



# Consolidated Financial Report [IFRS] for the 9-month period ended December 31, 2021

January 31, 2022

**Listed Company: Hitachi Metals, Ltd.** (URL <https://www.hitachi-metals.co.jp/e/index.html>)

Listed Stock Exchanges: Tokyo Stock Exchange, Inc. (First Section, Code Number 5486)

Representative: Mitsuaki Nishiyama, Chairperson, President, and CEO

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*Note:* Figures are rounded off to the nearest million yen.

## 1. Performance for the Third Quarter Ended December 31, 2021 (April 1, 2021 to December 31, 2021)

(1) Operating Results (% indicates the rate of +/- compared with the same term of the previous fiscal year)

	Revenues		Adjusted Operating Income (loss)		Operating Income (loss)		Income (loss) before Income Taxes		Net Income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Dec, 2021	690,849	27.6	20,628	—	18,960	—	20,500	—	13,413	—
Dec, 2020	541,403	(19.3)	(8,585)	—	(37,927)	—	(39,402)	—	(33,940)	—

Note: In order to give a true view of the condition of the whole Group's business without the effects of business restructuring etc., the Hitachi Metals Group (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.

	Net Income (loss) attributable to Shareholders of the Parent Company		Comprehensive Income (loss)		Earnings per Share (Basic)	Earnings per Share (Diluted)
	Million yen	%	Million yen	%	Yen	Yen
Dec, 2021	13,544	—	21,482	—	31.68	—
Dec, 2020	(33,719)	—	(37,041)	—	(78.86)	—

## (2) Financial Standing

	Total Asset	Total Equity	Equity attributable to Shareholders of the Parent Company	Equity attributable to Shareholders of the Parent Company Ratio	Equity per Share attributable to Shareholders of the Parent Company
	Million yen	Million yen	Million yen	%	Yen
Dec, 2021	1,020,670	512,908	510,895	50.1	1,194.92
March, 2021	972,249	492,118	489,671	50.4	1,145.26

## 2. Dividends

	Dividends per Share				
	1Q	2Q	3Q	Term-end	Annual
	Yen	Yen	Yen	Yen	Yen
March, 2021	—	0.00	—	0.00	0.00
March, 2022	—	0.00	—		
March, 2022 (Forecast)				0.00	0.00

Note: Revision of the latest forecasts of results : No

## 3. Business results forecast for the year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% indicates the rate of +/- compared with the previous fiscal year)

	Revenues		Adjusted Operating Income		Income before Income Taxes		Net Income attributable to Shareholders of the Parent Company		Earnings per Share (Basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	930,000	22.1	26,000	—	20,000	—	13,000	—	30.41

Note: 1. Revision of the latest forecasts of results: Revised

2. In order to give a true view of the condition of the Group's business without the effects of business restructuring etc., the Group shows "adjusted operating income" which is the operating income 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.

※ Other Notes

Numbers of shares issued (Common stock)

(i) Number of shares outstanding at end of period

(Including treasury stock)

Dec, 2021	428,904,352	March, 2021	428,904,352
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(ii) Number of treasury stock outstanding at end of period

Dec, 2021	1,349,157	March, 2021	1,340,710
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(iii) Average number of shares issued during the term

Dec, 2021 (3Q)	427,558,270	Dec, 2020 (3Q)	427,565,831
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\*This quarterly consolidated financial report is not subject to the quarterly review procedure by the scope of audit.

\*The forecast figures, with the exception of actual results, are based on certain assumptions and predictions of the management at the time of preparation. Changes in business conditions or underlying assumptions may cause actual results may differ from those projected. Please refer to “(3) Forecasts for the Fiscal Year Ending March 31, 2022, including Consolidated Operating Forecasts” on page 7 for precondition and assumption as the basis of the above forecasts.

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# 1. Qualitative Information Regarding Financial Results for the Nine Months Ended December 31, 2021

## (1) Information Regarding Operating Results

The Group's operating results for the nine months ended December 31, 2021 were as followings.

During the nine months ended December 31, 2021, the global economy continued to recover although the recovery varied depending on the containment level of the spread of COVID-19 (the novel coronavirus disease) and on economic policies. In the business fields of the Group, the automotive-related area was impacted by production adjustments implemented by automobile manufacturers due to a supply shortage of semiconductors, and in tandem with measures, mainly lockdowns in Southeast Asian countries hit by the spread of COVID-19; however, demand increased year on year. In the FA/robot-related area, capital investment demand related to the manufacture of automobiles and smartphones increased. In the semiconductor-related area, demand increased as a result of a rise in demand for use in telecommunication devices and automobile. Furthermore, reflecting the impact of the rise in raw material prices (sliding-scale raw material price system) and the depreciation of the yen, revenues increased by 27.6% year on year to ¥690,849 million.

In terms of the profit front, on top of a reduction in fixed costs and other expenses and owing to an increase in revenues, adjusted operating income\* increased by ¥29,213 million year on year to ¥20,628 million. Operating income rose ¥56,887 million year on year to ¥18,960 million. This reflects mainly the posting of ¥24,956 million in impairment losses, recorded under other operating expenses, for the nine months ended December 31, 2020. Income before income taxes increased by ¥59,902 million year on year to ¥20,500 million and net income attributable to shareholders of the parent company increased by ¥47,263 million year on year to ¥13,544 million.

As announced in "Announcement of Opinion in Support of the Tender Offer by K.K. BCJ-52 for the Shares of Hitachi Metals, Ltd., and Recommendation of Tender" dated April 28, 2021 and "Announcement Concerning Progress of the Tender Offer by K.K. BCJ-52 for the Shares of Hitachi Metals, Ltd. (Securities Code 5486)" dated November 30, 2021, a tender offer by K.K. BCJ-52 ("BCJ-52") for the common shares of the Company and other matters (the "Tender Offer") are planned in the future. BCJ-52 intends to make the Company its wholly owned subsidiary through the Tender Offer and a series of transactions thereafter. As a result, the Company will be independent from the Hitachi Group and its common shares will be delisted. Following the transaction, the Company will aim to increase its corporate value through renewed growth by speeding up transformation and growth, obtaining investment funds, and introducing external knowledge to reinforce its competitiveness and profitability by undertaking business reforms with the new partner.

The results by business segment are as followings. Note that revenues for each segment include intersegment revenues. There were no significant changes to the businesses of the Group during the nine months ended December 31, 2021.

### *Specialty Steel Products*

Revenues in the Specialty Steel Products segment for the nine months ended December 31, 2021 were ¥193,728 million, an increase of 22.1% as compared with those for the nine months ended December 31, 2020.

Breaking down the revenues by business, sales of molds and tool steel increased year on year reflecting an increase in both Japanese and international demand. Sales of materials for industrial equipment increased year on year due to a rise in demand for products related to automobiles. Sales of aircraft and energy-related materials decreased year on year due to continued weakness in demand for aircraft-related materials as a result of travel restrictions following the spread of COVID-19. Sales of alloys for electronic products increased year on year due to remaining high levels of demand for semiconductor package materials and solid sales of clad metals for smartphones and batteries, in addition to increased sales of organic EL panel-related components.

While sales of various rolls decreased year on year, sales of steel-frame joints for construction increased year on year for the nine months ended December 31, 2021 due to the recovery in demand during this third quarter, and sales of injection molding machine parts remained brisk. As a result, overall sales of rolls increased year on year.

Adjusted operating income increased by ¥14,023 million year on year to ¥12,416 million, due in part to an increase in demand for our mainstay products. Meanwhile, operating income climbed ¥19,695 million year on year to ¥11,743 million. This was attributable to the posting of ¥6,932 million in impairment losses, recorded under other operating expenses, in the second quarter ended September 30, 2020, on top of an increase in adjusted operating income.

### *Functional Components and Equipment*

Revenues in the Functional Components and Equipment segment for the nine months ended December 31, 2021 were ¥227,251 million, an increase of 32.5% year on year.

Breaking down the revenues by business, among automotive casting product sales, sales of heat-resistant exhaust casting

components saw a year-on-year decrease owing to the changes in product mix and the impact of international logistics disruption. Sales of cast iron products were impacted by production adjustments carried out by automobile manufacturers. Nonetheless, due to the impact from the rise in raw material prices (sliding-scale raw material price system) as well as an increase in demand for components for commercial vehicles and construction and agricultural equipment in the North America market, revenues outperformed the same period of the previous fiscal year. As a result, sales of automotive casting components as a whole increased year on year.

Among piping components, sales of mainstay pipe fittings expanded year-on-year, owing to an increase in demand mainly thanks to a recovery in housing starts in Japan and the U.S. Sales of equipment for semiconductor manufacturing devices increased year on year due to the recovery of capital investment demand following the strength of the semiconductor market. As a result, sales of piping components as a whole increased year on year.

Adjusted operating loss improved by ¥5,016 million year on year as a whole, resulting in a loss of ¥6,276 million, due in part to the improved profitability of heat-resistant exhaust casting components and a rise in demand in other businesses, despite the worsening profitability of automotive casting products in North America. Operating loss was ¥7,265 million, an improvement of ¥6,090 million year on year.

### ***Magnetic Materials and Applications / Power Electronics***

Revenues in the Magnetic Materials and Applications / Power Electronics segment for the nine months ended December 31, 2021 were ¥99,067 million, an increase of 31.2% year on year.

Breaking down the revenues by business, in magnetic materials, sales of rare earth magnets and ferrite magnets were impacted by production adjustments implemented by automobile manufacturers. In comparison with the same period of the previous fiscal year, the automotive related revenues increased. Specifically, in the rare earth magnets business, demand trended briskly related to FA/robots and electronics. As such in the magnetic materials business overall, revenues were up year on year.

Among power electronics materials, soft magnetic materials, and their applied products saw brisk demand for use in telecommunications applications such as smartphones, tablets, and server equipment. Demand for amorphous metals for transformers also increased mainly in Asia. As a result, sales of soft magnetic materials, and their applied products as a whole increased year on year. Sales of ceramic components increased year on year due to an increase in demand for use in automobiles as well as for server equipment and continued strength in demand for use in medical devices from the previous fiscal year. As a result, sales of power electronics materials as a whole increased year on year.

Adjusted operating income increased by ¥8,563 million year on year to ¥9,198 million, due to an increase in demand for both magnetic materials and power electronics materials. Meanwhile, operating income climbed ¥24,988 million year on year to ¥9,769 million. This was attributable to the posting of ¥15,657 million in impairment losses, recorded under other operating expenses, in the second quarter ended September 30, 2020, on top of an increase in adjusted operating income.

### ***Wires, Cables, and Related Products***

Revenues in the Wires, Cables, and Related Products segment for the nine months ended December 31, 2021, were ¥170,420 million, an increase of 26.2% year on year.

Breaking down the revenues by business, among electric wires and cables, sales of wires and cables for rolling stock decreased year on year mainly reflecting a decline in demand among users in China. In wires, cables, and tubes for medical devices, revenues overall increased due to the demand increased year on year. Sales of magnet wires increased year on year reflecting a recovery in demand mainly for automotive and industrial equipment use. Sales of electronic wires increased year on year due to an increase in demand for FA/robot applications. As a result, sales of electric wires and cables as a whole increased year on year. Sales of automotive components overall rose in contrast with the same period last year. Although the recovery trend had grown sluggish since the second quarter ended September 30, 2021 due to production adjustments implemented by automobile manufacturers, the demand increased year on year.

Adjusted operating income increased by ¥1,846 million year on year to ¥3,821 million, due to an increase in demand for both electric wires and cables and automotive components. Meanwhile, operating income climbed ¥3,127 million year on year to ¥3,502 million. This was attributable to the posting of ¥2,000 million in impairment losses, recorded under other operating expenses, in the second quarter ended September 30, 2020.

### ***Other***

Revenues in the Other segment for the nine months ended December 31, 2021, were ¥1,548 million, a decrease of 23.7%, and adjusted operating income decreased by ¥570 million to ¥203 million, as compared with those for the nine months ended December 31, 2020. Operating income of the segment increased by ¥4,876 million year on year, resulting in ¥5,746 million.

\*In order to give a true view of the condition of the Group's business without the effects of business restructuring etc., the Group shows "adjusted operating income (loss)" 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 (loss) is a unified profit indicator for the Hitachi Group, including Hitachi, Ltd.

## (2) Analysis of Financial Condition

### 1) Assets, liabilities, and equity

The analysis of changes in the Group's condensed interim consolidated statement of financial position as of the end of the period ended December 31, 2021, is as followings:

Total assets were ¥1,020,670 million, an increase of ¥48,421 million compared with the end of the fiscal year ended March 31, 2021. Current assets were ¥524,736 million, an increase of ¥62,178 million compared with the end of the fiscal year ended March 31, 2021. This was mainly due to increases of ¥49,937 million in inventories and ¥23,870 million in trade receivables. Non-current assets were ¥495,934 million, a decrease of ¥13,757 million compared with the end of the fiscal year ended March 31, 2021. This was mainly due to decreases of ¥11,486 million in property, plant, and equipment.

Total liabilities were ¥507,762 million, an increase of ¥27,631 million compared with the end of the fiscal year ended March 31, 2021. This was mainly attributable to factors including a ¥28,952 million increase in short-term debt, and a ¥21,080 million rise in trade payables despite a ¥22,102 million decline in the current portion of long-term debt and long-term debt. Total equity was ¥512,908 million, an increase of ¥20,790 million compared with the end of the fiscal year ended March 31, 2021. This was mainly attributable to increases in retained earnings of ¥13,974 million and accumulated other comprehensive income of ¥7,273 million.

### 2) Cash flows

Cash and cash equivalents as of the end of the nine months ended December 31, 2021, were ¥83,670 million, a decrease of ¥15,669 million compared with the end of the fiscal year ended March 31, 2021, as a result of cash used in operating and investing activities exceeding net cash provided by financing activities. The analysis of cash flows for each category as of December 31, 2021, is as followings:

#### <Cash Flows from Operating Activities>

Net cash used in operating activities was ¥16,361 million. This was mainly attributable to the net effect of net income of ¥13,413 million and depreciation and amortization of ¥34,834 million, more than offset by expenditure of ¥50,564 million from increasing working capital, and expenditure of ¥4,904 million in payments for structural reforms.

#### <Cash Flows from Investing Activities>

Net cash used in investing activities was ¥6,268 million. This was chiefly attributable to the ¥10,133 million in proceeds from the sale of property, plant, and equipment; and payments for the acquisition of the purchase of property, plant, and equipment of ¥19,390 million.

#### <Cash Flows from Financing Activities>

Net cash provided by financing activities was ¥3,175 million. This was mainly attributable to net increase in short-term debt of ¥26,629 million, despite the net effect of repayment of long-term debts of ¥23,348 million.

### (3) Forecasts for the Fiscal Year Ending March 31, 2022, including Consolidated Operating Forecasts

In the nine months ended December 31, 2021, revenues were within the scope of the forecast on the whole, chiefly reflecting the cheaper-than-expected yen as well as the impact from the rise in raw material prices (sliding-scale price system), despite the negative effects of the decline in automotive-related demand due to the semiconductor shortage. While adjusted operating income of Specialty Steel Products, Magnetic Materials and Applications/ Power Electronics, and Wires, Cables, and Related Products was generally in line with the forecast, adjusted operating income of Functional Components and Equipment remained below the forecast due mainly to the decline in automotive-related demand and the deterioration in productivity owing to labor shortage in North America. As a result, overall adjusted operating income fell below the forecast.

In consideration of the expected continuation of such management environment through the fourth quarter as well as the progress of measures related to business structure reforms, the Company has revised its full-year operating forecast for the fiscal year ending March 31, 2022 (April 1, 2021 through March 31, 2022) released on October 26, 2021 as shown in the table below.

#### Revisions to Consolidated Operating Forecasts for the Year Ending March 31, 2022 (April 1, 2021 through March 31, 2022)

	Revenues (million yen)	Adjusted Operating Income (loss) * (million yen)	Income (loss) befor Income Taxes (million yen)	Net Income (loss) attributable to Shareholders of the Parent Company (million yen)	Basic Earnings per Share (yen)
Previous forecasts (A)	920,000	34,000	17,000	12,000	28.07
Revised forecasts (B)	930,000	26,000	20,000	13,000	30.41
Differences (B) - (A)	10,000	(8,000)	3,000	1,000	—
Changes (%)	1.1	(23.5)	17.6	8.3	—
(Reference) Results for previous fiscal year ended March 31, 2021	761,615	(4,977)	(50,588)	(42,285)	(98.90)

Note: In order to give a true view of the condition of the Group's business without the effects of business restructuring etc., the Group shows "adjusted operating income (loss)" 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 (loss) is a unified profit indicator for the Hitachi Group, including Hitachi, Ltd.

**2. Condensed Interim Consolidated Financial Statements  
and Notes to Condensed Interim Consolidated Financial Statements  
(1) Condensed Interim Consolidated Statement of Financial Position**

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	99,339	83,670
Trade receivables	167,553	191,423
Inventories	170,094	220,031
Other current assets	25,572	29,612
Total current assets	462,558	524,736
Non-current assets		
Investments accounted for using the equity method	10,772	10,786
Investments in securities and other financial assets	11,859	11,116
Property, plant, and equipment	333,448	321,962
Goodwill and intangible assets	111,431	112,568
Deferred tax assets	23,835	24,079
Other non-current assets	18,346	15,423
Total non-current assets	509,691	495,934
Total assets	972,249	1,020,670



(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Short-term debt	72,511	101,463
Current portion of long-term debt	29,132	13,664
Other financial liabilities	22,016	21,418
Trade payables	150,639	171,719
Accrued expenses	40,668	36,061
Contract liabilities	1,015	622
Other current liabilities	1,799	8,053
Total current liabilities	317,780	353,000
Non-current liabilities		
Long-term debt	93,675	87,041
Other financial liabilities	217	223
Retirement and severance benefits	64,260	64,782
Deferred tax liabilities	438	630
Other non-current liabilities	3,761	2,086
Total non-current liabilities	162,351	154,762
Total liabilities	480,131	507,762
<b>Equity</b>		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	115,405	115,399
Retained earnings	326,888	340,862
Accumulated other comprehensive income	22,264	29,537
Treasury stock, at cost	(1,170)	(1,187)
Total equity attributable to shareholders of the parent company	489,671	510,895
Non-controlling interests	2,447	2,013
Total equity	492,118	512,908
Total liabilities and equity	972,249	1,020,670

**(2) Condensed Interim Consolidated Statement of Income  
and Condensed Interim Consolidated Statement of Comprehensive Income**  
[ Condensed Interim Consolidated Statement of Income ]  
[ For the nine months ended December 31, 2021 ]

(Millions of yen)

	Note	For the third quarter ended December 31, 2020	For the third quarter ended December 31, 2021
Revenues		541,403	690,849
Cost of sales		(475,487)	(590,172)
Gross profit		65,916	100,677
Selling, general and administrative expenses		(74,501)	(80,049)
Other income		5,628	10,969
Other expenses		(34,970)	(12,637)
Operating income (loss)	1	(37,927)	18,960
Interest income		160	211
Other financial income		316	1,876
Interest charges		(1,249)	(1,283)
Other financial expenses		(558)	(80)
Share of (losses) profits of investments accounted for using the equity method		(144)	816
Income (loss) before income taxes		(39,402)	20,500
Income taxes		5,462	(7,087)
Net income (loss)		(33,940)	13,413
Net income (loss) attributable to:			
Shareholders of the parent company		(33,719)	13,544
Non-controlling interests		(221)	(131)
Net income (loss)		(33,940)	13,413
Earnings per share attributable to shareholders of the parent company			
Basic		¥(78.86)	¥31.68
Diluted		—	—

Note: 1. Adjusted operating income, which is the operating income (loss) presented in the condensed interim consolidated statement of income, excluding other income and other expenses, is ¥(8,585) million and ¥20,628 million for the nine months ended December 31, 2020 and 2021, respectively.

[ Condensed Interim Consolidated Statement of Comprehensive Income ]  
[ For the nine months ended December 31, 2021 ]

(Millions of yen)

	For the third quarter ended December 31, 2020	For the third quarter ended December 31, 2021
Net income (loss)	(33,940)	13,413
Other comprehensive income		
Items not to be reclassified into net income		
Net change in fair value of financial assets measured at fair value through other comprehensive income	151	(85)
Share of other comprehensive income of investments accounted for using the equity method	121	63
Total items not to be reclassified into net income	272	(22)
Items that can be reclassified into net income		
Foreign currency translation adjustments	(3,429)	7,997
Net change in fair value of cash flow hedges	99	123
Share of other comprehensive income of investments accounted for using the equity method	(43)	(29)
Total items that can be reclassified into net income	(3,373)	8,091
Total other comprehensive income	(3,101)	8,069
Comprehensive income	(37,041)	21,482
Comprehensive income attributable to:		
Shareholders of the parent company	(36,895)	21,467
Non-controlling interests	(146)	15
Comprehensive income	(37,041)	21,482

### (3) Condensed Interim Consolidated Statement of Changes in Equity

(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 April 1, 2020	26,284	115,405	374,820	4,969	(1,165)	520,313	2,540	522,853
Changes in equity								
Net income (loss)	—	—	(33,719)	—	—	(33,719)	(221)	(33,940)
Other comprehensive income	—	—	—	(3,176)	—	(3,176)	75	(3,101)
Dividends to shareholders of the parent company	—	—	(5,558)	—	—	(5,558)	—	(5,558)
Dividends to non-controlling interests	—	—	—	—	—	—	(8)	(8)
Acquisition of treasury stock	—	—	—	—	(4)	(4)	—	(4)
Sales of treasury stock	—	0	—	—	0	0	—	0
Change in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	—	—	—	—	—
Transactions with non-controlling interests	—	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	(106)	106	—	—	—	—
Total changes in equity	—	0	(39,383)	(3,070)	(4)	(42,457)	(154)	(42,611)
Balance at Dec. 31, 2020	26,284	115,405	335,437	1,899	(1,169)	477,856	2,386	480,242

	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 April 1, 2021	26,284	115,405	326,888	22,264	(1,170)	489,671	2,447	492,118
Changes in equity								
Net income	—	—	13,544	—	—	13,544	(131)	13,413
Other comprehensive income	—	—	—	7,923	—	7,923	146	8,069
Dividends to shareholders of the parent company	—	—	—	—	—	—	—	—
Dividends to non-controlling interests	—	—	—	—	—	—	(23)	(23)
Acquisition of treasury stock	—	—	—	—	(18)	(18)	—	(18)
Sales of treasury stock	—	(6)	(220)	—	0	(226)	—	(226)
Change in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	—	1	1	—	1
Transactions with non-controlling interests	—	—	—	—	—	—	(426)	(426)
Transfer to retained earnings	—	—	650	(650)	—	—	—	—
Total changes in equity	—	(6)	13,974	7,273	(17)	21,224	(434)	20,790
Balance at Dec. 31, 2021	26,284	115,399	340,862	29,537	(1,187)	510,895	2,013	512,908

**(4) Condensed Interim Consolidated Statement of Cash Flows**

(Millions of yen)


	For the third quarter ended December 31, 2020	For the third quarter ended December 31, 2021
Cash flows from operating activities:		
Net income (loss)	(33,940)	13,413
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,405	34,834
Impairment losses	24,956	551
Share of losses (profits) of investments accounted for using the equity method	144	(816)
Financial income and expenses	1,331	(724)
Losses (profits) on sale of property, plant, and equipment	638	(6,026)
Structural reform expenses	1,534	2,646
Net loss (gain) on business reorganization and others	(1,971)	395
Income taxes	(5,462)	7,087
(Increase) decrease in trade receivables	(6,540)	(21,023)
(Increase) decrease in inventories	10,298	(48,456)
(Increase) decrease in accounts receivable - other	2,371	(1,009)
Increase (decrease) in trade payables	(5,557)	18,915
Increase (decrease) in accrued expenses	1,121	(2,706)
Increase (decrease) in retirement and severance benefits	1,538	(606)
Other	(8,288)	(7,129)
Subtotal	20,578	(10,654)
Interest and dividends received	596	591
Interest paid	(1,341)	(1,334)
Payments for structural reforms	(523)	(4,904)
Income taxes paid	(6,203)	(60)
Net cash provided by (used in) operating activities	13,107	(16,361)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(21,003)	(19,390)
Purchase of intangible assets	(663)	(496)
Proceeds from sales of property, plant and equipment	984	10,133
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(208)	(329)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	25,813	2,194
Proceeds from transfer of business	—	837
Other	607	783
Net cash provided by (used in) investing activities	5,530	(6,268)

(Millions of yen)

	For the third quarter ended December 31, 2020	For the third quarter ended December 31, 2021
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	44,248	26,629
Proceeds from long-term debt	410	161
Repayment of long-term debt	(49,717)	(23,348)
Dividends paid to shareholders	(5,558)	—
Dividends paid to non-controlling interests	(8)	(23)
Acquisition of common stock for treasury	(4)	(18)
Proceeds from sales of treasury stock	0	0
Other	—	(226)
Net cash provided by (used in) financing activities	<u>(10,629)</u>	<u>3,175</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,050)</u>	<u>3,785</u>
Net increase (decrease) in cash and cash equivalents	<u>6,958</u>	<u>(15,669)</u>
Cash and cash equivalents at the beginning of the first quarter	<u>42,353</u>	<u>99,339</u>
Cash and cash equivalents at the end of the third quarter	<u><u>49,311</u></u>	<u><u>83,670</u></u>

## (5) Segment Information

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

Reportable segment	Major products and services
Specialty Steel Products	<p>&lt; Specialty Steel &gt;</p> <ul style="list-style-type: none"> <li>·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</li> </ul> <p>&lt; Roll &gt;</p> <ul style="list-style-type: none"> <li>·Rolls for steel mills, Injection molding machine parts, Structural ceramic products, and Steel-frame joints for construction</li> </ul>
Functional Components and Equipment	<p>&lt; Automotive Casting &gt;</p> <ul style="list-style-type: none"> <li>·HNM<sup>TM</sup> ductile cast iron products, Cast iron products for transportation equipment, HERCUNITE<sup>TM</sup> heat-resistant exhaust casting components, and Aluminum components</li> </ul> <p>&lt; Piping Components &gt;</p> <ul style="list-style-type: none"> <li>·Piping and infrastructure components ( <sup>TM</sup> Gourd brand pipe fittings, valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)</li> </ul>
Magnetic Materials and Applications / Power Electronics	<p>&lt; Magnetic Materials &gt;</p> <ul style="list-style-type: none"> <li>·NEOMAX<sup>®</sup> rare-earth magnets, Ferrite magnets, Other magnets, and applied products</li> </ul> <p>&lt; Power Electronics Materials &gt;</p> <ul style="list-style-type: none"> <li>·Soft magnetic materials (Metglas<sup>®</sup> amorphous metals; FINEMET<sup>®</sup> nanocrystalline magnetic material; and soft ferrite) and applied products, and Ceramic components</li> </ul>
Wires, Cables, and Related Products	<p>&lt; Electric Wire &amp; Cable &gt;</p> <ul style="list-style-type: none"> <li>·Industrial cables, Electronic wires, Electric equipment materials, Cable assemblies, and Industrial rubber products</li> </ul> <p>&lt; Automotive Components &gt;</p> <ul style="list-style-type: none"> <li>·Automotive electronic components and Brake hoses</li> </ul>

## II Last consolidated fiscal year (from April 1 to December 31, 2020)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Condensed Interim Consolidated Statement of Income
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications /Power Electronics	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	158,572	171,489	75,487	134,805	540,353	1,050	541,403	—	541,403
Intersegment transactions	122	—	32	212	366	980	1,346	(1,346)	—
Total revenues	158,694	171,489	75,519	135,017	540,719	2,030	542,749	(1,346)	541,403
Segment profit (loss)	(7,952)	(13,355)	(15,219)	375	(36,151)	870	(35,281)	(2,646)	(37,927)
Financial income	—	—	—	—	—	—	—	—	476
Financial expenses	—	—	—	—	—	—	—	—	(1,807)
Share of (losses) profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	(144)
Income (loss) before income taxes	—	—	—	—	—	—	—	—	(39,402)

Note: 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.

## III Current year (from April 1 to December 31, 2021)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Condensed Interim Consolidated Statement of Income
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications /Power Electronics	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	193,486	227,251	99,056	170,178	689,971	878	690,849	—	690,849
Intersegment transactions	242	—	11	242	495	670	1,165	(1,165)	—
Total revenues	193,728	227,251	99,067	170,420	690,466	1,548	692,014	(1,165)	690,849
Segment profit (loss)	11,743	(7,265)	9,769	3,502	17,749	5,746	23,495	(4,535)	18,960
Financial income	—	—	—	—	—	—	—	—	2,087
Financial expenses	—	—	—	—	—	—	—	—	(1,363)
Share of profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	816
Income before income taxes	—	—	—	—	—	—	—	—	20,500

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

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