Consolidated Financial Report [IFRS]
for the Year Ended March 31, 2021

April 26, 2021

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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Date of the Ordinary General Meeting of Shareholders: June 18, 2021

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

1. Performance over the year under review (April 1, 2020 - March 31, 2021)

(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, 2021	761,615	(13.6)	(4,977)	–	(49,213)	–	(50,588)	–	(42,556)	–	(42,285)	–
March, 2020	881,402	(13.9)	14,383	(72.0)	(39,126)	–	(40,614)	–	(39,538)	–	(37,648)	–

(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 profitindicator 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, 2021	(25,160)	–	(98.90)	–	(8.4)	(5.2)	(6.5)
March, 2020	(56,804)	–	(88.05)	–	(6.8)	(3.9)	(4.4)

Reference: Share of profit of investments accounted for using the equity method March, 2021 ¥77millions March, 2020 ¥1,667millions

(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, 2021	972,249	492,118	489,671	50.4	1,145.26
March, 2020	977,766	522,853	520,313	53.2	1,216.92

(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, 2021	52,586	2,191	(1,096)	99,339
March, 2020	105,958	(56,418)	(45,735)	42,353

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, 2020	–	13.00	–	13.00	26.00	11,116	–	2.0
March, 2021	–	0.00	–	0.00	0.00	–	–	–
March, 2022 (Forecast)	–	–	–	–	–		–	

*The dividends on March, 2022 (forecast) have been undetermined as of this point.

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

(% 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		Earnings per Share (Basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	850,000	11.6	34,000	－	17,000	－	12,000	－	28.07

(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 profitindicator 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, 2021	428,904,352	March, 2020	428,904,352
(ii) Number of treasury stock outstanding at end of period	March, 2021	1,340,710	March, 2020	1,337,583
(iii) Average number of shares issued during the term	March, 2021	427,565,354	March, 2020	427,568,334

*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.

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1. Overview of Operating Results

(1) Overview of Operating Results

1) Overview of Fiscal 2020 (fiscal year ended March 31, 2021)

The Group's operating results for the full year ended March 31, 2021 were as follows.

During the fiscal year ended March 31, 2021, economic and social activities in various regions of the world remained restricted due to the global outbreak of the novel coronavirus disease (COVID-19). With the world economy expected to contract by 3.3% in 2020 (released by the International Monetary Fund [IMF] in April 2021), the global economy was faced with extremely challenging conditions with China being the only major economy that achieved positive growth. In the business fields of the Group, signs of a recovery in demand had continued since the second quarter after bottoming out in the first quarter ended June 30, 2020. However, revenues for the fiscal year ended March 31, 2021 decreased by 13.6% to ¥761,615 million, due to the significant drop in the first quarter.

Adjusted operating income* showed an improvement following the recovery of revenues since the second quarter ended September 30, 2020, in addition to measures such as the reduction of fixed costs. However, it ended at a loss of ¥4,977 million for the fiscal year ended March 31, 2021, a decrease of ¥19,360 million from the previous fiscal year, reflecting a decrease in revenues, among other factors.

Under other income, ¥1,971 million was recorded in Specialty Steel Products segment as a gain on business reorganization and others in line with the transfer of all of the shares of Mitsubishi Hitachi Tool, Ltd. (currently, MOLDINO Tool Engineering, Ltd.) held by the Company to Mitsubishi Materials Corporation in the first quarter ended June 30, 2020. In addition, ¥1,474 million was recorded in Functional Components and Equipment segment as a gain on business reorganization and others in line with the sale of certain plant owned by Waupaca Foundry, Inc. in the U.S. in the fourth quarter ended March 31, 2021.

Under other expenses, in the Specialty Steel Products segment, impairment losses amounting to ¥6,812 million and ¥5,290 million were recorded in the second and fourth quarters respectively, as a result of reviewing the future profitability of the aircraft & energy materials business. In the Functional Components and Equipment segment, impairment losses of ¥5,457 million relating to certain plant owned by Waupaca Foundry, Inc. in the U.S., were recorded in the fourth quarter ended March 31, 2021. Also, in the Magnetic Materials and Applications / Power Electronics segment, impairment losses amounting to ¥15,657 million were recorded as a result of reviewing the expected future profitability of the magnetic materials and applications business in the second quarter ended September 30, 2020. Additionally, in the Wires, Cables, and Related Products segment, impairment losses amounting to ¥2,000 million were recorded as a result of reviewing the expected future profitability of the automotive components business in the second quarter ended September 30, 2020. Therefore, operating loss was ¥49,213 million, an increase of ¥10,087 million from the same period last year. Loss before income taxes increased by ¥9,974 million year on year, resulting in a loss before income taxes of ¥50,588 million, and net loss attributable to shareholders of the parent company increased by ¥4,637 million, resulting in a net loss attributable to shareholders of the parent company of ¥42,285 million.

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

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

Specialty Steel Products

Revenues across the entire Specialty Steel Products segment for the fiscal year ended March 31, 2021, were ¥217,420 million, a decrease of 13.3% as compared with those of the fiscal year ended March 31, 2020.

Breaking down the revenues by business, sales of molds and tool steel were down year on year for the full fiscal year ended March 31, 2021, although the inventory adjustments including distribution stock corrections were completed by the end of December 2020, and there had been signs of a recovery in demand from both domestic and international markets since the fourth quarter. Sales of industrial materials decreased year on year for the fiscal year ended March 31, 2021, although there had been a clear recovery in demand for automotive-related products since the second quarter ended September 30, 2020 and demand recovered to its year-ago level during the fourth quarter ended March 31, 2021. Sales of aircraft & energy materials decreased year on year due to a decline in demand for the unit's mainstay aircraft-related materials, mainly in the private sector. Overall sales of electronic materials increased year on year, due to a recovery in demand for semiconductor package components in the fourth quarter ended March 31, fiscal year 2021, in addition to increased sales of organic EL panel-related components and clad metals for smartphones and batteries.

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

Adjusted operating income decreased by ¥4,663 million year on year to ¥811 million, due to a decline in demand for our mainstay molds and tool steel and industrial materials. In addition, ¥1,971 million was recorded in the first quarter ended June 30, 2020 as a gain on business reorganization and others under other income in line with the transfer of all of the shares of Mitsubishi Hitachi Tool, Ltd. (currently, MOLDINO Tool Engineering, Ltd.) held by the Company to Mitsubishi Materials Corporation on April 1, 2020. Also, impairment losses amounting to ¥6,812 million and ¥5,290 million were recorded during the second quarter and the fourth quarter in fiscal year 2020 under other expenses, as a result of reviewing the future profitability of the aircraft & energy materials business. Consequently, operating income of the segment decreased by ¥19,561 million year on year, resulting in an operating loss of ¥11,976 million.

Functional Components and Equipment

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

Breaking down the revenues by business, among casting components for automobiles, sales of cast iron products plummeted, bottoming out in the first quarter of the current fiscal year, as the operations of major customers were suspended in various parts of the world during the quarter as a result of the COVID-19 outbreak. As automobile sales subsequently recovered in various regions and the operations of major customers resumed, the Group's business remained on a recovery trend. However, during the fourth quarter, the sales were affected mainly in the North America by production adjustments implemented by automobile manufacturers, as a result of a supply shortage of semiconductors for automobiles. Sales for the full fiscal year ended March 31, 2021 decreased year on year. Driven by demand recovery, sales of heat-resistant exhaust casting components had remained higher than the same period of last year since the third quarter ended December 31, 2020. However, sales for the full fiscal year were down year on year due to the significant decline in the first quarter. It was decided to withdraw from the aluminum wheels business, and their production was terminated at the end of September 2020. As a result, overall sales of casting components for automobiles decreased year on year.

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

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

Magnetic Materials and Applications / Power Electronics

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

Breaking down the revenues by business, demand for both rare earth magnets and ferrite magnets among magnetic materials plummeted, hitting a low in the first quarter. However, demand continued to recover for automotive electronic components after the beginning of the second quarter ended September 30, 2020. Sales for the fourth quarter were up year on year as demand related to FA/robots and electronics had picked up since the third quarter. Sales for the full fiscal year ended March 31, 2021 decreased year on year.

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

Adjusted operating income increased by ¥1,076 million to ¥2,481 million year on year. Operating loss was ¥14,084 million improve by ¥28,666 million, compared with the year ended March 31, 2020 due to despite impairment losses amounting to

¥15,657 million were recorded under other expenses in the second quarter ended September 30, 2020 as a result of reviewing the expected future profitability of the magnetic materials and applications business, mainly the impact of the impairment losses amounting to ¥42,581 million were recorded under other expenses during the second quarter ended September 30, 2019.

Wires, Cables, and Related Products

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

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

Following the recovery of the automobile market, demand for automotive components recovered, mainly for use in automotive electronic components. For this reason, sales of automotive components had remained higher than the same period last year since the third quarter. However, sales for the year ended March 31, 2021 were down year on year due to the significant drop in the first quarter.

Adjusted operating income was ¥4,560 million, a decrease of ¥2,109 million, as compared with the year ended March 31, 2020, led in part by a decline in demand for the wires, cables, and automotive components. Operating income of the segment was ¥1,832 million, a decrease of ¥3,425 million year on year due to impairment losses amounting to ¥2,000 million were recorded under other expenses, as a result of reviewing the expected future profitability of the automotive components business during the second quarter ended September 30, 2020.

Other

Revenues in the other segment for the fiscal year ended March 31, 2021, were ¥2,555 million, a decrease of 24.2%, and adjusted operating income increased by ¥125 million to ¥879 million, as compared with the fiscal year ended March 31, 2020. Operating income of the segment increased by ¥758 million to ¥1,268 million year on year for the same period.

* 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 profitindicator for the Hitachi Group, including Hitachi, Ltd.

2) Outlook for Fiscal 2021 (the fiscal year ending March 31, 2022)

a) Situation of Operating Results

The world economy is turning positive, expected to grow by 6.0% in 2021 (forecast released by IMF in April 2021). The automobiles, electronics, and industrial Infrastructure businesses, which are the Group's core business areas, are also expected to see a recovery in demand. Meanwhile, there are concerns over the additional impact of the semiconductor shortage on automotive production and the logistics disruptions such as a potential shortage of containers caused by a rapid recovery in the international movement of goods, though some of those are included in the forecast of fiscal year 2021. While the impact of COVID-19 might be mitigated as vaccination rollout expands, it is presently difficult to look into the future. Therefore, the fiscal year 2022 outlook does not reflect risks and impact such as a potential suspension of the operation of the Group and its customers due to a rebound of COVID-19.

b) Management Measures

The Group developed and released in October 2020, a Management Plan, with the aim of transforming its cost structure for an early improvement in performance and to reform its revenue base to secure capital for investment in future growth. Under the Management Plan, the Group aims to create a revenue structure which is resilient to fluctuations in demand, by transforming its cost structure through measures such as: business restructuring including withdrawal from unprofitable product lines and the merger and abolition of bases, a radical reduction of costs and expenses, and the optimization of personnel costs. Based on benchmark analysis in the global competitive environment faced by each business, the Group will accelerate the regeneration of business in each segment to optimize the portfolio of growth and core businesses.

Taking the above into consideration, the consolidated operating forecasts for the fiscal year ending March 31, 2022 are as follows:

Consolidated operating forecasts for the fiscal year ending March 31, 2022 (April 1, 2021ー March 31, 2022)

(% 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		Basic Earnings per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2022	850,000	11.6	34,000	ー	17,000	ー	12,000	ー	28.07

* 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 profitindicator 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, 2021, is as follows:

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

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

2) Cash flows

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

<Cash Flows from Operating Activities>

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

<Cash Flows from Investing Activities>

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

<Cash Flows from Financing Activities>

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

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, 2017	March, 2018	March, 2019	March, 2020	March, 2021
Ratio of equity attributable to shareholders of the parent company (%)	51.6	53.1	53.5	53.2	50.4
Ratio of equity attributable to shareholders of the parent company at market value (%)	64.2	50.8	50.0	49.8	80.1
Ratio of interest-bearing debts to cash flows (%)	217.5	411.0	303.5	177.0	371.4
Interest coverage ratio (times)	31.2	15.2	24.6	39.6	31.1

*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 changes in foreign exchange rates
e) Risks associated with the global expansion of businesses
f) Risks associated with impairment losses on property, plant and equipment
g) Risks associated with product quality
h) Risks associated with M&A
i) Risks associated with financing activities
j) Risks associated with relationship with the parent company
k) Risks associated with information security
l) Risks associated with environmental regulations
m) Risks associated with business reorganization
n) Risks associated with intellectual property rights
o) Risks associated with securing talent
p) Risks associated with laws and regulations, and official regulations
q) Risks associated with earthquakes and other natural disasters
r) Risks associated with retirement benefit obligations

Relating to "g) Risks associated with product quality," the Company made an official announcement on April 27, 2020, stating that it had discovered misconduct involving misrepresentation of the test results in the inspection reports submitted to customers for some products manufactured by the Company and its subsidiaries. A special investigation committee comprising outside experts, established as also stated in the announcement, has examined the facts and causes of the matter. The committee's investigation 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. Based on the results of the committee's investigation, the Company will make every effort to prevent the recurrence of such matter and to rebuild the trust of customers, shareholders, and other stakeholders by firmly implementing preventive measures, conducting a thorough review of its quality assurance system, and further enhancing its compliance framework.
As for "g) 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:

g) Risks associated with product quality

1) Effects of the Misconduct at Issue

The investigation 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. Detailed investigations are still in progress at some bases.
The potential effects include: 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) Faulty 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 faulty or defective products or those that do not meet the specifications agreed with customers from flowing into the market. However, if faulty or defective products or those that do not meet the specifications agreed with customers 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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	42,353	99,339
Trade receivables	157,732	167,553
Inventories	179,925	170,094
Other current assets	26,109	25,572
Total current assets	406,119	462,558
Non-current assets		
Investments accounted for using the equity method	28,354	10,772
Investments in securities and other financial assets	13,234	11,859
Property, plant and equipment	381,095	333,448
Goodwill and intangible assets	118,174	111,431
Deferred tax assets	17,816	23,835
Other non-current assets	12,974	18,346
Total non-current assets	571,647	509,691
Total assets	977,766	972,249

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Short-term debt	53,048	72,511
Current portion of long-term debt	51,253	29,132
Other financial liabilities	26,642	22,016
Trade payables	126,640	150,639
Accrued expenses	35,042	40,668
Contract Liabilities	640	1,015
Other current liabilities	3,934	1,799
Total current liabilities	297,199	317,780
Non-current liabilities		
Long-term debt	83,285	93,675
Other financial liabilities	978	217
Retirement and severance benefits	67,560	64,260
Deferred tax liabilities	2,420	438
Other non-current liabilities	3,471	3,761
Total non-current liabilities	157,714	162,351
Total liabilities	454,913	480,131
Equity		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	115,405	115,405
Retained earnings	374,820	326,888
Accumulated other comprehensive income	4,969	22,264
Treasury stock, at cost	(1,165)	(1,170)
Total equity attributable to shareholders of the parent company	520,313	489,671
Non-controlling interests	2,540	2,447
Total equity	522,853	492,118
Total liabilities and equity	977,766	972,249

(2) Consolidated Statements of Income and Comprehensive Income

[Consolidated Statement of Income]

(Millions of yen)

	Note	For the year ended March 31, 2020	For the year ended March 31, 2021
Revenues		881,402	761,615
Cost of sales		(755,947)	(666,246)
Gross profit		125,455	95,369
Selling, general and administrative expenses		(111,072)	(100,346)
Other income		8,599	9,726
Other expenses		(62,108)	(53,962)
Operating income (loss)	1	(39,126)	(49,213)
Interest income		456	217
Other financial income		122	789
Interest charges		(2,646)	(1,650)
Other financial expenses		(1,087)	(808)
Share of (losses) profits of investments accounted for using the equity method		1,667	77
Income (loss) before income taxes		(40,614)	(50,588)
Income taxes		1,076	8,032
Net income (loss)		(39,538)	(42,556)
Net income (loss) attributable to:			
Shareholders of the parent company		(37,648)	(42,285)
Non-controlling interests		(1,890)	(271)
Net income (loss)		(39,538)	(42,556)
Earnings per share attributable to shareholders of the parent company			
Basic		¥(88.05)	¥(98.90)
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 ¥14,383 million and ¥(4,977) million for the fiscal year ended March 31, 2020 and 2021, respectively.

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Net income (loss)	(39,538)	(42,556)
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	(573)	(98)
Remeasurements of defined benefit plans	(7,069)	7,499
Share of other comprehensive income of investments accounted for using the equity method	219	104
Total items not to be reclassified into net income	(7,423)	7,505
Items that can be reclassified into net income		
Foreign currency translation adjustments	(9,723)	9,762
Net change in fair value of cash flow hedges	(109)	89
Share of other comprehensive income of investments accounted for using the equity method	(11)	40
Total items that can be reclassified into net income	(9,843)	9,891
Total other comprehensive income	(17,266)	17,396
Comprehensive income	(56,804)	(25,160)
Comprehensive income attributable to:		
Shareholders of the parent company	(54,588)	(25,079)
Non-controlling interests	(2,216)	(81)
Comprehensive income	(56,804)	(25,160)

(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, 2019	26,284	115,045	425,886	21,925	(1,161)	587,979	7,232	595,211
Cumulative effect of accounting change	−	−	(607)	−	−	(607)	−	(607)
Restated balance	26,284	115,045	425,279	21,925	(1,161)	587,372	7,232	594,604
Changes in equity								
Net income	−	−	(37,648)	−	−	(37,648)	(1,890)	(39,538)
Other comprehensive income	−	−	−	(16,940)	−	(16,940)	(326)	(17,266)
Dividends to shareholders of the parent company	−	−	(12,827)	−	−	(12,827)	−	(12,827)
Dividends to non-controlling interests	−	−	−	−	−	−	(22)	(22)
Acquisition of treasury stock	−	−	−	−	(4)	(4)	−	(4)
Sales of treasury stock	−	0	−	−	0	0	−	0
Transactions with non-controlling interests	−	360	−	−	−	360	(2,454)	(2,094)
Transfer to retained earnings	−	−	16	(16)	−	−	−	−
Total changes in equity	−	360	(50,459)	(16,956)	(4)	(67,059)	(4,692)	(71,751)
Balance at March 31, 2020	26,284	115,405	374,820	4,969	(1,165)	520,313	2,540	522,853
Changes in equity								
Net 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
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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from operating activities:		
Net income (loss)	(39,538)	(42,556)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55,180	50,407
Impairment losses	49,391	35,857
Share of losses (profits) of investments accounted for using the equity method	(1,667)	(77)
Financial income and expenses	3,155	1,452
Losses (profits) on sale of property, plant and equipment	(2,155)	1,184
Structural reform expenses	5,460	5,620
Net loss (gain) on business reorganization and others	43	(3,726)
Income taxes	(1,076)	(8,032)
(Increase) decrease in trade receivables	33,673	(4,823)
(Increase) decrease in inventories	31,460	10,960
(Increase) decrease in accounts receivable - other	5,683	(1,022)
Increase (decrease) in trade payables	(26,254)	20,823
Increase (decrease) in accrued expenses	(2,359)	4,989
Increase (decrease) in retirement and severance benefits	472	6,605
Other	(3,598)	(14,208)
Subtotal	107,870	63,453
Interest and dividends received	2,361	669
Interest paid	(2,678)	(1,690)
Payments for structural reforms	(1,998)	(2,547)
Income taxes refund (paid)	403	(7,299)
Net cash provided by operating activities	105,958	52,586
Cash flows from investing activities:		
Purchase of property, plant and equipment	(59,520)	(29,129)
Purchase of intangible assets	(1,328)	(936)
Proceeds from sales of property, plant and equipment	5,321	1,602
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(115)	(424)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	171	26,329
Proceeds from transfer of business	—	4,157
Other	(947)	592
Net cash used in investing activities	(56,418)	2,191

(Millions of yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	5,271	18,569
Proceeds from long-term debt	1,424	36,749
Repayment of long-term debts	(37,488)	(50,839)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(2,089)	—
Dividends paid to shareholders	(12,827)	(5,558)
Dividends paid to non-controlling interests	(22)	(12)
Acquisition of common stock for treasury	(4)	(5)
Proceeds from sales of treasury stock	0	0
Net cash used in financing activities	(45,735)	(1,096)
Effect of exchange rate changes on cash and cash equivalents	(2,550)	3,305
Net increase (decrease) in cash and cash equivalents	1,255	56,986
Cash and cash equivalents at the beginning of the year	41,098	42,353
Cash and cash equivalents at the end of the year	42,353	99,339

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

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

Last consolidated fiscal year (from April 1, 2019 to March 31, 2020)

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

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.

Current 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.
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, 2020

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

Note: Revenues are classified by country or region based on the customer's location.

Revenues from external customers attributed to any individual country or region other than Japan, the United States, and China were not material.

Revenues from external customers in the United States and China were ¥225,143 million and ¥63,380 million, respectively.

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

(Millions of yen)

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

Note: Non-current assets (excluding financial 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 ¥170,084 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, 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.

[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, 2020	For the year ended March 31, 2021
Weighted-average number of ordinary shares on which basic EPS is calculated	427,568 Thousands of shares	427,565 Thousands of shares
Net income attributable to shareholders of the parent company	(37,648) Millions of yen	(42,285) Millions of yen
Basic EPS attributable to shareholders of the parent company	(88.05) Yen	(98.90) Yen

[Subsequent Events]

There is no applicable item.