPL						
Current						
Securities	¥ 409	¥ 409	¥ 634	¥ 634	$ 3,694	$ 3,694
Derivatives						
Forward exchange contracts	2	2	–	–	18	18
Put options	–	–	6,061	6,061		
Currency swap contracts	4	4	–	–	36	36
Non-current						
Securities	819	819	1,883	1,883	7,398	7,398
Financial assets measured at FVTOCI						
Non-current						
Securities	8,230	8,230	9,131	9,131	74,338	74,338
Financial assets measured at amortized cost						
Current						
Short-term loans receivable	9	9	13	13	81	81
Current portion of long-term receivables						
Current portion of long-term loans receivable	1	1	2	2	9	9
Non-current						
Other debt securities	1,924	1,924	1,368	1,368	17,379	17,379
Long-term loans receivable	668	668	637	637	6,034	6,034

Equity instruments are securities measured at FVTOCI.

(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, 2021	
Equity instruments	Fair value
Kowa Kogyosho Co., Ltd.	¥ 1,547
Kakimoto Co., Ltd.	952
Konwa Kaikan Co., Ltd.	911
OSG Corporation	721
Riken Corporation	641
Kojima Co., Ltd.	367
WEARE Pacific Co., Ltd.	237
NTC Corporation	225
Mikuni Shoji Co., Ltd.	209
Nagashima Resort Co. Ltd.	167

Millions of yen	
March 31, 2020	
Equity instruments	Fair value
Kowa Kogyosho Co., Ltd.	¥ 1,462
Kakimoto Co., Ltd.	1,423
Riken Corporation	982
Konwa Kaikan Co., Ltd.	862
OSG Corporation	530
Owari Precise Products Co., Ltd.	374
Kojima Co., Ltd.	352
WEARE Pacific Co., Ltd.	345
Mikuni Shoji Co., Ltd.	243
NTC Corporation	210

Thousands of U.S. dollars	
March 31, 2021	
Equity instruments	Fair value
Kowa Kogyosho Co., Ltd.	$ 13,973
Kakimoto Co., Ltd.	8,599
Konwa Kaikan Co., Ltd.	8,229
OSG Corporation	6,513
Riken Corporation	5,790
Kojima Co., Ltd.	3,315
WEARE Pacific Co., Ltd.	2,141
NTC Corporation	2,032
Mikuni Shoji Co., Ltd.	1,888
Nagashima Resort Co. Ltd.	1,508

(d) Fair value of financial liabilities

Carrying amounts and estimated fair values 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, 2021		March 31, 2020		March 31, 2021	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Financial liabilities measured at FVTPL						
Current						
Derivatives						
Interest rate swap contracts	¥ 40	¥ 40	¥ 101	¥ 101	$ 361	$ 361
Currency swap contracts	11	11			99	99
Non-current						
Derivatives						
Interest rate swap contracts	–	–	77	77	–	–
Currency swap contracts	34	34			307	307
Financial liabilities measured at amortized cost						
Current						
Short-term debt	72,511	72,511	53,048	53,048	654,963	654,963
Current portion of long-term debt						
Current portion of long-term borrowings	25,861	25,906	47,507	47,621	233,592	233,999
Current portion of corporate bonds payable	20	20	20	20	181	181
Lease liabilities	3,251	3,251	3,726	3,726	29,365	29,365
Non-current						
Long-term debt						
Long-term borrowings	41,458	41,518	30,346	30,513	374,474	375,016
Corporate bonds payable	39,898	39,882	39,892	40,018	360,383	360,238
Lease liabilities	12,319	12,319	13,047	13,047	111,273	111,273

Since the fair value of lease liabilities is not material to the consolidated statements 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 liabilities. 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, currency 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 and 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, 2021 and 2020:

	Millions of yen			
	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	¥ 409	¥ –	¥ –	¥ 409
Derivatives	–	6	–	6
FVTPL (Non-current)				
Securities	–	237	582	819
FVTOCI (Non-current)	1,613	–	6,617	8,230
Liabilities				
FVTPL (Current)	–	51	–	51
FVTPL (Non-current)	–	34	–	34

	Millions of yen			
	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	¥ 634	¥ –	¥ –	¥ 634
Derivatives	–	–	6,061	6,061
FVTPL (Non-current)				
Securities	–	1,203	680	1,883
FVTOCI (Non-current)	2,090	–	7,041	9,131
Liabilities				
FVTPL (Current)	–	101	–	101
FVTPL (Non-current)	–	77	–	77

	Thousands of U.S. dollars			
	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	$ 3,694	$ –	$ –	$ 3,694
Derivatives	–	54	–	54
FVTPL (Non-current)				
Securities	–	2,141	5,257	7,398
FVTOCI (Non-current)	14,570	–	59,769	74,338
Liabilities				
FVTPL (Current)	–	461	–	461
FVTPL (Non-current)	–	307	–	307

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

The following tables present the changes in Level 3 instruments whose fair values were measured on a recurring basis for the years ended March 31, 2021 and 2020:

	Millions of yen		
	FVTPL	FVTOCI	Total
At April 1, 2019	¥ 6,753	¥ 6,709	¥ 13,462
Gains (losses) in profit or loss	−	−	−
Gains (losses) in other comprehensive income	−	374	374
Sales or redemption	(94)	(107)	(201)
Purchases or acquisition	82	81	163
Other	−	(16)	(16)
At March 31, 2020	¥ 6,741	¥ 7,041	¥ 13,782
Gains (losses) in profit or loss	−	−	−
Gains (losses) in other comprehensive income	−	(393)	(393)
Sales or redemption	(6,215)	(46)	(6,261)
Purchases or acquisition	36	10	46
Other	20	5	25
At March 31, 2021	¥ 582	¥ 6,617	¥ 7,199

	Thousands of U.S. dollars		
	FVTPL	FVTOCI	Total
At March 31, 2020	$ 60,889	$ 63,599	$ 124,487
Gains (losses) in profit or loss	–	–	–
Gains (losses) in other comprehensive income	–	(3,550)	(3,550)
Sales or redemption	(56,138)	(415)	(56,553)
Purchases or acquisitions	325	90	415
Other	181	45	226
At March 31, 2021	$ 5,257	$ 59,769	$ 65,026

There were no changes in unrealized gains (losses) recognized in profit or loss relating to assets held as of March 31, 2021 and 2020.

The comprehensive income is included in net change in fair value of financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

(3) Derivative Instruments and Hedging Activities

(a) Fair value hedge

Changes in the fair value of liabilities that have been recognized and the fair value of derivatives designated as fair value hedges are recognized in profit or loss in the fiscal year ended March 31, 2021. Derivatives that are designated as fair value hedges include currency swap contracts related to financing activities.

(b) 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 assets or liabilities 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, 2021, the expected period for cash flows arising from hedged items and affecting profit or loss is to be from April 2021 to June 2021.

The fair values of derivatives designated as hedging instruments as of March 31, 2021 and 2020, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2021		March 31, 2020		March 31, 2021	
	Asset	Liability	Asset	Liability	Asset	Liability
Fair value hedge						
Currency swap contracts	¥ –	¥ 34	¥ –	¥ –	$ –	$ 307
Cash flow hedges						
Forward exchange contracts	2	–	–	–	18	–
Interest rate swap contracts	–	40	–	178	–	361
Currency swap contracts	4	11	–	–	36	99
Total	¥ 6	¥ 85	¥ –	¥ 178	$ 54	$ 768

The fair values of derivative assets and liabilities to which hedge accounting is not applied were ¥- million (U.S. $- thousand) and ¥– million (U.S. $- thousand), respectively, as of March 31, 2021, and ¥6,061 million and ¥– million, respectively, as of March 31, 2020.

The contract or notional amounts of derivatives as of March 31, 2021 and 2020, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2020	March 31, 2021
Forward exchange contracts:			
To sell foreign currencies	¥ –	¥ –	$ –
To buy foreign currencies	84	19	759
Interest rate swap contracts	5,536	51,825	50,005
Currency swap contracts	1,117	–	10,089

As the Company applies hedge accounting, it assesses hedge effectiveness through a qualitative assessment of whether the critical terms of the hedged item and the hedging instrument match or are closely aligned, and whether changes in the fair value or the cash flows of the hedged item offset changes in the fair value or the cash flows of the hedging instrument, in order to verify that there is an economic relationship between the hedged item and the hedging instrument. The Company also sets an appropriate hedge ratio, based on the economic relationship of the hedging instrument and the hedged item, and a risk management strategy.

Notional amounts and carrying amounts of hedging instruments are as follows. Note that carrying amounts of hedging instruments are included in Investments in securities and other financial assets and Other financial liabilities, or Other non-current liabilities in the consolidated statements of financial position.

Hedging Instruments	Millions of yen			
	March 31, 2021			
	Notional amount		Carrying amount	
		Over one year	Asset	Liability
Fair value hedge				
Currency exchange risk	¥ 1,117	¥ 745	¥ –	¥ 34
Cash flow hedges				
Currency exchange risk	1,201	745	6	11
Interest rate risk	5,536	–	–	40
Total	¥ 7,854	¥ 1,490	¥ 6	¥ 85

Hedging Instruments	Millions of yen			
	March 31, 2020			
	Notional amount		Carrying amount	
		Over one year	Asset	Liability
Cash flow hedges				
Currency exchange risk	¥ 19	¥ –	¥ –	¥ –
Interest rate risk	51,825	16,325	–	178
Total	¥ 51,844	¥ 16,325	¥ –	¥ 178

Hedging Instruments	Thousands of U.S. dollars			
	March 31, 2021			
	Notional amount		Carrying amount	
		Over one year	Asset	Liability
Fair value hedge				
Currency exchange risk	$ 10,089	$ 6,729	$ –	$ 307
Cash flow hedges				
Currency exchange risk	10,848	6,729	54	99
Interest rate risk	50,005	–	–	361
Total	$ 70,942	$ 13,459	$ 54	$ 768

Reconciliation of fair value of the hedging instruments applying cash flow hedges, which are recognized in other comprehensive income is as follows:

	Millions of yen					
	2021					
	Balance at the beginning of the year	Change in fair value of hedging instrument recognized in other comprehensive income	Amounts directly included in carrying amounts of hedged assets and liabilities	Reclassification to profit or loss (a)	Effects of exchange rates and others	Balance at the end of the year
Price risk	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Currency exchange risk	–	(6)	–	–	1	(5)
Interest rate risk	(178)	138	–	–	–	(40)
Total	¥ (178)	¥ 132	¥ –	¥ –	¥ 1	¥ (45)

	Millions of yen				
	2020				
	Balance at the beginning of the year	Change in fair value of hedging instrument recognized in other comprehensive income	Amounts directly included in carrying amounts of hedged assets and liabilities	Reclassification to profit or loss (a)	Balance at the end of the year
Price risk	¥ –	¥ –	¥ –	¥ –	¥ –
Currency exchange risk	6	(6)	–	–	–
Interest rate risk	(29)	(149)	–	–	(178)
Total	¥ (23)	¥ (155)	¥ –	¥ –	¥ (178)

	Thousands of U.S. dollars					
	2021					
	Balance at the beginning of the year	Change in fair value of hedging instrument recognized in other comprehensive income	Amounts directly included in carrying amounts of hedged assets and liabilities	Reclassification to profit or loss (a)	Effects of exchange rates and others	Balance at the end of the year
Price risk	$ –	$ –	$ –	$ –	$ –	$ –
Currency exchange risk	–	(54)	–	–	9	(45)
Interest rate risk	(1,608)	1,246	–	–	–	(361)
Total	$ (1,608)	$ 1,192	$ –	$ –	$ 9	$ (406)

Notes:

(a) Reclassified amounts to profit or loss are included in “Cost of sales” for price risk, in “Revenues” and “Financial expenses” for currency exchange risk, and in “Cost of sales” and “Interest charges” for interest rate risk in the consolidated statements of income.

Note 24. Major Subsidiaries and Associates

The Company's consolidated financial statements include the following subsidiaries:

As of March 31, 2021

Name	Location	Principal business	Voting rights %
Hitachi Metals Tool Steel, Ltd.	Minato-ku, Tokyo	Specialty Steel Products	100.0
Hitachi Metals Neomaterial, Ltd.	Suita, Osaka	Specialty Steel Products	100.0
Hitachi Metals Wakamatsu, Ltd.	Wakamatsu-ku, Kita-kyushu, Fukuoka	Specialty Steel Products	100.0
Hitachi Metals Precision, Ltd.	Minato-ku, Tokyo	Specialty Steel Products	100.0
HMY, Ltd.	Yasugi, Shimane	Specialty Steel Products	100.0
NEOMAX KINKI Co., Ltd.	Yabu, Hyogo	Magnetic Materials and Applications / Power Electronics	100.0
NEOMAX ENGINEERING Co., Ltd.	Takasaki, Gunma	Magnetic Materials and Applications / Power Electronics	100.0
Hitachi Ferrite Electronics, Ltd.	Tottori, Tottori	Magnetic Materials and Applications / Power Electronics	100.0
NEOMAX KYUSHU Co., Ltd.	Takeo, Saga	Magnetic Materials and Applications / Power Electronics	100.0
Santoku Corporation	Higashinada-ku, Kobe, Hyogo	Magnetic Materials and Applications / Power Electronics	100.0
Hitachi Metals FineTech, Ltd.	Kuwana, Mie	Functional Components and Equipment	100.0
Alcast, Ltd.	Kumagaya, Saitama	Functional Components and Equipment	100.0
Kyushu Technometal Co., Ltd.	Miyako, Fukuoka	Functional Components and Equipment	100.0
Hitachi Metals Trading, Ltd.	Minato-ku, Tokyo	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
Hitachi Metals Solutions, Ltd.	Minato-ku, Tokyo	Real estate business and others	100.0
Metglas, Inc.	South Carolina, U.S.A.	Magnetic Materials and Applications / Power Electronics	100.0
Hitachi Metals Korea Co., Ltd.	Gyeonggi-do, South Korea	Manufacturing and sales of products	100.0
Baosteel Hitachi Rolls (Nantong) Co., Ltd.	Jiangsu, China	Specialty Steel Products	70.0
San Technology, Inc.	Cavite, Philippines	Magnetic Materials and Applications / Power Electronics	100.0
Pacific Metals Co., Ltd.	North Gyeongsang, South Korea	Magnetic Materials and Applications / Power Electronics	100.0
PT. HITACHI METALS INDONESIA	Banten, Indonesia	Magnetic Materials and Applications / Power Electronics	100.0
Hitachi Metals San Huan Magnetic Materials (Nantong) Co., Ltd.	Jiangsu, China	Magnetic Materials and Applications / Power Electronics	51.0
Waupaca Foundry, Inc.	Wisconsin, U.S.A.	Functional Components and Equipment	100.0
Namyang Metals Co., Ltd.	Daegu, South Korea	Functional Components and Equipment	100.0
Ward Manufacturing, LLC	Pennsylvania, U.S.A.	Functional Components and Equipment	100.0
HNV Castings Private Limited	Delhi, India	Functional Components and Equipment	100.0

As of March 31, 2021

Name	Location	Principal business	Voting rights %
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	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	90.3
HC Queretaro, S.A. de C.V.	Queretaro, Mexico	Manufacturing and sales of products	100.0
Others 19 companies	–	–	–

Note 25. Transactions with Related Parties

(1) Transactions with Related Parties

Transactions with the related parties are as follows:

For the year ended March 31, 2021:

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.	Borrowings from and deposits to Hitachi Group cash pooling system (*1) (*3)	Repayment ¥ 1,183 Deposit ¥ 51,190 (*4)	¥ 51,190	Repayment $ 10,686 Deposit $ 462,379 (*4)	$ 462,379
Company with the same parent company	Hitachi America Capital, Ltd.	Borrowings from a cash pooling system (*2) (*3)	Repayment ¥6,283 (*4)	¥ 21,748	Repayment $ 56,752 (*4)	$ 196,441

Notes:

*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 daily, transaction amounts represent differences between the beginning and ending balances for the year.

For the year ended March 31, 2020:

Attribution	Name	Nature of transaction	Millions of yen	
			Transaction amount	Balance at year-end
Parent company	Hitachi, Ltd.	Borrowings from Hitachi Group cash pooling system (*1) (*3)	Repayment ¥ 6,541 (*4)	¥ 1,183
Company with the same parent company	Hitachi America Capital, Ltd.	Borrowings from a cash pooling system (*2) (*3)	Repayment ¥ 271 (*4)	¥ 28,031

Notes:

*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 borrowing 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 daily, transaction amounts represent differences between the beginning and ending balances for the year.

(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, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021
Short-term employee benefits	¥ 462	¥ 550	$ 4,173

Note 26. Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)

(1) Loan Commitments

The Group has lines of credit arrangements with financial institutions in order to secure financing sources for business operations. The total unused lines of credit were ¥40,000 million (U.S. $361,304 thousand) and ¥40,000 million as of March 31, 2021 and 2020, respectively. The Group also has overdraft facilities with financial institutions. The unused facilities under these agreements as of March 31, 2021 and 2020, were ¥ 71,928 million (U.S. $649,697 thousand) and ¥77,928 million, respectively.

(2) Commitments for Acquisition of Assets

Outstanding commitments for the purchase of property, plant and equipment as of March 31, 2021 and 2020, were ¥4,140 million (U.S. $37,395 thousand) and ¥11,255 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 ¥2,254 million (U.S. $20,359 thousand) and ¥2,723 million as of March 31, 2021 and 2020, respectively.

(4) Others

The Company identified misconduct regarding several products of the Company and its subsidiaries such as magnets, specialty steel, and automotive casting products. The misconduct includes misrepresentation of the test results on product characteristics defined in the specifications agreed with customers as well as delivery of the products to customers without meeting the specifications. With regard to the products for which misconduct has been confirmed, the Company has been analyzing correlations between the methods of inspections actually conducted by the Company and those agreed with customers, testing performance in the presence of customers, or re-inspecting sample products stored at the Company. Part of the financial impact that is highly probable and reasonably estimable is recorded as liabilities. However, depending on the results of future discussions with customers and others, the outcome may affect the Group's financial position and business performance going forward. Nonetheless as the financial impact, if any, is difficult to be reasonably estimated at this time, it is not reflected in the consolidated financial statements of the Group as of and for the fiscal year ended March 31, 2021.

Note 27. Subsequent Events

Tender Offer

With respect to a tender offer by K.K. BCJ-52 (the "Tender Offeror") for the common shares of the Company (the "Company's Shares") (the " Tender Offer"), the Company resolved, at its Board of Directors meeting held on April 28, 2021, in its judgment based on circumstances as of the same date, if the Tender Offer were commenced, to express an opinion supporting the Tender Offer and to recommend that the holders of the Company's Shares tender in the Tender Offer.

The resolution of the Board of Directors above has been made on the assumption that the Tender Offeror intends to acquire all the Company's Shares and that the Company's Shares are planned to be delisted through the Tender Offer and a series of procedures thereafter.

1. Overview of the Tender Offeror

1. Name		K.K. BCJ-52
2. Location		5F, Palace Building 1-1-1 Marunouchi, Chiyoda-ku, Tokyo
3. Name and title of representative		Yuji Sugimoto, Representative Director
4. Type of business		Acquire and own shares of the Company, and control and manage the Company's business activities
5. Amount of capital		25,000 yen (U.S. $226)
6. Date of foundation		April 23, 2021
7 Major shareholders and shareholding ratio		G.K. BCJ-51 (100.00%)
8. Relationship between the Company and the Tender Offeror		
	Capital relationship	Not applicable
	Personal relationship	Not applicable
	Transaction relationship	Not applicable
	Status as a related Party	Not applicable

2. Summary of the Tender Offer

(1) Period of the Tender Offer

The Tender Offer is expected to commence in late November 2021.

(2) Price of the Tender Offer

Common shares: ¥2,181 (U.S. $20) per share

(3) Number of Shares to be Acquired

Number of shares to be acquired	Minimum number of shares to be acquired	Maximum number of shares to be acquired
199,342,443 shares	56,821,201 shares	–

Independent Auditor's Report

The Board of Directors
Hitachi Metals, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hitachi Metals, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

1. As described in Note 26 "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions) (4) Others" to the consolidated financial statements, the outcome of future discussions with customers and others may affect the Group's financial position and business performance going forward. However, as the financial impact, if any, cannot be reasonably estimated at this time, it is not reflected in the consolidated financial statements of the Group.
2. As described in Note 27 "Subsequent Events" to the consolidated financial statements, the Company resolved at its Board of Directors' meeting held on April 28, 2021 to express an opinion supporting a tender offer by K.K. BCJ-52 if it is commenced and to recommend that the holders of the Company's common shares tender their shares in the offer.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">1. Impairment of non-financial assets</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s response</th></tr>
<tr><td>
As described in Note 9 “Goodwill and Intangible Assets” to the consolidated financial statements, a significant portion of goodwill recognized by the Company is related to the Functional Components and Equipment segment arising from the acquisition of Waupaca Foundry, Inc., amounting to ¥68,398 million as of March 31, 2021. Also, as described in Note 19 “Other Income and Expenses” and Note 8 “Property, Plant and Equipment,” an impairment loss of ¥35,857 million was recognized in the current fiscal year mainly due to a decline in a profitability in the Magnetic Materials business (the Magnetic Materials and Applications / Power Electronics Materials segment) and Aircraft- and energy-related materials business (the Specialty Steel Products segment) primarily attributable to changes in the operating environment of these business.
Impairment is tested for cash-generating units (CGUs) to which goodwill belongs and for CGUs when indicators of impairment exist, and the recoverable amount is calculated based on the greater of the fair value less costs of disposal or value in use. Value in use is the present value of the expected future cash flows, which is based on the business plan, etc. authorized by management. For the period beyond the term of the business plan, the expected future cash flows are estimated using an expected growth rate, etc., calculated based on the average long-term growth rate in the relevant market. The significant assumptions used in estimating the value in use are primarily the expected future cash flow based on the business plan, terminal growth rate, and discount rate. The business plan is affected by the numbers of orders expected to be received and the expected sales amount and a market growth rate.
Auditing the impairment of non-financial assets is complex as it involves uncertainty related to the significant assumptions and management’s judgment and expertise in estimating the recoverable amount, and requires professional judgment. Therefore, we identified the impairment of non-financial assets as a key audit matter.
</td><td>
For the CGU to which goodwill belongs arising from the acquisition of Waupaca Foundry, Inc. related to the Functional Components and Equipment segment and for other CGUs when indicators of impairment were identified, we performed audit procedures that included the following, among others:

We involved valuation specialists from a network firm in assessing the valuation methods, the terminal growth rates, and discount rates in calculating the value in use as well as in the valuation of the real estate which is the basis of the fair value less costs of disposal.
We inquired of management about the numbers of the orders expected to be received and the expected sales amount and the market growth rate, including considerations about the impact of COVID-19 used in estimating the business plan, compared those to market forecasts and other available external information, and checked the consistency between those and the estimated orders to be received from its customers.
We compared the estimated future cash flows with the business plan authorized by management to evaluate consistency.
We compared the prior year’s business plan with the actual results to evaluate the effectiveness of management’s estimation process.
We performed an analysis of the effects on value in use that would result from changes in significant assumptions, such as the terminal growth rate, to assess the significant assumptions used by management.

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</table>

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 18, 2021

/s/ Takashi Ouchida

Takashi Ouchida
Designated Engagement Partner
Certified Public Accountant

/s/ Teruyasu Omote

Teruyasu Omote
Designated Engagement Partner
Certified Public Accountant