

Hitachi Metals Financial Results for Fiscal Year Ended March 31, 2021

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2. FY2020 Results by Segment
3. Financial Condition
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April 26, 2021

1-1. Overview of FY2020 (1)

Market condition

- Economic and social activities in various regions of the world were severely restricted due to the impact of the COVID-19 outbreak.
- By region, China saw a higher year-on-year economic growth rate in 3Q and maintained positive growth for 2020. The U.S. and some other regions showed signs of economic recovery.
- Overview by market
 - [Automobiles] Demand decreased in FY2020 as a result of the suspension of operations due to the impact of the COVID-19 outbreak in 1Q, but has continued to recover since 2Q.
 - [Aircraft] Demand for aircraft-related materials decreased due to travel restrictions.
 - [FA / robots] Production of FA/robots has continued to recover since 2Q.
 - [Semiconductors / smartphones] Demand for use in telecommunications such as 5G-related use and server equipment remained firm. Demand for semiconductors for automotive use grew sharply in and after 3Q, resulting in a shortage of semiconductors in several areas.
 - [Medical devices] Demand was brisk for equipment needed to respond to the COVID-19 outbreak.

1-2. Overview of FY2020 (2)

- Both revenues and profit decreased year on year mainly as a result of diminished demand due to the impact of the COVID-19 outbreak.
- The operating forecast for FY2020 was revised on January 28 following a greater-than-expected recovery of demand beginning in 3Q.
- Demand continued to recover in 4Q, exceeding expectations, with both revenues and adjusted operating income improving from forecast figures announced on January 28.

• Overview by business field

[\[Automobiles\]](#) Although year-on-year sales decreased, inventories of molds and tool steel returned to appropriate levels by the year-end due to a recovery in demand beginning in 2Q. Recovery continued in industrial equipment, automotive casting products, magnetic materials and applications, and automotive electronic components. However, a small degree of impact of the semiconductor shortage remains in North America.

[\[Aircraft\]](#) Sales of aircraft-related materials decreased due to a decline in demand for aircraft materials.

[\[FA / robots\]](#) Demand continued to recover beginning in 2Q for electronic wires and in 3Q for magnetic materials and applications.

[\[Semiconductors / smartphones\]](#) Sales related to telecommunications such as 5G-related facilities and server equipment remained strong. Sales of clad metals for smartphones and batteries increased. The current situation is favorable, as demand for semiconductor package materials began to recover in 4Q.

[\[Medical devices\]](#) Sales of ceramic scintillators for CT devices were strong and those of probe cables for medical devices remained solid, while sales of tubes for catheters decreased.

1-3. Measures Implemented in FY2020



<p>Business structure reforms</p>	<ul style="list-style-type: none"> Withdrawal from unprofitable products <ul style="list-style-type: none"> Specialty Steel: Brass products, etc. (completed in March 2021) Functional Components and Equipment: Aluminum wheels (completed in September 2020) Consolidation and abolition of bases <ul style="list-style-type: none"> Specialty Steel: Consolidation and relocation of distribution warehouses and processing plants for molds and tool steel in the Eastern Japan district (launched in October 2020) Functional Components and Equipment: Closure and sale of Waupaca's Lawrenceville plant in Pennsylvania (completed in February 2021) Integration of heat-resistant exhaust casting components business to a subsidiary (completed in April 2021)
<p>Cost reduction Curtailment of expenses</p>	<ul style="list-style-type: none"> Yield improvement through <i>Monozukuri</i> Innovation Project and inventory optimization Reduction of materials cost and expenses led by corporate-wide functions
<p>Optimization of human resource expenses</p>	<p>Optimization of human power composition (rationalization of temporary staff, promotion of early retirement, etc.)</p>

1-4. Operating Results

¥ billions (Italic letters indicate profit margin.)	FY2019 (A) Actual		FY2020 Forecast <small>(Announced on January 28, 2021)</small>		FY2020 (B) Actual		Differences Year-on-Year (B/A-1)*100[%] or B-A
		US\$1 = ¥109 €1 = ¥121 1 yuan = ¥15.6		US\$1 = ¥105 €1 = ¥120 1 yuan = ¥15.0		US\$1 = ¥106 €1 = ¥124 1 yuan = ¥15.7	
Revenues		881.4		750.0		761.6	-14%
Adjusted operating income*	<i>1.6%</i>	14.4	<i>-1.3%</i>	-10.0	<i>-0.7%</i>	-5.0	-19.4
IFRS operating income	<i>-4.4%</i>	-39.1	—	—	<i>-6.5%</i>	-49.2	-10.1
Income before income taxes		-40.6		-57.0		-50.6	-10.0
Net income attributable to shareholders of the parent company		-37.6		-46.0		-42.3	-4.7

* Adjusted operating income = Revenues – Sales cost – Selling, general, & administrative expenses

Sales by region

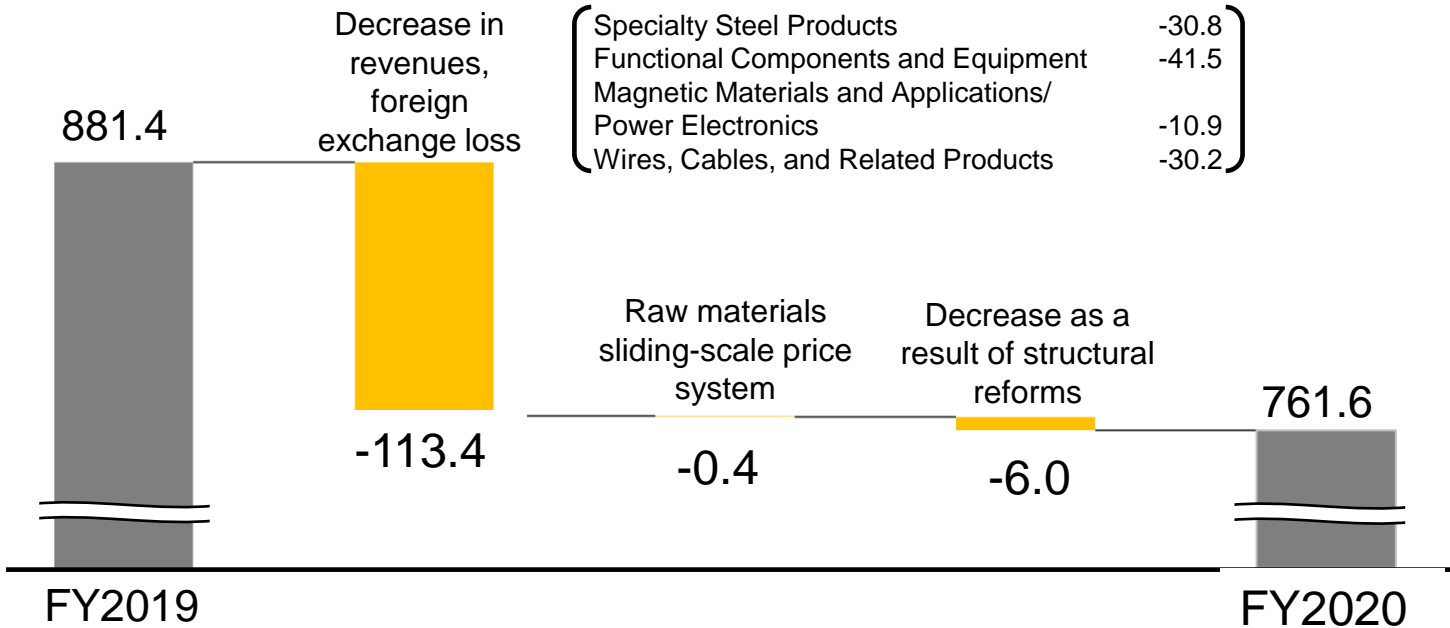
¥ billions		Japan	North America	China	Other Asian countries	Europe	Other
FY2019	Revenues	405.4	245.3	63.4	102.8	44.5	20.0
	Sales ratio	46%	28%	7%	12%	5%	2%
FY2020	Revenues	342.8	207.1	72.3	88.6	35.4	15.4
	Sales ratio	45%	27%	9%	12%	5%	2%
	Revenues year-on-year	-15%	-16%	+14%	-14%	-20%	-23%

1-5. Factors Behind Increase/Decrease in Revenues and Adjusted Operating Income (Year-on-Year)

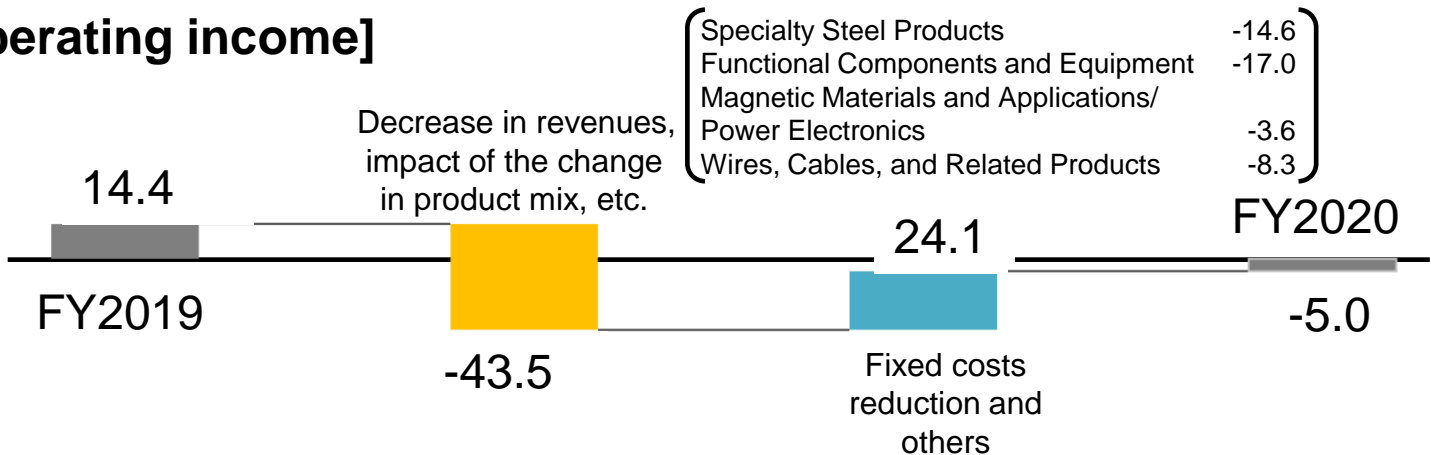


¥ billions

[Revenues]



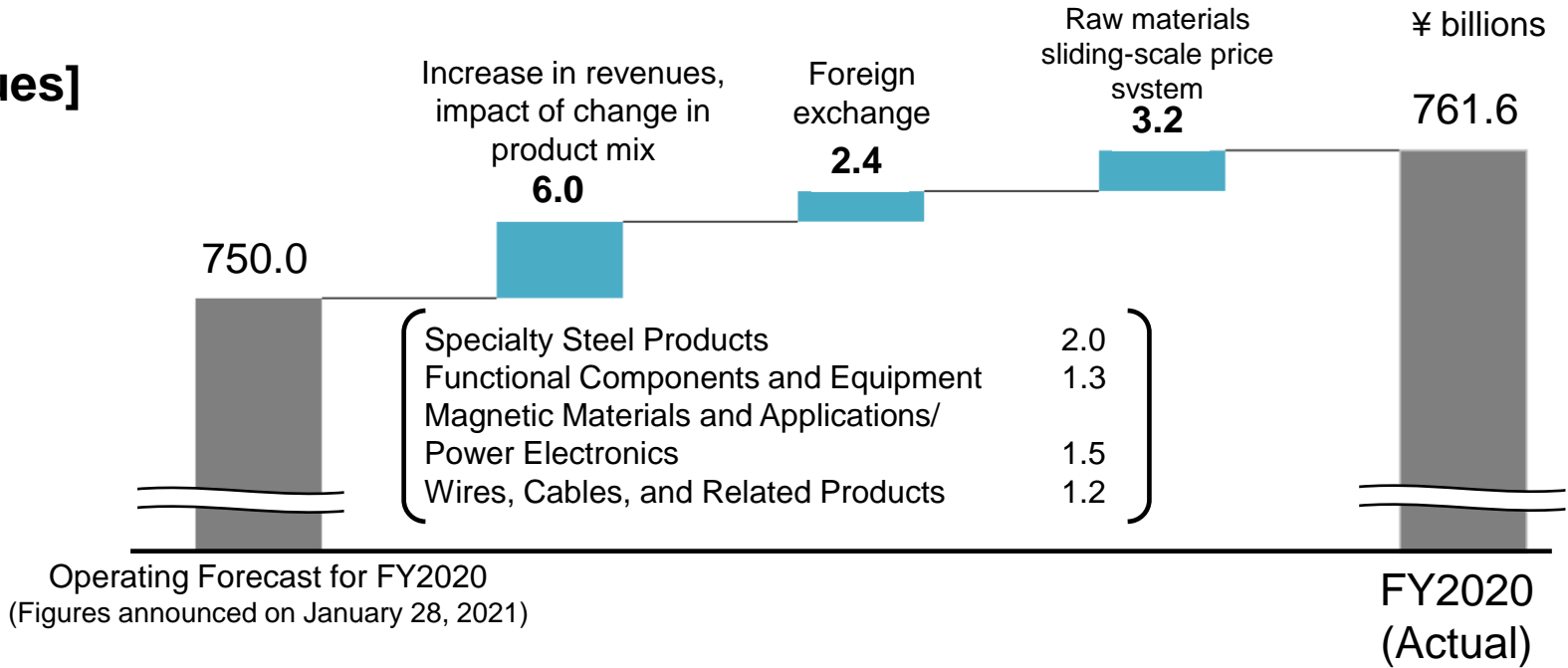
[Adjusted operating income]



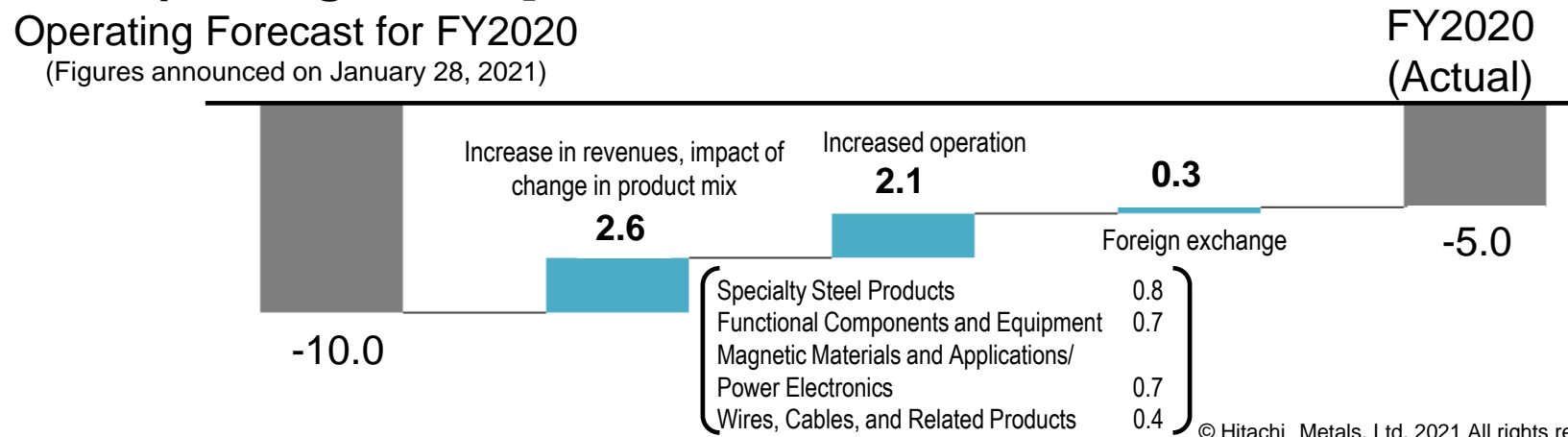
1-6. Factors Behind Increase/Decrease in Revenues and Adjusted Operating Income (vs Operating Forecast)



[Revenues]



[Adjusted operating income]



1-7. Structure of net income

(between adjusted operating income
and net income attributable to shareholders of the parent company)

	FY2019	FY2020	Difference
Adjusted operating income	14.4	-5.0	-19.4
Other income and expenses	-53.5	-44.2	+9.3
Financial income and expenses, Share of (losses) profits of investments accounted for using the equity method	-1.5	-1.4	+0.1
Income before income tax	-40.6	-50.6	-10.0
Income taxes, Non-controlling interests	3.0	8.3	+5.3
Net income attributable to shareholders of the parent company	-37.6	-42.3	-4.7

Major items of other income and expenses in FY2020

- Proceeds from corporate reorganization, etc.
 - Transfer of shares of Mitsubishi Hitachi Tool Engineering, Ltd. ¥2.0 billion
 - Disposal of Waupaca's Lawrenceville plant in Pennsylvania ¥1.5 billion
- Impairment losses
 - (Magnetic Materials and Applications / Power Electronics) Magnet business -¥15.7 billion
 - (Specialty Steel Products) Aircraft- and energy-related business -¥12.1 billion
 - (Functional Components and Equipment) Certain plants of Waupaca in U.S. -¥5.5 billion
 - (Wires, Cables, and Related Products) Automotive components business -¥2.0 billion
- Early retirement expenses ¥4.4 billion

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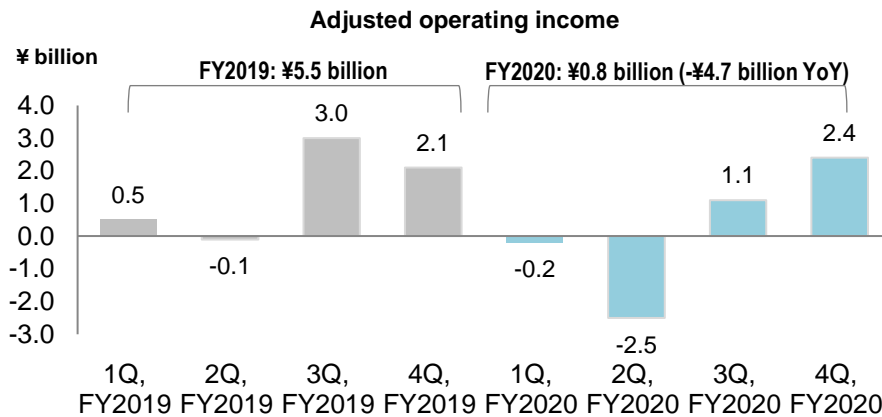
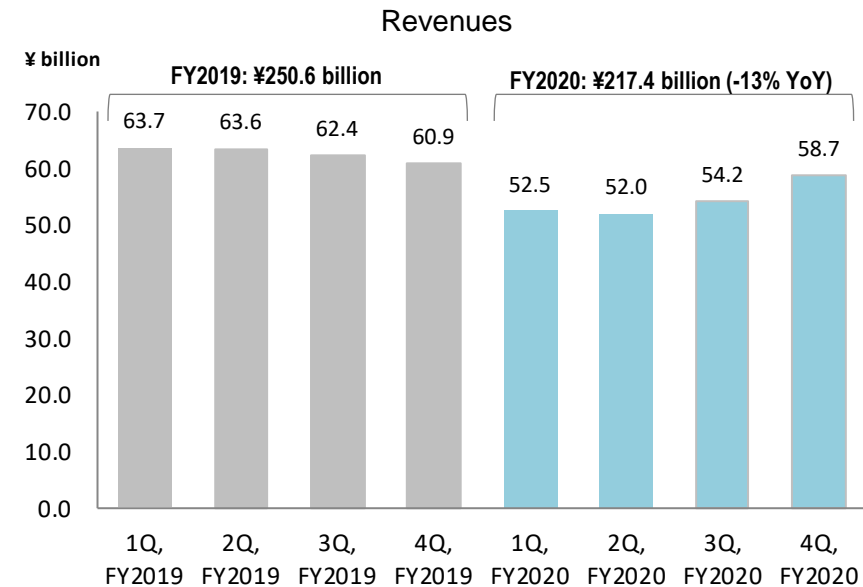
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2-1. Operating Results by Segment

¥ billions (Italic letters indicate profit margin.)		FY2019 Actual	FY2020 Forecasts (Announced on January 28, 2021)		FY2020 Actual		Differences Year-on-Year
Advanced Metals	Specialty Steel Products	Revenues	250.6	214.0	217.4	-13%	
		Adjusted operating income	2.2% 5.5	-1.2% -2.5	0.4% 0.8	-4.7	
		IFRS operating income	3.0% 7.6	- -	-5.5% -12.0	-19.6	
	Functional Components and Equipment	Revenues	299.7	244.0	247.9	-17%	
		Adjusted operating income	-0.3% -0.9	-4.9% -12.0	-5.2% -12.8	-11.9	
		IFRS operating income	-3.1% -9.2	- -	-7.7% -19.1	-9.9	
Subtotal *	Revenues	550.3	458.0	465.3	-15%		
	Adjusted operating income	0.8% 4.6	-3.2% -14.5	-2.6% -12.0	-16.6		
	IFRS operating income	-0.3% -1.6	- -	-6.7% -31.1	-29.5		
Advanced Components & Materials	Magnetic Materials and Applications / Power Electronics	Revenues	116.8	104.0	106.1	-9%	
		Adjusted operating income	1.2% 1.4	1.0% 1.0	2.4% 2.5	+1.1	
		IFRS operating income	-36.6% -42.8	- -	-13.3% -14.1	+28.7	
	Wires, Cables, and Related Products	Revenues	213.3	187.0	189.2	-11%	
		Adjusted operating income	3.1% 6.7	1.9% 3.5	2.4% 4.6	-2.1	
		IFRS operating income	2.5% 5.3	- -	1.0% 1.8	-3.5	
Subtotal *	Revenues	330.1	291.0	295.3	-11%		
	Adjusted operating income	2.5% 8.1	1.5% 4.5	2.4% 7.1	-1.0		
	IFRS operating income	-11.4% -37.5	- -	-4.2% -12.3	+25.2		
Others/Adjustments	Revenues	1.0	1.0	1.0	-		
	Adjusted operating income	1.7	0.0	-0.1	-1.8		
	IFRS operating income	0.0	-	-5.8	-5.8		
Total	Revenues	881.4	750.0	761.6	-14%		
	Adjusted operating income	1.6% 14.4	-1.3% -10.0	-0.7% -5.0	-19.4		
	IFRS operating income	-4.4% -39.1	- -	-6.5% -49.2	-10.1		

* Simple sum before eliminating intersegment revenues

2-2. Operating Results by Segment: Specialty Steel Products (1)



[Revenues]

(Year-on-Year)

- **Molds and tool steel**

Decreased due to a decline in both domestic (Japanese) and international demand. Inventory including distribution stock was optimized by year-end and demand showed signs of recovery beginning in 4Q.

- **Industrial equipment materials**

Decreased year on year. Automotive-related demand began to recover in 2Q, reaching a similar level as in the previous year in 4Q.

- **Aircraft- and energy-related materials**

Decreased as demand for aircraft-related materials declined mainly in the private sector.

- **Electronic materials**

Increased year on year due to increased sales of organic EL panel-related components and clad metals for smartphones and batteries, in addition to a recovery of demand for semiconductor package materials in 4Q.

- **Rolls**

Demand decreased for rolls, injection molding machine parts and steel-frame joints for construction.

[Adjusted operating income/loss]

Decreased due to a decline in demand for mainstay molds and tool steel and industrial equipment.

[IFRS operating income]

Decreased due to impairment losses recorded for the aircraft- and energy-related business.

2-3. Operating Results by Segment: Specialty Steel Products (2)

¥ billions	FY2019	FY2020				FY2020	Differences Year-on-Year
	Full-year	1Q (Apr – Jun)	2Q (Jul – Sep)	3Q (Oct – Dec)	4Q (Jan – Mar)	Full-year	
Revenues	250.6	52.5	52.0	54.2	58.7	217.4	-13%
Specialty Steel* ¹	226.1	47.0	46.6	49.5	53.6	196.7	-13%
Rolls* ¹	24.6	5.5	5.4	4.7	5.1	20.7	-16%
Adjusted operating income	5.5	- 0.2	- 2.5	1.1	2.4	0.8	-4.7
Adjusted operating margin	2.2%	-0.4%	-4.8%	2.0%	4.1%	0.4%	-1.8pts.
IFRS operating income	7.6	1.5	- 10.1	0.6	- 4.0	- 12.0	-19.6

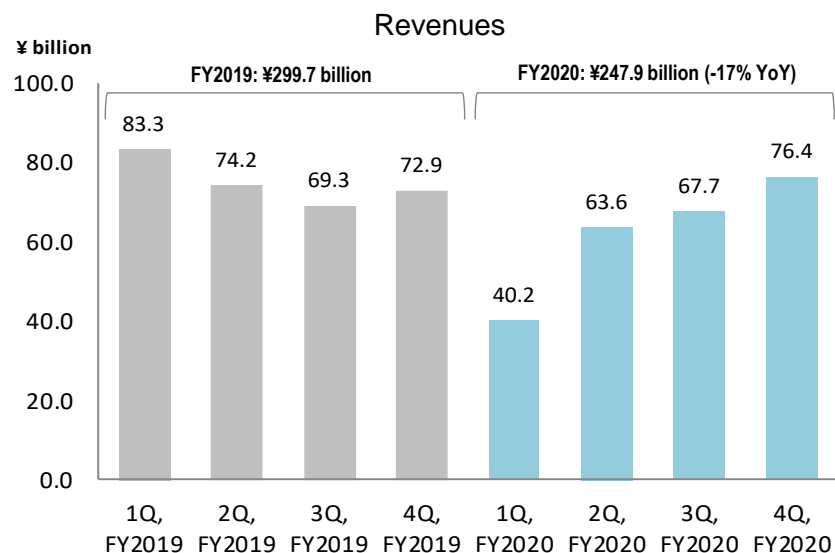
Change by product (year-on-year)	1Q	2Q	3Q	4Q	Full-year
Molds and tool steel* ²	-30%	-32%	-21%	-4%	-22%
Industrial equipment materials	-27%	-23%	-13%	+2%	-16%
Aircraft- and energy-related materials* ²	-34%	-37%	-45%	-53%	-42%
Electronic materials* ²	0%	-2%	+4%	+9%	+3%
Rolls* ³	-10%	-12%	-27%	-14%	-16%

*1: Simple sum before eliminating intersegment revenues

*2: Indicates the change in revenues calculated by a simplified method

*3: Indicates the change in the simple sum before eliminating intersegment revenues

2-4. Operating Results by Segment: Functional Components and Equipment (1)



[Revenues]

(Year-on-Year)

• Automotive casting products

Cast iron products:

Significantly decreased in 1Q due in part to suspension of operations by major customers in various parts of the world. A recovery trend has subsequently continued due to a recovery in automobile sales and a resumption of operations in various regions. In 4Q, North America was affected by production adjustments implemented by finished vehicle manufacturers as a result of a supply shortage of semiconductors for automobiles.

Heat-resistant exhaust casting components:

Decreased due to a significant drop in 1Q, despite trending above the previous year's level since 3Q.

• Piping components

Pipe fittings:

Decreased due to a decrease in the number of housing starts in Japanese market and in large-scale construction projects.

Semiconductor manufacturing equipment:

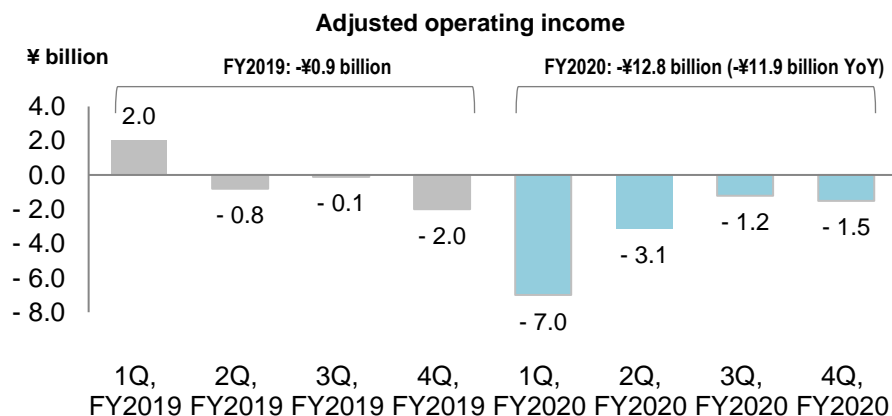
Increased on the back of a recovery of demand for capital investment.

[Adjusted operating income/loss]

Decreased due to a decrease in demand for mainstay automotive casting products business and inventory write-down of service parts.

[IFRS operating income]

Decreased due to impairment losses recorded for certain plants of Waupaca on top of an adjusted operating loss.



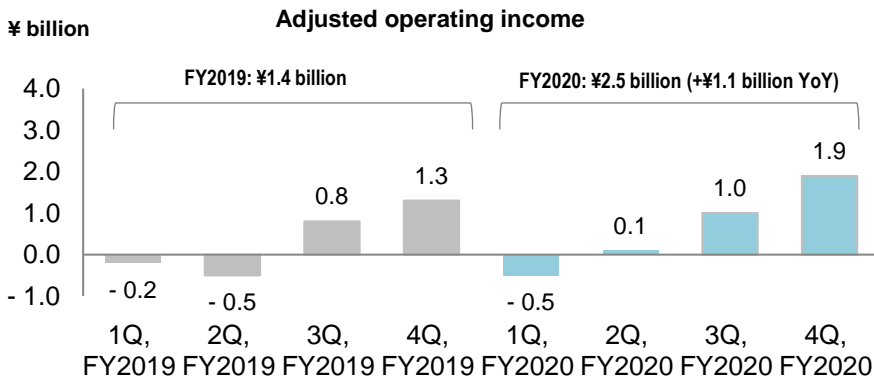
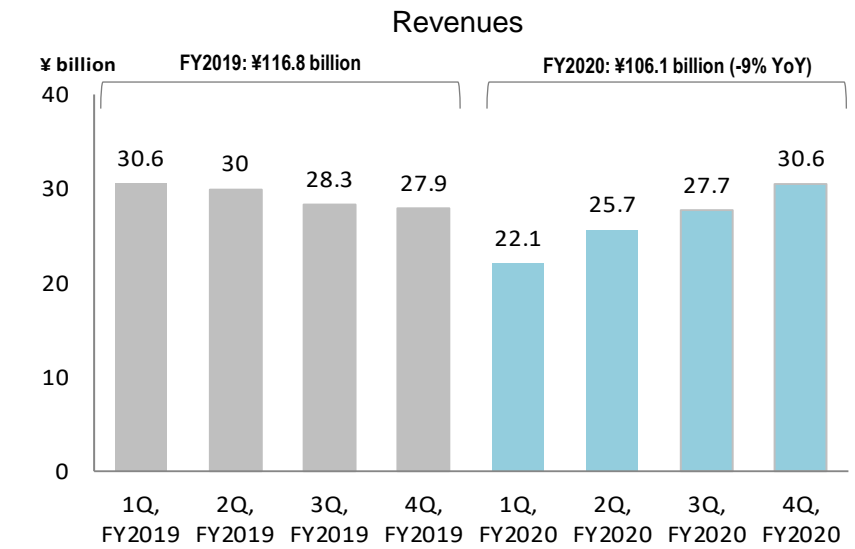
2-5. Operating Results by Segment: Functional Components and Equipment (2)

¥ billions	FY2019 Full-year	FY2020				FY2020 Full-year	Differences Year-on-Year
		1Q (Apr – Jun)	2Q (Jul – Sep)	3Q (Oct – Dec)	4Q (Jan – Mar)		
Revenues	299.7	40.2	63.6	67.7	76.4	247.9	-17%
Automotive Casting Products*	253.8	30.4	53.5	56.4	65.5	205.8	-19%
Waupaca Foundry, Inc.*	182.2	22.2	39.8	39.4	47.8	149.2	-18%
Piping Components*	45.9	9.8	10.1	11.3	10.9	42.1	-8%
Adjusted operating income	- 0.9	- 7.0	- 3.1	- 1.2	- 1.5	- 12.8	-11.9
Adjusted operating margin	-0.3%	-17.4%	-4.9%	-1.8%	-2.0%	-5.2%	-4.9pts.
IFRS operating income	- 9.2	- 7.3	- 4.1	- 2.0	- 5.7	- 19.1	-9.9

* Simple sum before eliminating intersegment revenues

Change by product (year-on-year)	1Q	2Q	3Q	4Q	Full-year
Cast iron products [Waupaca] (weight)	-55%	-10%	+2%	+0%	-18%
Cast iron products [Others] (weight)	-57%	-20%	-10%	-2%	-23%
Heat-resistant exhaust casting components (HERCUNITE™) (weight)	-29%	-9%	+21%	+14%	+0%

2-6. Operating Results by Segment: Magnetic Materials and Applications / Power Electronics (1)



[Revenues] (Year-on-Year)

- **Magnetic materials and applications**
Rare earth magnets and ferrite magnets:
Demand plummeted, hitting a low in 1Q, but demand for automotive electronic components continued to recover after 2Q. Decreased on a year-on-year basis, despite a year-on-year increase in 4Q due to a shift to a recovery trend in demand for FA/robots and electronics-related demand in 3Q.
- **Power electronics materials**
Soft magnetic materials and the applied products:
Decreased due to a decline in demand for amorphous metals for transformers, despite strong demand for servers for use in telecommunications equipment.
Ceramic components:
Unchanged from the previous year due to a decline in demand for use in telecommunications equipment, despite an increase in demand for use in medical devices.

[Adjusted operating income]
Increased due to a rise in demand and a drop in depreciation expense

[IFRS operating income]
Impairment loss of ¥42.6 billion was recorded in FY2019
Impairment loss of ¥15.7 billion was recorded in FY2020

2-7. Operating Results by Segment:

Magnetic Materials and Applications / Power Electronics (2)

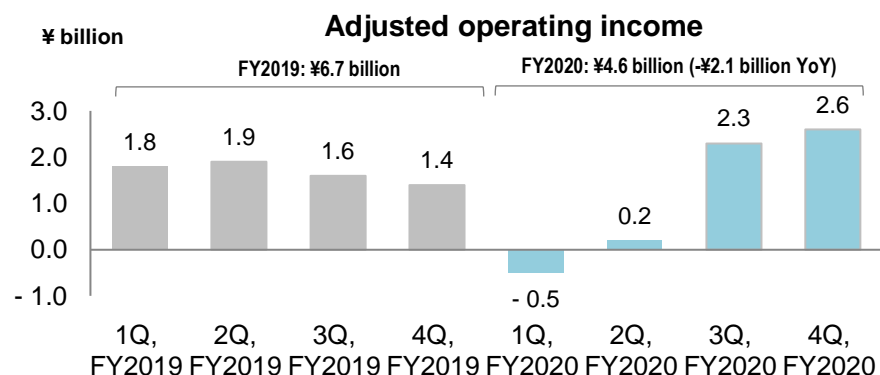
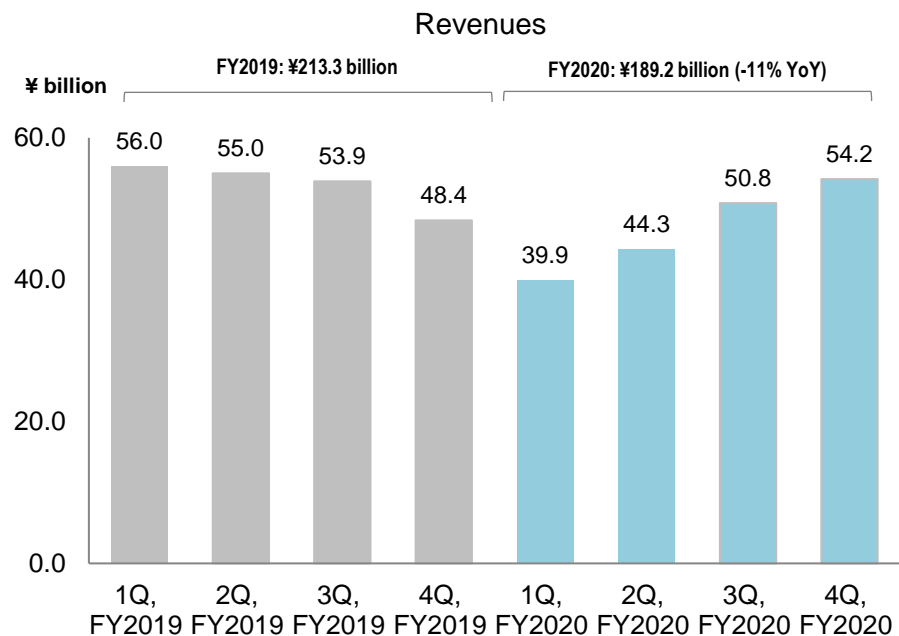


¥ billions	FY2019	FY2020				FY2020	Differences Year-on-Year
	Full-year	1Q (Apr – Jun)	2Q (Jul – Sep)	3Q (Oct – Dec)	4Q (Jan – Mar)	Full-year	
Revenues	116.8	22.1	25.7	27.7	30.6	106.1	-9%
Magnetic Materials and Applications*	79.6	13.6	17.0	18.8	20.9	70.3	-12%
Power Electronics*	37.1	8.5	8.7	9.0	9.6	35.8	-4%
Adjusted operating income	1.4	- 0.5	0.1	1.0	1.9	2.5	+1.1
Adjusted operating margin	1.2%	-2.3%	0.4%	3.6%	6.2%	2.4%	+1.2pts.
IFRS operating income	- 42.8	- 0.5	- 15.6	0.9	1.1	- 14.1	+28.7

* Simple sum before eliminating intersegment revenues

Change by product (year-on-year)	1Q	2Q	3Q	4Q	Full-year
Rare earth magnets (weight)	-36%	-21%	-2%	+3%	-15%
Ferrite magnets (weight)	-39%	-21%	+3%	+4%	-13%

2-8. Operating Results by Segment: Wires, Cables, and Related Products (1)



[Revenues] (Year-on-Year)

Decreased due to a decline in demand mainly for automotive electronic components.

- Electric wires and cables**

Electrical wire for rolling stock:

Increased due to a rise in demand in the Chinese market, despite a decline in demand in Japan.

Medical devices:

Unchanged year-on-year for probe cables for medical devices but decreased for tubes for catheters.

Electronic wires:

Demand for FA/robots applications and 5G base stations increased.

Magnet wires:

Decreased, despite a recovery mainly for automotive applications in and after 3Q.

- Automotive components**

Decreased due to a significant drop in 1Q, despite a year-on-year increase in and after 3Q as demand recovered mainly for automotive electronic components following the recovery of the automobile market.

[Adjusted operating income/loss]

Decreased due to a decline in demand for both wires and cables and automotive components.

[IFRS operating income]

Decreased due to the recording of impairment loss of ¥2.0 billion for the automotive components business.

2-9. Operating Results by Segment: Wires, Cables, and Related Products (2)

¥ billions	FY2019	FY2020				FY2020	Differences Year-on-Year
	Full-year	1Q (Apr – Jun)	2Q (Jul – Sep)	3Q (Oct – Dec)	4Q (Jan – Mar)	Full-year	
Revenues	213.3	39.9	44.3	50.8	54.2	189.2	-11%
Adjusted operating income	6.7	-0.5	0.2	2.3	2.6	4.6	-2.1
Adjusted operating margin	3.1%	-1.3%	0.5%	4.5%	4.8%	2.4%	-0.7pt.
IFRS operating income	5.3	-0.3	-1.7	2.4	1.4	1.8	-3.5

Change by product (year-on-year)		1Q	2Q	3Q	4Q	Full-year
Growth areas	Rolling Stock*	-15%	+10%	+14%	+6%	+3%
	Medical devices*	+14%	-11%	-15%	-15%	-6%
	FA/robots*	+7%	+3%	+27%	+34%	+18%
	Magnet wires*	-27%	-19%	+4%	+14%	-7%
	Electronic components*	-49%	-13%	+9%	+21%	-10%

*Indicates the change in revenues calculated by a simplified method

Sales proportion of growth areas: FY2019: 40%
FY2020: 42%

3. Financial Condition

¥ billions	End of FY2019 US\$1 = ¥109 €1 = ¥120 1 yuan = ¥15.3	End of FY2020 US\$1 = ¥111 €1 = ¥130 1 yuan = ¥16.8	Differences
Total assets	977.8	972.2	-5.6
Trade receivables	157.7	167.6	+9.9
Inventories	179.9	170.1	-9.8
Fixed assets	499.3	444.9	-54.4
Total liabilities	454.9	480.1	+25.2
Interest-bearing debt	187.6	195.3	+7.7
Equity attributable to shareholders of the parent company	520.3	489.7	-30.6
Non-controlling interests	2.6	2.4	-0.2
Equity attributable to shareholders of the parent company ratio	53.2%	50.4%	-2.8pts.
D/E ratio (times)	0.36	0.40	+0.04
NET interest-bearing debt*	145.2	96.0	-49.2

*:NET interest-bearing debt = Interest-bearing debt - Cash and cash equivalent

Inventories: Decreased as a result of continued inventory control in response to demand.
 Fixed assets: Decreased due to the recording of impairment losses.
 Equity attributable to shareholders of the parent company: Retained earnings decreased due to the impact of net loss.

4. Consolidated Cash Flows

¥ billions	FY2019	FY2020	Year-on-Year
Cash flows from operating activities (Operating CF)	106.0	52.6	-53.4
Cash flows from investing activities (Investing CF)	- 56.5	2.2	+58.7
Free cash flows (FCF)	49.5	54.8	+5.3
Core free cash flows*	45.1	22.5	-22.6

* Core free cash flows = Cash flows from operating activities - Capital expenditure

[Operating CF]	Decreased by ¥53.4 billion due largely to a decline in profit.
[Investing CF]	+¥30.8 billion due to careful selection of fixed asset investment and +¥26.2 billion of proceeds from sale of entities accounted for using the equity method.
[FCF]	Improved by ¥5.3 billion year on year as a result of applying stricter investment criteria and proceeds from sale of entities accounted for using the equity method.

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5-1. Results Forecasts for FY2021

1. Economic Growth and Demand Outlook

- 2021 world real GDP growth rate of 6.0% (-3.3% in 2020)*¹
- 2021 world automobile production of 84.7 million units (+14% year-on-year)*²

2. Business Environment

- A recovery in demand is expected in the automobile, electronics, and industrial infrastructure areas.
- There are concerns over the additional impact of the semiconductor shortage on automotive production and the impact of the disruption of logistics such as a shortage of containers, though some of those are included in the forecast of FY2021.
- While the impact of COVID-19 may be mitigated as the vaccination rollout expands, it is presently difficult to look into the future. Therefore, the forecast does not reflect the risk and impact of a suspension of operation at the Company and its customers due to a resurgence of infections.



We forecast revenues of ¥850.0 billion (+12% year on year), adjusted operating income of ¥34.0 billion (+¥39.0 billion year on year), and adjusted operating margin of 4% for FY2021.

*1 Source: IMF “World Economic Outlook,” April 2021

*2 Source: Estimations by Hitachi Metals, Ltd. with reference to various sources

5-2. Results Forecasts for FY2021

(1) Operating Forecast

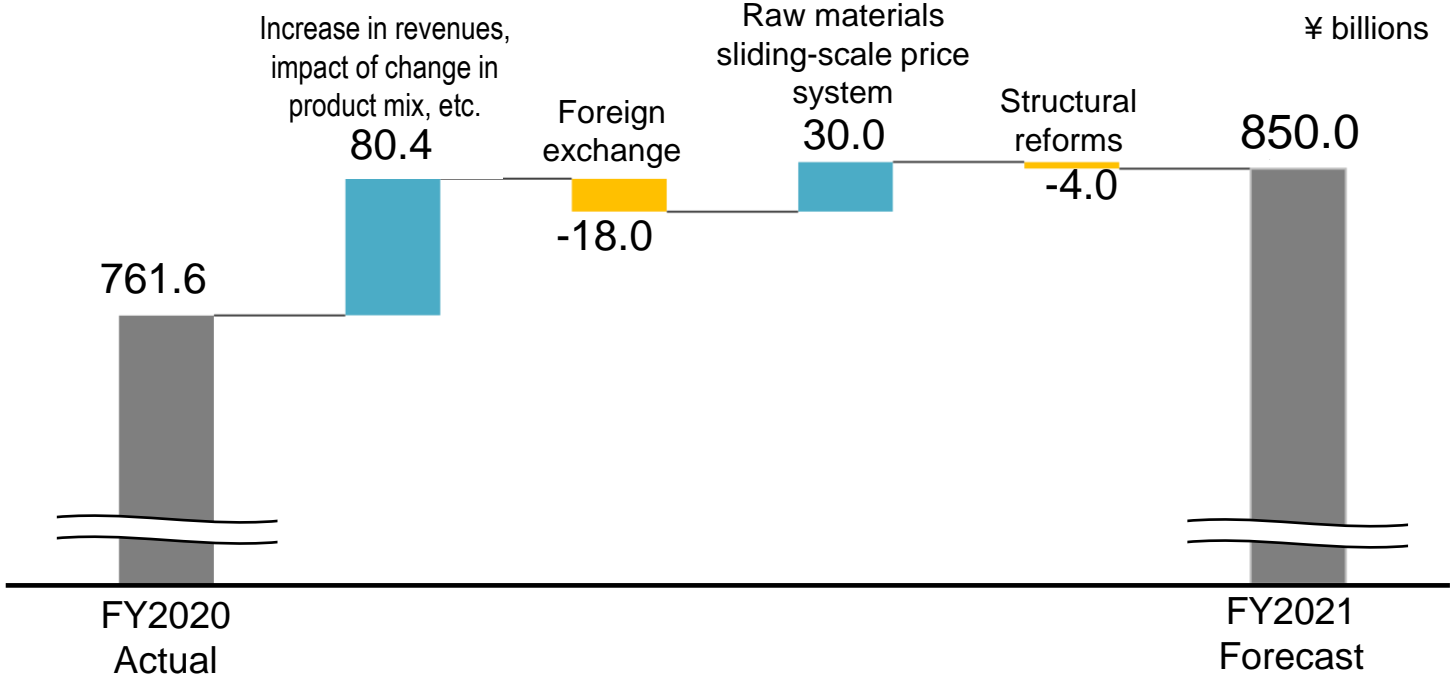
¥ billions (Italic letters indicate profit margin.)	FY2020 Actual <small>US\$1 = ¥106 €1 = ¥124 1 yuan = ¥15.7</small>	FY2021 Forecast <small>US\$1 = ¥100 €1 = ¥120 1 yuan = ¥15.5</small>	(Year-on-Year)
Revenues	761.6	850.0	+12%
Adjusted operating profit	<i>-0.7%</i> -5.0	<i>4.0%</i> 34.0	+39.0
Income before income taxes	-50.6	17.0	+67.6
Income taxes	8.3	-5.0	-13.3
Net income attributable to shareholders of	-42.3	12.0	54.3

(2) Dividend Forecast

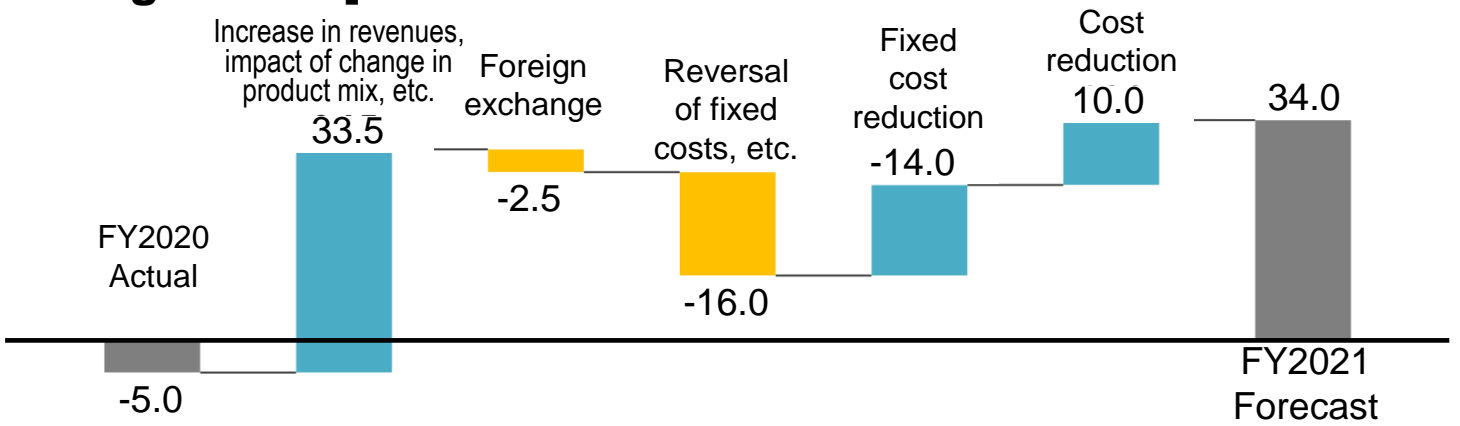
FY	Interim	Year-end	Annual
2019	¥13	¥13	¥26
2020	¥0	¥0	¥0
2021 (Forecast)	—	—	—

5-3. Factors Behind Increase/Decrease

[Revenues]



[Adjusted operating income]



5-4. Operating Result Forecast by Segment

		¥ billions	FY2020		FY2021		(Year-on-Year)
		(Italic letters indicate profit margin.)	Actual		Forecast		
Advanced Metals	Specialty Steel Products	Revenues		217.4		245.0	+13%
		Adjusted operating income	<i>0.4%</i>	0.8	<i>5.5%</i>	13.5	+12.7
		ROIC ^{*2}		0.2%		4.7%	+4.5pts.
	Functional Components and Equipment	Revenues		247.9		265.0	+7%
		Adjusted operating income	<i>-5.2%</i>	-12.8	<i>1.5%</i>	4.0	+16.8
		ROIC ^{*2}		—		1.3%	—
Subtotal ^{*1}	Revenues		465.3		510.0	+10%	
	Adjusted operating income	<i>-2.6%</i>	-12.0	<i>3.4%</i>	17.5	+29.5	
	ROIC ^{*2}		—		3.0%	—	
Advanced Components & Materials	Magnetic Materials and Applications / Power Electronics	Revenues		106.1		124.0	+17%
		Adjusted operating income	<i>2.4%</i>	2.5	<i>7.3%</i>	9.0	+6.5
		ROIC ^{*2}		1.6%		6.2%	+4.6pts.
	Wires, Cables, and Related Products	Revenues		189.2		217.0	+15%
		Adjusted operating income	<i>2.4%</i>	4.6	<i>3.5%</i>	7.5	+2.9
		ROIC ^{*2}		3.7%		6.8%	+3.1pts.
Subtotal ^{*1}	Revenues		295.3		341.0	+15%	
	Adjusted operating income	<i>2.4%</i>	7.1	<i>4.8%</i>	16.5	+9.4	
	ROIC ^{*2}		2.6%		6.5%	+3.9pts.	
Others/Adjustments	Revenues		1.0		- 1.0	—	
	Adjusted operating income		- 0.1		0.0	0.1	
Total	Revenues		761.6		850.0	+12%	
	Adjusted operating income	<i>-0.7%</i>	-5.0	<i>4.0%</i>	34.0	+39.0	
	ROIC ^{*3}		—		3.9%	—	

*1 Simple sum before eliminating intersegment revenues

*2 Rate of Return on Invested Capital (ROIC) by segment = (Adjusted operating income * (1 - Tax rate of 30%) + (Equity in earnings of affiliates) / (Average of beginning and end-year working capital + Average of beginning and end-year fixed assets)

*3 Rate of Return on Invested Capital (ROIC) = (Adjusted operating income * (1 - Tax rate of 25%) + (Equity in earnings of affiliates) / (Average of beginning and end-year interest-bearing debts + Average of beginning and end-year equity)

5-5. CF, CCC, Capital Expenditure, R&D Costs

¥ billions	FY2020 Actual <small>US\$1 = ¥106 €1 = ¥124 1 yuan = ¥15.7</small>	FY2021 Forecast <small>US\$1 = ¥100 €1 = ¥120 1 yuan = ¥15.5</small>	Year-on-Year
Cash flows from operating activities (Operating CF)	52.6	38.0	- 14.6
Cash flows from investing activities (Investing CF)	2.2	- 29.0	- 31.2
Free cash flows (FCF)	54.8	9.0	- 45.8
Cash conversion cycle (CCC)	89.1days	85.8days	- 3.3days
Capital expenditure	28.8	40.0	11.2
Establishment of quality inspection IT system	0.2	3.0	2.8
R&D expenses	14.5	15.5	1.0

Major capital expenditure in FY2021:

- Establishment of low-cost processes for rare earth magnets
- Fast furnace for xEV magnet wires
- Increase of clad metal production capacity
- Establishment of quality inspection IT system

Major R&D in FY2021:

- DX-related themes
- 3D metal molding
- Supporting *monozukuri*

Progress of recurrence prevention measures

- (1) Raising awareness and changing behavior to place greater emphasis on quality
 - Continue to send messages from the top executive.
 - Designate April as Quality Compliance Month and carry out internal awareness raising activities such as providing quality compliance education (April 2021) and displaying the company-wide quality action philosophy and Quality Compliance Month posters.
- (2) Establishing the Quality Compliance Committee, which includes outside experts as members, on April 1, 2021 and beginning additional verification of uncompleted areas as well as implementing measures to prevent recurrence and verifying the effectiveness of such measures
- (3) Promoting the establishment of an IT system to prevent alternation of inspection results by employees
 - Invest ¥10.0 billion by FY2024 (¥3.0 billion invested in FY2021)

Reference Data (1)

¥ billions	FY2016	FY2017	FY2018	FY2019	FY2019	FY2019	FY2019	FY2019	FY2020	FY2020	FY2020	FY2020	FY2020	FY2021
	1Q (Apr – Jun)	2Q (Jul – Sep)	3Q (Oct – Dec)	4Q (Jan – Mar)	1Q (Apr – Jun)	2Q (Jul – Sep)	3Q (Oct – Dec)	4Q (Jan – Mar)	1Q (Apr – Jun)	2Q (Jul – Sep)	3Q (Oct – Dec)	4Q (Jan – Mar)	Actual	Forecast
	US\$1 = ¥108 €1 = ¥119 1 yuan = ¥16.1	US\$1 = ¥111 €1 = ¥130 1 yuan = ¥16.8	US\$1 = ¥111 €1 = ¥128 1 yuan = ¥16.5	US\$1 = ¥110 €1 = ¥123 1 yuan = ¥16.1	US\$1 = ¥107 €1 = ¥119 1 yuan = ¥15.3	US\$1 = ¥109 €1 = ¥120 1 yuan = ¥15.5	US\$1 = ¥109 €1 = ¥120 1 yuan = ¥15.6	US\$1 = ¥109 €1 = ¥121 1 yuan = ¥15.6	US\$1 = ¥108 €1 = ¥118 1 yuan = ¥15.2	US\$1 = ¥106 €1 = ¥124 1 yuan = ¥15.4	US\$1 = ¥105 €1 = ¥125 1 yuan = ¥15.8	US\$1 = ¥106 €1 = ¥128 1 yuan = ¥16.4	US\$1 = ¥106 €1 = ¥124 1 yuan = ¥15.7	US\$1 = ¥100 €1 = ¥120 1 yuan = ¥15.5
Revenues	910.5	988.3	1,023.4	234.0	222.9	214.1	210.4	881.4	154.8	186.0	200.6	220.2	761.6	850.0
Adjusted operating income* ¹	66.0	65.1	51.4	5.5	0.4	5.9	2.6	14.4	-7.3	-5.1	3.8	3.6	-5.0	34.0
Adjusted operating margin ratio	7.2%	6.6%	5.0%	2.4%	0.2%	2.8%	1.2%	1.6%	-4.7%	-2.7%	1.9%	1.6%	-0.7%	4.0%
Other income	14.1	5.4	10.7	0.9	0.9	0.8	6.0	8.6	3.1	1.2	1.3	4.1	9.7	-
Other expenses	- 11.8	- 24.2	-19.7	-1.2	-44.1	-3.8	-13.0	-62.1	-2.2	-28.3	-4.5	-19.0	-54.0	-
IFRS operating income	68.3	46.3	42.4	5.2	-42.8	2.9	-4.4	-39.1	-6.4	-32.2	0.7	-11.3	-49.2	-
EBIT	68.5	48.9	45.3	5.1	-42.6	3.5	-4.4	-38.4	-6.7	-32.1	0.5	-10.9	-49.2	18.5
EBITDA	111.5	95.0	96.2	19.1	-28.4	17.0	9.1	16.8	6.6	-18.9	12.4	1.1	1.2	64.5
(Quarterly) Income before income taxes	66.0	47.0	43.0	4.5	-43.2	3.0	-4.9	-40.6	-7.1	-32.4	0.1	-11.2	-50.6	17.0
(Quarterly) Net income attributable to shareholders of the parent company	50.6	42.2	31.4	3.2	-44.2	2.1	1.3	-37.6	-3.3	-29.9	-0.5	-8.6	-42.3	12.0
Capital expenditure	63.8	91.8	95.4	11.6	13.6	14.6	13.2	53.0	7.2	7.4	5.2	9.0	28.8	40.0
Depreciation	43.0	46.1	50.9	13.9	14.2	13.5	13.6	55.2	13.3	13.2	11.9	12.0	50.4	46.0
R&D expenses	18.0	17.7	18.6	4.0	4.2	4.0	3.7	15.9	3.5	3.8	3.5	3.7	14.5	15.5
Trade receivables	175.6	207.6	195.3	196.7	188.6	183.5	157.7	157.7	141.1	157.5	163.9	167.6	167.6	-
Inventories	153.6	190.2	214.8	211.1	192.6	192.9	179.9	179.9	183.5	167.1	169.1	170.1	170.1	-
Interest-bearing debt	194.5	160.8	202.1	239.0	227.0	228.1	187.6	187.6	215.1	212.6	181.4	195.3	195.3	163.3
Free cash flows	53.5	- 36.0	- 29.7	- 12.2	16.3	5.3	40.1	49.5	4.9	1.7	12.0	36.2	54.8	9.0
ROIC* ²	7.0%	5.8%	5.3%	-	-	-	-	1.7%	-	-	-	-	-	3.9%
ROE* ³	9.8%	7.7%	5.5%	-	-	-	-	-	-	-	-	-	-	2.5%
ROA* ⁴	4.9%	4.0%	2.9%	-	-	-	-	-	-	-	-	-	-	1.3%
CCC* ⁵ (days)	71.1	82.7	90.7	-	-	-	-	87.1	-	-	-	-	89.1	85.8
D/E ratio (times)	0.36	0.29	0.34	0.42	0.43	0.43	0.36	0.36	0.42	0.44	0.38	0.40	0.40	0.34
Overseas sales ratio	56%	56%	56%	55%	54%	53%	54%	54%	49%	57%	56%	57%	55%	54%
Employees	28,754	30,390	30,304	30,354	30,201	30,016	29,805	29,805	29,542	29,025	28,730	28,620	28,620	27,750
(Quarterly) Basic net income per share (yen)	118.32	98.72	73.37	7.58	-103.45	4.81	3.01	-88.05	-7.81	-69.86	-1.19	-20.04	-98.90	28.07
Dividend per share (yen)	26.0	26.0	34.0	-	13.0	-	13.0	26.0	-	0.0	-	-	0.0	-
Earning per share attributable to shareholders of the parent company (yen)	1,254.9	1,316.1	1,375.2	1,345.9	1,238.3	1,244.0	1,216.9	1,216.9	1,195.1	1,119.9	1,117.6	1,145.3	1,145.3	1,112.4

*1 Adjusted operating income = Revenues – Sales cost – Selling, general, & administrative expenses

*2 Rate of Return on Invested Capital (ROIC) [until FY2017] = Net income attributable to shareholders of the parent company / (Average of beginning and end-year interest-bearing debts + Average of beginning and end-year equity attributable to shareholders of the parent company)

Rate of Return on Invested Capital (ROIC) [from FY2018] = (Adjusted operating income * (1 - Tax rate of 25%) + (Equity in earnings of affiliates) / (Average of beginning and end-year interest-bearing debts + Average of beginning and end-year equity)

*3 Return on equity attributable to shareholders of the parent company (ROE) = Net income attributable to shareholders of the parent company / Average of beginning and end-year equity attributable to shareholders of the parent company *100

*4 Return on total assets (ROA) = Net income attributable to shareholders of the parent company / Average of beginning and end-year total assets *100

*5 Cash Conversion Cycle (CCC) = Working capital (Trade receivables + Inventories – Debts) / Daily average revenues

Major products' volume trends (weight basis)

Index numbers calculated by taking the value of 1Q FY2019 as 100

Product	FY2018				FY2019				FY2020				FY2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q - 4Q (forecasts)	
Molds and tool steel	126	124	109	109	100	103	101	84	66	67	68	86	92	
Specialty Steel Products	CVT belt materials	101	107	113	101	100	88	96	105	66	85	83	87	104
	Piston ring materials	112	107	110	105	100	87	101	94	44	46	111	114	99
	Organic EL-related components and materials	105	92	91	83	100	129	185	131	180	179	245	154	250
Functional Components and Equipment	Cast iron products [Waupaca Foundry, Inc.]	106	100	95	102	100	90	77	87	45	82	79	88	78
	Cast iron products [Other]	99	95	103	95	100	92	94	87	43	73	85	85	94
	Heat-resistant exhaust casting components HERCUNITE™	160	140	131	114	100	123	117	120	71	110	141	137	128
Magnetic Materials and Applications / Power Electronics	Rare earth magnets	110	110	103	96	100	95	90	86	64	75	88	89	94
	Ferrite magnets	115	112	108	105	100	98	98	101	61	77	101	105	94
	Amorphous metals Metglas®	115	100	96	104	100	84	78	63	51	63	76	78	86
Wires, Cables, and Related Products	Electronic components*	102	111	115	99	100	97	94	83	51	84	103	101	98

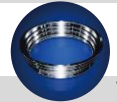







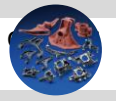






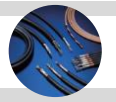

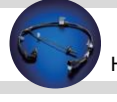
*Figures for automotive electronic components represent the index of revenues (amount excluding the effects of foreign exchange rates) calculated by a simplified method.

(For reference)

Business Operations by Market (From October 2020)



Business Portfolio

Business Headquarters	Business Segments	Industrial Infrastructure	Automobiles	Electronics
Advanced Metals	Specialty Steel Products	 Turbine case  Rolls for steel mills	 Molds and tool steel  CVT belt materials  Clad metals  Lead frame materials	Specialty Steel Products
	Functional Components and Equipment	Piping Components  Pipe fittings  Polyethylene gas piping systems	Automotive products  Cast iron products  HERCUNITE™ heat-resistant exhaust casting components	
Advanced Components & Materials	Magnetic Materials and Applications	 Neodymium magnets NEOMAX®  Amorphous metals Metglas®	 Magnetic materials  Ferrite magnets NMF®	
	Wires, Cables, and Related Products	 Electrical wire for rolling stock  Cables for FA/industrial robots	Power Electronics Materials  Silicon nitride substrate	Electric Wires and Cables  Automotive Components Harnesses for electric parking brakes

(For reference)

Business Operations of Hitachi Metals (From October 2020)



Business Operations

Business Headquarters	Business Segments	Business Categories	Principal Products
Advanced Metals	Specialty Steel Products	Specialty Steel Products	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
		Rolls	Various rolls for steel mills, injection molding machine parts, structural ceramic products, and steel-frame joints for construction
	Functional Components and Equipment	Automotive casting products	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, various valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
Advanced Components & Materials	Magnetic Materials and Applications	Magnetic materials	NEOMAX® rare-earth magnets, ferrite magnets, other various magnets and their applied products
		Power Electronics Materials	Soft magnetic materials (Metglas® amorphous metals, FINEMET® nanocrystalline magnetic materials, soft ferrite) and its applied products, and ceramic components
	Wires, Cables, and Related Products	Electric Wires and Cables	Industrial cables, electronic wires, electrical equipment materials, and cable assemblies
		Automotive Components	Automotive electronic components and brake hoses

The Group's business results are disclosed by business segment.

Information on Risks Inherent in Future Projections

This document contains forward looking statements, such as results forecasts, management plans and dividend forecasts, that are not historical facts. All such forward looking statements are based upon all available information and upon assumptions and projections that were deemed reasonable at the time the Company prepared this document. Changes to the underlying assumptions or circumstances could cause the actual results to differ substantially.

The factors causing such differences include, but are not limited to, the following:

- Risks associated with product demand and market conditions
- Risks associated with competitiveness and development and commercialization of new technologies and products
- Risks associated with raw materials procurement
- Risks associated with changes in foreign exchange rates
- Risks associated with the global expansion of businesses
- Risks associated with impairment losses on fixed assets including property, plant and equipment and goodwill
- Risks associated with product quality
- Risks associated with M&A
- Risks associated with financing activities
- Risks associated with relationship with the parent company
- Risks associated with information security
- Risks associated with environmental regulations
- Risks associated with business reorganization
- Risks associated with intellectual property rights
- Risks associated with securing talent
- Risks associated with laws and regulations, and official regulations
- Risks associated with earthquakes and other natural disasters
- Risks associated with retirement benefit obligations