



October 27, 2020

To whom it may concern:

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## Notice Concerning the Recording of Impairment Losses, Revisions to Results Forecast for the Year Ending March 31, 2021 and Concerning Dividends

Hitachi Metals, Ltd. (hereinafter “the Company”) hereby announces that it has posted impairment losses in the financial results for the six months ended September 30, 2020 (April 1, 2020 through September 30, 2020) and that it has revised its consolidated results forecast for the year ending March 31, 2021 (April 1, 2020 through March 31, 2021), which was released on July 28, 2020.

The Company also announces that it has resolved at its Board of Directors meeting held on October 27, 2020, not to pay dividends, with September 30, 2020 as the record date. The year-end dividend for the year ending March 31, 2021 has yet to be determined. The details are as follows.

### 1. Recording of Impairment Losses

#### (1) Details

In the Specialty Steel Products segment, the Company reviewed future profitability in the aircraft & energy materials business and recorded impairment losses amounting to ¥6,812 million in other operating expenses during the six months ended September 30, 2020.

In the Magnetic Materials and Applications/Power Electronics segment, the Company reviewed future profitability in the magnetic materials and applications business and recorded impairment losses amounting to ¥15,657 million in other operating expenses during the six months ended September 30, 2020.

In the Wires, Cables, and Related Products segment, the Company reviewed future profitability in the automotive components business and recorded impairment losses amounting to ¥2,000 million in other operating expenses in the six months ended September 30, 2020.

#### (2) Reason

The business environment has changed due to the COVID-19 pandemic and it is likely to take time before a full-scale recovery in orders. As a result, future profitability in the businesses mentioned in (1) above has declined. The Company has thus posted impairment losses.

## 2. Revisions to Consolidated Operating Results Forecast

### (1) Revisions to Consolidated Operating Results Forecast for the Year Ending March 31, 2021

(April 1, 2020 through March 31, 2021)

	Revenues (million yen)	Adjusted operating income (loss)* (million yen)	Income (loss) before income taxes (million yen)	Net income (loss) attributable to shareholders of parent company (million yen)	Basic Earnings per share (yen)
Previous forecast (A) (Announced on July 28, 2020)	750,000	(5,000)	(15,000)	(12,000)	(28.07)
Revised forecast (B)	720,000	(14,000)	(56,000)	(46,000)	(107.59)
Difference (B) – (A)	(30,000)	(9,000)	(41,000)	(34,000)	—
Change (%)	(4)	—	—	—	—
(Reference) Results for previous fiscal year ended March 31, 2020	881,402	14,383	(40,614)	(37,648)	(88.05)

\* 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) excluding other income and other expenses. Adjusted operating income (loss) is a unified profit indicator for the Hitachi Group, including Hitachi, Ltd.

### (2) Reasons for the Revisions and Future Outlook

Due to the COVID-19 pandemic, economic and social activities are significantly limited worldwide. In 2020, the world economy is expected to dip into negative growth overall, although there are signs of economic recovery in China. In the Group's business fields, demand for the mainstay products, particularly automobile products, have fallen sharply. Demand is expected to recover moderately compared with the Company's initial forecast. In this environment, revenues in the fiscal year under review are expected to fall short of the previous forecast. Adjusted operating income is also likely to be less than the previous forecast due to the significant effect of a decrease in revenues, although the Company will further cut costs.

Income before income taxes and net income attributable to the shareholders of the parent company are anticipated to fall short of the previous forecast, reflecting the adjusted operating income forecast, which is less than the previous forecast, impairment losses that have been posted in other operating expenses in the first six months as described in "1. Recording of Impairment Losses," and expenses for structural reform which are included in the full-year results forecast.

As described above, the forecast revenues, adjusted operating income, income before income taxes and net income attributable to shareholders of the parent company in the results forecast for the fiscal year ending March 31, 2021 that was announced on July 28, 2020 have been revised.

In April 2019, the Group announced the Medium-term Management Plan (MMP), the final year of which is FY2021. Under the MMP, the Group has started to undertake initiatives to become "a high-performance materials company that supports a sustainable society." However, the business environment has changed significantly, reflecting increasing tensions related to trade issues between the United States and China, a slowdown in growth in the Chinese economy due to increasing friction and a fall in the world economy due to the COVID-19 outbreak from early 2020. In the FY2021 MMP, the Group stated improving capital efficiency and concentrating resources in growth businesses, but it has been unable to produce results. Profitability fell due to a decrease in revenues. In this situation, the Group reviewed the FY2021 MMP and has formed a business plan where the Group will change the cost structure to improve results early and will change the earnings base to earn funds for investment for growth.

Under the new business plan, the Group will change the business structure, withdrawing from unprofitable products and consolidating production bases, and will change the cost structure, cutting costs and expenses thoroughly and optimizing labor costs. As a result, the Group will change the earnings structure that will enable us to respond to changes in demand. At the same time, the Group will carefully examine the effects of the COVID-19 pandemic in each business. Based on benchmark analysis in the global competitive environment, the Group will accelerate changes in businesses in each segment to achieve growth and optimize the portfolio of core businesses.

Through those initiatives, the Group will build a business structure to create funds for growth investment, aiming to become "a high-performance materials company that supports a sustainable society."

In FY2022, the Group plans to post revenues of ¥870 billion, adjusted operating income of ¥70 billion, adjusted operating income margin of 8% and ROIC of 8%.

### 3. Concerning Dividends

#### (1) Dividends from Surplus with September 30, 2020 as the Record Date

	Determined amount	Most recent dividend forecast (Announced on July 28, 2020)	Previous fiscal year's interim dividend (Year ended March 31, 2020)
Record date	September 30, 2020	September 30, 2020	September 30, 2019
Dividends per share	0.00 yen	To be determined	13.00 yen
Total dividends	—	—	5,558 million yen
Effective date	—	—	November 29, 2019
Source of dividends	—	—	Retained earnings

#### (2) Reason for Dividend

Considering the full-year results forecast, the Company has unfortunately decided not to pay interim dividends for the year ending March 31, 2021. The Company has yet to determine the year-end dividend.