



# Consolidated Financial Report [IFRS] for the Year Ended March 31, 2022

April 26, 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: Mitsuki Nishiyama, Chairperson, President, and CEO

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Date of the Ordinary General Meeting of Shareholders: June 21, 2022

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

## 1. Performance over the year under review (April 1, 2021 - March 31, 2022)

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

	Revenues		Adjusted Operating Income (loss)		Operating Income (loss)		Income (loss) before Income Taxes		Net Income (loss)		Net Income (loss) attributable to Shareholders of the Parent Company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March, 2022	942,701	23.8	26,809	—	26,695	—	32,740	—	11,890	—	12,030	—
March, 2021	761,615	(13.6)	(4,977)	—	(49,213)	—	(50,588)	—	(42,556)	—	(42,285)	—

(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.

	Comprehensive Income (loss)		Earnings per Share (Basic)	Earnings per Share (Diluted)	Net Income (loss) Ratio to Equity attributable to Shareholders of the Parent Company	Income (loss) before Income Taxes Ratio to Assets	Operating Income (loss) Ratio to Revenues
	Million yen	%	Yen	Yen	%	%	%
March, 2022	39,438	—	28.14	—	2.4	3.2	2.8
March, 2021	(25,160)	—	(98.90)	—	(8.4)	(5.2)	(6.5)

Reference: Share of profit of investments accounted for using the equity method      March, 2022 ¥1,152 millions      March, 2021 ¥77 millions

### (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
March, 2022	1,069,695	531,118	527,563	49.3	1,233.91
March, 2021	972,249	492,118	489,671	50.4	1,145.26

### (3) Statement of Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Period
	Million yen	Million yen	Million yen	Million yen
March, 2022	29,851	(6,372)	(7,873)	124,645
March, 2021	52,586	2,191	(1,096)	99,339

## 2. Dividends

	Dividends per Share					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividends on Equity attributable to Shareholders of the Parent Company (Consolidated)
	1Q	2Q	3Q	Term-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March, 2021	—	0.00	—	0.00	0.00	—	—	—
March, 2022	—	0.00	—	0.00	0.00	—	—	—
March, 2023 (Forecast)	—	0.00	—	0.00	0.00	—	—	—

### 3. Business results forecast for the year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

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

	Revenues		Adjusted Operating Income		Income before Income Taxes		Net Income attributable to Shareholders of the Parent Company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full-year	1,100,000	16.7	70,000	161.1	41,500	26.8	30,000	149.4

(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 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)

March, 2022	428,904,352	March, 2021	428,904,352
March, 2022	1,349,888	March, 2021	1,340,710
March, 2022	427,557,344	March, 2021	427,565,354

(ii) Number of treasury stock outstanding at end of period

(iii) Average number of shares issued during the term

\*This financial report is outside the scope of audit procedures.

\*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 to differ from those projected. Please refer to "1. (1) Overview of Operating Results" on page 4 for precondition and assumption as the basis of the above forecasts.

## 【Appendix】

### Table of Contents

1. Overview of Operating Results .....	4
(1) Overview of Operating Results.....	4
(2) Overview of Financial Condition.....	7
(3) Business Risks.....	9
2. Basic Views of Selecting Accounting Standards.....	10
3. Consolidated Financial Statements and Notes to Consolidated Financial Statements.....	11
(1) Consolidated Statement of Financial Position.....	11
(2) Consolidated Statements of Income and Comprehensive Income.....	13
[ Consolidated Statement of Income ].....	13
[ Consolidated Statement of Comprehensive Income ].....	14
(3) Consolidated Statement of Changes in Equity.....	15
(4) Consolidated Statement of Cash Flows.....	16
(5) Notes to the Consolidated Financial Statements.....	18
[ Segment Information ].....	18
[ Net Income per Share ].....	23
[ Subsequent Events ].....	23

## 1. Overview of Operating Results

### (1) Overview of Operating Results

#### 1) Overview of Fiscal 2021 (fiscal year ended March 31, 2022)

The Group's operating results for the full year ended March 31, 2022 were as follows.

During the fiscal year ended March 31, 2022, 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 23.8% year on year to ¥942,701 million.

In terms of profit, adjusted operating income\* increased by ¥31,786 million year on year to ¥26,809 million, owing to the effects of various cost structure improvement measures and an increase in revenues, despite the negative impact of increases in expenses and energy costs due to soaring raw material prices. Operating income rose ¥75,908 million year on year to ¥26,695 million. This reflects mainly the posting of ¥35,857 million in impairment losses, recorded under other operating expenses, for the fiscal year 2020. Income before income taxes increased by ¥83,328 million year on year to ¥32,740 million and net income attributable to shareholders of the parent company increased by ¥54,315 million year on year to ¥12,030 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 March 31, 2022.

#### *Specialty Steel Products*

Revenues across the entire Specialty Steel Products segment for the fiscal year ended March 31, 2022, were ¥261,760 million, an increase of 20.4% as compared with those of the fiscal year ended March 31, 2021.

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. Among aircraft and energy-related materials, sales of aircraft-related materials remained sluggish as a result of travel restrictions following the spread of COVID-19. However, as demand related to small- and medium-sized passenger aircraft grew markedly in each quarter, overall sales of aircraft and energy-related materials remained virtually unchanged year on year for the fiscal year ended March 31, 2022. Sales of electronic materials 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 remained virtually unchanged year on year, demand for steel-frame joints for construction continued to pick up since the third quarter ended December 31, 2021, and sales of injection molding machine parts remained brisk. As a result, sales of rolls on the whole increased year on year.

Adjusted operating income increased by ¥16,309 million year on year to ¥17,120 million, due in part to an increase in demand for our mainstay products. Meanwhile, operating income climbed ¥27,837 million year on year to ¥15,861 million. This was attributable to the posting of ¥12,226 million in impairment losses, recorded under other operating expenses, in the fiscal year 2020 ended March 31, 2021, on top of an increase in adjusted operating income.

### ***Functional Components and Equipment***

Revenues in the Functional Components and Equipment segment for the fiscal year ended March 31, 2022, were ¥313,965 million, an increase of 26.6% compared with those of the fiscal year ended March 31, 2021.

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 production adjustments carried out by automobile manufacturers. 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 as capital investment demand remained brisk reflecting 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 ¥3,201 million year on year as a whole, resulting in a loss of ¥9,611 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. Meanwhile, operating loss was ¥11,290 million, an improvement of ¥7,838 million year on year. This was attributable to the absence of ¥5,847 million in impairment losses, which were recorded as other operating expenses a year earlier, on top of the improvement in adjusted operating income.

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

Revenues in the Magnetic Materials and Applications/ Power Electronics segment for the fiscal year ended March 31, 2022 were ¥136,216 million, an increase of 28.3% 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. 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 ¥10,313 million year on year to ¥12,794 million, due to an increase in demand for both magnetic materials and power electronics materials. Meanwhile, operating income climbed ¥27,031 million year on year to ¥12,947 million. This was attributable to the posting of ¥15,657 million in impairment losses, recorded under other operating expenses, in the fiscal year 2020 ended March 31, 2021, 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 fiscal year ended March 31, 2022, were ¥230,181 million, an increase of 21.6% 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 last fiscal year, although the recovery trend had grown sluggish since the second quarter ended September 30, 2021 due to production adjustments implemented by automobile manufacturers. Adjusted operating income increased by ¥664 million year on year to ¥5,224 million, due to an increase in demand mainly for electric wires and cables. Meanwhile, operating income was ¥3,686 million, an increase of ¥1,854 million year on year. This was attributable to the absence of ¥2,003 million in impairment losses, which were recorded as other operating expenses a year earlier, on top of an increase in adjusted operating income.

## Other

Revenues in the other segment for the fiscal year ended March 31, 2022, were ¥2,169 million, a decrease of 15.1%, and adjusted operating income decreased by ¥579 million to ¥300 million, as compared with the fiscal year ended March 31, 2021. Operating income of the segment increased by ¥4,303 million to ¥5,571 million year on year.

\* In order to give a true view of the condition of the whole Group's business without the effects of business restructuring etc., 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.

## 2) Outlook for Fiscal 2022 (the fiscal year ending March 31, 2023)

Looking at the overall management environment surrounding the Group, the global economy is expected to continue to recover, and demand will likely recover in each of the Group's major business fields of automotive, electronics, and industrial infrastructure. However, while demand is expected to continue to recover as in the previous fiscal year, there are concerns that the impact of material shortages and logistics disruptions will continue due to restrictions on corporate activities as the number of COVID-19 cases increases. In addition, prices of raw materials and sub-materials, as well as energy and transportation costs, are continuing to soar on the back of strong demand. Moreover, there are concerns that hikes of those prices will further accelerate in line with the exacerbation and protraction of the situation in Ukraine. The Group is committed to thorough cost structure reforms and productivity improvement. However, it is our policy to revise the sales prices of all products in line with soaring some raw materials and sub-materials, for which the sliding-scale price system has not been applied, as well as energy and transportation costs, etc., in areas beyond the level that can be absorbed through corporate efforts.

Taking the above into consideration, the consolidated operating forecasts for the fiscal year ending March 31, 2023 are as followings:

### Consolidated operating forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

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

	Revenues		Adjusted Operating income		Income before Income Taxes		Net Income attribute to Shareholders of the Parent Company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ending March 31, 2023	1,100,000	16.7	70,000	161.1	41,500	26.8	30,000	149.4

\* In order to give a true view of the condition of the whole 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.

## (2) Overview 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 fiscal year ended March 31, 2022, is as follows:

Total assets were ¥1,069,695 million, an increase of ¥97,446 million compared with the end of the fiscal year ended March 31, 2021. Current assets were ¥570,455 million, an increase of ¥107,897 million compared with the end of the fiscal year ended March 31, 2021. This was mainly due to increases of ¥58,312 million in inventories, ¥25,306 million in cash and cash equivalents, and ¥19,711 million in trade receivables. Non-current assets were ¥499,240 million, a decrease of ¥10,451 million compared with the end of the fiscal year ended March 31, 2021. This was mainly due to decreases of ¥13,387 million in deferred tax assets and ¥2,482 million in property, plant, and equipment.

Total liabilities were ¥538,577 million, an increase of ¥58,446 million compared with the end of the fiscal year ended March 31, 2021. This was mainly due to increases in Short-term debt of ¥27,805 million and trade payables of ¥50,020 million despite decreases of ¥26,214 million in the current portion of long-term debt and long-term debt. Total equity was ¥531,118 million, an increase of ¥39,000 million compared with the end of the fiscal year ended March 31, 2021. This was mainly due to increases of ¥12,954 million in retained earnings and ¥26,074 million in accumulated other comprehensive income as a result of an increase in foreign currency translation adjustments reflecting the depreciation of the yen.

### 2) Cash flows

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2022, were ¥124,645 million, an increase of ¥25,306 million from March 31, 2021, as a result of cash provided by operating activities exceeding net cash used in investing and financing activities. The analysis of cash flows for each category as of March 31, 2022, is as follows:

#### <Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥29,851 million. This was mainly attributable to the net effect of net income of ¥11,890 million and depreciation and amortization of ¥46,531 million, more than offset by expenditure of ¥19,145 million from increasing working capital, and expenditure of ¥6,066 million in payments for structural reforms.

#### <Cash Flows from Investing Activities>

Net cash used in investing activities was ¥6,372 million. This was chiefly attributable to the ¥16,609 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 ¥27,342 million.

#### <Cash Flows from Financing Activities>

Net cash used in financing activities was ¥7,873 million. This was mainly attributable to net effect of repayment of long-term debts of ¥29,953 million, despite the net increase in short-term debt of ¥21,512 million.

In principle, the Company covers funding for growth investments with operating cash flows generated during the normal course of business and liquid funds. For other financing on a larger scale, Hitachi Metals implements reliable and flexible methods to minimize opportunity losses for its growth, including accessing financial and capital markets.

Hitachi Metals adopted a Group cash pooling system to help manage its own working capital and that of its subsidiaries. In principle, consolidated subsidiaries in Japan procure funds through this system, rather than taking on external debt. By consolidating surplus funds and debts across the Group, Hitachi Metals has better positioned itself to become more financially efficient. Group companies in the U.S. and China also use this cash pooling system, through which funds are centrally managed to enhance financial efficiency.

	March, 2018	March, 2019	March, 2020	March, 2021	March, 2022
Ratio of equity attributable to shareholders of the parent company (%)	53.1	53.5	53.2	50.4	49.3
Ratio of equity attributable to shareholders of the parent company at market value (%)	50.8	50.0	49.8	80.1	81.6
Ratio of interest-bearing debts to cash flows (%)	411.0	303.5	177.0	371.4	659.6
Interest coverage ratio (times)	15.2	24.6	39.6	31.1	16.7

\*Ratio of equity attributable to shareholders of the parent company:

Equity attributable to shareholders of the parent company/Total assets

Ratio of equity attributable to shareholders of the parent company at market value: Total market value of stocks/Total assets

Ratio of interest-bearing debts to cash flows: Interest-bearing debts/Cash flows from operations

Interest coverage ratio: Cash flows from operations/Interest paid

1. Each indicator is calculated using financial information per consolidated financial statements.
2. Total market value of stocks is calculated by multiplying the closing stock price at the fiscal year end by total number of stocks issued (excluding treasury stocks) as of the fiscal year end.
3. Cash flows from operating activities in the consolidated statements of cash flows are used as cash flows from operations in the above calculation. Interest-bearing debts include all interest-bearing debts recorded in the consolidated statement of financial position. Interest paid represents the amount of interest expenses paid per the consolidated statements of cash flows.



### (3) Business Risks

The following are some of the business risks that may affect the performance and financial condition of the Group. The Group strives to avoid or minimize the impact of such risks by establishing and maintaining effective risk management systems. However, these risks may not be fully avoided or minimized, and may affect operating results, financial condition, and other aspects of the Group.

- a) Risks associated with product demand and market conditions
- b) Risks associated with competitiveness and development and commercialization of new technologies and products
- c) Risks associated with raw materials procurement
- d) Risks associated with securing talent
- e) Risks associated with product quality
- f) Risks associated with environmental regulations
- g) Risks associated with changes in foreign exchange rates
- h) Risks associated with M&A and business reorganization
- i) Risks associated with information security
- j) Risks associated with the global expansion of businesses
- k) Risks associated with safety and health
- l) Risks associated with earthquakes and other natural disasters
- m) Risks associated with impairment losses on property, plant, equipment, and goodwill
- n) Risks associated with relationship with the parent company
- o) Risks associated with financing activities
- p) Risks associated with laws and regulations, and official regulations
- q) Risks associated with intellectual property rights
- r) Risks associated with retirement benefit obligations

As for "e) Risks associated with product quality," the following are the degree of the possibility and the timing of the occurrence of these risks currently known, their potential impact on the operating results, and measures to prevent the risks:

#### e) Risks associated with product quality

##### 1) Effects of the Misconduct at Issue

The Company has verified facts and conducted investigations to identify the cause since April 2020 when it was discovered that inadequate figures had been included in the inspection reports submitted to customers for some products of the Company and its subsidiaries. The investigation has confirmed misconduct regarding several products of the Company and its subsidiaries such as magnets, specialty steel, and automotive casting products. The confirmed cases include misrepresentation of the test results on product characteristics defined in the specifications agreed with customers as well as delivery of products to customers without meeting the specifications. With regard to the products for which misconduct has been confirmed, the Company has been engaging in analysis of correlations between the methods of inspections actually conducted by the Company and those agreed with customers, confirmation of performance in the presence of customers, or reinspection of sample products stored at the Company. So far, no performance or safety problem has been found.

The Company established the Quality Compliance Committee as an advisory body to the Board of Directors in April 2021, thus making utmost efforts to prevent the recurrence and regain the trust of its stakeholders, including customers and shareholders, through the monitoring the steady implementation of various measures to drastically review the measures to prevent the recurrence as well as the quality assurance system, and to further strengthen compliance. However, depending on the progress of such efforts, the Group's operating results and financial position may be affected by a reduction in sales resulting from a loss of trust in the Group's products, additional measures to be taken in response to newly discovered misconduct, losses to be incurred including the costs of compensation for customers, and an increase in the costs required to improve the quality control system.

## 2) Non-conforming or Defective Products

The Group's products include those requiring high credibility such as key safety components. The Group established a strict quality control system for product manufacturing, in order to prevent products, which do not meet the specifications agreed with customers, (non-conforming products) or faulty or defective products from flowing into the market. However, if non-conforming products or faulty or defective products flow into the market and any costs are incurred in the repair, replacement, recall, compensation for damages, or legal actions of the Group's products, it may affect the operating results or financial situation of the Group.

## **2. Basic Views of Selecting Accounting Standards**

The Group has voluntarily adopted IFRS and prepared its consolidated financial statements under IFRS for the annual securities report beginning from the fiscal year ended March 31, 2015 (April 1, 2014 through March 31, 2015), for the purposes of further globalizing its business, better understanding of group management, stronger governance, and more efficient business operations.

### 3. Consolidated Financial Statements and Notes to Consolidated Financial Statements

#### (1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	99,339	124,645
Trade receivables	167,553	187,264
Inventories	170,094	228,406
Other current assets	25,572	30,140
Total current assets	462,558	570,455
Non-current assets		
Investments accounted for using the equity method	10,772	10,889
Investments in securities and other financial assets	11,859	9,803
Property, plant, and equipment	333,448	330,966
Goodwill and intangible assets	111,431	118,655
Deferred tax assets	23,835	10,448
Other non-current assets	18,346	18,479
Total non-current assets	509,691	499,240
Total assets	972,249	1,069,695

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Short-term debt	72,511	100,316
Current portion of long-term debt	29,132	21,907
Other financial liabilities	22,016	26,121
Trade payables	150,639	200,659
Accrued expenses	40,668	41,161
Contract Liabilities	1,015	787
Other current liabilities	1,799	3,849
Total current liabilities	317,780	394,800
Non-current liabilities		
Long-term debt	93,675	74,686
Other financial liabilities	217	146
Retirement and severance benefits	64,260	63,775
Deferred tax liabilities	438	2,924
Other non-current liabilities	3,761	2,246
Total non-current liabilities	162,351	143,777
Total liabilities	480,131	538,577
<b>Equity</b>		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	115,405	114,288
Retained earnings	326,888	339,842
Accumulated other comprehensive income	22,264	48,338
Treasury stock, at cost	(1,170)	(1,189)
Total equity attributable to shareholders of the parent company	489,671	527,563
Non-controlling interests	2,447	3,555
Total equity	492,118	531,118
Total liabilities and equity	972,249	1,069,695

**(2) Consolidated Statements of Income and Comprehensive Income**

[ Consolidated Statement of Income ]

(Millions of yen)

	Note	For the year ended March 31, 2021	For the year ended March 31, 2022
Revenues		761,615	942,701
Cost of sales		(666,246)	(807,516)
Gross profit		95,369	135,185
Selling, general and administrative expenses		(100,346)	(108,376)
Other income		9,726	18,018
Other expenses		(53,962)	(18,132)
Operating income (loss)	1	(49,213)	26,695
Interest income		217	284
Other financial income		789	6,524
Interest charges		(1,650)	(1,736)
Other financial expenses		(808)	(179)
Share of (losses) profits of investments accounted for using the equity method		77	1,152
Income (loss) before income taxes		(50,588)	32,740
Income taxes		8,032	(20,850)
Net income (loss)		(42,556)	11,890
Net income (loss) attributable to:			
Shareholders of the parent company		(42,285)	12,030
Non-controlling interests		(271)	(140)
Net income (loss)		(42,556)	11,890
Earnings per share attributable to shareholders of the parent company			
Basic		¥(98.90)	¥28.14
Diluted		—	—

Note: 1. Adjusted operating income, which is the operating income (loss) presented in the Consolidated Statement of Income, excluding other income and other expenses, is ¥(4,977) million and ¥26,809 million for the fiscal year ended March 31, 2021 and 2022, respectively.

[ Consolidated Statement of Comprehensive Income ]

(Millions of yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Net income (loss)	(42,556)	11,890
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	(98)	(60)
Remeasurements of defined benefit plans	7,499	4,252
Share of other comprehensive income of investments accounted for using the equity method	104	27
Total items not to be reclassified into net income	<u>7,505</u>	<u>4,219</u>
Items that can be reclassified into net income		
Foreign currency translation adjustments	9,762	23,114
Net change in fair value of cash flow hedges	89	156
Share of other comprehensive income of investments accounted for using the equity method	40	59
Total items that can be reclassified into net income	<u>9,891</u>	<u>23,329</u>
Total other comprehensive income	<u>17,396</u>	<u>27,548</u>
Comprehensive income	<u>(25,160)</u>	<u>39,438</u>
Comprehensive income attributable to:		
Shareholders of the parent company	(25,079)	39,248
Non-controlling interests	(81)	190
Comprehensive income	<u>(25,160)</u>	<u>39,438</u>

**(3) 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
Net income (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	—	—	(5,558)	—	—	(5,558)	—	(5,558)
Dividends to non-controlling interests	—	—	—	—	—	—	(12)	(12)
Acquisition of treasury stock	—	—	—	—	(5)	(5)	—	(5)
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	—	—	(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
Changes in equity								
Net income (loss)	—	—	12,030	—	—	12,030	(140)	11,890
Other comprehensive income	—	—	—	27,218	—	27,218	330	27,548
Dividends to shareholders of the parent company	—	—	—	—	—	—	—	—
Dividends to non-controlling interests	—	—	—	—	—	—	(25)	(25)
Acquisition of treasury stock	—	—	—	—	(20)	(20)	—	(20)
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	—	(1,111)	—	—	—	(1,111)	943	(168)
Transfer to retained earnings	—	—	1,144	(1,144)	—	—	—	—
Total changes in equity	—	(1,117)	12,954	26,074	(19)	37,892	1,108	39,000
Balance at March 31, 2022	26,284	114,288	339,842	48,338	(1,189)	527,563	3,555	531,118

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

(Millions of yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Cash flows from operating activities:		
Net income (loss)	(42,556)	11,890
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,407	46,531
Impairment losses	35,857	1,009
Share of losses (profits) of investments accounted for using the equity method	(77)	(1,152)
Financial income and expenses	1,452	(4,893)
Losses (profits) on sale of property, plant, and equipment	1,184	(11,415)
Structural reform expenses	5,620	3,619
Net loss (gain) on business reorganization and others	(3,726)	281
Income taxes	(8,032)	20,850
(Increase) decrease in trade receivables	(4,823)	(10,154)
(Increase) decrease in inventories	10,960	(51,730)
(Increase) decrease in accounts receivable - other	(1,022)	(3,638)
Increase (decrease) in trade payables	20,823	42,739
Increase (decrease) in accrued expenses	4,989	1,509
Increase (decrease) in retirement and severance benefits	6,605	2,192
Other	(14,208)	(9,833)
Subtotal	63,453	37,805
Interest and dividends received	669	680
Interest paid	(1,690)	(1,792)
Payments for structural reforms	(2,547)	(6,066)
Income taxes refund (paid)	(7,299)	(776)
Net cash provided by operating activities	52,586	29,851
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(29,129)	(27,342)
Purchase of intangible assets	(936)	(893)
Proceeds from sales of property, plant, and equipment	1,602	16,609
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(424)	(329)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	26,329	3,465
Proceeds from transfer of business	4,157	1,002
Other	592	1,116
Net cash used in investing activities	2,191	(6,372)



(Millions of yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	18,569	21,512
Proceeds from long-term debt	36,749	519
Repayment of long-term debts	(50,839)	(29,953)
Proceeds from payments from non-controlling interests	—	320
Dividends paid to shareholders	(5,558)	—
Dividends paid to non-controlling interests	(12)	(25)
Acquisition of common stock for treasury	(5)	(20)
Proceeds from sales of treasury stock	0	0
Other	—	(226)
Net cash used in financing activities	<u>(1,096)</u>	<u>(7,873)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>3,305</u>	<u>9,700</u>
Net increase (decrease) in cash and cash equivalents	<u>56,986</u>	<u>25,306</u>
Cash and cash equivalents at the beginning of the year	<u>42,353</u>	<u>99,339</u>
Cash and cash equivalents at the end of the year	<u><u>99,339</u></u>	<u><u>124,645</u></u>

## (5) Notes to the Consolidated Financial Statements

### [ Segment Information ]

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 engages in business activities related to their products and services for both the domestic and international markets.

Based on the above, the Group is structured by four business segments: Specialty Steel Products segment, and Functional Components and Equipment segment are comprised by Advanced Metals Division; and Magnetic Materials and Applications / Power Electronics segment, and Wire, Cables, and Related Products segment are comprised by Advanced Components and Materials Division. The Group informs the operating results also with the segment basis.

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, and 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 (G<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, and 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>

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

Last consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of Yen)

	Business Segment					Others	Total	Adjustments	Consolidated statements of income
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications /Power Electronics	Wires, Cables, and Related Products	Subtotal				
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
Income 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

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.
3. Adjustments represent mainly cash and cash equivalents, investments in securities, and other financial assets included in corporate assets and eliminations of intersegment transactions.
4. Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.

Current year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Consolidated statements of income
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications /Power Electronics	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	261,425	313,965	136,199	229,849	941,438	1,263	942,701	—	942,701
Intersegment transactions	335	—	17	332	684	906	1,590	(1,590)	—
Total revenues	261,760	313,965	136,216	230,181	942,122	2,169	944,291	(1,590)	942,701
Segment profit (loss)	15,861	(11,290)	12,947	3,686	21,204	5,571	26,775	(80)	26,695
Financial income	—	—	—	—	—	—	—	—	6,808
Financial expenses	—	—	—	—	—	—	—	—	(1,915)
Share of profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	1,152
Income before income taxes	—	—	—	—	—	—	—	—	32,740
Segment assets	334,851	315,420	167,784	229,670	1,047,725	18,251	1,065,976	3,719	1,069,695
Other items:									
Depreciation and amortization	14,778	14,503	5,560	8,087	42,928	372	43,300	3,231	46,531
Capital expenditure	9,716	9,114	6,551	6,834	32,215	394	32,609	1,740	34,349
Impairment losses	2	842	—	165	1,009	—	1,009	—	1,009

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.
3. Adjustments represent mainly cash and cash equivalents, investments in securities, and other financial assets included in corporate assets and eliminations of intersegment transactions.
4. Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.

## Other Related Information

For the year ended March 31, 2021

### 1) Product and service information

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

### 2) Geographic information

#### (a) Revenues

(Millions of yen)

Japan	North America	Asia	Europe	Other areas	Total
342,849	207,082	160,874	35,435	15,375	761,615

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 and ¥72,260 million, respectively.

#### (b) 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

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

Non-current assets (excluding financial assets) attributable to the United States were ¥157,733 million.

### 3) Significant customer information

There were no major external customers who are considered significant on a stand-alone basis.

For the year ended March 31, 2022

1) Product and service information

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

2) Geographic information

(a) Revenues

(Millions of yen)

Japan	North America	Asia	Europe	Other areas	Total
402,157	274,457	204,914	42,267	18,906	942,701

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 ¥256,959 million and ¥85,685 million, respectively.

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

(Millions of yen)

Japan	North America	Asia	Europe	Other areas	Total
244,460	169,473	52,210	173	4,247	470,563

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

Non-current assets (excluding financial assets) attributable to the United States were ¥169,473 million.

3) Significant customer information

There were no major external customers who are considered significant on a stand-alone basis.

[ Net Income per Share ]

The calculation of basic EPS attributable to shareholders of the parent company is summarized as follows.

Note that diluted EPS attributable to shareholders of the parent company is not presented because no potential ordinary shares of common stock were issued or outstanding.

	For the year ended March 31, 2021	For the year ended March 31, 2022
Weighted-average number of ordinary shares on which basic EPS is calculated	427,565 Thousands of shares	427,557 Thousands of shares
Net income (loss) attributable to shareholders of the parent company	(42,285) Millions of yen	12,030 Millions of yen
Basic EPS (LPS) attributable to shareholders of the parent company	(98.90) Yen	28.14 Yen

[ Subsequent Events ]

There is no applicable item.