

Financial Section
2016 ANNUAL REPORT
Year Ended March 31, 2016

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Eleven-Year Summary

Hitachi Metals, Ltd. and Consolidated Subsidiaries
As of and for the Years Ended March 31

	Millions of yen (except as otherwise noted)			Thousands of U.S. dollars (except per share amounts)	Thousands of euros (except per share amounts)
	IFRS				
	2016	2015	2014	2016	2016
Results for the period:					
Revenues	¥ 1,017,584	¥ 1,004,373	¥ 807,794	\$ 9,030,742	€7,968,551
Cost of sales	(819,433)	(793,517)	(637,081)	(7,272,213)	(6,416,860)
Selling, general and administrative expenses	(122,090)	(126,446)	(106,851)	(1,083,511)	(956,069)
Other income	36,416	21,303	5,844	323,181	285,168
Other expenses	(12,523)	(21,306)	(16,278)	(111,138)	(98,065)
Operating income	99,954	84,407	53,428	887,061	782,725
Income (loss) before income taxes and non-controlling interests	96,233	86,391	55,820	854,038	753,587
Net income (loss) attributable to shareholders of the parent company	69,056	70,569	48,133	612,851	540,767
Cash flows for the period:					
Cash flows from operating activities	115,742	108,983	99,171	1,027,174	906,359
Cash flows from investing activities	(32,147)	(113,750)	(9,832)	(285,295)	(251,738)
Free cash flows	83,595	(4,767)	89,339	741,879	654,621
Growth initiative costs:					
Capital expenditures	59,602	51,474	31,987	528,949	466,735
Depreciation and amortization	42,927	39,917	33,762	380,964	336,155
Research and development	19,121	20,903	16,814	169,693	149,734
At the period-end:					
Total assets	¥1,033,311	¥1,083,450	¥848,772	\$ 9,170,314	€8,091,707
Interest-bearing debt	220,376	255,350	177,195	1,955,769	1,725,732
Net assets	504,675	476,176	382,840	4,478,834	3,952,036
Number of outstanding shares (thousands)	427,580	427,601	427,657	—	—
Number of shareholders	28,582	26,287	29,308	—	—
Number of employees	29,157	30,278	26,850	—	—
Per share of common stock (yen, U.S. dollars and euros):					
Net income (loss):					
Basic	¥161.50	¥165.02	¥116.79	\$ 1.43	€1.26
Cash dividends	26.00	23.00	17.00	0.23	0.20
Net assets	1,159.70	1,090.64	870.36	10.29	9.08
Key financial indicators:					
Operating income margin (%)	9.8	8.4	6.6	—	—
Return on Sales (ROS) (%)	6.8	7.0	6.0	—	—
Return on Assets (ROA) (%)	9.1	8.9	8.0	—	—
Return on Equity (ROE) (%)	14.4	16.8	15.6	—	—
Shareholders' equity ratio (%)	48.0	43.0	43.9	—	—
Debt/equity ratio (times)	0.44	0.55	0.48	—	—

- Notes:
- The amounts are accounted for and presented in accordance with the International Financial Reporting Standards.
 - The translation of Japanese yen amounts into U.S. dollars and euros for the year ended March 31, 2016, is included in this annual report solely for the convenience of readers outside Japan. The translation has been made at the rates of ¥112.68=\$1 and ¥127.70=€1, the approximate exchange rates as of March 31, 2016.
 - Diluted net income per share is not provided as Hitachi Metals, Ltd. had no dilutive common stock outstanding during the fiscal year ended March 31, 2016.
 - Net income (loss) represents net income (loss) attributable to shareholders of the parent company. Net income (loss) per share is calculated by dividing net income (loss) by the average number of outstanding shares for the period. Net assets per share are calculated by dividing net assets less non-controlling interests by the number of outstanding shares as of the period-end.
 - Return on equity (ROE) is computed as the net income (loss) divided by the sum of the average total shareholders' equity and the average total accumulated comprehensive income (the average of beginning and ending of the year).
 - Results for the year ended March 31, 2014 (FY2014) are reported in accordance with both J-GAAP and IFRS.

Millions of yen
(except as otherwise noted)

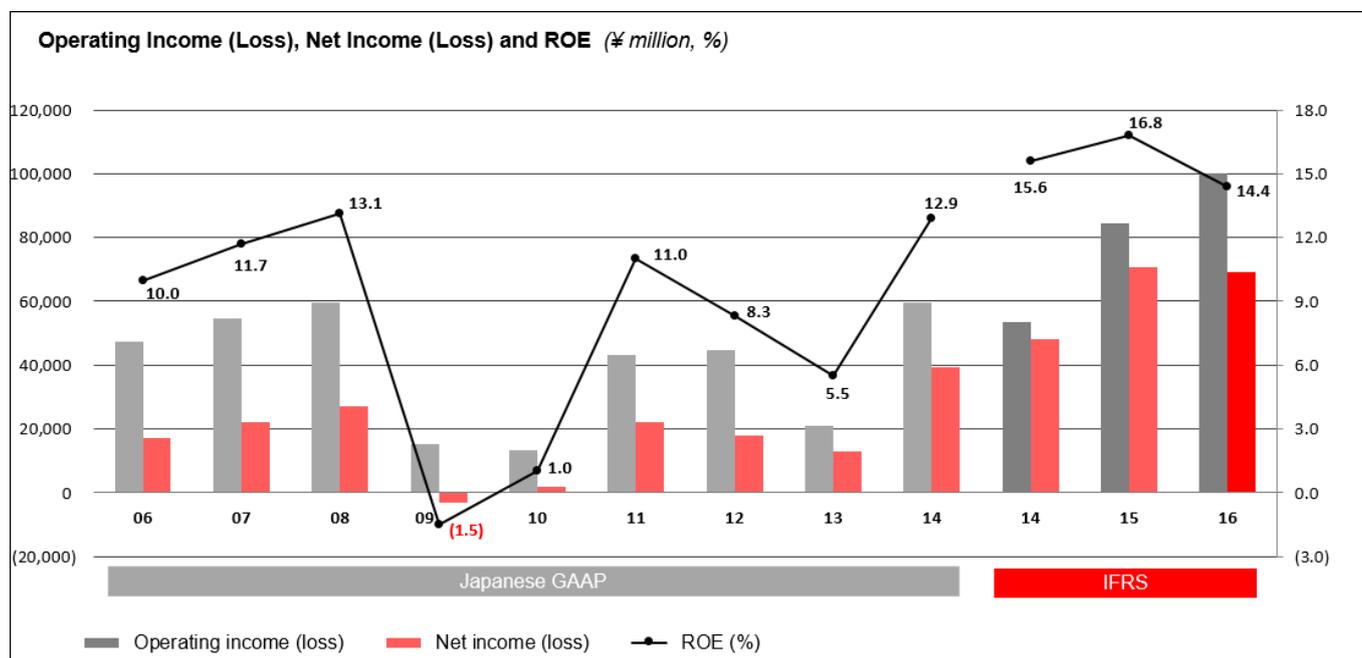
	Japanese GAAP			
	2014	2013	2012	2011
Results for the period:				
Net sales	¥ 807,952	¥ 535,779	¥ 556,914	¥ 520,186
Cost of sales	(638,872)	(440,684)	(438,930)	(406,282)
Selling, general and administrative expenses	(109,544)	(74,016)	(73,117)	(70,761)
Operating income	59,536	21,079	44,867	43,143
Income (loss) before income taxes and minority interests	50,796	17,230	36,414	36,061
Net income (loss) attributable to shareholders of the parent company	39,417	12,955	17,886	22,204
Cash flows for the period:				
Cash flows from operating activities	100,557	62,975	3,008	42,688
Cash flows from investing activities	(30,906)	(28,718)	(21,769)	(24,607)
Free cash flows	69,651	34,257	(18,761)	18,081
Growth initiative costs:				
Capital expenditures	31,987	26,688	24,300	20,369
Depreciation and amortization	33,639	24,219	27,544	28,389
Research and development	16,814	11,076	12,153	12,224
At the period-end:				
Total assets	¥ 840,742	¥ 541,286	¥ 579,862	¥ 529,869
Interest-bearing debt	175,958	145,935	169,232	149,822
Net assets	373,198	259,865	240,395	228,010
Number of outstanding shares (thousands)	427,632	365,420	352,430	352,442
Number of shareholders	29,308	16,930	12,417	12,711
Number of employees	26,850	17,308	18,056	18,008
Per share of common stock (yen):				
Net income (loss):				
Basic	¥ 95.65	¥ 36.20	¥ 50.75	¥ 63.00
Cash dividends	17.00	14.00	12.00	12.00
Net assets	848.73	684.96	625.04	591.51
Key financial indicators:				
Operating income margin (%)	7.4	3.9	8.1	8.3
Return on Sales (ROS) (%)	4.9	2.4	3.2	4.3
Return on Assets (ROA) (%)	7.4	3.1	6.6	6.9
Return on Equity (ROE) (%)	12.9	5.5	8.3	11.0
Shareholders' equity ratio (%)	43.2	46.2	38.0	39.3
Debt/equity ratio (times)	0.48	0.58	0.77	0.72

- Notes:
- The amounts are accounted for and presented in accordance with the generally accepted accounting principles in Japan.
 - Diluted net income per share is not provided as Hitachi Metals, Ltd. had no dilutive common stock outstanding during the fiscal year ended March 31, 2016.
 - Net income (loss) per share is calculated by dividing net income (loss) by the average number of outstanding shares for the period. Net assets per share are calculated by dividing net assets less minority interests by the number of outstanding shares as of the period-end.
 - Hitachi Metals, Ltd. adopted the revised accounting standard for presentation of net assets in the consolidated balance sheet, effective from the year ended March 31, 2007. Figures for the years ended March 31, 2006, represent total shareholders' equity as originally reported. "Net assets per share" is calculated based on such figures of net assets as presented.
 - Return on equity (ROE) is computed as the net income (loss) divided by the sum of the average total shareholders' equity and the average total accumulated comprehensive income (the average of beginning and ending of the year).

Millions of yen
(except as otherwise noted)

Japanese GAAP

2010	2009	2008	2007	2006
¥ 431,683	¥ 590,704	¥701,075	¥ 646,311	¥ 590,678
(352,382)	(495,948)	(552,459)	(504,089)	(458,945)
(65,952)	(79,698)	(88,918)	(87,500)	(84,231)
13,349	15,058	59,698	54,722	47,502
5,727	(200)	51,427	46,562	39,497
1,937	(3,016)	27,034	22,062	17,165
57,012	32,699	72,106	53,011	55,547
(21,495)	(37,347)	(38,112)	(122,583)	(27,983)
35,517	(4,648)	33,994	(69,572)	27,564
16,485	43,768	49,327	36,787	29,640
30,494	31,814	29,385	24,392	22,579
10,626	13,083	13,283	12,965	12,054
¥ 517,984	¥ 530,191	¥ 619,466	¥ 629,590	¥ 554,275
170,664	190,119	190,427	218,716	161,018
212,783	214,576	235,507	222,626	179,960
352,472	352,498	352,561	345,118	346,456
13,885	14,175	13,472	14,176	15,041
17,806	18,740	20,308	20,826	22,213
¥ 5.50	¥ (8.56)	¥ 76.48	¥ 63.81	¥ 48.95
12.00	13.00	12.00	10.00	10.00
548.76	550.79	604.22	575.04	518.93
3.1	2.5	8.5	8.5	8.0
0.4	(0.5)	3.9	3.4	2.9
1.1	(0.0)	8.2	7.9	7.3
1.0	(1.5)	13.1	11.7	10.0
37.3	36.6	34.4	31.5	32.5
0.88	0.98	0.89	1.10	0.89



Financial Review

Adoption of International Financial Reporting Standards (IFRS)

From the fiscal year ended March 31, 2015, the Group voluntarily adopted IFRS for the purposes of better understanding of group management, stronger governance, and more efficient business operations.

Market Environment

While the global economy during the fiscal year ended March 31, 2016 remained on a modest growth track primarily in advanced countries, the slowdown in emerging economies that began last summer fueled uncertainty over future economic prospects. Amid the circumstance, the market, in which Hitachi Metals, Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) operate, the automobile industry experienced strong demand in the United States; however, the domestic market saw continued inventory adjustments of small cars and demand was weak in China and some emerging countries. Steel production was on a declining path due to the effects of the worsened balance of supply and demand in Asia accompanied by the inventory adjustments. Further, public investment fell, while the Japanese housing construction market remained unchanged. The demand in the electronics industry fell due to weaker sales of personal computers and air-conditioning units.

Business Overview

Under these business circumstances as described above, the conversion of Waupaca Foundry, Inc. into a consolidated wholly owned subsidiary as of November 10, 2014 contributed to the financial results of the Group for the fiscal year ended March 31, 2016. When compared with those for the fiscal year ended March 31, 2015, revenues of the Group increased by 1.3% to ¥1,017,584 million and operating income increased by ¥15,547 million to ¥99,954 million. Operating income increased mainly due to posting gains on business reorganization and others of ¥30,232 million in other income arising from a transfer of shares equivalent to 51% of the issued shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) to Mitsubishi Materials Corporation as of April 1, 2015, despite a decrease in gross profit. For the fiscal year ended March 31, 2016, income before income taxes increased by ¥9,842 million to ¥96,233 million and net income attributable to owners of the parent company decreased by ¥1,513 million to ¥69,056 million, compared with the year ended March 31, 2015.

Business Results for the Year Ended March 31, 2016

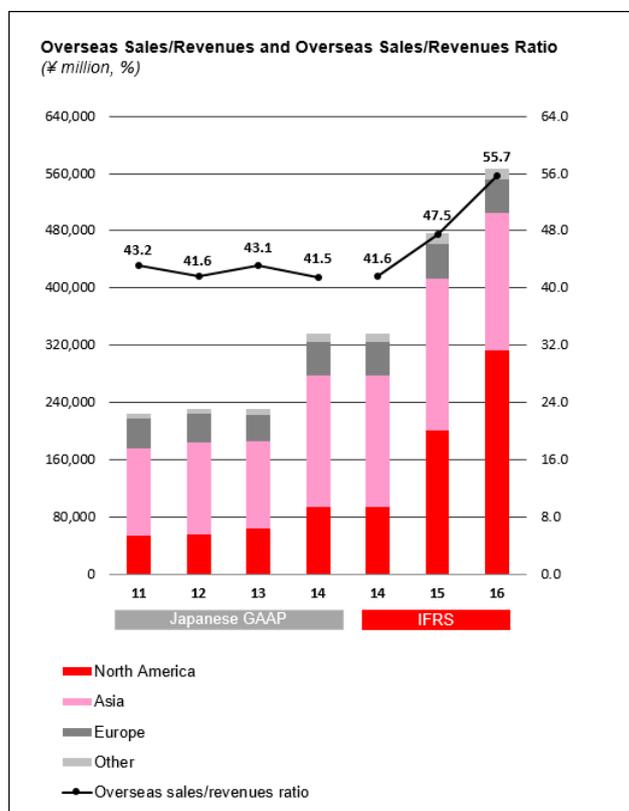
Net Sales

Net sales for the fiscal year ended March 31, 2016, increased by ¥13,211 million to ¥1,017,584 million, up 1.3% year-on-year.

Domestic sales, accounting for 44.3% of total net sales, were ¥451,116 million, down 14.5% from the previous year.

Overseas sales increased globally in the fiscal year ended March 31, 2016, reaching ¥566,468 million, up 18.8% from the previous year. In particular, sales in North America surged to ¥312,847 million, up ¥112,485 million or 56.1% year-on-year, largely attributable to the acquisition of Waupaca Foundry, Inc., which is engaged in the iron casting business for transportation machinery in the area.

Overseas sales accounted for 55.7% of total net sales in the year ended March 31, 2016, up from 47.5% in the previous year. The Group aims to increase the percentage of overseas sales to 58.0% in the fiscal year ending March 31, 2019.



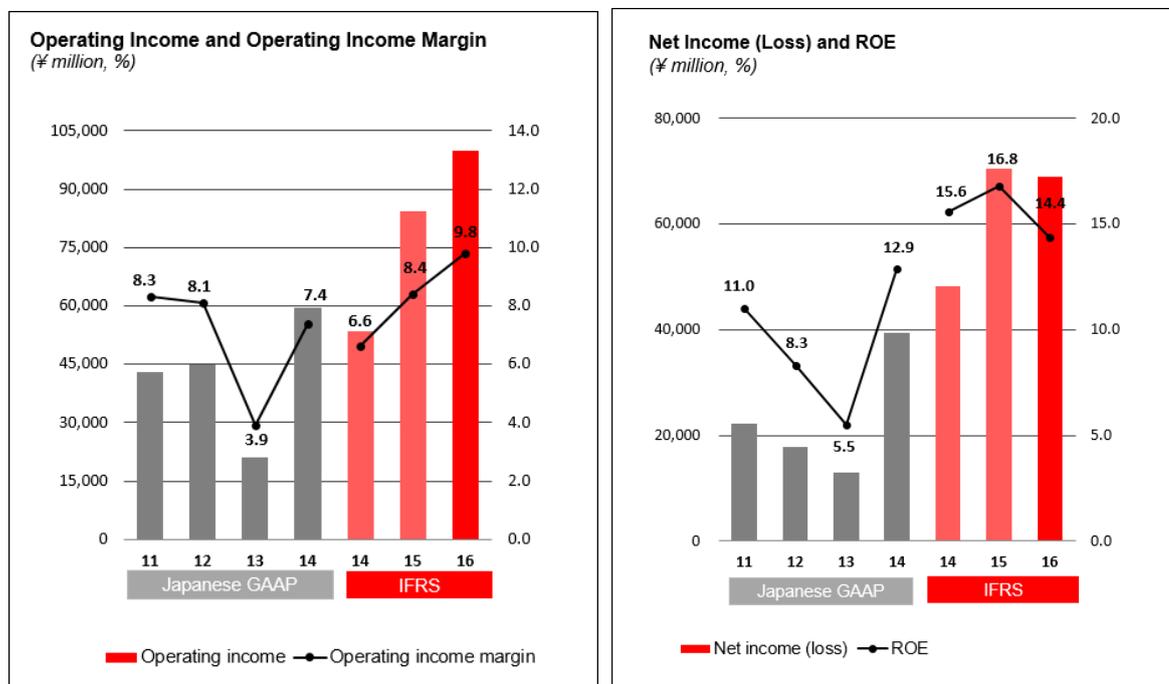
Operating Income

Operating income rose ¥15,547 million or 18.4% year-on-year to ¥99,954 million. Operating income margin was 9.8%, increasing by 1.4 percentage points year-on-year. Despite a decrease in gross margin, the increase in operating income was mainly due to posting gains on business reorganization and others of ¥30,232 million in other income arising from a transfer of shares equivalent to 51% of the issued shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) to Mitsubishi Materials Corporation as of April 1, 2015.

Net Income and ROE

Interest income less interest charges for the year ended March 31, 2016 amounted to net expense of ¥2,845 million, an increase of ¥654 million from ¥2,191 million year-on-year. Income before income taxes increased by ¥9,842 million to ¥96,233 million and net income attributable to owners of the parent company decreased by ¥1,513 million to ¥69,056 million, compared with the year ended March 31, 2015. Net income for the year ended March 31, 2016 decreased by ¥2,938 million from the previous year to ¥68,980 million. Net income per share was ¥161.50 while it was ¥165.02 for the previous year.

Return on equity (ROE) declined to 14.4% for the year ended March 31, 2016, mainly due to a decrease in net income. Return on assets (ROA) was 9.1%, return on sales (ROS) was 6.8%, and the financial leverage ratio was 2.2 times for the year ended March 31, 2016.



Business Results by Segment

Business Segment Information

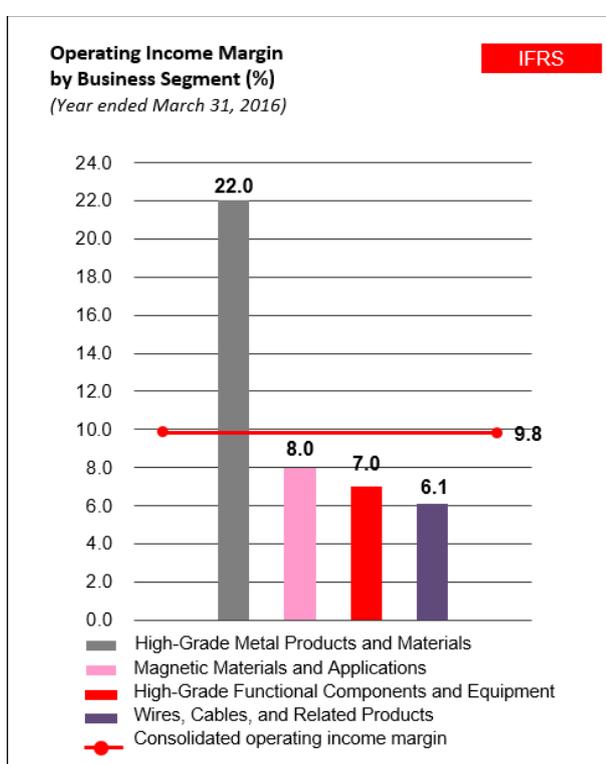
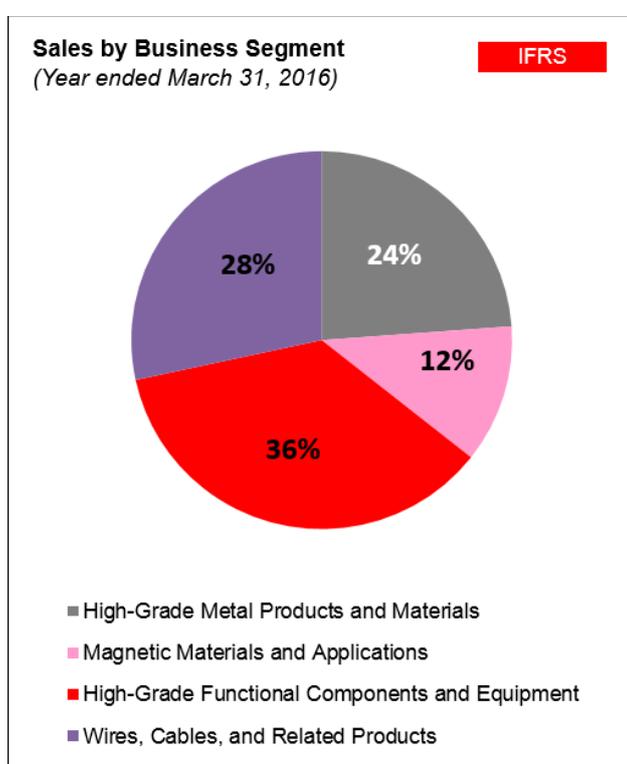
Segment sales include intersegment sales and transfers. Business segment results are as follows.

Sales by Business Segment

Years ended March 31	Millions of yen		Percentage Increase (decrease)
	2016	2015	
Sales (including intersegment sales and transfers):			
High-Grade Metal Products and Materials	¥ 241,987	¥ 260,794	(7.2)%
Magnetic Materials and Applications	119,944	135,486	(11.5)
High-Grade Functional Components and Equipment	365,118	282,330	29.3
Wires, Cables, and Related Products	288,246	327,992	(12.1)
Others	3,547	4,359	(18.6)
Adjustments	(1,258)	(6,588)	—
Consolidated net sales	¥ 1,017,584	¥ 1,004,373	1.3%

Operating Income by Business Segment

Years ended March 31	Millions of yen		Difference
	2016	2015	
Operating income:			
High-Grade Metal Products and Materials	¥ 53,343	¥ 34,661	¥ 18,682
Magnetic Materials and Applications	9,574	11,492	(1,918)
High-Grade Functional Components and Equipment	25,479	28,074	(2,595)
Wires, Cables, and Related Products	17,682	19,845	(2,163)
Others	143	206	(63)
Adjustments	(6,267)	(9,871)	3,604
Consolidated operating income	¥ 99,954	¥84,407	¥ 15,547
Operating income margin (%):			
High-Grade Metal Products and Materials	22.0%	13.3%	8.7%
Magnetic Materials and Applications	8.0	8.5	(0.5)
High-Grade Functional Components and Equipment	7.0	9.9	(2.9)
Wires, Cables, and Related Products	6.1	6.1	0.0
Consolidated operating income margin (%)	9.8%	8.4%	1.4%



High-Grade Metal Products and Materials

Sales

Revenues in the High-Grade Metal Products and Materials segment for the fiscal year ended March 31, 2016, were ¥241,987 million, a decrease of 7.2% as compared with those for the fiscal year ended March 31, 2015. Operating income of the segment increased by ¥18,682 million to ¥53,343 million for the same period, partly due to gains on business reorganization and others of ¥25,931 million arising from the transfer of shares in Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) on April 1, 2015.

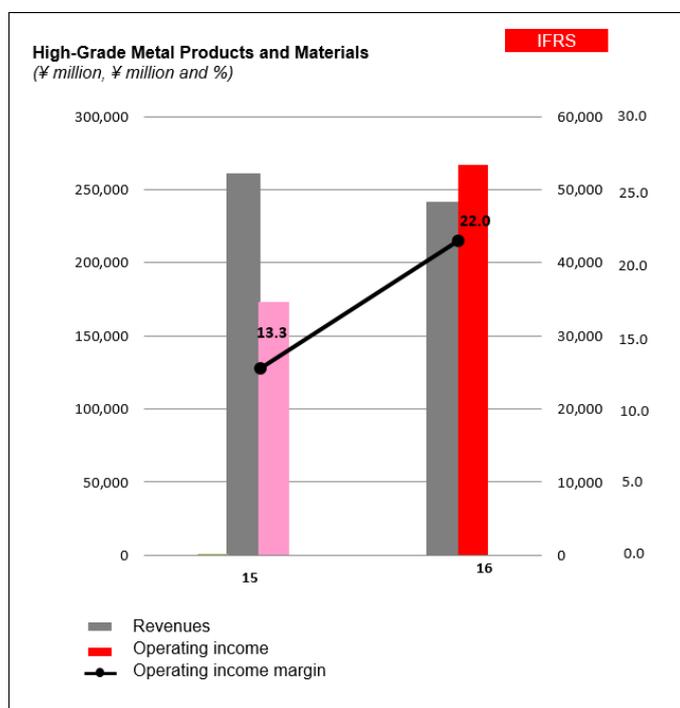
Specialty Steels: Despite the effect of economic slowdown on sales of tool steels in Asia, overall sales remained at the same level as compared with those for the fiscal year ended March 31, 2015, due to robust demand for automotive mold materials in Japan as well as a further shift towards high-value-added products in product lines. For industrial equipment materials, despite the expanded sales of environmentally friendly products and steady demand for other industrial components for overseas markets, sales fell compared to those for the fiscal year ended March 31, 2015, due to a continued partial production adjustment for automobile-related materials. Sales of aircraft-related and energy-related materials considerably increased because of continuing robust demand, as well as reflecting the performance of Hitachi Metals MMC Superalloy, Ltd., which became a consolidated subsidiary of the Group from the second quarter of the fiscal year ended March 31, 2015. Sales of alloys for electronic products, both display-related materials and semiconductors and other package materials, decreased as compared to those for the fiscal year ended March 31, 2015.

Rolls: Sales of rolls increased due to growth in exports during the fiscal year ended March 31, 2016. Despite a decrease in demand for mobile devices, sales of injection molding machine parts remained steady year-on-year, thanks to robust demand mainly for large machinery.

Amorphous Materials: Sales of amorphous metals decreased as compared with those for the fiscal year ended March 31, 2015, due to a drop in demand in China, the major market for the products.

Capital Expenditures, Depreciation and Amortization, and R&D expenses Billions of yen

Years Ended March 31	2016	2015
Capital Expenditures	¥ 23.2	¥ 18.7
Depreciation and Amortization	11.4	11.8
Research and Development Expenses	5.2	5.9



Magnetic Materials and Applications

Sales

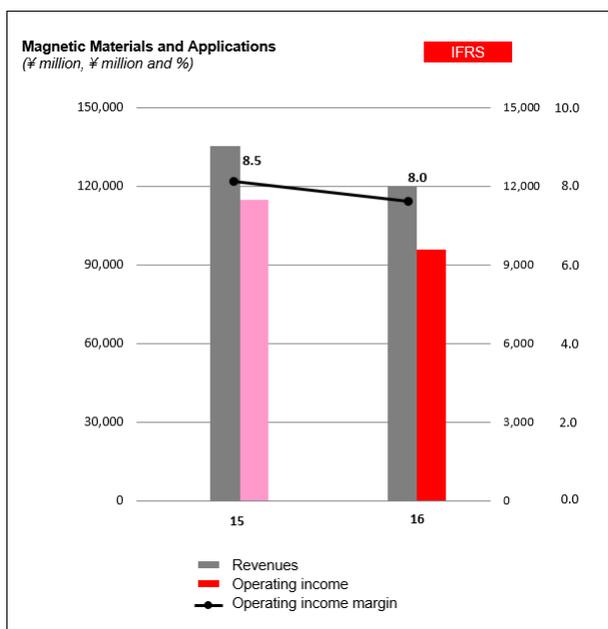
Revenues in the Magnetic Materials and Applications segment for the fiscal year ended March 31, 2016 were ¥119,944 million, a decrease of 11.5% as compared with those for the fiscal year ended March 31, 2015. Operating income of the segment decreased by ¥ 1,918 million to ¥9,574 million for the same period.

Magnets: Sales of rare earth magnets decreased as compared with those for the fiscal year ended March 31, 2015, because of the slowdown in demand for industrial equipment and household appliances, despite strong demand in automotive electronic components for electric power steering and hybrid automobiles. Sales of ferrite magnets increased due to solid demand for automotive electronic components and household appliance parts, both in Japanese and overseas markets.

Soft Magnetic Materials and Components for Information and Telecommunication Equipment: Sales of ferrite applied products were negatively affected by a decline in demand for solar power generation systems parts. Sales of ferrite cores were weak, affected by a slowdown in demand in the Chinese market. Sales of FINEMET® diminished due to a decrease in demand for automotive electronic components and the production adjustment of air-conditioners.

Capital Expenditures, Depreciation and Amortization, and R&D expenses Billions of yen

Years Ended March 31	2016	2015
Capital Expenditures	¥ 6.8	¥ 10.2
Depreciation and Amortization	6.1	6.5
Research and Development Expenses	2.6	2.9



High-Grade Functional Components and Equipment Sales

Revenues in the High-Grade Functional Components and Equipment segment for the fiscal year ended March, 2016, were ¥365,118 million, an increase of 29.3% as compared with those for the fiscal year ended March 31, 2015. Operating income of the segment decreased by ¥2,595 million to ¥25,479 million year-on-year due to the Group posting gain on reorganization of ¥9,684 million following the transfer of all shares of Hitachi Metals Techno, Ltd. (currently, named SENQICIA Corporation) in the fiscal year ended March 31, 2015.

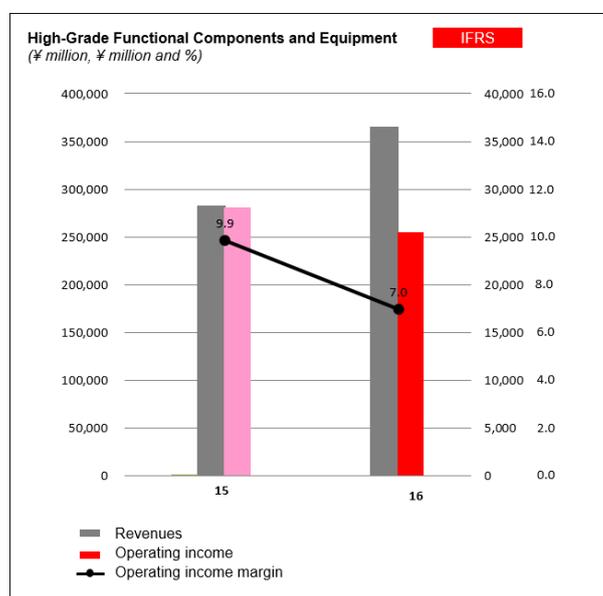
Casting Components for Automobiles: Sales of casting components for automobiles increased significantly as a whole compared with those for the fiscal year ended March 31, 2015, reflecting the incorporation of the performance of Waupaca Foundry, Inc., which became a consolidated wholly owned subsidiary from November 2014. Sales of heat-resistant exhaust casting components increased as compared with those for the fiscal year ended March 31, 2015, due to an increase in demand in both Europe and North America beginning from the second half of the fiscal year ending March 31, 2016, despite a temporary decline in demand during the first half of the fiscal year. Sales of aluminum wheels increased as compared with those for the fiscal year ended March 31, 2015, supported by robust demand in the United States.

Piping Components: Sales of casting iron fittings remained flat as a whole year-on-year in both the Japanese and overseas markets. Despite strong demand for gas piping components, sales of stainless steel and plastic piping components remained flat as a whole year-on-year due to a decline in housing starts.

Capital Expenditures, Depreciation and Amortization, and R&D expenses

Billions of yen

Years Ended March 31	2016	2015
Capital Expenditures	¥ 16.8	¥ 12.6
Depreciation and Amortization	15.0	10.7
Research and Development Expenses	2.2	2.5



Wires, Cables, and Related Products

Sales

Revenues in the Wires, Cables, and Related Products segment for the fiscal year ended March 31, 2016 were ¥288,246 million, a decrease of 12.1% as compared with those for the fiscal year ended March 31, 2015. Operating income of the segment decreased by ¥2,163 million to ¥17,682 million for the same period.

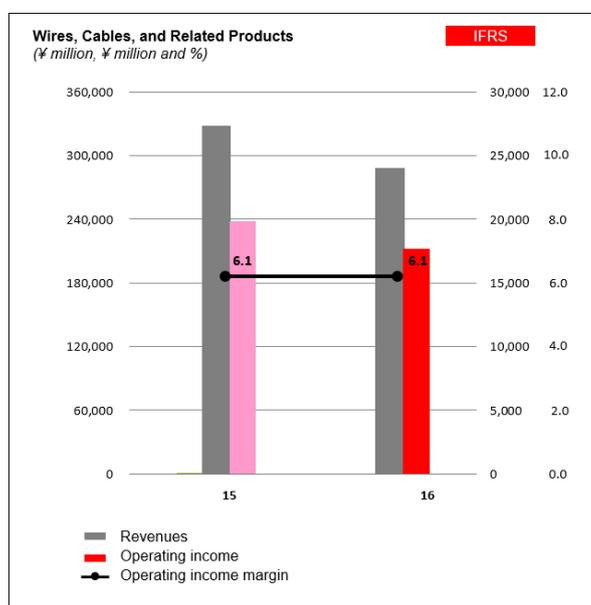
Electric Wires and Cables: While revenues from electric wires and cables decreased due to review of the Group's business portfolio, sales of electric wires and cables grew significantly, backed by steady demand for wires and cables for rolling stock, which is one of the focus areas of the Group, especially in overseas markets, and an increase in sales of probe cables for medical use.

Automotive Products: Sales of automotive products increased as compared with those for the fiscal year ended March 31, 2015, since both electronic components and brake hoses showed a steady increase, supported by continuing brisk demand for automobiles, especially in North America.

Information System Devices and Materials: Sales of information system devices and materials decreased as compared with those for the fiscal year ended March 31, 2015, as a result of weak demand in network products and wireless systems, due to prolonged sluggish capital investments in infrastructure by telecommunications carriers.

Capital Expenditures, Depreciation and Amortization, and R&D expenses

Years Ended March 31	Billions of yen	
	2016	2015
Capital Expenditures	¥ 11.5	¥ 9.1
Depreciation and Amortization	9.2	9.9
Research and Development Expenses	9.1	9.6



Financial Conditions and Liquidity

Source of Funds and Liquidity Management

The Company endeavors to generate stable operating cash flows and maintain liquidity to secure sufficient funds for its business activities and build a solid financial position. In principal, the Company draws largely on cash and cash equivalents, and operating cash flows to fund working capital and strategic investments to secure sustainable growth. At the same time, the Company harnesses interest-bearing debt, equity finance, and a wide range of other instruments for raising funds.

To enhance efficient fund management among the Group companies, the Company and subsidiaries located in Japan have set up a cash pooling system (CPS) that ensures financial flexibility and efficient management of centrally managed surplus funds within the Group. The Group companies in North America manage their funds efficiently through a similar CPS.

As of March 31, 2016, the current ratio was 175%, the liquidity level that management considers adequate.

Rating Information

It is the Company's top management priority to build and maintain a solid credit rating, and lower financing costs for an appropriate level of liquidity, mobility, and flexibility of financial policy. Rating and Investment Information, Inc. (R&I), a major credit rating agency in Japan, assigned a rating of "A+" for the Company's long-term bonds for the year ended March 31, 2016, and "A" for consecutive years since the year ended March 31, 2009.

Rating Information

R&I		
Rating	2016	2015
Long-term Issue Rating	A+	A

Rating Symbols and Definitions:

[Long-term Issue Rating]

Rating "A" – High creditworthiness supported by some excellent factors.

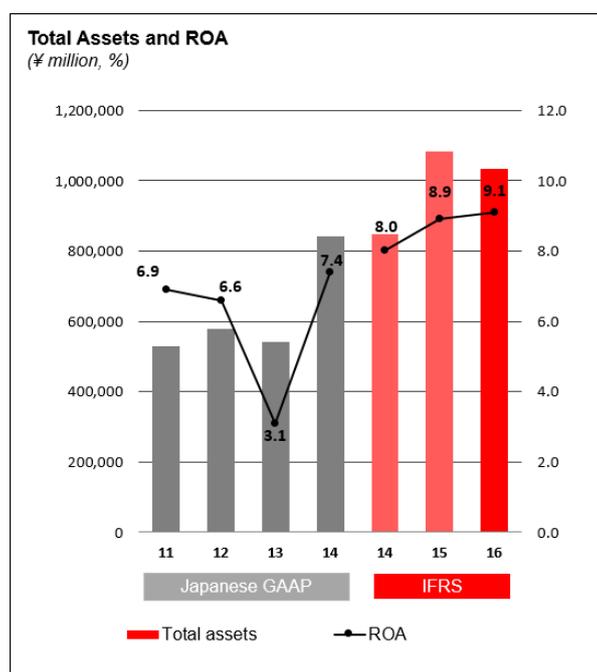
Rating "A+" – Very high creditworthiness supported by some excellent factors.

Financial Position

Total assets were ¥1,033,311 million as of March 31, 2016, a decrease of ¥50,139 million or 4.6% year-on-year.

Current assets were ¥483,855 million, a decrease of ¥60,765 million or 11.2% year-on-year, mainly due to decreases in trade receivable and inventories of ¥42,266 million and ¥19,522 million, respectively. Further, noncurrent assets were ¥549,456 million, an increase of ¥10,626 million or 2.0% year-on-year, which was mainly attributable to an increase in investments accounted for using the equity method of ¥11,545 million due to Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) being excluded from the scope of consolidation and being accounted for using the equity method.

ROA was recorded as 9.1% in the year ended March 31, 2016, compared to 8.9% in the year ended March 31, 2015 on the back of decreasing total assets during the year.



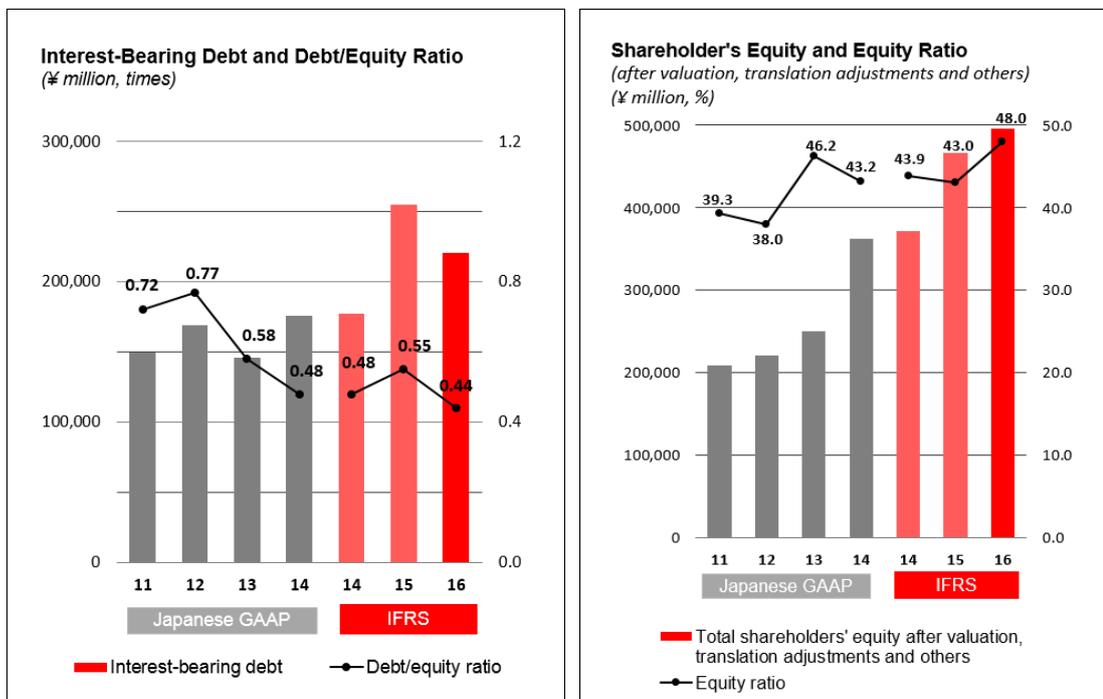
Total liabilities as of March 31, 2016, were ¥528,636 million, a decrease of ¥78,638 million year-on-year. This was mainly attributable to decreases in trade payables, long-term debt, and liabilities related to assets held for trading of ¥29,615 million, ¥26,082 million, and ¥10,264 million, respectively.

As a result, interest-bearing debt decreased by ¥34,974 million from the previous year-end to ¥220,376 million as of March 31, 2016, the debt-to-equity ratio decreased to 0.4.

Total equity as of March 31, 2016, was ¥504,675 million, an increase of ¥28,499 million compared to the end of the fiscal year ended March 31, 2015. This was mainly attributable to an increase in retained earnings of ¥58,285 million.

The equity ratio stood at 48.0%, 5 percentage points higher than that of the prior year, due to a decrease in total assets of ¥50,139 million. Return on invested capital was 8.3% during the year, relatively consistent with that of the prior year.

For the year ending March 31, 2017, the management will continue to reinforce the Company's consolidated financial position by constraining interest-bearing debt further while accelerating realization of investment effects.



Cash Flows

The Company's operating cash flows are the primary source of funding for operating capital necessary for business activities and capital expenditures. Repayments of interest-bearing debts and cash dividends paid to shareholders are made mainly from free cash flows.

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2016 were ¥120,300 million, an increase of ¥41,271 million from the end of the fiscal year ended March 31, 2015, as a result of cash used in investing activities and financing activities exceeding net cash provided by operating activities.

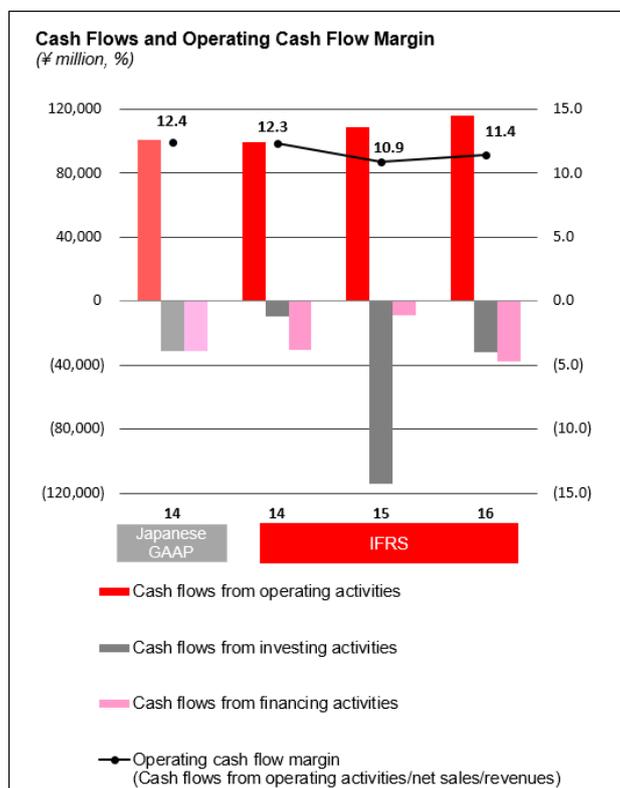
Net cash provided by operating activities was ¥115,742 million, which increased by ¥6,759 million from the previous year, due in part to income before income taxes of ¥68,980 million and depreciation and amortization of intangible assets of ¥42,927 million. Net cash provided from working capital was ¥21,868 million in the fiscal year ended March 31, 2016 (i.e. increase in trade notes and accounts receivable of ¥33,731 million, increase in inventories of ¥12,974 million, and decrease in trade notes and accounts payable of ¥24,837 million).

The operating cash flow margin was 11.4% for the year ended March 31, 2016, up from 10.9% for the previous year.

The Company aims to reduce inventories to enhance the operating cash flow margin and shorten the working capital turnover period. The Company maintains a structure to manage appropriate inventory levels considering future trends and to reduce inventory volume over medium term to long term. Production bases and procurement units are responsible for raw material inventories. Production bases and internal companies are responsible for manufactured inventories, including work in process and finished products. Domestic and overseas sales divisions and subsidiaries, and internal companies are responsible for distribution stocks. The Company will maintain such structure and continue to manage inventories proactively.

Net cash used in investing activities was ¥32,147 million, mainly attributable to the following: proceeds of ¥31,191 million from sale of investments in securities and other financial assets by transferring shares equivalent to 51% of the issued shares of Hitachi Tool Engineering, Ltd. (currently, named Mitsubishi Hitachi Tool Engineering, Ltd.) to Mitsubishi Materials Corporation as of April 1, 2015, and payment of ¥53,646 million for the purchase of property, plant and equipment.

Net cash used in financing activities amounted to ¥37,872 million, mainly attributable to repayment of long-term debts of ¥30,034 million and dividend payments of ¥11,543 million.



Capital Expenditures, Depreciation, and Amortization

The Group invests strategically to innovate its core business processes for enhancement of production capacity and streamlining. This is in line with the Group's goals of cultivating businesses that focus on products with low environmental impacts and energy efficiency, growth opportunities, and cost competitiveness of market-dominant products.

For the year ended March 31, 2016, capital expenditures were ¥59,602 million, a 15.8% increase from the previous year, mainly for prioritized investments in developing new businesses and new products as well as improving production processes. The ratio of capital expenditures (CAPEX) to operating cash flows was 0.51 times for the fiscal year ended March 31, 2016, and the entire expenditures were covered by operating cash flows.

Capital expenditures for individual business segments were as follows: ¥23,160 million for High-Grade Metal Products and Materials to boost production capabilities for high value-added products and to strengthen and streamline production systems in Japan; ¥6,795 million for Magnetic Materials and Applications to bolster production systems for magnet products in Japan; ¥16,819 million for High-Grade Functional Components and Equipment to boost production capacities in Japan and to streamline production efficiency overseas; and ¥11,524 million for Wires, Cables, and Related Products to upgrade and streamline large-scale facilities in Japan and to develop production systems for new products overseas.

For the year ending March 31, 2017, management plans to allocate ¥72,000 million (a 20.8% increase year-on-year) to capital expenditures (including new and additional expenditures). The High-Grade Metal Products and Materials segment will focus on investments in Japan to boost production capabilities and build production systems for high value-added products. The Magnetic Materials and Applications segment will increase its production capacity for rare earth magnet products overseas and boost its production capacity overseas. The High-Grade Functional Components segment will strengthen its production lines in Japan and streamline production facilities overseas. The Wires, Cables, and Related Products segment will invest to upgrade and streamline large-scale facilities in Japan and to boost production capabilities overseas.

For both existing and new initiatives, management will endeavor to improve returns on investment and accelerate realization of investment effects.

Depreciation and amortization for the year ended March 31, 2016 were ¥42,927 million, which increased by 7.5% from the previous year.

Depreciation and amortization for the year ended March 31, 2016 for High-Grade Metal Products and Materials, Magnetic Materials and Applications, High-Grade Functional Components and Equipment, and Wires, Cables, and Related Products were ¥11,391 million, ¥6,132 million, ¥14,958 million, and ¥9,203 million, respectively.

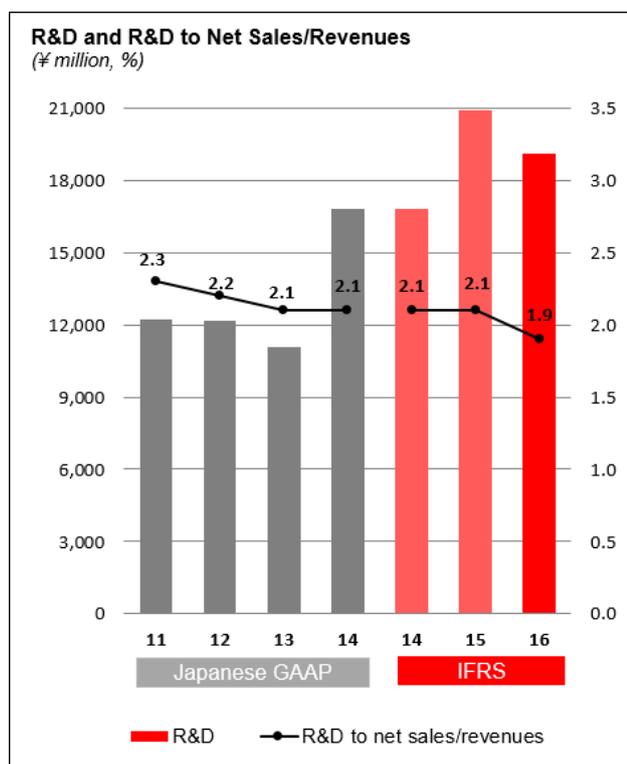
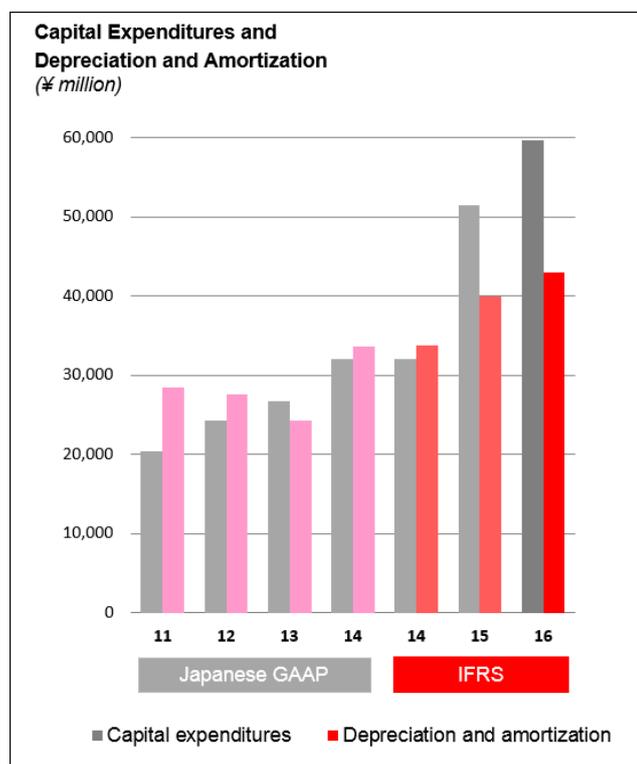
The Group forecasts depreciation and amortization expenses for the year ending March 31, 2017, to be ¥47,000 million.

Capital Expenditures by Business Segment

Years ended March 31	Millions of yen	
	2016	2015
High-Grade Metal Products and Materials	¥ 23,160	¥ 18,724
Magnetic Materials and Applications	6,795	10,209
High-Grade Functional Components and Equipment	16,819	12,576
Wires, Cables, and Related Products	11,524	9,094
Others	182	357
Adjustments	1,122	514
Total	¥ 59,602	¥ 51,474
Operating cash flows	¥ 115,742	¥108,983
CAPEX to operating cash flow ratio (times)	0.51	0.47

Depreciation and Amortization by Business Segment

Years ended March 31	Millions of yen	
	2016	2015
High-Grade Metal Products and Materials	¥ 11,391	¥ 11,847
Magnetic Materials and Applications	6,132	6,456
High-Grade Functional Components and Equipment	14,958	10,704
Wires, Cables, and Related Products	9,203	9,907
Others	453	418
Adjustments	790	585
Total	¥ 42,927	¥ 39,917



Research and Development (R&D) Activities

The Group operates R&D activities through market-oriented divisional laboratories. Each internal company pursues development activities at its own R&D section in line with its own business strategies. In addition, new products and technologies, which will play a major role in the next generation as well as fundamental technologies, are developed in the strong alliance between the Group and laboratories of Hitachi, Ltd. The Group also collaborates closely with other related divisions of the Hitachi Group to expand new applications of existing products.

At the same time, the Group actively conducts and utilizes joint researches with external domestic and foreign institutions, such as universities, to cultivate new materials and technologies, which lead to a development of new products in the future. Top management is involved in the development activities, in particular, for the products and technologies that may have a substantial impact on the Group.

For the year ended March 31, 2016, the Group invested ¥19,121 million in R&D, an 8.5% decrease from the previous year. R&D to net sales was 1.9% in the year ended March 31, 2016.

Breaking down R&D expenses by segment, the Group allocated ¥5,235 million for High-Grade Metal Products and Materials segment, ¥2,622 million for Magnetic Materials and Applications segment, ¥2,211 million for High-Grade Functional Components and Equipment segment, and ¥9,053 million for Wires, Cables, and Related Products segment.

The Group forecasts R&D expenses for the year ending March 31, 2017 to be ¥22,000 million.

R&D by Business Segment

Years ended March 31	Millions of yen	
	2016	2015
High-Grade Metal Products and Materials	¥ 5,235	¥ 5,903
Magnetic Materials and Applications	2,622	2,861
High-Grade Functional Components and Equipment	2,211	2,516
Wires, Cables, and Related Products	9,053	9,623
Total	¥ 19,121	¥ 20,903
Consolidated net sales	¥ 1,017,584	¥ 1,004,373
R&D to net sales (%)	1.9%	2.1%

Outlook

Performance Outlook for the year ending March 31, 2017

As for the Group's business environment, although the Group expects the U.S. and European economies to continue on a recovery path, caution is required going forward, as there are many uncertainties stemming from concerns about further economic slowdown in emerging countries, such as China and resource-rich countries, sudden fluctuations in exchange rates, and declines in the price of crude oil and other resources.

Under this business environment, the Group established the Fiscal 2018 Medium-Term Management Plan (ending March 31, 2019) to position itself as a top-class global manufacturer of highly functional materials.

Management Strategies for the Future

Challenges

The economy today is restructuring drastically around the world. The Group expects that markets will globalize at an ever faster pace, intensifying competition. In response to these circumstances, the Group aims to globally expand business to increase profitability. To that end, the Group will work to increase organic growth and continuously remodel its portfolio by making bold strategic investments for growth, including M&A. In this manner, the Group will aim for sustained development by building a stronger business base: strengthening materials and product development; strengthening and expanding our markets and customer base; and preparing systems for global production and sales.

In order to address the great changes underway and enter into a new stage of development, the Group established the Fiscal 2018 Medium-Term Management Plan as outlined above.

Under the Fiscal 2018 Medium-Term Management Plan, the Group aims to "change to be a competitive business" and "challenge to meet new targets." Setting "change" and "challenge" as keywords, the Group will build a stronger business base and pursue a growth strategy to become the world's leading high-performance materials company and grow sustainably over the long term.

Major focus areas are as follows:

(a) Accelerate the creation and execution of growth strategies

The Group aims to promote new product development and growth strategy investment (including M&A) through proactive R&D based on a market-in perspective that is attuned to what markets and customers are looking for. The Group will pick up the speed from development to commercial release, mass production, and sales expansion and accelerate the creation and cultivation of what will become the next core products. Also, in addition to strengthening the business base, the Group will invest strategically for growth to globally expand business and thereby increase profitability. These will make the Group more competitive, being able to develop global markets and expand the business domains in industrial infrastructure, energy, automotive, and electronics fields.

(b) Achieve a robust business structure and highly efficient business management

To build a robust business structure capable of responding flexibly to changes in the market environment, the Group will concentrate management resources on fields where growth is expected, promoting efficient business operations, and increasing corporate value. By continuously remodeling its business portfolio, the Group aims to further strengthen its business base and establish a business structure that can compete and win on the global market level. Moreover, the Group will promote the "Corporate Monozukuri Innovation Project," merging GEMBA (workplace) improvement and technology development, and will further strengthen profitability to become the world's leading high-performance materials company.

(c) Strive to establish a business base that is sustainable over the long-term

By achieving the "creation and execution of growth strategies" and a "robust business structure and highly efficient business management"—the action plans in the FY2018 Medium-Term Management Plan—the Group will enhance management efficiency to maintain sound financial strength and become a company that is sustainable over the long term.

In addition, the Group plans to build an innovative corporate culture and achieve sustained growth by practicing diversity management and empowering people of all types to play an active role.

The Company's basic policy for the management, which controls the Company's decision on financial and operation matters, prescribes that the Company, as a development-driven entity, strives for providing new values for the society through further sophistication of fundamental technologies and creation of new products and businesses by challenging new technologies. In order to pursue such commitments, as a member of the Hitachi Group led by Hitachi, Ltd., the parent company, the Company secures close relationship with Hitachi Group companies through R&D activities, which enables the Company to utilize management resources and to offer high-quality products and services, while the Company maintains its autonomy in its business operations and transactions with Hitachi, Ltd. Moreover, considering the expectations and evaluation from shareholders, investors, and the stock market, the Company, as a listed entity, ensures timely and appropriate disclosure. Furthermore, the Company focuses on rational and intense management through implementation of management strategies for sustainable growth as well as enhancement of corporate governance. Through these measures, the Company strives to increase its corporate value while maximizing values to be offered to stakeholders, including its shareholders and the parent company.

Business Risk

The following risks may significantly influence investor's decisions. The forward-looking statements stated below are based on certain assumptions and predictions determined by the Group as of the issuance date of the Securities Report (available only in Japanese).

(1) Economic Conditions of Market and Product Demand

Demand for the Group's products is subject to market trends in the following industries: the iron and steel industry; the home electronics-related industry, such as personal computers, cell phones, smart phone, air-conditioning equipment, and semiconductors; the automotive industry; the aviation industry; and the construction industry. The Group sells its products in Japan, the United States of America, Asia, and Europe. Accordingly, economic conditions of those countries affect the sales of the Group's products.

The Group endeavors to build a profitable structure that is less subjected to changes in the business climate, by raising productivity, reducing fixed and variable costs and lowering the break-even point. However, declining demand in related industries or worsening economic conditions in the countries in which the Group's products are sold may affect the Group's operating results.

(2) Fluctuation in Prices of Raw Materials

Raw materials for the Group's metal products include scrap iron, as well as cobalt, nickel, molybdenum, and rare metals, such as rare earths, for which suppliers and production areas are limited. Prices for these raw materials may fluctuate dramatically depending on market conditions. Shipment volumes may also be affected by resource policies and other factors in production areas.

The Group reflects the increase in raw material cost to selling prices of its products. Nonetheless, there is a time lag between the increase in raw material cost and the revision of selling prices in response to higher costs, and not all of the increased costs will be reflected to selling prices. Accordingly, increases in raw material cost, which are not reflected in selling prices, may affect the Group's operating results.

(3) Funding

The Group raises its funds through borrowings from financial institutions, commercial paper, and capital markets, and is subjected to fluctuations in interest rate and credit risks.

(4) Fluctuations in Foreign Exchange Rates

The Group imports raw materials from overseas and exports products manufactured in Japan to overseas. Thus, fluctuations in foreign exchange rates affect transactions, assets, and liabilities denominated in foreign currencies. The Group hedges the risks of fluctuations in foreign exchange rates that affect import and export transactions denominated in foreign currencies through financial instruments, including forward exchange contracts and currency options. Nonetheless, significant fluctuations in foreign exchange rates may affect the Group's operating results and financial position. The Group translates the financial statements of foreign consolidated subsidiaries into yen to prepare its consolidated financial statements. Therefore, fluctuations in foreign exchange rates may affect the Group's operating results and financial position.

(5) Fluctuations in Value of Marketable Securities

The Group holds marketable securities subject to impairment due to a downturn in securities markets or deteriorating financial position of issuing companies, which may affect the Group's operating results or consolidated financial position.

(6) Overseas Expansion

The Group is expanding its operations overseas, including Asia, the United States, and Europe in response to maturing Japanese markets and the offshore shifts of customers.

When expanding its operations overseas, the Group is required to make large initial investments into manufacturing and other facilities and, in many cases, to take time for starting its operations. Overseas expansion entails three inherent risks that may interrupt business activities: (1) regulatory changes in legal and tax system, (2) underdeveloped social systems and infrastructures, and (3) economic, social, and political conditions. If such risks materialize, they may negatively affect overseas operations and the Group's operating results or financial position.

(7) Competitive Advantage and Development and Commercialization of New Technologies and Products

The Group's competitors offer similar products in the businesses in which the Group operates. Products in the electronics and IT devices business are typically subjected to dramatic changes in technologies and customer needs, and the markets for existing products may shrink in the short term. Markets for products in other businesses may also shrink as those markets mature.

Accordingly, the Group is subjected to competition in terms of price, quality, and delivery, and is affected by ability to develop and commercialize new technologies and products.

The Group endeavors to maintain its competitiveness by identifying customer needs and developing and commercializing new technologies and products. However, if the Group is unable to respond properly to changes in technologies and customer needs or if lead times of development and commercialization for new technologies or products are prolonged, the Group's growth potential and profitability may deteriorate and the Group's operating results or financial position may be affected.

(8) Intellectual Property Rights

The Group owns and licenses numerous intellectual property rights. In case where deemed necessary or effective, the Group may obtain licenses to use the intellectual property rights of third parties. If those rights are not protected, maintained or obtained as planned, the Group's operations or competitiveness may be affected. In case where the Group becomes a party to litigation regarding intellectual property rights, litigation-related costs would be incurred and may affect its operating results or financial position.

(9) Environmental Regulations

The operations of customers with which the Group does business are subjected to extensive environmental and other regulations. Regulations have generally become stricter. The Group is required to ensure regulatory compliance with regard to the materials and parts for manufacturing its products and may unavoidably incur expenditures to meet customers' specifications.

The Group's businesses are subjected to various environmental and occupational health and safety laws and regulations covering air and water pollution, using and handling hazardous substances, rationalizing use of energy, disposing waste, and soil and groundwater contamination. The Group is responsible for risks relating to environment, health, and safety associated with its past, present, and future business activities. As related laws and regulations become stricter and new ordinances are released, the costs related to such restrictions may affect the Group's operating results or financial position.

(10) Product Defects

Certain products of the Group, such as high-security parts, are required to be exceptionally reliable. The Group has built a rigorous quality control system to prevent manufacturing and distribution of defective products.

However, in case defective products are distributed to the market, costs for relevant repairs, replacements, recalls, damage compensation claims, and litigation may be incurred and, accordingly, such costs may affect the Group's operating results or financial position.

(11) Laws and Regulations, and Official Restrictions

The Group is subject to economic laws and regulations for trade, foreign exchange and taxation, and other related regulations and official restrictions in Japan and other countries in which it operates. The Group endeavors to comply with these laws and regulations, and official restrictions by designing and improving internal controls. However, in case the Group is considered failing to comply with these requirements, administrative punishment would be imposed, or in case these requirements are revised, such revision may increase related expenses. These expenditures may affect the Group's operating results or financial position.

(12) Earthquakes and Other Natural Disasters

The Group may experience turmoil in its logistics or supply chain in case earthquakes, typhoons or other natural disasters damage its facilities, or even if such disasters do not directly damage its facilities, and force it to halt operations. Epidemics of a new influenza virus or other infectious diseases may also cause turmoil in the Group's business activities. In case natural disasters or other events lead to turmoil, the Group's operations may be disturbed and its operating results or financial position may be affected.

(13) Information Security

The Group recognizes the increasing importance of information systems for the Group business. In the case information systems are corrupted due to computer viruses or for other reasons, the Group's operations may be disturbed and its operating results or financial position may be affected.

The Group holds and manages personal information obtained from customers, and various confidential information on the Group, and customers' technologies, research and development, manufacturing, sales, and marketing activities. The Group manages and protects the confidential information; however, there is no guarantee that the Group's information management is effective enough to protect the confidential information. In case such information is disclosed without proper authority, the Group may be charged with compensation claims or filed a lawsuit. Such events may negatively affect the Group's operating results, financial position, reputation or credibility.

(14) Retirement and severance benefits

The Group owes a significant amount of retirement benefit costs and obligation derived from actuarial valuations. Inherent in these valuations are key assumptions used in estimating the amount of pension plan assets, including mortality, withdrawal rate, retirement rate, changes in wages, discount rates and expected return on plan assets. The Group is required to make judgments regarding these key assumptions by taking into account various factors, including personnel demographics, current market conditions and expected trends in interest rates. Although we believe that the key assumptions are reasonable in light of the various underlying factors, there is no assurance that the key assumptions will align with actual results. A decrease in the discount rate may result in an actuarial increase in retirement benefit obligations. Changes in key assumptions may affect the Group's financial position or operating results.

(15) Business Relationship with the Parent Company

Hitachi, Ltd. is the Company's parent company and holds 53.2% and 53.5% (including indirect ownership of 0.5%) of the total number of shares issued and voting rights of the Company, respectively, as of March 31, 2016. Hitachi, Ltd. has a number of affiliates and engages in a broad range of business activities from product manufacturing to sales and services in 9 segments, including Information & Telecommunication Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Life and Eco System, Financial Services, and Others (Logistics and Other Services.). The Company partially engages in High Functional Materials & Components. As of the issuance date of the Securities Report (available only in Japanese), one of eight directors of the Company concurrently serve as the director of Hitachi, Ltd. Further, the Company has transactions with Hitachi, Ltd., including product supplies. While securing the Company's independence, it actively participates in the Hitachi Group management and intends to maximize the effective use of Hitachi Group's research and development capabilities, as well as brand and other management resources. Thus, the Company's business may be affected by the management strategy of Hitachi, Ltd.

(16) M&A

The Group may be involved in transactions, including acquiring other entities, establishing joint ventures, and entering into strategic business alliances aimed at developing new technologies and products, enhancing competitiveness in each of the Group's business domains, and expanding business areas. Executing these strategies may require time before the Group realizes synergy benefits for certain transactions, as it addresses complex issues involving integration of businesses, technologies, products, and human resources, a process that entails both time and costs. When strategy execution does not go according to plan, there is a possibility that initially expected benefits may not be realized. Furthermore, business collaborations might be negatively affected by factors that are beyond the Group's control, such as decisions or capabilities of its strategic alliance partners and market trends. Moreover, significant costs may be incurred owing to post-integration management issues, including restructuring of acquired entities or businesses, which may impair the Group's performance or financial position.

(17) Medium-Term Management Plan

The Group has prepared the Fiscal 2018 Medium-Term Management Plan ending March 31, 2019, under which the Group aims to "change to be a competitive business" and "challenge to meet new targets." Setting "change" and "challenge" as keywords, the Group plans to build a stronger business base and pursue a growth strategy to become the world's leading high-performance materials company and grow sustainably over the long term.

Although the Group strives to achieve the Medium-Term Management Plan, unforeseen changes in the business climate or problems arising from any of the above risks described at (1) through (16) may negatively affect the Group's operating results or financial position. Accordingly, the Medium-Term Management Plan may not be implemented as planned, or the Group may fail to reach its targeted management benchmarks.

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1 Consolidated Financial Statements and Notes

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Note	Millions of yen		Thousands of
		As of March 31, 2016	As of March 31, 2015	U.S. dollars As of March 31, 2016
Assets				
Current assets				
Cash and cash equivalents		¥ 120,300	¥ 79,029	\$ 1,067,625
Trade receivables	6	178,281	220,547	1,582,189
Inventories	7	146,964	166,486	1,304,260
Other current assets	22	38,310	49,989	339,989
Subtotal		483,855	516,051	4,294,063
Assets held for sale	8	•	28,569	-
Total current assets		483,855	544,620	4,294,063
Non-current assets				
Investments accounted for using the equity method	9	36,437	24,892	323,367
Investments in securities and other financial assets	22, 23	22,446	18,411	199,201
Property, plant and equipment	10, 23	304,292	299,669	2,700,497
Goodwill and intangible assets	11	158,915	160,269	1,410,321
Deferred tax assets	12	12,552	15,918	111,395
Other non-current assets		14,814	19,671	131,470
Total non-current assets		549,456	538,830	4,876,251
Total assets		¥ 1,033,311	¥ 1,083,450	\$ 9,170,314
Liabilities				
Current liabilities				
Short-term debt	22	¥ 25,251	¥ 32,039	\$ 224,095
Current portion of long-term debt	22	27,131	29,235	240,779
Other financial liabilities	22	26,714	30,765	237,078
Trade payables	13, 22	148,999	178,614	1,322,320
Accrued expenses		38,067	41,986	337,833
Advances received		2,426	2,520	21,530
Other current liabilities	14	8,126	4,955	72,116
Subtotal		276,714	320,114	2,455,751
Liabilities related to assets held for sale	8	•	10,264	-
Total current liabilities		276,714	330,378	2,455,751
Non-current liabilities				
Long-term debt	22	167,994	194,076	1,490,895
Other financial liabilities	22	3,482	2,415	30,901
Retirement and severance benefits	15	66,820	63,007	593,007
Deferred tax liabilities	12	7,933	11,540	70,403
Other non-current liabilities	14	5,693	5,858	50,523
Total non-current liabilities		251,922	276,896	2,235,729
Total liabilities		528,636	607,274	4,691,480
Equity				
Equity attributable to shareholders of the parent company				
Common stock	16	26,284	26,284	233,262
Capital surplus		115,806	115,805	1,027,742
Retained earnings		336,141	277,856	2,983,147
Accumulated other comprehensive income	17	18,780	47,519	166,667
Treasury stock, at cost	16	(1,146)	(1,105)	(10,170)
Total equity attributable to shareholders of the parent company		495,865	466,359	4,400,648
Non-controlling interests		8,810	9,817	78,186
Total equity		504,675	476,176	4,478,834
Total liabilities and equity		¥ 1,033,311	¥ 1,083,450	\$ 9,170,314

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	Millions of yen		Thousands of U.S. dollars
		For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016
Net income		¥ 68,980	¥ 71,918	\$ 612,176
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		(1,166)	740	(10,348)
Remeasurements of defined benefit plans		(6,456)	10,002	(57,295)
Share of other comprehensive income of investments accounted for using the equity method	9	(119)	683	(1,056)
Total items not to be reclassified into net income		(7,741)	11,425	(68,699)
Items that can be reclassified into net income				
Foreign currency translation adjustments		(19,960)	20,582	(177,139)
Net change in fair value of cash flow hedges		(233)	(1,070)	(2,068)
Share of other comprehensive income of investments accounted for using the equity method	9	(964)	1,586	(8,555)
Total items that can be reclassified into net income		(21,157)	21,098	(187,762)
Total other comprehensive income	17	(28,898)	32,523	(256,461)
Comprehensive income		¥ 40,082	¥ 104,441	\$ 355,715
Comprehensive income attributable to:				
Shareholders of the parent company		¥ 40,664	¥ 102,576	\$ 360,880
Non-controlling interests		(582)	1,865	(5,165)
Comprehensive income		¥ 40,082	¥ 104,441	\$ 355,715

See accompanying notes to the consolidated financial statements.

3) Consolidated Statement of Changes in Equity

		Millions of yen								
	Note	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, 2014		¥ 26,284	¥ 115,591	¥ 215,603	¥ 15,749	¥ (1,010)	¥ 372,217	¥ 10,623	¥ 382,840	
Changes in equity										
Net income		•	•	70,569	•	•	70,569	1,349	71,918	
Other comprehensive income		•	•	•	32,007	•	32,007	516	32,523	
Dividends to shareholders of the parent company		18	•	(8,553)	•	•	(8,553)	•	(8,553)	
Dividends to non-controlling interests			•	•	•	•	•	(550)	(550)	
Acquisition of treasury stock		16	•	•	•	(107)	(107)	•	(107)	
Sales of treasury stock		16	•	1	•	12	13	•	13	
Change in the scope of consolidation			•	•	•	•	•	(1,946)	(1,946)	
Transfer to retained earnings			•	•	237	(237)	•	•	•	
Changes in the parent's equity in a subsidiary that do not result in the parent losing control of the subsidiary			•	213	•	•	•	213	(229)	(16)
Other			•	•	•	•	•	•	54	54
Total changes in equity			•	214	62,253	31,770	(95)	94,142	(806)	93,336
Balance at March 31, 2015		26,284	115,805	277,856	47,519	(1,105)	466,359	9,817	476,176	
Changes in equity										
Net income			•	•	69,056	•	•	69,056	(76)	68,980
Other comprehensive income			•	•	•	(28,392)	•	(28,392)	(506)	(28,898)
Dividends to shareholders of the parent company		18	•	•	(11,118)	•	•	(11,118)	•	(11,118)
Dividends to non-controlling interests			•	•	•	•	•	•	(425)	(425)
Acquisition of treasury stock		16	•	•	•	•	(41)	(41)	•	(41)
Sales of treasury stock		16	•	•	1	•	0	1	•	1
Change in the scope of consolidation			•	•	•	•	•	•	•	•
Transfer to retained earnings			•	•	347	(347)	•	•	•	•
Changes in the parent's equity in a subsidiary that do not result in the parent losing control of the subsidiary			•	•	•	•	•	•	•	•
Other			•	•	•	•	•	•	•	•
Total changes in equity			•	1	58,285	(28,739)	(41)	29,506	(1,007)	28,499
Balance at March 31, 2016		¥ 26,284	115,806	336,141	18,780	(1,146)	495,865	8,810	504,675	

See accompanying notes to the consolidated financial statements.

Thousands of U.S. dollars

Note	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 March 31, 2015	\$ 233,262	\$ 1,027,733	\$ 2,465,885	\$ 421,717	\$ (9,806)	\$ 4,138,791	\$ 87,123	\$ 4,225,914
Changes in equity	•	•	•	•	•	•	•	•
Net income	•	•	612,851	•	•	612,851	(675)	612,176
Other comprehensive income	•	•	•	(251,970)	•	(251,970)	(4,491)	(256,461)
Dividends to shareholders of the parent company	18	•	•	(98,669)	•	•	(98,669)	•
Dividends to non-controlling interests		•	•	•	•	•	(3,771)	(3,771)
Acquisition of treasury stock	16	•	•	•	(364)	(364)	•	(364)
Sales of treasury stock	16	•	9	•	•	9	•	9
Change in the scope of consolidation		•	•	•	•	•	•	•
Transfer to retained earnings		•	•	3,080	(3,080)	•	•	•
Changes in the parent's equity in a subsidiary that do not result in the parent losing control of the subsidiary		•	•	•	•	•	•	•
Other		•	•	•	•	•	•	•
Total changes in equity		•	9	517,262	(255,050)	(364)	261,857	(8,937)
Balance at March 31, 2016	\$ 233,262	\$ 1,027,742	\$ 2,983,147	\$ 166,667	\$ (10,170)	\$ 4,400,648	\$ 78,186	\$ 4,478,834

See accompanying notes to the consolidated financial statements.

4) Consolidated Statement of Cash Flows

	Note	Millions of yen		Thousands of U.S. dollars
		For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016
Cash flows from operating activities:				
Net income		¥ 68,980	¥ 71,918	\$ 612,176
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		42,927	39,917	380,964
Impairment losses		1,372	497	12,176
Share of (profits) losses of investments accounted for using the equity method		(428)	(1,005)	(3,798)
Financial expenses (income)		4,149	(979)	36,821
Losses on sale of property, plant and equipment		1,377	1,453	12,220
Restructuring expenses		3,250	6,792	28,843
Net (gain) loss on business reorganization and others		(29,841)	(12,724)	(264,830)
Loss on revision of retirement benefit plan		•	2,367	•
Income taxes		27,253	14,473	241,862
Decrease (increase) in trade receivables		33,731	23,972	299,352
Decrease (increase) in inventories		12,974	(8,146)	115,140
Decrease (increase) in accounts receivable - other		6,540	2,726	58,040
Increase (decrease) in trade payables		(24,837)	(11,944)	(220,421)
Increase (decrease) in accrued expenses		(1,291)	4,853	(11,457)
Increase (decrease) in retirement and severance benefits		(701)	3,601	(6,221)
Other		(9,407)	(9,811)	(83,483)
Subtotal		136,048	127,960	1,207,384
Interest and dividends received		1,641	732	14,563
Interest paid		(3,780)	(2,860)	(33,546)
Payments for structural reforms		(3,239)	(1,572)	(28,746)
Foreign value added taxes refunded		•	1,731	•
Income taxes paid		(14,928)	(17,008)	(132,481)
Net cash provided by operating activities		115,742	108,983	1,027,174
Cash flows from investing activities:				
Purchase of property, plant and equipment		(53,646)	(44,063)	(476,092)
Purchase of intangible assets		(4,112)	(4,087)	(36,493)
Proceeds from sales of property, plant and equipment		1,844	1,811	16,365
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		(12,940)	(90,230)	(114,838)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		31,191	15,838	276,810
Proceeds from transfer of business		1,694	9,678	15,034
Payments for transfer of business		(1,399)	(1,900)	(12,416)
Other		5,221	(797)	46,335
Net cash used in investing activities		(32,147)	(113,750)	(285,295)

(Continued)

	Note	Millions of yen		Thousands of U.S. dollars
		For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2016
Cash flows from financing activities:				
Net decrease in short-term debt		(2,255)	(25,182)	(20,012)
Proceeds from long-term debt		6,000	123,923	53,248
Repayment of long-term debt		(30,034)	(98,411)	(266,542)
Dividends paid to shareholders	18	(11,118)	(8,553)	(98,669)
Dividends paid to non-controlling interests		(425)	(550)	(3,772)
Acquisition of common stock for treasury		(41)	(102)	(364)
Proceeds from sales of treasury stock		1	3	9
Purchase of shares of consolidated subsidiaries from non-controlling interests		•	(12)	•
Net cash used in financing activities		<u>(37,872)</u>	<u>(8,884)</u>	<u>(336,102)</u>
Effect of exchange rate changes on cash and cash equivalents				
		<u>(4,452)</u>	<u>6,208</u>	<u>(39,510)</u>
Net (decrease) increase in cash and cash equivalents		<u>41,271</u>	<u>(7,443)</u>	<u>366,267</u>
Cash and cash equivalents at the beginning of the year				
		79,029	92,911	701,358
Decrease in cash and cash equivalents resulting from transfer to assets held for sale		•	(6,439)	•
Cash and cash equivalents at the end of the year		<u>¥ 120,300</u>	<u>¥ 79,029</u>	<u>\$ 1,067,625</u>

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1. Nature of the Reporting Company

Hitachi Metals, Ltd. (the “Company”) is a Japan-based company whose shares are listed on the First Section of the Tokyo Stock Exchange. Its principal office is located at 2-70 Konan 1-chome, Minato-ku, Tokyo, which moved from 2-1 Shibaura 1-chome, Minato-ku, Tokyo on December 1, 2015. The Company’s consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as well as its share of the profit or loss of associates and joint ventures. The Company and its subsidiaries (the “Group”) primarily manufacture and sell high-grade metal products, magnetic materials and applications, high-grade functional components and equipment, and wires, cables, and related products.

Note 2. Basis of Presentation

As the Company meets the qualification for a “Specified Company applying Designated IFRSs” pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Method of Consolidated Financial Statements (Ordinance of Ministry of Finance of Japan Regulation No. 28, 1976), the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, as permitted by the provision of Article 93 of the above Ordinance.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments measured at fair value, financial instruments measured at fair value through profit or loss (FVTPL), financial instruments measured at fair value through other comprehensive income (FVTOCI), and assets and liabilities associated with defined benefit plans. The consolidated financial statements are presented in millions of Japanese yen. Amounts are rounded to the nearest million yen for presentation.

The accompanying consolidated financial statements were approved by Hideaki Takahashi, president and chief executive officer, on June 23, 2016.

Management of the Company is required to make a number of judgments, estimates, and assumptions related to the application of accounting policies and reporting of revenues and expenses, and assets and liabilities to prepare the consolidated financial statements in accordance with IFRS. Actual results may differ from those estimates.

Estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change was made and in future periods.

The translation of Japanese yen amounts into U.S. dollars as of and for the year ended March 31, 2016, is included in this annual report solely for the convenience of readers outside Japan. The translation has been made at the rates of ¥112.68=\$1, the approximate exchange rates as of March 31, 2016.

The following notes include information regarding judgments in applying accounting policies that could materially affect the Company’s consolidated financial statements:

- Note 3. (1) “Basis of Consolidation”
- Note 3. (4) “Financial Instruments” and Note 22. “Financial Instruments and Other Related Information”

The following notes include information regarding uncertainties arising from assumptions and estimates that may materially affect the Company’s consolidated financial statements in the following fiscal year:

- Note 3. (9) “Impairment of Non-financial Assets”
- Note 3. (11) “Post-employment benefits” and Note 15. “Employee Benefits”
- Note 3. (12) “Provisions,” Note 3. (13) “Contingencies,” Note. 14. “Provisions” and Note 26. “Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)”
- Note 3. (15) “Income Taxes” and Note 12. “Deferred Taxes and Income Taxes”

Note 3. Summary of Significant Accounting Policies

(1) Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities that mainly the Group controls through direct or indirect ownership of a majority voting right.

The Company consolidates all subsidiaries from the date on which the Group acquired control until the date on which the Group loses control.

The financial statements of the Company’s subsidiaries have been adjusted, if accounting policies applied by such subsidiaries differ from those of the Group, if necessary.

Changes in ownership interest in subsidiaries without a loss of control are accounted for as equity transactions. On the other hand, changes in ownership interest in subsidiaries with a loss of control are accounted for by derecognizing assets and liabilities, non-controlling interests, and accumulated other comprehensive income attributable to the subsidiary.

Financial statements of subsidiaries whose fiscal closing dates differ from the consolidated account closing date are included in the consolidated financial statements on the basis of a provisional account closing as of the consolidated account closing date.

(b) Associates and joint ventures (accounted for using the equity method)

Associates are entities over which the Group has the ability to exercise significant influence over operational and financial policies mainly by holding 20%-50% ownership directly or indirectly, but does not control such entities.

Joint ventures are entities jointly controlled by more than one party, including the Group, and decisions about operational and financial policies require unanimous consent of all parties where the Group has a right to the net assets of the arrangement.

Investments in associates and joint ventures (“equity-method investees”) are accounted for using the equity method.

Consolidated financial statements include changes in net income and other comprehensive income of the equity method investees from the date on which the Group obtains significant influence or joint control over the investees to the date on which it loses significant influence or joint control.

The financial statements of the Group’s equity-method investees have been adjusted, if necessary, when the accounting policies of such equity-method investees differ from those of the Group.

(2) Cash Equivalents

The Group considers highly liquid investments with insignificant risk of changes in value and original maturities of three months or less when purchased to be cash equivalents.

(3) Foreign Currency Translation

The consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency.

(a) Foreign currency transactions

Foreign currency transactions are translated into each functional currency of the Group using exchange rates prevailing at the dates of the transactions or rates that approximate such rates. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from currency translation and settlement are recognized in profit or loss.

(b) Translation of the financial statements of foreign operations

Assets and liabilities of the Company’s foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expense items are translated at the average exchange rate prevailing during the year.

Foreign exchange gains and losses resulting from the translation of financial statements of foreign operations are included in other comprehensive income.

(4) Financial Instruments

The Group has applied IFRS 9 *Financial Instruments* (issued in November 2009, amended in October 2010 and December 2011) earlier than the mandatory effective date.

(a) Non-derivative financial assets

The Group initially recognizes trade receivables on the actual transaction dates. All other financial assets are initially recognized on the dates on which the Group becomes party to the agreement.

The Group derecognizes financial assets when the contractual rights to cash flows from the financial assets expire or are transferred, and the risks and rewards of ownership of the financial assets are substantially transferred.

Classification and measurement models of non-derivative financial assets are summarized as follows:

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost when they meet the following requirements:

- The financial asset is held in accordance with the Group’s business model whose objective is to hold the asset in order to collect contractual cash flows.
- The contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method, less impairment losses when necessary.

Impairment of financial assets measured at amortized cost

The Group evaluates financial assets measured at amortized cost for possible impairment on a periodic basis, but no less frequently than at the end of each quarterly reporting period when there is objective evidence of impairment resulting from one or more events occurring after the initial recognition and when the estimated future cash flows from the financial assets or group of assets can be reliably measured. Objective evidence of impairment includes historical credit loss; the existence of overdue payments; extended payment terms; a negative evaluation by third-party credit rating agencies; excessive debts; and findings indicating a deteriorating financial position or operating results.

An impairment loss is estimated based on the present value of estimated future cash flows of the financial asset discounted at the effective interest rate or an observable market price.

In addition, an impairment loss is recognized based on the actual bad debt ratio calculated based on factors such as historical experience, or the estimated collectible amount, after assessing multiple potential risks associated with a country in which a debtor conducts its business or business environment, including special business customs particular to the region.

In the consolidated statement of financial position, impairment losses of debt securities are directly deducted from their carrying amount and impairment losses of financial assets other than debt securities are indirectly decreased through the allowance account. For financial assets other than debt securities, account balances are generally written off against the allowance only after all means of collection have been exhausted and the recoverability of the assets is considered remote. Write-offs are generally recognized only when a debtor commences bankruptcy or liquidation proceedings because it is considered that all collection efforts will have been exhausted by that time.

FVTPL financial assets

The Group classifies equity instruments not designated as FVTOCI financial assets at the initial recognition and debt instruments not classified as financial assets measured at amortized cost as FVTPL financial assets. These instruments are subsequently measured at fair value and any changes in fair value are recognized in profit or loss.

FVTOCI financial assets

The Group holds certain equity instruments to expand its revenue base by maintaining and strengthening business relations with investees. The Group makes an irrevocable election to designate these equity instruments as FVTOCI financial assets at initial recognition. They are measured at fair value after initial recognition and changes in fair value are recognized in other comprehensive income. The cumulative amount of the changes in fair value is recognized in accumulated other comprehensive income. Dividends from equity instruments designated as FVTOCI are recognized in profit or loss unless it is obviously a return of investment.

Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to cash flows from the financial assets expire or are transferred, and the risks and rewards of ownership of the financial assets are substantially transferred.

(b) Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date of issuance. All other financial liabilities are initially recognized on the transaction dates on which the Group becomes party to the agreement.

The Group derecognizes financial liabilities when extinguished, that is, when the obligation in the contract is redeemed, or the liability is discharged, cancelled, or expires.

Non-derivative financial liabilities that the Group holds include bonds, debts, operating payables, and other liabilities. They are initially measured at fair value (less direct transaction costs) and subsequently measured at amortized cost using the effective interest method.

(c) Derivatives and hedge accounting

The Group uses derivative instruments, including forward exchange contracts, interest rate swaps, and copper futures trading, in order to hedge currency risks, interest rate risks, and raw material (copper) price fluctuation risks, respectively.

The Group applies hedge accounting as follows:

- Fair value hedge: a hedge against changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment. The changes in the fair value of the recognized assets or liabilities, or unrecognized firm commitments, and the related derivatives are recognized in profit or loss if the hedge is considered highly effective.
- Cash flow hedge: a hedge against variability in cash flows attributable to a forecasted transaction or related to a recognized asset or liability. The changes in the fair value of derivative instruments designated as cash flow hedges are recorded in other comprehensive income (loss) if the hedge is considered highly effective. This treatment is continued until net income is affected by the variability in cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative instruments are recognized in profit or loss.

The Group documents risk management objectives and strategies for undertaking various hedge transactions. In addition, the Group assesses whether the derivative used in hedging activities is highly effective in offsetting changes in fair value or cash flows of the hedged item at the hedge's inception and periodically on an ongoing basis. Hedge accounting is discontinued for ineffective hedges. Subsequent changes in the fair value of derivatives related to discontinued hedges are immediately recognized in profit or loss.

(d) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(5) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or average cost method for merchandise and finished products, and work in process, and generally by the moving average cost method or average cost method for raw materials and supplies. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to sell.

(6) Property, Plant and Equipment

The Group applies the cost model to property, plant and equipment and states such assets at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the direct cost of acquisition, and the cost of its dismantlement, removal, and restoration. Property, plant and equipment are principally depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures:	2 to 60 years
Machinery and vehicles:	2 to 20 years
Tools, furniture, and fixtures:	2 to 30 years

The estimated useful lives and the method of depreciation are reviewed at each fiscal year-end. Changes in estimated useful lives or depreciation method are accounted for as a change in an accounting estimate and applied prospectively.

(7) Goodwill and Other Intangible Assets

(a) Goodwill

Goodwill is stated at cost, less any accumulated impairment losses.

(b) Intangible assets (excluding goodwill)

The Group applies the cost model to intangible assets and states such assets at cost, less accumulated amortization and impairment losses.

Intangible assets with finite useful lives are amortized principally using the straight-line method over the following estimated useful lives:

Software:	2 to 10 years
Other intangible assets:	2 to 20 years

(8) Equity

(a) Common stock and capital surplus

The amounts of equity instruments issued by the Company are recognized in common stock and capital surplus at their issued prices, and the costs incurred directly related to the issuance are deducted from capital surplus.

(b) Treasury stock

When the Company acquires treasury stock, the acquisition costs are recognized as deductions from equity. When treasury stock is sold, the differences between the carrying amounts and the considerations are recognized in capital surplus.

(9) Impairment of Non-financial Assets

The Group performs impairment testing for non-financial assets whenever events or circumstances have occurred that indicate that the carrying amount of the assets may not be recoverable. The Group tests goodwill and intangible assets with indefinite lives for impairment annually, generally during the fourth quarter, irrespective of whether there is any indication of impairment. The Group performs impairment testing by estimating the recoverable amount per cash generating unit (CGU) to which the asset belongs. When performing an impairment test, assets are grouped into the smallest identifiable group whose cash flows are independent.

In determining the recoverable amount, the Group uses available quoted market prices or the income approach (a present value technique) based on the estimated future cash flows expected to result from the use of the assets and their eventual disposition. If the carrying amount of the assets allocated to a CGU exceeds the recoverable amount, an impairment loss on the assets of that CGU is recognized.

When there is a significant change in the facts and circumstances used to calculate the recoverable amount of an asset other than goodwill, and there is an indication that an impairment loss previously recognized on the asset may no longer exist or be decreased, the recoverable amount of the asset or the CGU is estimated. If the recoverable amount of the asset or the CGU exceeds its carrying amount, then the impairment loss is reversed to the extent of the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

(10) Assets Held for Sale

The Group classifies an asset or a disposal group of assets whose carrying amount will be recovered through a sales transaction, rather than through continuing use, as an asset or assets held for sale, if its sale is highly probable and it is available for immediate sale in its present condition. Assets held for sale are not depreciated or amortized, and measured at the lower of carrying amount or fair value, less costs to sell.

(11) Post-employment Benefits

The Company and its subsidiaries have contributory defined benefit pension plans as well as funded and unfunded lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method.

The effects of remeasurements of the net defined benefit asset or liability are recognized in other comprehensive income when incurred. Past service cost is immediately recognized in profit or loss.

The net amount of a defined benefit asset or liability is calculated as the present value of the defined benefit obligation, less the fair value of the plan assets, and is recognized as an asset or liability in the consolidated statement of financial position.

Additionally, the Company and certain subsidiaries have defined contribution pension plans, recognizing the contributions to the plans as expenses during the fiscal year when employees have rendered service. Further, certain subsidiaries participate in multi-employer defined benefit plans, accounting for the plans in the same manner as a defined contribution pension plan when sufficient information is not available to account for the plans as a defined benefit pension plan.

(12) Provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated.

When the time to settle an obligation is expected to be long and the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is a pre-tax rate that reflects the time value of money and the risks specific to the liability.

The nature and the amount of the provisions that the Group recorded are described in Note 14 "Provisions."

(13) Contingencies

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Group discloses contingent liabilities in Note 26 "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)" for outflows of resources embodying economic benefits whose realization is uncertain at the end of the reporting period, if it cannot be determined as a present obligation as of the end of the reporting period or if it does not meet the recognition criteria of provisions prescribed in (12) "Provisions," unless the possibility of any outflow in settlement is remote.

The Group has financial guarantee contracts that require the group to make specified payments to reimburse the creditor for a loss when the debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group accounts for liabilities related to the financial guarantee contracts at the higher of the best estimate of expenditures required for settling the present obligation at the reporting date or the amount initially recognized, less cumulative amortization.

(14) Revenue Recognition

The Group recognizes revenue when persuasive evidence of an arrangement exists, it is probable that future economic benefits will flow to the Group, and these benefits can be measured reliably.

Revenues from the sale of products are measured at the fair value of the consideration received or receivable. The fair value is the amount less discounts and rebates.

Revenue from sales of products is recognized when the significant risks and rewards of ownership of the products have been transferred to the customer; the Group has no continuing involvement nor effective control over the products; the amount of revenue and the costs incurred related to the transaction can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to the Group. Primarily, the Group recognizes revenue from the sale of products upon delivery to the customer. The Group sells products, such as high-grade specialty steel products, precision cast components, various mill rolls, injection molding machine parts, structural ceramic products, steel-frame joints for construction, amorphous metals and related applied products, magnets, soft magnetic materials and related applied products, materials and components for information and telecommunication equipment, materials and components for medical equipment, casting components for automobiles, aluminum wheels, other aluminum components, forged components for automobiles, piping and infrastructure components, electric wires and cables, automotive products, and information systems.

(15) Income Taxes

Deferred tax assets and liabilities arising from temporary differences, unused tax losses and unused tax credits are recognized based on the asset and liability method. A deferred tax liability is not recognized on the temporary difference arising from goodwill, and the temporary difference arising from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of transaction, affects neither accounting nor taxable profit or loss. It is also not recognized on outside-basis difference arising from investments in subsidiaries and associates when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the fiscal year when those temporary differences are expected to be recovered. The effects of a change in tax rates on deferred tax assets and liabilities are recognized in profit or loss in the fiscal year that includes the date of enactment of the change in the tax rate. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which any unused tax losses, unused tax credits, and future deductible temporary difference can be utilized.

(16) Consumption Tax

Consumption tax collected and remitted to taxing authorities is excluded from revenues, cost of sales, and expenses in the consolidated statements of income.

(17) Earnings per Share

Basic earnings per share ("EPS") attributable to shareholders of the parent company is calculated based on the weighted average of ordinary shares outstanding during the period. Diluted EPS attributable to shareholders of the parent company is calculated based on the sum of the weighted average of ordinary shares outstanding during the period and the weighted average of dilutive potential ordinary shares issuable or convertible into ordinary shares.

(18) Business Combinations

Business combinations are accounted for using the acquisition method. Acquisition cost is determined as the total consideration transferred, measured at the acquisition date fair value and the non-controlling interests in the acquiree. For each business combination, the Group chooses to measure any non-controlling interest in the acquiree at fair value or on the basis of its proportionate interest in the acquiree's identifiable net assets at fair value. Acquisition-related costs are recognized as incurred in profit or loss.

Business combinations under common control, in other words, business combinations in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combinations and when the control is not temporary, are accounted for based on carrying amounts.

(19) Standards Issued but Not Yet Effective

The Group has not applied the following standards and interpretations that were issued, amended, or revised but not yet effective before the approval date of the accompanying consolidated financial statements as of and for the year ended March 31, 2016. The potential impacts of applying these standards or interpretations on the consolidated financial statements are under evaluation.

IFRSs	Title	Mandatory effective date (beginning on or after)	Expected application date by the Group	Summary of new or amended standards and interpretations
IFRS 9	Financial Instruments	January 1, 2018	To be determined	Revision of hedge accounting (November 2013) Revision of classification and measurement of financial instruments and introduction of the expected loss model for the impairment of financial assets (July 2014)
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	To be determined	Revision of accounting treatments and disclosures for revenue recognition
IFRS 16	Leases	January 1, 2019	To be determined	Revision of definition of a lease and accounting treatments for a lessee.

Note 4. Segment Information

Business Segments

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 company-based organization structure and established seven business headquarters based on the type of products and services. Each of the seven business units prepares a comprehensive strategy and engages in business activities related to their products and services for both the domestic and overseas markets.

Hitachi Tool Engineering, Ltd. (currently, Mitsubishi Hitachi Tool Engineering, Ltd.) was excluded from the scope of consolidation and accounted for as an equity-method investee investment effective on April 1, 2015, as the Company transferred 51% of the total issued shares to Mitsubishi Materials Corporation.

Based on the above, the High-Grade Metal Products and Materials segment comprises the Specialty Steel Business, Roll Business, and Soft Magnetic Materials Business. The Magnetic Materials and Applications segment comprises the NEOMAX Business and Information System Components Business. The High-Grade Functional Components and Equipment segment comprises the Automotive Components Business and Piping Components Business. The Wire, Cables, and Related Products segment comprises the Electric Wires and Cables Business.

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

Reportable segment	Major products and services
High-Grade Metal Products and Materials	YSS TM brand high-grade specialty steel products (tool steel, alloys for electronic products [display-related materials and semiconductor and other package materials], industrial equipment materials [automobile-, aircraft-, and energy-related materials], and razor and blade materials); precision cast components; rolls for steel mills; injection molding machine parts; structural ceramic products; steel-frame joints for construction; and Metglas [®] amorphous metals.
Magnetic Materials and Applications	Magnets (NEOMAX [®] rare-earth magnets, ferrite magnets, and other magnets and applied products); soft magnetic materials (soft ferrite and FINEMET [®] nanocrystalline magnetic material) and applied products; Metglas [®] amorphous metals applied products; materials and components for information and telecommunication equipment; and materials and components for medical equipment
High-Grade Functional Components and Equipment	Casting components for automobiles (HNM TM high-grade ductile cast iron products, cast iron products for transportation machinery, and HERCUNITE [®] heat-resistant exhaust casting components); SCUBA TM aluminum wheels; other aluminum components; forged components for automobiles; piping and infrastructure components (Gourd [®] brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
Wires, Cables, and Related Products	Electric wires and cables (electric power and industrial systems, electronic and telecommunication materials, electric equipment materials, and industrial rubber products); automotive products (electronic components and brake hoses); and information systems (information networks and wireless systems)

The same accounting policies as the ones described in Note 3. "Summary of Significant Accounting Policies" are applied to the reportable segments.

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

The following tables show business segment information for the years ended March 31, 2016 and 2015:

For the year ended March 31, 2016

	Millions of yen								
	Reportable segment				Subtotal	Others	Total	Adjustments	Consolidated statement of income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products					
Revenues									
External customers	¥ 241,678	¥ 119,922	¥ 365,112	¥ 288,216	¥ 1,014,928	¥ 2,656	¥ 1,017,584	¥ •	¥ 1,017,584
Intersegment transactions	309	22	6	30	367	891	1,258	(1,258)	—
Total revenues	241,987	119,944	365,118	288,246	1,015,295	3,547	1,018,842	(1,258)	1,017,584
Segment profit (loss)	53,343	9,574	25,479	17,682	106,078	143	106,221	(6,267)	99,954
Financial income	•	•	•	•	•	•	•	•	1,232
Financial expenses	•	•	•	•	•	•	•	•	(5,381)
Share of profits of investments accounted for using the equity method	•	•	•	•	•	•	•	•	428
Income before income taxes	•	•	•	•	•	•	•	•	96,233
Segment assets	304,855	115,830	326,600	269,031	1,016,316	15,262	1,031,578	1,733	1,033,311
Other items:									
Depreciation and amortization	11,391	6,132	14,958	9,203	41,684	453	42,137	790	42,927
Capital expenditure	23,160	6,795	16,819	11,524	58,298	182	58,480	1,122	59,602
Impairment losses	25	16	1,187	•	1,228	•	1,228	144	1,372

Thousands of U.S. dollars

	Reportable segment				Subtotal	Others	Total	Adjustments	Consolidated statement of income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products					
Revenues									
External customers	\$ 2,144,817	\$ 1,064,271	\$ 3,240,256	\$ 2,557,827	\$ 9,007,171	\$ 23,571	\$ 9,030,742	\$•	\$ 9,030,742
Intersegment transactions	2,743	195	53	266	3,257	7,907	11,164	(11,164)	•
Total revenues	2,147,560	1,064,466	3,240,309	2,558,093	9,010,428	31,478	9,041,906	(11,164)	9,030,742
Segment profit (loss)	473,403	84,966	226,118	156,922	941,409	1,269	942,678	(55,617)	887,061
Financial income	•	•	•	•	•	•	•	•	10,934
Financial expenses	•	•	•	•	•	•	•	•	(47,755)
Share of profits of investments accounted for using the equity method	•	•	•	•	•	•	•	•	3,798
Income before income taxes	•	•	•	•	•	•	•	•	854,038
Segment assets	2,705,493	1,027,955	2,898,474	2,387,567	9,019,489	135,445	9,154,934	15,380	9,170,314
Other items:	•	•	•	•	•	•	•	•	•
Depreciation and amortization	101,092	54,420	132,747	81,674	369,933	4,020	373,953	7,011	380,964
Capital expenditure	205,538	60,304	149,263	102,272	517,377	1,615	518,992	9,957	528,949
Impairment losses	222	142	10,534	•	10,898	•	10,898	1,278	12,176

Notes: 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 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 allocated to corporate assets and eliminations of intersegment transactions.

4. Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.

For the year ended March 31, 2015

	Millions of yen									
	Reportable segment					Subtotal	Others	Total	Adjustments	Consolidated statement of income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products						
Revenues										
External customers	¥ 257,396	¥ 135,400	¥ 282,018	¥ 327,595	¥ 1,002,409	¥ 1,964	¥ 1,004,373	¥•	¥ 1,004,373	
Intersegment transactions	3,398	86	312	397	4,193	2,395	6,588	(6,588)	—	
Total revenues	260,794	135,486	282,330	327,992	1,006,602	4,359	1,010,961	(6,588)	1,004,373	
Segment profit (Loss)	34,661	11,492	28,074	19,845	94,072	206	94,278	(9,871)	84,407	
Financial income	•	•	•	•	•	•	•	•	3,975	
Financial expenses	•	•	•	•	•	•	•	•	(2,996)	
Share of profits (losses) of investments accounted for using the equity method	•	•	•	•	•	•	•	•	1,005	
Income before income taxes	•	•	•	•	•	•	•	•	86,391	
Segment assets	313,453	151,812	344,029	282,085	1,091,379	17,971	1,109,350	(25,900)	1,083,450	
Other items:										
Depreciation and amortization	11,847	6,456	10,704	9,907	38,914	418	39,332	585	39,917	
Capital expenditure	18,724	10,209	12,576	9,094	50,603	357	50,960	514	51,474	
Impairment losses	•	5,209	88	410	5,707	•	5,707	174	5,881	

Notes: 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 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 allocated to 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, 2016

1. Product and service information

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

2. Geographic information

(1) Revenues

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 451,116	¥ 312,847	¥ 192,773	¥ 45,844	¥ 15,004	¥ 1,017,584

Thousands of U.S. dollars					
Japan	North America	Asia	Europe	Other areas	Total
\$ 4,003,514	\$ 2,776,420	\$ 1,710,800	\$ 406,851	\$ 133,157	\$ 9,030,742

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 ¥276,616 million (US \$2,454,881 thousand) and ¥73,988 million (US \$656,621 thousand), respectively.

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

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 276,691	¥ 194,215	¥ 40,597	¥ 171	¥ 1,311	¥ 512,985

Thousands of U.S. dollars					
Japan	North America	Asia	Europe	Other areas	Total
\$ 2,455,547	\$ 1,723,598	\$ 360,286	\$ 1,518	\$ 11,634	\$ 4,552,583

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

Non-current assets (excluding financial instruments) attributable to the United States were ¥194,215 million (US \$1,723,598 thousand).

3. Significant customer information

There was no concentration of revenues from a specific customer for the year ended March 31, 2016.

For the year ended March 31, 2015

1. Product and services information

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

2. Geographic information

(1) Revenues

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 527,660	¥ 200,362	¥ 212,499	¥ 49,244	¥ 14,608	¥ 1,004,373

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 ¥177,973 million and ¥84,508 million, respectively.

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

Millions of yen					
Japan	North America	Asia	Europe	Other areas	Total
¥ 253,251	¥ 193,470	¥ 51,460	¥ 177	¥ 1,214	¥ 499,572

Note: Non-current assets (excluding financial instruments) 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 ¥193,470 million.

3. Significant customer information

There was no concentration of revenues from a specific customer for the year ended March 31, 2015.

Note 5. Business Combinations

Major business combinations in the fiscal year ended March 31, 2015, are summarized below.

Acquisition of a new subsidiary, Waupaca Foundry Holdings, Inc. (“Waupaca HD”) by acquiring its shares

1. Objective of the acquisition

The Company is focusing on continued global growth. Under the current Medium-Term Management Plan, it is working to strengthen and expand its customer base globally, while developing its global production capabilities and sales networks.

The iron casting business has been a focus for many years, particularly in the automotive market. Particularly in high-grade ductile iron casting and other categories, it has been strengthening its global capacity through the construction of new production facilities in Japan, Korea, and the United States. It also acquired its Indian automotive casting subsidiary in April 2014, to expand its business and building a foundation for future growth.

Waupaca Foundry, Inc. (“Waupaca”), which is a 100% subsidiary of Waupaca HD, is headquartered in Wisconsin, United States, and is the largest worldwide supplier of iron castings, operating six plants in the United States. Waupaca serves the transport machinery market in North America and supplies a wide array of applications, from automotive brake parts to industrial, agricultural, and construction machinery. Utilizing excellent production technologies and production management, Waupaca has the world’s largest-scale production capacity and a leading share of the North American market. Waupaca has forged strong customer relationships based on a stable product supply over many years, which has translated into a source of its competitive power. Waupaca is expected to grow even further in the global market for iron casting in transport machinery, which is anticipated to see continued growth driven by demand for automobiles in emerging countries.

Based on these circumstances, the Company viewed this acquisition as a tremendous opportunity to acquire Waupaca’s overwhelmingly large production capacity, extensive business domain, and solid customer base, which will fuel the growth of its iron casting business over the medium- to long-term.

Consequently, the Company’s wholly owned subsidiary, Hitachi Metals Foundry Holdings, Inc. (presently Hitachi Metals America Holdings, Inc.) conducted a cash funded acquisition to acquire all of the shares (100% voting rights) of Waupaca HD.

This acquisition will make the Company a supplier of iron castings with the largest worldwide production capacity, combining its existing high-value-added niche-zone business, which is the Company’s focused area, with Waupaca’s cost-competitive volume zone business.

Furthermore, the Company will expand its revenue base and offer new products and service solutions to meet market and customer expectations, with a focus on continued growth in the global market.

2. Name and business details of the acquiree

(1) Company name: Waupaca Foundry Holdings, Inc.

(2) Business details: Hold interests in Waupaca, a 100% subsidiary, and manage its business

Note: Waupaca’s business operations include research and development (R&D), manufacturing, and sales of iron-casting products for transportation machinery.

3. Share acquisition date: November 10, 2014

4. Acquired voting rights ratio: 100%

5. Acquisition price and fair value of assets acquired and liabilities assumed

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 888	\$ 7,881
Trade receivables	26,446	234,700
Inventory	5,457	48,429
Other current assets	6,675	59,239
Non-current assets (excluding intangible assets)	57,216	507,774
Intangible assets	35,173	312,149
Total	¥ 131,855	\$ 1,170,172
Current liabilities	¥ (27,801)	\$ (246,725)
Non-current liabilities	(83,148)	(737,913)
Total	¥ (110,949)	\$ (984,638)
Acquisition price (cash)	¥ 91,896	\$ 815,548
Goodwill	70,990	630,014

Goodwill mainly represents synergy effects emerging from previous earnings capabilities and existing businesses. Furthermore, the Company recorded ¥1,485 million (US \$13,179 thousand) in acquisition-related costs for the business combination of Waupaca HD under selling, general, and administrative expenses.

6. Revenues and net income of the acquiree

From the acquisition date to March 31, 2015, Waupaca HD recorded revenues of ¥82,528 million (US \$732,410 thousand) and net income of ¥3,319 million (US \$29,455 thousand).

7. The Group's revenues and net income assuming that the business combination was conducted at the beginning of the fiscal year

Assuming the acquisition was completed on April 1, 2014, the Group's revenues and net income for the fiscal year ended March 31, 2015, were ¥1,119,252 million and ¥77,169 million, respectively.

Note 6. Trade Receivables

Trade receivables as of March 31, 2016 and 2015, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Accounts receivable	¥ 159,162	¥ 197,370	\$ 1,412,514
Notes receivable and electronically recorded monetary claims	19,480	23,721	172,879
Allowance for doubtful accounts	(361)	(544)	(3,204)
Total	¥ 178,281	¥ 220,547	\$ 1,582,189

For credit risk control and fair value of trade receivables, see Note 22. "Financial Instruments and Other Related Information."

Note 7. Inventories

Inventories as of March 31, 2016 and 2015, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Merchandise and finished products	¥ 55,814	¥ 63,440	\$ 495,332
Work in process	53,046	57,647	470,767
Raw materials and supplies	38,104	45,399	338,161
Total	¥ 146,964	¥ 166,486	\$ 1,304,260

The amount of inventories written down for the years ended March 31, 2016 and 2015, was ¥4,070 million (US \$36,120 thousand) and ¥1,564 million, respectively.

Note 8. Assets Held for Sale

Details of assets held for sale and liabilities related to assets held for sale as of March 31, 2016 and 2015, are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Assets held for sale			
Cash and cash equivalents	¥ •	¥ 6,439	\$ •
Trade receivables	•	2,560	•
Inventories	•	4,840	•
Property, plant and equipment	•	11,051	•
Other	•	3,679	•
Total	¥ •	¥ 28,569	\$ •
Liabilities related to assets held for sale			
Trade payables	¥ •	¥ 755	\$ •
Liabilities for retirement benefits	•	3,154	•
Other	•	6,355	•
Total	¥ •	¥ 10,264	\$ •

Assets held for sale and liabilities related to assets held for sale as of March 31, 2015, are assets and liabilities held by group companies of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) within the High-Grade Metal Products and Materials segment. On September 26, 2014, the Company and Mitsubishi Materials Corporation (“Mitsubishi Materials”) entered into an agreement, under which Mitsubishi Materials acquired 51% of the issued shares of Hitachi Tools. The shares were transferred under the agreement on April 1, 2015.

Note 9. Investments Accounted for Using the Equity Method

The summarized financial information, in aggregate, for individually immaterial associates and joint ventures accounted for using the equity method as of and for the years ended March 31, 2016 and 2015, is as follows:

These amounts represent the Group’s share of the associates and joint ventures per ownership percentage.

(1) Investments in associates

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Carrying amount of investments	¥ 31,312	¥ 16,895	\$ 277,884

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income	¥ 844	¥ 1,210	\$ 7,490
Other comprehensive income	(1,032)	973	(9,158)
Total comprehensive income	¥ (188)	¥ 2,183	\$ (1,668)

(2) Investments in joint ventures

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Carrying amount of investments	¥ 5,125	¥ 7,997	\$ 45,483

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income	¥ (416)	¥ (205)	\$ (3,692)
Other comprehensive income	(51)	1,296	(452)
Total comprehensive income	¥ (467)	¥ 1,091	\$ (4,144)

Note 10. Property, Plant and Equipment

The following tables show the reconciliation of the carrying amount, acquisition costs, accumulated depreciation, and accumulated impairment losses of property, plant and equipment as of and for the years ended March 31, 2016 and 2015:

	Millions of yen						Total
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other tangible assets	Construction in progress	
Carrying amount							
At April 1, 2014	¥ 59,106	¥ 67,562	¥ 87,429	¥ 11,585	¥ 566	¥ 8,670	¥ 234,918
Additions	•	262	3,328	1,458	•	43,001	48,049
Disposals	(227)	(732)	(2,025)	(294)	(9)	(68)	(3,355)
Depreciation	•	(6,542)	(21,826)	(6,114)	(102)	•	(34,584)
Impairment losses	(382)	(1,433)	(3,581)	(179)	•	(130)	(5,705)
Effects of exchange rate changes	474	4,507	8,154	837	0	671	14,643
Transfer from construction in Progress	•	4,760	26,252	6,362	10	(37,384)	•
Change in the scope of consolidation	(674)	18,263	34,506	3,237	60	1,749	57,141
Transfer to assets held for sale	(3,180)	(2,194)	(4,866)	(432)	(19)	(360)	(11,051)
Other	(761)	(1,102)	1,673	206	(76)	(327)	(387)
At March 31, 2015	¥ 54,356	¥ 83,351	¥ 129,044	¥ 16,666	¥ 430	¥ 15,822	¥ 299,669
Additions	4	331	1,508	1,057	92	52,498	55,490
Disposals	(159)	(787)	(1,682)	(331)	(10)	(105)	(3,074)
Depreciation	•	(6,889)	(22,675)	(6,786)	(114)	•	(36,464)
Impairment losses	(172)	(203)	(519)	(10)	•	•	(904)
Effects of exchange rate changes	(368)	(2,709)	(5,547)	(603)	(2)	(665)	(9,894)
Transfer from construction in Progress	•	7,326	30,419	7,299	•	(45,044)	•
Change in the scope of consolidation	•	(471)	(86)	(42)	•	21	(578)
Other	2,258	111	(1,117)	(550)	5	(660)	47
At March 31, 2016	¥ 55,919	¥ 80,060	¥ 129,345	¥ 16,700	¥ 401	¥ 21,867	¥ 304,292

	Thousands of U.S. dollars						Total
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other tangible assets	Construction in progress	
Carrying amount							
At April 1, 2015	\$ 482,393	\$ 739,714	\$ 1,145,225	\$ 147,906	\$ 3,816	\$ 140,415	\$2,659,469
Additions	35	2,938	13,384	9,381	816	465,903	492,457
Disposals	(1,411)	(6,984)	(14,927)	(2,938)	(89)	(932)	(27,281)
Depreciation	•	(61,137)	(201,234)	(60,224)	(1,012)	•	(323,607)
Impairment losses	(1,526)	(1,802)	(4,606)	(89)	•	•	(8,023)
Effects of exchange rate changes	(3,266)	(24,042)	(49,228)	(5,351)	(17)	(5,902)	(87,806)
Transfer from construction in Progress	•	65,016	269,959	64,776	•	(399,751)	•
Change in the scope of consolidation	•	(4,180)	(763)	(373)	•	186	(5,130)
Other	20,039	985	(9,913)	(4,881)	44	(5,856)	418
At March 31, 2016	\$496,264	\$710,508	\$1,147,897	\$148,207	\$3,558	\$194,063	\$2,700,497

Note: Property, plant and equipment under construction are presented as construction in progress.

Depreciation charges recognized for the years ended March 31, 2016 and 2015, are included in cost of sales and selling, general and administrative expenses of the consolidated statement of income. Impairment losses are included in other expenses of the consolidated statement of income.

	Millions of yen						Total
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other tangible assets	Construction in progress	
Acquisition cost							
At April 1, 2014	¥ 60,608	¥ 235,794	¥ 547,774	¥ 78,229	¥ 1,994	¥ 9,347	¥ 933,746
At March 31, 2015	55,228	256,534	606,660	87,555	1,180	16,662	1,023,819
At March 31, 2016	56,837	250,953	580,858	88,499	1,128	22,047	1,000,322
Accumulated depreciation and accumulated impairment losses							
At April 1, 2014	¥ 1,502	¥ 168,232	¥ 460,345	¥ 66,644	¥ 1,428	¥ 677	¥ 698,828
At March 31, 2015	872	173,183	477,616	70,889	750	840	724,150
At March 31, 2016	918	170,893	451,513	71,799	727	180	696,030

	Thousands of U.S. dollars						Total
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other tangible assets	Construction in progress	
Acquisition cost							
At March 31, 2016	\$ 504,411	\$ 2,227,130	\$ 5,154,934	\$ 785,401	\$ 10,011	\$ 195,660	\$ 8,877,547
Accumulated depreciation and accumulated impairment losses							
At March 31, 2016	\$ 8,147	\$ 1,516,622	\$ 4,007,038	\$ 637,194	\$ 6,452	\$ 1,597	\$ 6,177,050

Items of property, plant and equipment are grouped by the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows.

The Group recognized impairment losses of ¥904 million (US \$8,023 thousand) and ¥5,705 million on property, plant and equipment for the years ended March 31, 2016 and 2015, respectively.

Impairment losses were recognized for the year ended March 31, 2015, to reduce the carrying amounts of business-use assets (mainly buildings and machinery) due to a decline in profitability in part of the Magnetic Materials and Applications business and idle assets (mainly land, buildings, and machinery) in the Magnetic Materials and Applications business and the Wires, Cables, and Related Products business to their recoverable amounts.

Impairment losses were recognized for the year ended March 31, 2016, to reduce the carrying amounts of business-use assets (mainly machinery and buildings) due to a decline in profitability in part of the High-Grade Functional Components and Equipment business and idle assets (mainly land and buildings) in the High-Grade Metal Products and Materials business, Magnetic Materials and Applications business, and High-Grade Functional Components and Equipment business to their recoverable amounts.

Note 11. Goodwill and Intangible Assets

The following tables show the reconciliation of the carrying amounts, acquisition costs, and the accumulated amortization and accumulated impairment losses of goodwill and intangible assets as of and for the years ended March 31, 2016 and 2015:

	Millions of yen				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Carrying amount					
At April 1, 2014	¥ 36,114	¥ 2,759	¥ 4,369	¥ 4,024	¥ 47,266
Purchases	556	81	7	5,115	5,759
Amortization	•	(1,112)	(2,313)	(1,637)	(5,062)
Impairment losses	•	(1)	•	•	(1)
Disposals	•	(37)	•	(58)	(95)
Effects of exchange rate changes	4,001	10	143	2,175	6,329
Transfer from software in progress	•	1,015	1,835	(2,850)	•
Change in the scope of consolidation	71,455	(94)	•	35,064	106,425
Transfer to assets held for sale	•	(174)	•	(64)	(238)
Other	•	(41)	41	(114)	(114)
At March 31, 2015	¥ 112,126	¥ 2,406	¥ 4,082	¥ 41,655	¥ 160,269
Purchases	•	217	3	3,892	4,112
Amortization	•	(1,257)	(2,170)	(2,882)	(6,309)
Impairment losses	(468)	•	•	•	(468)
Disposals	•	(132)	•	(7)	(139)
Effects of exchange rate changes	(5,622)	(23)	(43)	(2,316)	(8,004)
Transfer from software in progress	•	2,572	871	(3,443)	•
Change in the scope of consolidation	7,422	(1)	•	2,431	9,852
Other	(123)	155	•	(430)	(398)
At March 31, 2016	¥ 113,335	¥ 3,937	¥ 2,743	¥ 38,900	¥ 158,915
Thousands of U.S. dollars					
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Carrying amount					
At April 1, 2015	\$ 995,083	\$ 21,354	\$ 36,226	\$ 369,675	\$ 1,422,338
Purchases	•	1,926	27	34,540	36,493
Amortization	•	(11,155)	(19,258)	(25,577)	(55,990)
Impairment losses	(4,153)	•	•	•	(4,153)
Disposals	•	(1,172)	•	(62)	(1,234)
Effects of exchange rate changes	(49,893)	(204)	(382)	(20,554)	(71,033)
Transfer from software in progress	•	22,826	7,730	(30,556)	•
Change in the scope of consolidation	65,868	(9)	•	21,574	87,433
Other	(1,092)	1,374	•	(3,815)	(3,533)
At March 31, 2016	\$ 1,005,813	\$ 34,940	\$ 24,343	\$ 345,225	\$ 1,410,321

Amortization recognized for the years ended March 31, 2016 and 2015, was included in the cost of sales and selling, general and administrative expenses of the consolidated statement of income. Impairment losses are included in other expenses in the consolidated statement of income.

	Millions of yen				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Acquisition cost					
At April 1, 2014	¥ 36,114	¥ 16,133	¥ 15,653	¥ 7,035	¥ 74,935
At March 31, 2015	112,126	15,527	17,774	46,045	191,472
At March 31, 2016	113,830	16,149	18,542	45,408	193,929
Accumulated amortization and accumulated impairment losses					
At April 1, 2014	•	13,374	11,284	3,011	27,669
At March 31, 2015	•	13,121	13,692	4,390	31,203
At March 31, 2016	495	¥ 12,212	¥ 15,799	¥ 6,508	¥ 35,014

	Thousands of U.S. dollars				
	Goodwill	Software for internal use	Software for sale	Other intangible assets	Total
Acquisition cost					
At March 31, 2016	\$ 1,010,206	\$ 143,317	\$ 164,554	\$ 402,982	\$ 1,721,059
Accumulated amortization and accumulated impairment losses					
At March 31, 2016	\$ 4,393	\$ 108,377	\$ 140,211	\$ 57,757	\$ 310,738

For the years ended March 31, 2016 and 2015, there were no material intangible assets with indefinite useful lives.

The Group recorded impairment losses of ¥468 million (US \$4,153 thousand) and ¥1 million on goodwill and intangible assets for the years ended March 31, 2016, and 2015, respectively.

Impairment losses were recognized for the year ended March 31, 2015, to reduce the carrying amount of software for internal use to its recoverable amount due to a decline in profitability in part of the Magnetic Materials and Applications business.

Impairment losses were recognized for the year ended March 31, 2016, to reduce the carrying amount of goodwill to its recoverable amount due to a decline in profitability in part of the High-Grade Functional Components and Equipment business.

The Group expenditures on R&D recognized as expenses for the years ended March 31, 2016 and 2015, are ¥19,121 million (US \$169,693 thousand) and ¥20,903 million, respectively. R&D expenses are included in cost of sales and selling, general and administrative expense in the consolidated statement of income.

The Group performs impairment testing for goodwill acquired through business combinations by comparing the carrying amount and the recoverable amount per CGU or group of CGUs.

Significant goodwill recognized in the consolidated statement of financial position is primarily goodwill related to the High-Grade Functional Components and Equipment business arising from the acquisition of Waupaca in 2014 (¥69,731 million (US \$618,841 thousand) and ¥74,930 million as of March 31, 2016 and 2015, respectively) and that related to the Magnetic Materials and Applications business in connection with the acquisition of additional shares in NEOMAX Co., Ltd. through a tender offer in 2006 (¥35,781 million (US \$317,545 thousand) as of March 31, 2016 and 2015).

The Group measures the recoverable amount for each CGU or group of CGUs by the value in use. In assessing the value in use, estimated future cash flows based on management-approved business plans are discounted to their present values using the discount rate based on the weighted-average cost of capital. The business plan to be used is based on external information and reflects historical trends, generally with a maximum period of five years. Since the Group is engaged in a wide range of business activities from development, production, and sale of diverse products to providing various services, appropriate external information for each business activity is used for evaluating the value in use. In addition, the estimated future cash flows subsequent to the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the CGU belongs.

The discount rate used for impairment testing of the significant goodwill is estimated based on prior years' weighted average cost of capital (approximately 3.0% to 9.0%). For future cash flows, a permanent growth rate (maximum 2.0%) is applied. Such rate is determined not to exceed the growth rate of countries and regions making estimates, including budgets, and engaged in business activities. Furthermore, even when primary assumptions used for the impairment test change within a reasonable and foreseeable range, the Group management considers that any significant impairment losses will be unlikely to occur.

Note 12. Deferred Taxes and Income Taxes

The following table shows major components of income taxes:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Income taxes			
Current tax expense	¥ 22,851	¥ 18,574	\$ 202,796
Deferred tax expense			
Accruals and reversals of temporary differences	7,323	18,902	64,989
Changes in realizability of deferred tax assets	(2,921)	(23,003)	(25,923)
Total	¥ 27,253	¥ 14,473	\$ 241,862

The Company is subject to a national corporate tax, inhabitant tax and deductible business tax, and those taxes resulted in combined statutory income tax rates of 32.8% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

The Company has elected to file a consolidated income tax return.

On March 29, 2016, the Japanese Diet passed the Act on Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016), and Act on Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) to change corporate tax rates effective from the fiscal years beginning on or after April 1, 2016. In accordance with this change, the effective statutory tax rate used to calculate deferred tax assets and liabilities has been reduced from the previous rate of 32.1% to 30.7% for temporary differences expected to be reversed in the fiscal years beginning on April 1, 2016 and 2017, and to 30.5% for temporary differences expected to be reversed in fiscal years beginning on or after April 1, 2018.

As a result, deferred tax expense for the year ended March 31, 2016, increased by ¥1,553 million (US \$13,782 thousand).

The reconciliation between the combined statutory income tax rate and the effective income tax rate as a percentage of income before income taxes is as follows:

	2016	2015
Combined statutory income tax rate	32.8%	35.4%
Share of profits of investments accounted for using the equity method	(0.4)	(1.2)
Expenses not deductible for tax purposes	0.2	0.3
Adjustments to deferred tax assets and liabilities due to enacted tax laws and rates	1.6	2.1
Change in realizability of deferred tax assets	(3.0)	(26.6)
Other, net	(2.9)	6.8
Effective income tax rate	28.3%	16.8%

Changes in significant portion of the deferred tax assets and liabilities are as follows:

	Millions of yen				March 31, 2016
	April 1, 2015	Recognized in profit or loss (benefit)	Recognized in other comprehensive income (loss)	Changes in the scope of consolidation	
Deferred tax assets					
Retirement and severance benefits	¥ 19,160	¥ (1,698)	¥ 4,419	¥ •	¥ 21,881
Accrued expenses	4,082	(152)	•	•	3,930
Depreciation and amortization	5,707	62	•	•	5,769
Net operating loss carry-forwards	1,980	(1,076)	•	•	904
Other	15,796	523	152	(749)	15,722
Total deferred tax assets	¥ 46,725	¥ (2,341)	¥ 4,571	¥ (749)	¥ 48,206
Deferred tax liabilities					
Tax purpose reserve regulated by Japanese tax laws	(1,929)	110	•	•	(1,819)
Investments in securities	(2,805)	(192)	821	•	(2,176)
Depreciation and amortization	(7,965)	(408)	•	•	(8,373)
Intangible assets acquired in business combinations	(13,795)	1,810	•	•	(11,985)
Other	(15,853)	(3,381)	•	•	(19,234)
Total deferred tax liabilities	¥ (42,347)	¥ (2,061)	¥ 821	¥ •	¥ (43,587)
Net deferred tax assets	¥ 4,378	¥ (4,402)	¥ 5,392	¥ (749)	¥ 4,619

	Millions of yen				
	April 1, 2014	Recognized in profit or loss (benefit)	Recognized in other comprehensive income (loss)	Changes in the scope of consolidation	March 31, 2015
Deferred tax assets					
Retirement and severance benefits	¥ 5,106	¥ 2,247	¥ 4,473	¥ 7,334	¥ 19,160
Accrued expenses	2,745	751	•	586	4,082
Depreciation and amortization	1,671	4,292	•	(256)	5,707
Net operating loss carry-forwards	6,640	(4,660)	•	•	1,980
Other	7,468	7,399	429	500	15,796
Total deferred tax assets	¥ 23,630	¥ 10,029	¥ 4,902	¥ 8,164	¥ 46,725
Deferred tax liabilities					
Tax purpose reserve regulated by					
Japanese tax laws	(1,171)	(764)	•	6	(1,929)
Investments in securities	(2,783)	•	(158)	136	(2,805)
Depreciation and amortization	•	(560)	•	(7,405)	(7,965)
Intangible assets acquired in business combinations	•	(245)	•	(13,550)	(13,795)
Other	(11,778)	(4,359)	•	284	(15,853)
Total deferred tax liabilities	¥ (15,732)	¥ (5,928)	¥ (158)	¥ (20,529)	¥ (42,347)
Net deferred tax assets	¥ 7,898	¥ 4,101	¥ 4,744	¥ (12,365)	¥ 4,378

	Thousands of U.S. dollars				
	April 1, 2015	Recognized in profit or loss (benefit)	Recognized in other comprehensive income (loss)	Changes in the scope of consolidation	March 31, 2016
Deferred tax assets					
Retirement and severance benefits	\$ 170,039	\$ (15,069)	\$ 39,217	•	\$ 194,187
Accrued expenses	36,226	(1,349)	•	•	34,877
Depreciation and amortization	50,648	550	•	•	51,198
Net operating loss carry-forwards	17,572	(9,549)	•	•	8,023
Other	140,185	4,641	1,349	(6,647)	139,528
Total deferred tax assets	\$ 414,670	\$ (20,776)	\$ 40,566	\$ (6,647)	\$ 427,813
Deferred tax liabilities					
Tax purpose reserve regulated by					
Japanese tax laws	(17,119)	976	•	•	(16,143)
Investments in securities	(24,894)	(1,703)	7,286	•	(19,311)
Depreciation and amortization	(70,687)	(3,621)	•	•	(74,308)
Intangible assets acquired in business combinations	(122,426)	16,063	•	•	(106,363)
Other	(140,691)	(30,005)	•	•	(170,696)
Total deferred tax liabilities	\$ (375,817)	\$ (18,290)	\$ 7,286	•	\$ (386,821)
Net deferred tax assets	\$ 38,853	\$ (39,066)	\$ 47,852	\$ (6,647)	\$ 40,992

Deferred tax liabilities have not been recognized for excess amounts over the tax bases of investments in foreign subsidiaries and associates that are considered to be reinvested indefinitely, because such differences will not reverse in the foreseeable future. Total temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized as of March 31, 2016 and 2015, were ¥135,285 million (US \$1,200,612 thousand) and ¥131,567 million, respectively.

In assessing the realizability of deferred tax assets, the Group considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during periods in which these deductible temporary differences become deductible or unused tax credits can be used. Although realization is not assured, the Group considers the scheduled reversals of deferred tax liabilities and projected future taxable income in making the assessment. Based on these factors, the Group believes that it is probable that it will realize the recognized deferred tax assets as of March 31, 2016.

Deductible temporary differences, net operating loss carryforwards, and unused tax credits carry-forwards for which no deferred tax asset is recognized are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Deductible temporary difference	¥ 49,260	¥ 57,501	\$ 437,167
Net operating loss carry-forwards	7,635	13,365	67,758
Unused tax credits carry-forwards	730	549	6,479
Total	¥ 57,625	¥ 71,415	\$ 511,404

Carry-forwards related to net operating losses and unused tax credits on which no deferred tax asset is recognized will expire as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Net operating loss carry-forwards			
Within 5 years	¥ 6,751	¥ 7,581	\$ 59,913
After 5 years but not more than 10 years	884	5,784	7,845
Total net operating loss carry-forwards	¥ 7,635	¥ 13,365	\$ 67,758
Unused tax credits carry-forwards			
Within 5 years	¥ 730	¥ 549	\$ 6,479
After 5 years but not more than 10 years	•	•	•
Total unused tax credits carry-forwards	¥ 730	¥ 549	\$ 6,479

Note 13. Trade Payables

Trade payables as of March 31, 2016 and 2015, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Accounts payable	¥ 136,347	¥ 172,501	\$ 1,210,037
Notes payable and electronically recorded obligations	12,652	6,113	112,283
Total	¥ 148,999	¥ 178,614	\$ 1,322,320

Note 14. Provisions

Details and the reconciliation of provisions included in other current liabilities and other non-current liabilities as of and for the year ended March 31, 2016, are as follows:

	Millions of yen	
	Asset retirement obligations	Provision for environmental measures
Balance at April 1, 2015	¥ 1,034	¥ 1,528
Additions	4	170
Utilized	(9)	(135)
Effects of exchange rate changes	(67)	•
Balance at March 31, 2016	¥ 962	¥ 1,563
Current	•	•
Non-current	¥ 962	¥ 1,563

	Thousands of U.S. dollars	
	Asset retirement obligations	Provision for environmental measures
Balance at April 1, 2015	\$ 9,176	\$ 13,561
Additions	\$ 35	\$ 1,509
Utilized	(79)	(1,199)
Effects of exchange rate changes	(595)	•
Balance at March 31, 2016	\$ 8,537	\$ 13,871
Current	•	•
Non-current	\$ 8,537	\$ 13,871

Asset retirement obligations:

The Group recognizes asset retirement obligations principally based on estimated future expenditures using historical trends when the Group has a legal obligation associated with the retirement of property, plant and equipment used in normal operation, such as obligations to restore the site in relation to lease agreements for plant facilities and premises.

Provision for environmental measures:

A provision for environmental measures is provided for disposal costs anticipated to be incurred with respect to the Law Concerning Special Measures Against PCB Waste.

Note 15. Employee Benefits

(1) Post-employment Benefits

The Company, its subsidiaries located in Japan, and certain overseas subsidiaries have contributory defined benefit pension plans and funded and unfunded lump-sum payment plans to provide retirement and severance benefits to employees. An employee retirement benefit trust is established for the pension plans and the lump-sum payment plans.

The Company and some of its subsidiaries have contract-type pension plans based on the pension rules. They also have established a post-employment benefits committee as an advisory body for significant matters related to the pension plans. The committee holds meetings to report various matters, such as asset management performance, plan status, and accounting treatments, and to discuss agendas, such as plan revisions and investment policy changes, as necessary.

Under the unfunded lump-sum payment plans, employees are entitled to receive lump-sum payments based on their earnings and the length of service at retirement.

In addition, the Company and certain subsidiaries have defined contribution pension plans.

Further, certain subsidiaries participate in multi-employer welfare pension fund plans. Such plans are accounted for as if they were defined contribution plans because the proportionate share of plan assets for the multi-employer welfare pension fund plans cannot be determined reliably.

Reconciliations of the beginning and ending balances of the benefit obligation and the fair value of the plan assets of the defined benefit pension plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Defined benefit obligations at the beginning of the year	¥ 204,058	¥ 174,945	\$ 1,810,951
Service costs	7,832	5,855	69,507
Interest costs	2,582	2,465	22,914
Actuarial gains and losses	6,302	4,054	55,928
Past service cost	30	2,360	266
Benefits paid	(14,407)	(14,099)	(127,858)
Changes in the scope of consolidation	•	21,178	•
Transfer to liabilities related to assets held for sale	•	(3,154)	•
Effects of exchange rate changes and others	(3,667)	10,454	(32,543)
Defined benefit obligation at the end of the year	¥ 202,730	¥ 204,058	\$ 1,799,165

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Fair value of plan assets at the beginning of the year	¥ 145,977	¥ 129,319	\$ 1,295,501
Interest income	2,258	1,808	20,039
Return on plan assets (excluding interest income)	(3,774)	8,726	(33,493)
Contributions to defined benefit pension plans (Note)	3,461	4,919	30,715
Benefits paid	(9,778)	(9,584)	(86,777)
Changes in the scope of consolidation	•	4,786	•
Effects of exchange rate changes and others	(761)	6,003	(6,754)
Fair value of plan assets at the end of the year	¥ 137,383	¥ 145,977	\$ 1,219,231

Note: As of March 31, 2016, the estimated contributions to the defined benefit pension plans for the year ending March 31, 2017, were ¥3,519 million (US \$31,230 thousand).

The amounts recognized in relation to defined benefit plans in the consolidated statement of financial position are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Present value of defined benefit obligations (funded)	¥ (195,039)	¥ (197,306)	\$ (1,730,910)
Fair value of plan assets	137,383	145,977	1,219,231
Funded status	(57,656)	(51,329)	(511,679)
Present value of defined benefit obligations (unfunded)	(7,691)	(6,752)	(68,255)
Net asset (liability) recognized in the consolidated statement of financial position	¥ (65,347)	¥ (58,081)	\$ (579,934)

Components of actuarial gains and losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Arising from changes in financial assumptions	¥ 4,440	¥ 3,587	\$ 39,404
Arising from changes in demographic assumptions	642	(54)	5,698
Other	1,220	521	10,826

The Company and all of its subsidiaries use their year-end as a measurement date. The primary assumptions used for actuarial valuation are as follows:

	March 31, 2016	March 31, 2015
Discount rate	1.0%	1.3%

If, as of March 31, 2016, the discount rate rose by 0.5%, the defined benefit obligations would decrease by ¥9,804 million (US \$87,007 thousand), and the discount rate decreased by 0.5%, the defined benefit obligations would increase by ¥8,546 million (US \$75,843 thousand). If, as of March 31, 2015, the discount rate rose by 0.5%, the defined benefit obligations would decrease by ¥10,353 million, and the discount rate decreased by 0.5%, the defined benefit obligations would increase by ¥10,774 million.

Although sensitivity analysis is based on the assumption that all other variables are constant, in reality, changes in other assumptions may affect the sensitivity analysis.

The weighted average duration (weighted average maturity) of defined benefit obligations is as follows:

	March 31, 2016	March 31, 2015
Duration	11.1 years	11.3 years

The objective of the investment policy of the plan is to ensure stable returns from investments over the long term, which allows the pension funds to meet their future benefit payments, and to maintain the pension funds in a sound condition.

In order to achieve the above objective, the plan establishes a target rate of return, taking into consideration the participants' demographics, funded status, the Company's and certain subsidiaries' capacity to absorb risks, and the current economic environment. To meet the target rate of return, the plan also employs strategic target asset allocation based on the expected rate of return by asset class, the standard deviation of the rate of return, and the correlation coefficient among assets.

When markets fluctuate in excess of certain levels, the asset allocation of the plan assets is rebalanced to the strategic target asset allocation. The Company and certain subsidiaries periodically review actual returns on the plan assets, economic trends, and their capacity to absorb risks and realign the strategic target asset allocation, if necessary.

The following tables show the fair value of the plan assets as of March 31, 2016 and 2015:

	Millions of yen		
	March 31, 2016		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	¥ 9,417	¥ 186	¥ 9,603
Government and municipal debt securities	471	545	1,016
Corporate and other debt securities	•	1,311	1,311
Hedge funds	•	•	•
Securitized products	28	2,006	2,034
Cash and cash equivalents	7,318	16	7,334
Life insurance company general accounts	•	18,627	18,627
Commingled funds	•	91,296	91,296
Other	200	5,962	6,162
Total	¥ 17,434	¥ 119,949	¥ 137,383

	Millions of yen		
	March 31, 2015		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	¥ 10,834	¥ 289	¥ 11,123
Government and municipal debt securities	253	•	253
Corporate and other debt securities	•	350	350
Hedge funds	•	5,230	5,230
Securitized products	•	1,417	1,417
Cash and cash equivalents	4,154	18	4,172
Life insurance company general accounts	•	15,441	15,441
Commingled funds	•	103,988	103,988
Other	3,464	539	4,003
Total	¥ 18,705	¥ 127,272	¥ 145,977

	Thousands of U.S. dollars		
	March 31, 2016		
	With a quoted market price in an active market	Without a quoted market price in an active market	Total
Stocks	\$ 83,573	\$ 1,651	\$ 85,224
Government and municipal debt securities	4,180	4,837	9,017
Corporate and other debt securities	•	11,635	11,635
Hedge funds	•	•	•
Securitized products	248	17,803	18,051
Cash and cash equivalents	64,945	142	65,087
Life insurance company general accounts	•	165,309	165,309
Commingled funds	•	810,224	810,224
Other	1,775	52,909	54,684
Total	\$ 154,721	\$ 1,064,510	\$ 1,219,231

Commingled funds represent pooled institutional investments. Approximately 32% and 33% of commingled funds were invested in listed stocks as of March 31, 2016 and 2015, respectively. Approximately 49% and 46% were invested in government and municipal debt securities as of March 31, 2016 and 2015, respectively. Approximately 11% and 10% were invested in corporate and other debt securities as of March 31, 2016 and 2015, respectively. Approximately 8% and 11% were invested in other assets as of March 31, 2016 and 2015, respectively.

Expenses recognized in relation to the Company's and certain subsidiaries' contributions to the defined contribution plans amounted to ¥3,501 million (US \$31,070 thousand) and ¥2,789 million for the years ended March 31, 2016 and 2015, respectively.

Contributions to the multiemployer welfare pension plan funds accounted for as a defined contribution plan are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
	Contributions	¥ 55	¥ 228

As of March 31, 2016, the estimated contributions for the year ending March 31, 2017, were ¥9 million (US \$80 thousand).

Funded status of the multi-employer plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2014	March 31, 2015
Plan assets	¥ 19,313	¥ 143,791	\$ 171,397
Retirement benefit obligations	15,528	162,221	137,806
Difference	3,785	(18,430)	33,591

The proportion of the Group's total contributions to the plans was 4.38% and 2.98% for the years ended March 31, 2016 and 2015, respectively.

(2) Employee benefit expense

The aggregated amounts of employee benefit expenses recognized in the consolidated statement of income for the years ended March 31, 2016 and 2015, were ¥143,440 million (US \$1,272,985 thousand) and ¥155,564 million, respectively.

Note 16. Equity

(1) Common Stock

	March 31, 2016	March 31, 2015
Authorized issuance	500,000,000 shares	500,000,000 shares
Issued shares		
Balance as of April 1, 2014	428,904,352	
Changes during the year	•	
Balance as of March 31, 2015	428,904,352	
Changes during the year	•	
Balance as of March 31, 2016	428,904,352	

Shares issued by the Company are non-par value common stock. The issued shares above include treasury stock. Changes in treasury stock for the years ended March 31, 2016 and 2015, are as follows:

	Shares
Balance as of April 1, 2014	1,247,222
Acquisition of treasury stock	59,002
Sales of treasury stock	(3,067)
Balance as of March 31, 2015	1,303,157
Acquisition of treasury stock	22,137
Sales of treasury stock	(874)
Balance as of March 31, 2016	1,324,420

Treasury stock held by the Company's associates as of March 31, 2016 and 2015, was 71,885 shares and 71,885 shares, respectively.

(2) Surplus

(a) Capital surplus

The Japanese Company Law mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as legal reserves as part of capital surplus.

(b) Retained earnings

The Japanese Company Law provides that an amount equal to 10% of appropriated retained earnings to be paid as dividends be reserved as legal reserve or retained earnings reserve to the extent that the total legal reserve and retained earnings reserve equals 25% of the nominal value of common stock. Retained earnings reserve may be made available for dividend payments upon a shareholders' meeting resolution.

Note 17. Accumulated Other Comprehensive Income and Other Comprehensive Income

Accumulated other comprehensive income, net of related tax effects, as presented in the consolidated statement of changes in equity is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Foreign currency translation adjustments on foreign operations:			
Balance at the beginning of the year	¥ 30,173	¥ 9,572	\$ 267,776
Net other comprehensive income	(20,419)	20,601	(181,212)
Balance at the end of the year	9,754	30,173	86,564
Remeasurements of defined benefit pension plans:			
Balance at the beginning of the year	9,256	(791)	82,144
Net other comprehensive income	(6,296)	10,047	(55,875)
Balance at the end of the year	2,960	9,256	26,269
Net change in fair value of financial assets measured at FVTOCI:			
Balance at the beginning of the year	9,220	8,059	81,825
Transfer to retained earnings	(347)	(237)	(3,080)
Net other comprehensive income	(1,270)	1,398	(11,271)
Balance at the end of the year	7,603	9,220	67,474
Net change in fair value of cash flow hedges:			
Balance at the beginning of the year	(1,130)	(1,091)	(10,028)
Net other comprehensive income	(407)	(39)	(3,612)
Balance at the end of the year	(1,537)	(1,130)	(13,640)
Total accumulated other comprehensive income:			
Balance at the beginning of the year	47,519	15,749	421,717
Transfer to retained earnings	(347)	(237)	(3,080)
Net other comprehensive income	(28,392)	32,007	(251,970)
Balance at the end of the year	18,780	47,519	166,667

The following is a summary of reclassification adjustments, by line item, made to other comprehensive income, including non-controlling interests and related tax effects arising during the years ended March 31, 2016 and 2015:

	Millions of yen		
	2016		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	¥ (18,647)	¥ •	¥ (18,647)
Remeasurements of defined benefit obligations	(10,076)	3,620	(6,456)
Net gains or losses from financial assets measured at fair value through other comprehensive income	(1,908)	742	(1,166)
Net change in fair value of cash flow hedges	(1,957)	594	(1,363)
Share of other comprehensive income of investments accounted for using the equity method	(450)	107	(343)
Total	¥ (33,038)	¥ 5,063	¥ (27,975)
Reclassification adjustments between items in other comprehensive income and net income:			
Foreign currency translation adjustments on foreign operations	¥ (1,313)	¥ •	¥ (1,313)
Net change in fair value of cash flow hedges	1,572	(442)	1,130
Share of other comprehensive income of investments accounted for using the equity method	(740)	•	(740)
Total	¥ (481)	¥ (442)	¥ (923)
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	¥ (19,960)	¥ •	¥ (19,960)
Remeasurements of defined benefit obligations	(10,076)	3,620	(6,456)
Net gains or losses from financial assets measured at fair value through other comprehensive income	(1,908)	742	(1,166)
Net change in fair value of cash flow hedges	(385)	152	(233)
Share of other comprehensive income of investments accounted for using the equity method	(1,190)	107	(1,083)
Total	¥ (33,519)	¥ 4,621	¥ (28,898)
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			¥ (505)
Remeasurements of defined benefit obligations			(160)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(15)
Net change in fair value of cash flow hedges			174
Total			¥ (506)
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			¥ (19,455)
Remeasurements of defined benefit obligations			(6,296)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(1,151)
Net change in fair value of cash flow hedges			(407)
Share of other comprehensive income of investments accounted for using the equity method			(1,083)
Total			¥ (28,392)

	Millions of yen		
	2015		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	¥ 21,007	¥ •	¥ 21,007
Remeasurements of defined benefit obligations	4,672	5,330	10,002
Net gains or losses from financial assets measured at fair value through other comprehensive income	1,133	(393)	740
Net change in fair value of cash flow hedges	(1,405)	396	(1,009)
Share of other comprehensive income of investments accounted for using the equity method	1,706	(342)	1,364
Total	¥ 27,113	¥ 4,991	¥ 32,104
Reclassification adjustments between items in other comprehensive income and net income:			
Foreign currency translation adjustments on foreign operations	¥ (425)	¥ •	¥ (425)
Net change in fair value of cash flow hedges	(94)	33	(61)
Share of other comprehensive income of investments accounted for using the equity method	1,510	(605)	905
Total	¥ 991	¥ (572)	¥ 419
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	¥ 20,582	¥ •	¥ 20,582
Remeasurements of defined benefit obligations	4,672	5,330	10,002
Net gains or losses from financial assets measured at fair value through other comprehensive income	1,133	(393)	740
Net change in fair value of cash flow hedges	(1,499)	429	(1,070)
Share of other comprehensive income of investments accounted for using the equity method	3,216	(947)	2,269
Total	¥ 28,104	¥ 4,419	¥ 32,523
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			¥ 662
Remeasurements of defined benefit obligations			(45)
Net gains or losses from financial assets measured at fair value through other comprehensive income			25
Net change in fair value of cash flow hedges			(126)
Total			¥ 516
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			¥ 19,920
Remeasurements of defined benefit obligations			10,047
Net gains or losses from financial assets measured at fair value through other comprehensive income			715
Net change in fair value of cash flow hedges			(944)
Share of other comprehensive income of investments accounted for using the equity method			2,269
Total			¥ 32,007

	Thousands of U.S. dollars		
	2016		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
Other comprehensive income arising during the year:			
Foreign currency translation adjustments on foreign operations	\$ (165,486)	\$ •	\$ (165,486)
Remeasurements of defined benefit obligations	(89,421)	32,126	(57,295)
Net gains or losses from financial assets measured at fair value through other comprehensive income	(16,933)	6,585	(10,348)
Net change in fair value of cash flow hedges	(17,368)	5,272	(12,096)
Share of other comprehensive income of investments accounted for using the equity method	(3,994)	950	(3,044)
Total	\$ (293,202)	\$ 44,933	\$ (248,269)
Reclassification adjustments between items in other comprehensive income and net income:			
Foreign currency translation adjustments on foreign operations	\$ (11,653)	•	\$ (11,653)
Net change in fair value of cash flow hedges	13,951	(3,923)	10,028
Share of other comprehensive income of investments accounted for using the equity method	(6,567)	•	(6,567)
Total	\$ (4,269)	\$ (3,923)	\$ (8,192)
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustments on foreign operations	\$ (177,139)	•	\$ (177,139)
Remeasurements of defined benefit obligations	(89,421)	32,126	(57,295)
Net gains or losses from financial assets measured at fair value through other comprehensive income	(16,933)	6,585	(10,348)
Net change in fair value of cash flow hedges	(3,417)	1,349	(2,068)
Share of other comprehensive income of investments accounted for using the equity method	(10,561)	950	(9,611)
Total	\$ (297,471)	\$41,010	\$ (256,461)
Other comprehensive income, net of reclassification adjustments attributable to non-controlling interests:			
Foreign currency translation adjustments on foreign operations			\$ (4,482)
Remeasurements of defined obligations			(1,420)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(133)
Net change in fair value of cash flow hedges			1,544
Total			\$ (4,491)
Other comprehensive income, net of reclassification adjustments attributable to shareholders of the parent company:			
Foreign currency translation adjustments on foreign operations			\$ (172,657)
Remeasurements of defined benefit obligations			(55,875)
Net gains or losses from financial assets measured at fair value through other comprehensive income			(10,215)
Net change in fair value of cash flow hedges			(3,612)
Share of other comprehensive income of investments accounted for using the equity method			(9,611)
Total			\$ (251,970)

Note 18. Dividends

Dividends paid for the years ended March 31, 2016 and 2015, are as follows:

Resolution adopted	Type of shares	Millions of yen	Appropriation from	Yen	Record date	Effective date
		Aggregate amount		Amount per share		
Board of directors' meeting on May 28, 2014	Ordinary shares	¥ 4,277	Retained earnings	¥ 10.0	March 31, 2014	May 30, 2014
Board of directors' meeting on October 27, 2014	Ordinary shares	¥ 4,276	Retained earnings	¥ 10.0	September 30, 2014	November 26, 2014
Board of directors' meeting on May 28, 2015	Ordinary shares	¥ 5,559	Retained earnings	¥ 13.0	March 31, 2015	May 29, 2015
Board of directors' meeting on October 27, 2015	Ordinary shares	¥ 5,559	Retained earnings	¥ 13.0	September 30, 2015	November 30, 2015

Resolution adopted	Type of shares	Thousands of U.S. dollars	Appropriation from	U.S. dollars	Record date	Effective date
		Aggregate amount		Amount per share		
Board of directors' meeting on May 28, 2015	Ordinary shares	\$ 49,334	Retained earnings	\$ 0.12	March 31, 2015	May 29, 2015
Board of directors' meeting on October 27, 2015	Ordinary shares	\$ 49,334	Retained earnings	\$ 0.12	September 30, 2015	November 30, 2015

Dividends whose record date is during the year ended March 31, 2016, but whose effective date is in the following fiscal year are as follows:

Resolution adopted	Type of shares	Millions of yen	Appropriation from	Yen	Record date	Effective date
		Aggregate amount		Amount per share		
Board of directors' meeting on May 30, 2016	Ordinary shares	¥ 5,559	Retained earnings	¥ 13.0	March 31, 2016	May 31, 2016

Resolution adopted	Type of shares	Thousands of U.S. dollars	Appropriation from	U.S. dollars	Record date	Effective date
		Aggregate amount		Amount per share		
Board of directors' meeting on May 30, 2016	Ordinary shares	\$ 49,334	Retained earnings	\$ 0.12	March 31, 2016	May 31, 2016

Note 19. Other Income and Other Expenses

Other income and other expenses consist of the following items for the years ended March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Other income:			
Gain on reorganization (*)	¥ 30,232	¥ 13,961	\$ 268,300
Other	6,184	7,342	54,881
Total other income	¥ 36,416	¥ 21,303	\$ 323,181
Other expenses:			
Restructuring expenses	¥ 3,250	¥ 6,792	\$ 28,843
Loss on disposal of property, plant and equipment	2,538	2,368	22,524
Impairment losses of property, plant and equipment	1,372	497	12,176
Loss on revision of retirement benefit plan	•	2,367	•
Other	5,363	9,282	47,595
Total other expenses	¥ 12,523	¥ 21,306	\$ 111,138

(*) Gain on reorganization for the year ended March 31, 2016, includes ¥29,079 million (US \$258,067 thousand) (before tax effects) as a result of the Group losing control of certain subsidiaries. Part of the gain includes ¥6,740 million (US \$59,815 thousand) (before tax effects) resulting from the remeasurement at fair value of the investment retained in the former subsidiary.

Note 20. Other Financial Income and Expenses

Other financial income and expenses for the years ended March 31, 2016 and 2015, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
(Other financial income)			
Dividend income (*)	¥ 361	¥ 287	\$ 3,204
Exchange gain	•	2,883	•
Other	24	•	213
Total	¥ 385	¥ 3,170	\$ 3,417
(Other financial expenses)			
Exchange loss	1,679	•	14,901
Other	10	•	89
Total	¥ 1,689	¥ •	\$ 14,990

(*) Dividend income is from financial assets measured at FVTOCI.

Note 21. Earnings per Share

The calculation of basic earnings per share (EPS) attributable to shareholders of the parent company is summarized as follows:

	Thousands of shares	
	2016	2015
Weighted-average number of ordinary shares on which basic EPS is calculated	427,583	427,629

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income attributable to shareholders of the parent company	¥ 69,056	¥ 70,569	\$ 612,851

	Yen		U.S. dollars
	2016	2015	2016
Basic EPS attributable to shareholders of the parent company:	¥ 161.50	¥ 165.02	\$ 1.43

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Potential ordinary shares without dilutive effects and not used in calculating diluted EPS attributable to shareholders of the parent company	Euro-yen convertible type bonds with stock acquisition rights subject to call at par due in 2019: ¥ • (outstanding issues)	Euro-yen convertible type bonds with stock acquisition rights subject to call at par due in 2019: ¥ 4,495 (outstanding issues)	Euro-yen convertible type bonds with stock acquisition rights subject to call at par due in 2019: \$ • (outstanding issues)

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

Note 22. Financial Instruments and Other Related Information

(1) Financial Risk

The Group is engaged in business activities worldwide, and therefore exposed to various risks, including interest rate risk, currency exchange rate risk, and credit risk.

(a) Market risk

The Group's major manufacturing bases are located in Japan and Asia, but its customers are geographically diversified. As a result, the Group is exposed to market risks from fluctuations in foreign currency exchange rates.

(i) Interest rate risk

The Group is exposed to interest rate risks related principally to long-term liabilities. In order to minimize interest rate risks, the Group enters into interest rate swap agreements to hedge future cash flow exposures to fluctuations in interest rates. Those interest rate swaps are receive-floating, pay-fixed interest rate swaps. For interest rate swaps, the Group receives floating interest rate payments on long-term liabilities, including borrowings, and pays fixed interest rate payments, thereby creating fixed interest rate long-term liabilities.

Sensitivity analysis:

Sensitivity analysis for the interest rates shown below indicates the impact of assumed changes in interest rates on the income before income taxes in the Company's consolidated statement of income. If interest rates increase by 1% on financial instruments (floating-interest financial assets and liabilities measured at amortized cost, financial assets and liabilities measured at FVTPL, and derivatives), and all other variables were constant, the impact on the income before income taxes for the years ended March 31, 2016 and 2015, would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Impact on income before income taxes	¥ 743	¥ 597	\$ 6,594

(ii) Currency exchange risk

The Group holds assets and liabilities exposed to currency exchange risks. In order to hedge currency exchange risks, the Group utilizes forward exchange contracts.

In order to stabilize future net cash flows from transactions denominated in foreign currencies for trade receivables and payables as well as forecast transactions, each month the Group measures the net amount of future cash flows on the settlement date for each currency and hedges fluctuation risk mainly using forward exchange contracts for a portion of these transactions. As per the Group's policy, these contracts generally expire in one year.

Hedge relationships between forward exchange contracts and hedged items are highly effective in offsetting effects on hedged items (assets and liabilities denominated in foreign currencies) arising from changes in foreign currency exchange rates.

Sensitivity analysis:

Sensitivity analysis for the currency exchange rates shown below indicates the impact of increases or decreases in currency exchange rates on income before income taxes in the Company's consolidated statement of income. If the Japanese yen had depreciated by 1% against foreign-currency denominated financial instruments held by the Group, and all other variables were constant, the impact on the income before income taxes for the years ended March 31, 2016 and 2015, would have been as follows:

Currency	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
US Dollar	135	148	1,198
Euro	42	36	373
Other	3	(8)	27

(b) Credit risk

Credit risk refers to the risk that the Group will incur a financial loss because customers or counterparties fail to discharge their contractual obligations related to a financial instrument or contract. The Group is exposed to credit risks because of its operating activities (primarily trade receivables) and financing activities, including deposits at financial institutions, currency transactions, and other financial instruments. No significant concentration of credit risk is present, as the Group has a diverse group of trading parties situated in many different regions.

The Group sets credit limits according to the credit risks of certain instruments or customers by periodically reviewing relevant factors, such as financial conditions and ratings.

The Group's maximum exposure to credit risk, without considering collateral held, is represented as the carrying amount of financial assets (excluding contingent liabilities) net of impairment losses, if any, in the consolidated statement of financial positions. The maximum exposure to credit risk from contingent liabilities is represented as the balance of contingent liabilities disclosed in Note 26. "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)." Balances by contractual maturity of trade receivables and other assets that are past due at the end of the reporting period but not impaired are omitted from disclosures because such balances are not material.

Fluctuation of allowance for doubtful receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Balance at the beginning of the year	¥ 695	¥ 917	\$ 6,168
Additions (provision)	153	373	1,358
Utilized (write off)	(205)	(159)	(1,819)
Unused amount reversed (recovery)	(216)	(420)	(1,917)
Other	5	(16)	44
Balance at the end of the year	432	695	3,834

(c) Liquidity risk

The Group's fundamental financial policy is to maintain an appropriate level of liquidity and secure adequate funds for current and future business operations. The Group works to optimize capital utilization for its business operations through the efficient management of working capital. Further, the Group endeavors to improve group-wide capital management by centralizing this management function of the Company.

The Group also raises funds from both capital markets and commercial banks. The Group finances its capital expenditures primarily by drawing down internally generated funds and also through the issuance of debts and equity securities when necessary.

The Group also maintains commitment line agreements with a number of financial institutions to secure efficient funding as necessary. The total unused commitment lines as of March 31, 2016, are disclosed in Note 26. "Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)."

The following tables present balances by maturity of non-derivative financial liabilities held by the Group as of the reporting dates:

Note that the carrying amounts of trade payables and contractual cash flows match, and their due dates are all within one year. Hence they are not included in the tables below.

	Millions of yen				
	March 31, 2016				
	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Over five years
Short-term debt	¥ 25,251	¥ 25,595	¥ 25,595	¥•	¥•
Current portion of long-term debt					
Current portion of long-term borrowings	21,868	22,036	22,036	•	•
Current portion of corporate bonds payable	4,987	5,049	5,049	•	•
Lease obligations	276	277	277	•	•
Long-term debt					
Long-term borrowings	137,556	142,477	1,665	120,098	20,714
Corporate bonds payable	29,967	30,782	456	30,326	•
Lease obligations	471	475	•	475	•

	Millions of yen				
	March 31, 2015				
	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Over five years
Short-term debt	¥ 32,039	¥ 32,108	¥ 32,108	¥ •	¥ •
Current portion of long-term debt					
Current portion of long-term borrowings	24,437	24,702	24,702	•	•
Current portion of corporate bonds payable	4,490	4,490	4,490	•	•
Lease obligations	308	315	315	•	•
Long-term debt					
Long-term borrowings	158,463	165,550	1,827	95,112	68,611
Corporate bonds payable	34,923	36,342	504	35,838	•
Lease obligations	690	695	•	677	18

	Thousands of U.S. dollars				
	March 31, 2016				
	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Over five years
Short-term debt	\$ 224,095	\$ 227,148	\$ 227,148	•	•
Current portion of long-term debt	•	•	•	•	•
Current portion of long-term borrowings	194,072	195,563	195,563	•	•
Current portion of corporate bonds payable	44,258	44,808	44,808	•	•
Lease obligations	2,449	2,458	2,458	•	•
Long-term debt	•	•	•	•	•
Long-term borrowings	1,220,767	1,264,438	14,776	1,065,832	183,830
Corporate bonds payable	265,948	273,181	4,047	269,134	•
Lease obligations	4,180	4,215	•	4,215	•

The weighted average interest rates of short-term debt, the current portion of long-term debt, and long-term debt are 1.47%, 1.34% and 1.06%, respectively. The maturities range from 2016 to 2026. The details of corporate bonds by issue are as follows:

Issuer	Issue	Issue date	Millions of yen		Thousands of	Secured/ Unsecured	Interest rate (%)	Maturity
			March 31, 2016	March 31, 2015	March 31, 2016			
The Company	Euro yen convertible bond-type bond (2019) with subscription rights to shares with acquisition clause (net share settlement)	September 13, 2007	•	4,490	•	Unsecured	—	September 13, 2019
The Company	The 29 th unsecured corporate bond	October 29, 2007	19,984	19,974	\$ 177,352	Unsecured	1.97	October 27, 2017
The Company	Hitachi Cable, Ltd. the 5 th unsecured corporate bond	March 16, 2010	4,987	4,973	\$ 44,258	Unsecured	1.24	March 16, 2017
The Company	The 30 th unsecured corporate bond	September 13, 2011	9,983	9,976	\$ 88,596	Unsecured	0.79	September 13, 2018
Total	—	—	34,954	39,413	\$ 310,206	—	—	—

Contingent liabilities disclosed in Note 26. “Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)” are not included in the above tables.

The following tables show the maturities of derivatives. Net settlement derivatives are also disclosed in gross amounts.

		Millions of yen			
		March 31, 2016			
		Within one year	After one and but not more than five years	Over five years	Total
Forward exchange contracts	In	¥ 179	¥ 1	¥ •	¥ 180
	Out	16	28	•	44
Copper futures contracts	In	1	•	•	1
	Out	4	•	•	4
Interest rate swaps	In	•	•	•	•
	Out	52	1,181	1,029	2,262
Put options	In	•	6,061	•	6,061
	Out	•	•	•	•

		Millions of yen			
		March 31, 2015			
		Within one year	After one and but not more than five years	Over five years	Total
Forward exchange contracts	In	¥ 7	¥ •	¥ •	¥ 7
	Out	(317)	•	•	(317)
Copper futures contracts	In	•	•	•	•
	Out	(65)	•	•	(65)
Interest rate swaps	In	•	•	•	•
	Out	•	(415)	(1,020)	(1,435)

		Thousands of U.S. dollars			
		March 31, 2016			
		Within one year	After one and but not more than five years	Over five years	Total
Forward exchange contracts	In	\$ 1,588	\$ 9	•	\$ 1,597
	Out	142	248	•	390
Copper futures contracts	In	9	•	•	9
	Out	35	•	•	35
Interest rate swaps	In	•	•	•	•
	Out	461	10,481	9,132	20,074
Put options	In	•	53,789	•	53,789
	Out	•	•	•	•

(d) Capital management

The Group’s fundamental capital management policy is to maintain an appropriate level of assets, liabilities, and capital for current and future business operations and to optimize capital efficiency for its business operations.

The ratio of equity attributable to shareholders of the parent company is viewed as a significant indicator for the Group’s capital management. A specific ratio is targeted under the Group’s mid-term management plan and continuously monitored.

The Group is not subject to significant capital requirements except for general rules, such as the Japanese Company Law.

Equity attributable to shareholders of the parent company at March 31, 2016, was ¥495,865 million (US \$4,400,648 thousand), which increased by ¥29,506 million (US \$261,857 thousand) from the year ended March 31, 2015. As a result, the ratio of equity attributable to shareholders of the parent company as of March 31, 2016, was 48.0%, an increase from 43.0% of previous year.

(e) Risk of stock price fluctuations

The Group pursues profit in its business and enhances corporate value through reinforcing relationships, particularly with customers and suppliers, or by delivering proposals to its investees. As part of maintaining the relationship with customers, suppliers, or other parties, the Group occasionally invests in marketable securities and therefore is exposed to the risk of stock price fluctuations. To manage this risk, the Group regularly monitors the fair values of these instruments, financial conditions, and other factors of investees. Further, holdings of stocks are reviewed by the relevant department as appropriate, considering relationships with its business partners.

(2) Fair Value of Investments in Securities and Other Financial Assets and Liabilities

(a) Methods and assumptions of fair value measurements

The following methods and assumptions are used to measure fair values of financial assets and liabilities:

Cash and cash equivalents, trade receivables, short-term debt, and trade payables:

Carrying amount of these assets and liabilities approximates their estimated fair value because of their short-term maturity.

Long-term debt:

Fair value of long-term debt is estimated based on quoted market prices or the present value of future cash flows using market interest rates under similar contractual terms.

Investments in securities and other financial assets and liabilities (excluding long-term loans receivable):

Refer to fair value hierarchy at (e) "Fair value hierarchy" below.

Long-term loans receivable:

Fair value of long-term loans receivable is estimated based on the present value of future cash flows using interest rates applicable to obtain an additional loan under similar contractual terms.

(b) Fair value of investments in securities and other financial assets

Carrying amounts and estimated fair values of financial assets for the years ended March 31, 2016 and 2015, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2016		March 31, 2015		March 31, 2016	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Financial assets measured at FVTPL						
Current						
Securities	¥ 1,393	¥ 1,393	¥ 686	¥ 686	\$ 12,362	\$ 12,362
Derivatives						
Forward exchange contracts	179	179	7	7	1,588	1,588
Copper futures contracts	1	1	•	•	9	9
Non-current						
Securities	2,220	2,220	2,625	2,625	19,702	19,702
Derivatives						
Forward exchange contracts	1	1	•	•	9	9
Put options	6,061	6,061	•	•	53,789	53,789
Financial assets measured at FVTOCI						
Non-current						
Securities	11,799	11,799	14,099	14,099	104,712	104,712
Financial assets measured at amortized cost						
Current						
Securities	•	•	1	1	•	•
Short-term loans receivable	•	•	3,431	3,431	•	•
Non-current						
Securities	1,624	1,624	1,493	1,493	14,412	14,412
Long-term loans receivable	688	688	103	103	6,106	6,106

Equity instruments are securities measured at FVTOCI, whereas debt instruments are those measured at amortized cost.

(c) Fair value of financial assets measured at FVTOCI

The following is a list of major equity instruments designated as FVTOCI and their fair values as of the reporting dates:

Millions of yen	
March 31, 2016	
Equity instruments	Fair value
Riken Corporation	¥ 1,312
Kakimoto Co., Ltd.	1,205
Kowa Kogyosho Co., Ltd.	1,070
Konwa Kaikan	803
OSG Corporation	769
Tsuchiura Cable Television Co., Ltd.	685
Daido Steel Co., Ltd.	663
Owari Precise Products Co., Ltd.	441
NHK Integrated Technology Inc.	319
Kojima Co., Ltd.	316

Millions of yen	
March 31, 2015	
Equity instruments	Fair value
Riken Corporation	¥ 1,693
Daido Steel Co., Ltd.	1,183
Opto Tech Corporation	1,162
Kowa Kogyosho Co., Ltd.	1,004
Kakimoto Co., Ltd.	961
OSG Corporation	856
Nichia Corporation	847
Konwa Kaikan	792
Naito & Co., Ltd.	718
Tsuchiura Cable Television Co., Ltd.	604

Thousands of U.S. dollars	
March 31, 2016	
Equity instruments	Fair value
Riken Corporation	\$ 11,644
Kakimoto Co., Ltd.	10,694
Kowa Kogyosho Co., Ltd.	9,496
Konwa Kaikan	7,126
OSG Corporation	6,825
Tsuchiura Cable Television Co., Ltd.	6,079
Daido Steel Co., Ltd.	5,884
Owari Precise Products Co., Ltd.	3,914
NHK Integrated Technology Inc.	2,831
Kojima Co., Ltd.	2,804

(d) Fair value of financial liabilities

Carrying amounts and estimated fair value of financial liabilities as of the reporting dates are as follows:

The Group holds no financial liabilities designated at initial recognition as financial liabilities measured at FVTPL.

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2016		March 31, 2015		March 31, 2016	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Financial liabilities measured at FVTPL						
Current						
Derivatives						
Interest rate swaps	¥ 52	¥ 52	¥ •	¥ •	\$ 461	\$ 461
Forward exchange contracts	16	16	317	317	142	142
Copper futures contracts	4	4	65	65	35	35
Non-current						
Derivatives						
Interest rate swaps	2,210	2,210	1,435	1,435	19,613	19,613
Forward exchange contracts	28	28	•	•	248	248
Financial liabilities measured at amortized cost						
Current						
Short-term debt	25,251	25,251	32,039	32,039	224,095	224,095
Current portion of long-term debt						
Current portion of long-term borrowings	21,868	22,010	24,437	24,593	194,072	195,332
Current portion of corporate bonds payable	4,987	5,055	4,490	4,556	44,258	44,862
Lease obligations	276	276	308	308	2,449	2,449
Non-current						
Long-term debt						
Long-term borrowings	137,556	141,852	158,463	163,212	1,220,767	1,258,892
Corporate bonds payable	29,967	30,777	34,923	36,182	265,948	273,136
Lease obligations	471	471	690	690	4,180	4,180

Since the fair value of finance lease obligations is not material to the consolidated statement of financial position, it is measured as the present value of the minimum lease payments discounted by the interest rates used at the initial recognition of lease obligations. Accordingly, the fair value is based on the relevant carrying amount.

(e) Fair value hierarchy

Financial instruments measured at fair value on a recurring basis after initial recognition are classified into three levels of a fair value hierarchy based on observability and materiality of inputs used for fair value measurement. The three levels of the hierarchy are as follows:

Level 1:

Fair value measured using quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2:

Fair value measured using direct or indirect observable inputs other than the quoted prices included in Level 1.

Level 3:

Fair value measured using unobservable inputs.

When several inputs are used for a fair value measurement, the measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels are deemed to have occurred at the beginning of each quarter period.

Securities:

Securities that can be measured at fair value through quoted market prices are included in Level 1. Those securities include listed stocks, government bonds or other debt securities, and exchange traded funds.

In the absence of an active market for securities, the following are used as inputs for fair value measurement: quoted prices for similar securities; quoted prices for transactions that are not distressed for identical or similar securities; or other relevant information, including observable interest rates and yield curves, credit spreads, and default rates. These inputs are included in Level 2. Included in Level 2 are short-term investments and listed stocks traded over-the-counter.

Shares of non-listed companies and other instruments, whose significant inputs for fair value measurement are unobservable, are included in Level 3. The Group uses price information provided by financial institutions to evaluate these investments. The Group corroborates the information using an income approach based on its own valuation model or a market approach, such as comparison with prices of similar securities.

Derivatives:

Derivatives measured in a model using the following are included in Level 2: quoted prices under transactions that are not distressed, quoted prices in markets that are not active, and observable interest rates and yield curves or forward and spot prices for currencies and commodities. Level 2 derivatives mainly include interest rate swaps, forward foreign exchange contracts, and commodity futures contracts.

Financial assets and liabilities measured at amortized cost:

Financial assets and liabilities measured at amortized cost are included primarily in Level 2 or Level 3.

The following tables present financial instruments that are measured at fair value on a recurring basis and the fair value hierarchy classification as of March 31, 2016 and 2015:

	Millions of yen			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	¥ 1,393	¥ •	¥ •	¥ 1,393
Derivatives	•	180	•	180
FVTPL (Non-current)				
Securities	•	1,092	1,128	2,220
Derivatives	•	1	6,061	6,062
FVTOCI (Non-current)	3,532	•	8,267	11,799
Liabilities				
FVTPL (Current)				
FVTPL (Current)	•	72	•	72
FVTPL (Non-current)	•	2,238	•	2,238

Millions of yen				
March 31, 2015				
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	¥ 686	¥ •	¥ •	¥ 686
Derivatives	•	7	•	7
FVTPL (Non-current)				
Securities	296	144	2,185	2,625
FVTOCI (Non-current)	6,161	•	7,938	14,099
Liabilities				
FVTPL (Current)				
	•	382	•	382
FVTPL (Non-current)				
	•	1,435	•	1,435
Thousands of U.S. dollars				
March 31, 2016				
	Level 1	Level 2	Level 3	Total
Assets				
FVTPL (Current)				
Securities	\$ 12,362	\$•	\$•	\$ 12,362
Derivatives	•	1,597	•	1,597
FVTPL (Non-current)				
Securities	•	9,691	10,011	19,702
Derivatives	•	9	53,789	53,798
FVTOCI (Non-current)	31,345	•	73,367	104,712
Liabilities				
FVTPL (Current)				
	•	638	•	638
FVTPL (Non-current)				
	•	19,861	•	19,861

Financial liabilities (current and non-current) measured at FVTPL represent derivatives.

The following tables present the changes in Level 3 instruments whose fair value were measured on a recurring basis for the years ended March 31, 2016 and 2015:

Millions of yen			
	FVTPL	FVTOCI	Total
At April 1, 2014	¥ 2,187	¥ 7,672	¥ 9,859
Gains (losses) in profit or loss	4	•	4
Gains (losses) in other comprehensive income	•	107	107
Sales or redemption	(90)	(55)	(145)
Purchases or acquisition	232	146	378
Other	(148)	68	(80)
At March 31, 2015	¥ 2,185	¥ 7,938	¥ 10,123
Gains (losses) in profit or loss	91	•	91
Gains (losses) in other comprehensive income	•	(16)	(16)
Sales or redemption	(805)	(353)	(1,158)
Purchases or acquisition	6,096	•	6,096
Other	(378)	698	320
At March 31, 2016	¥ 7,189	¥ 8,267	¥ 15,456

	Thousands of U.S. dollars		
	FVTPL	FVTOCI	Total
At March 31, 2015	\$ 19,391	\$ 70,447	\$ 89,838
Gains (losses) in profit or loss	808	•	808
Gains (losses) in other comprehensive income	•	(142)	(142)
Sales or redemption	(7,144)	(3,133)	(10,277)
Purchases or acquisition	54,100	•	54,100
Other	(3,355)	6,195	2,840
At March 31, 2016	\$ 63,800	\$ 73,367	\$ 137,167

Changes in unrealized gains (losses) recognized in profit or loss relating to assets held as of March 31, 2016 and 2015, were ¥91 million (US \$808 thousand) and ¥ (16) million respectively.

Such gains (losses) in profit or loss are included in other financial income and other financial expenses in the consolidated statement of income.

(3) Derivative Instruments and Hedging Activities

Cash flow hedge:

Foreign currency exposure:

Changes in the fair value of forward exchange contracts designated as cash flow hedges for forecasted foreign currency transactions are reported in other comprehensive income. These amounts are reclassified into profit or loss in the same period as foreign exchange gains or losses on hedged items are recognized in profit or loss.

Interest rate exposure:

Changes in fair values of interest rate swaps designated as hedging instruments for fluctuation in cash flows associated with long-term debt obligations are reported in other comprehensive income. The amount in accumulated other comprehensive income is subsequently reclassified to other financial income and expenses over the period in which interest expenses are recognized in profit or loss.

As of March 31, 2016, the expected period for cash flows arising from hedged items and affecting profit or loss is to be from April 2016 to June 2021.

The fair values of derivatives designated as hedging instruments as of March 31, 2016 and 2015, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2016		March 31, 2015		March 31, 2016	
	Asset	Liability	Asset	Liability		
Cash flow hedges						
Forward exchange contracts	¥ 107	¥ 44	¥ 4	¥ 317	\$ 949	\$ 390
Interest rate swaps	•	2,262	•	1,435	•	20,075
Copper futures contracts	1	•	•	•	9	•
Total	¥ 108	¥ 2,306	¥ 4	¥ 1,752	\$ 958	\$ 20,465

The fair values of derivative assets and liabilities to which hedge accounting is not applied were ¥6,134 million (US \$54,437 thousand) and ¥4 million (US \$35 thousand), respectively, as of March 31, 2016, and ¥3 million and ¥65 million, respectively, as of March 31, 2015.

The contract or notional amounts of derivatives as of March 31, 2016 and 2015, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Forward exchange contracts:			
To sell foreign currencies	¥ 3,843	¥ 3,525	\$ 34,105
To buy foreign currencies	3,243	1,306	28,781
Interest rate swaps	127,474	148,611	1,131,292
Copper futures contracts	4,231	2,021	37,549

The following tables present the amounts in relation to cash flow hedges recognized in the consolidated statement of income for the year ended March 31, 2016:

Gain or loss recognized in OCI

Effective portion of derivatives designated as hedging instruments

Derivatives	Millions of yen	Thousands of U.S. dollars
Forward exchange contracts	¥ 70	\$ 621
Interest rate swaps	(2,028)	(17,998)
Copper futures contracts	1	9
Total	¥ (1,957)	\$ (17,368)

Gain or loss reclassified from OCI into profit or loss

Effective portion of derivatives designated as hedging instruments

Derivatives	Recognized in consolidated statement of income	Millions of yen	Thousands of U.S. dollars
Forward exchange contracts	Other financial income and expenses	¥ 281	\$ 2,494
Interest rate swaps	Other financial income and expenses	1,291	11,457
Total		¥ 1,572	\$ 13,951

The following tables present the amounts in relation to cash flow hedges recognized in the consolidated statement of income for the year ended March 31, 2015:

Gain or loss recognized in OCI

Effective portion of derivatives designated as hedging instruments

Derivatives	Millions of yen
Forward exchange contracts	¥ 238
Interest rate swaps	(1,643)
Total	¥ (1,405)

Gain or loss reclassified from OCI into profit or loss

Effective portion of derivatives designated as hedging instruments

Derivatives	Recognized in consolidated statement of income	Millions of yen
Forward exchange contracts	Other financial income and expenses	¥ (598)
Interest rate swaps	Other financial income and expenses	504
Total		¥ (94)

Note 23. Pledged Assets

As a general contractual term for long-term and short-term debts, banks may demand collateral and guarantees for present and future obligations, and retain rights to offset liabilities with bank deposits when repayment is overdue or any breach of contract occurs.

Per trustee agreements of secured bonds and particular secured or unsecured loan agreements, trustees or lenders generally have the right to pre-approve profit distributions, including dividend payments and new stock issues, as well as the right to demand additional collateral or mortgage.

The following assets were pledged as collateral by certain subsidiaries for their bank borrowings as of March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	March 31, 2015	March 31, 2016
Land	¥ •	¥ 195	\$ •
Buildings and structures	•	652	•
Other property, plant and equipment	•	•	•
Securities and other financial assets	105	117	932
Total	¥ 105	¥ 964	\$ 932

Note 24. Major Subsidiaries and Associates

The Company's parent company is Hitachi, Ltd., which is located in Japan. The Company's consolidated financial statements include the following subsidiaries:

				As of March 31, 2016
Name	Location	Principal business	Ownership %	
Hitachi Metals Tool Steel, Ltd.	Minato-ku, Tokyo	High-Grade Metal Products and Materials	100.0	
NEOMAX MATERIALS Co., Ltd.	Suita, Osaka	High-Grade Metal Products and Materials	100.0	
Hitachi Metals Wakamatsu, Ltd.	Kita-kyushu, Fukuoka	High-Grade Metal Products and Materials	100.0	
Hitachi Metals Precision, Ltd.	Minato-ku, Tokyo	High-Grade Metal Products and Materials	100.0	
HMY, Ltd.	Yasugi, Shimane	High-Grade Metal Products and Materials	100.0	
Hitachi Metals MMC Superalloy, Ltd.	Okegawa, Saitama	High-Grade Metal Products and Materials	51.0	
NEOMAX KINKI Co., Ltd.	Yabu, Hyogo	Magnetic Materials and Applications	100.0	
NEOMAX ENGINEERING Co., Ltd.	Takasaki, Gunma	Magnetic Materials and Applications	100.0	
Hitachi Ferrite Electronics, Ltd.	Tottori, Tottori	Magnetic Materials and Applications	100.0	
NEOMAX KYUSHU Co., Ltd.	Takeo, Saga	Magnetic Materials and Applications	100.0	
Hitachi Metals FineTech, Ltd.	Kuwana, Mie	High-Grade Functional Components and Equipment	100.0	
Hitachi Valve, Ltd.	Mie, Mie	High-Grade Functional Components and Equipment	100.0	
Alcast, Ltd.	Kumagaya, Saitama	High-Grade Functional Components and Equipment	100.0	
Kyushu Technometal Co., Ltd.	Miyako, Fukuoka	High-Grade Functional Components and Equipment	100.0	
Hitachi Metals Trading, Ltd.	Minato-ku, Tokyo	Sales of products	100.0	
Hitachi Magnet Wire Corp.	Hitachi, Ibaraki	Wires, Cables, and Related Products	100.0	
Tonichi Kyosan Cable, Ltd.	Ishioka, Ibaraki	Wires, Cables, and Related Products	100.0	
Hitachi Cable Fine Tech, Ltd.	Hitachi, Ibaraki	Wires, Cables, and Related Products	100.0	
Hitachi Cable Networks, Ltd.	Taito-ku, Tokyo	Wires, Cables, and Related Products	100.0	
Hitachi Metals Solutions, Ltd.	Chuo-ku, Tokyo	Real estate business and others	100.0	
Metglas, Inc.	South Carolina, U.S.A.	High-Grade Metal Products and Materials	100.0	
Hitachi Metals Korea Co., Ltd.	Gyeonggi-do, South Korea	High-Grade Metal Products and Materials	100.0	
Baosteel Hitachi Rolls (Nantong) Co., Ltd.	Jiangsu, China	High-Grade Metal Products and Materials	70.0	
San Technology, Inc.	Cavite, Philippines	Magnetic Materials and Applications	100.0	
Pacific Metals Co., Ltd.	North Gyeongsang, South Korea	Magnetic Materials and Applications	100.0	
PT. NX INDONESIA	Banten, Indonesia	Magnetic Materials and Applications	100.0	
Hitachi Metals North Carolina, Ltd.	North Carolina, U.S.A.	Magnetic Materials and Applications	100.0	
Waupaca Foundry, Inc.	Wisconsin, U.S.A.	High-Grade Functional Components and Equipment	100.0	

As of March 31, 2016

Name	Location	Principal business	Ownership %
AAP St. Marys Corp.	Ohio, U.S.A.	High-Grade Equipment Functional Components and	100.0
Hitachi Metals Automotive Components USA, LLC	Pennsylvania, U.S.A.	High-Grade Equipment Functional Components and	100.0
Namyang Metals Co., Ltd.	Daegu, South Korea	High-Grade Equipment Functional Components and	90.8
Ward Manufacturing, LLC	Pennsylvania, U.S.A.	High-Grade Equipment Functional Components and	100.0
Hitachi Metals America, Ltd.	New York, U.S.A.	Sales of products	100.0
Hitachi Metals Hong Kong Ltd.	Hong Kong, China	Sales of products	100.0
Hitachi Metals Europe GmbH	Dusseldorf, Germany	Sales of products	100.0
Hitachi Metals Singapore Pte. Ltd.	Singapore	Sales of products	100.0
Hitachi Metals Taiwan, Ltd.	New Taipei, Taiwan	Manufacturing and sales of products	100.0
Hitachi Metals (Thailand) Ltd.	Ayutthaya, Thailand	Manufacturing and sales of products	100.0
Hitachi Metals (Suzhou) Technology, Ltd.	Jiangsu, China	Manufacturing and sales of products	100.0
Hitachi Metals (China), Ltd.	Shanghai, China	Regional headquarters and sales of products	100.0
Hitachi Cable America Inc.	New York, U.S.A.	Wires, Cables, and Related Products	100.0
Hitachi Cable (Suzhou) Co., Ltd.	Jiangsu, China	Wires, Cables, and Related Products	100.0
Hitachi Cable (Johor) Sdn. Bhd.	Johor, Malaysia	Wires, Cables, and Related Products	100.0
Hitachi Cable Vietnam Co., Ltd.	Hai Duong, Vietnam	Wires, Cables, and Related Products	100.0
Thai Hitachi Enamel Wire Co., Ltd.	Bangpakong Chachoengsao, Thailand	Wires, Cables, and Related Products	49.4
Others	44 companies	•	•

Note 25. Transactions with Related Parties

(1) Transactions with Related Parties

Transactions with the related parties are as follows:

For the year ended March 31, 2016:

Attribution	Name	Nature of transaction	Millions of yen		Thousands of U.S. dollars	
			Transaction amount	Balance at year-end	Transaction amount	Balance at year-end
Parent company	Hitachi, Ltd.	Deposits with Hitachi Group cash pooling system (*1) (*2)	Deposit ¥ 41,298 (*3)	¥ 65,869	Deposit \$ 366,507 (*3)	\$ 584,567
Joint venture	SH Copper Products Co., Ltd.	Substitute purchase of material and others (*4)	27,448	11,537	243,592	102,387

*1 The Company participates in the Hitachi Group's cash pooling system, an initiative intended to provide integrated management of funds. Balances at the end of the fiscal year indicate deposit balances as of the year-end.

*2 Interest rates on funding are reasonably determined based on market interest rates.

*3 As deposits and withdrawals are made on a daily basis, transaction amounts represent differences between the beginning and ending balances for the year.

*4 Transaction terms for substitute purchase of material are determined in the same manner as regular transaction terms based on their market prices.

For the year ended March 31, 2015:

Attribution	Name	Nature of transaction	Millions of yen	
			Transaction amount	Balance at year-end
Parent company	Hitachi, Ltd.	Deposits with Hitachi Group cash pooling system (*1) (*2)	Withdrawal ¥ 24,625 (*3)	¥ 24,571
Joint venture	SH Copper Products Co., Ltd.	Substitute purchase of material and others (*4)	41,400	16,068
Associate	Sumiden Hitachi Cable, Ltd.	Sales of products (*4)	24,798	14,006

*1 The Company participates in the Hitachi Group's cash pooling system, an initiative intended to provide integrated management of funds. Balances at the end of the fiscal year indicate deposit balances as of the year-end.

*2 Interest rates on funding are reasonably determined based on market interest rates.

*3 As deposits and withdrawals are made on a daily basis, transaction amounts represent differences between the beginning and ending balances for the year.

*4 Transaction terms for sales of products and substitute purchase of material are determined in the same manner as regular transaction terms based on their market prices.

(2) Compensation for Key Management Personnel

Compensation for key management personnel of the Group is as follows:

	Millions of yen		Thousands of U.S. dollars	
	For the year ended	For the year ended	For the year ended	
	March 31, 2016	March 31, 2015	March 31, 2016	
Short-term employee benefits	¥ 620	¥ 438	\$ 5,502	

Note 26. Commitments and Contingencies (Other Than Liabilities Recognized as Provisions)**(1) Loan Commitments**

The Group has lines of credit arrangements with banks in order to secure a financing source for business operations. The total unused lines of credit as of March 31, 2016 and 2015, were ¥40,000 million (US \$354,988 thousand) and ¥40,000 million respectively. The Group also has overdraft facilities with banks. The unused facilities under these agreements as of March 31, 2016 and 2015, were ¥69,242 million (US \$614,501 thousand) and ¥68,742 million respectively.

(2) Commitments for Acquisition of Assets

Outstanding commitments for the purchase of property, plant and equipment as of March 31, 2016 and 2015, were ¥25,284 million (US \$224,388 thousand) and ¥14,650 million respectively.

(3) Guarantee Obligations

The Group was contingently liable for loan guarantees and other guarantees to its associates and third parties in the amounts of ¥8,868 million (US \$78,701 thousand) and ¥12,605 million as of March 31, 2016 and 2015, respectively.

Note 27. Subsequent Events

There is no applicable item.



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Independent Auditor's Report

The Board of Directors
Hitachi Metals, Ltd.

We have audited the accompanying consolidated financial statements of Hitachi Metals, Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi Metals, Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 23, 2016
Tokyo, Japan