



# Consolidated Financial Report [IFRS]

## For the Year Ended March 31, 2017

April 28, 2017

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

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

Representative: Akitoshi Hiraki, President and Chief Executive Officer

Contact: Tatsuya Minami, General Manager, Corporate Communications Office Tel: +81-3-6774-3077

Date of the Ordinary General Meeting of Shareholders: June 27, 2017

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

### 1. Performance over the year under review (Apr. 1, 2016 - Mar. 31, 2017)

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

	Revenues		Adjusted Operating Income		Operating Income		Income before Income Taxes		Net Income		Net Income attributable to Shareholders of the Parent Company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March, 2017	910,486	(10.5)	65,983	(13.2)	68,267	(31.7)	66,016	(31.4)	50,692	(26.5)	50,593	(26.7)
March, 2016	1,017,584	1.3	76,061	(9.9)	99,954	18.4	96,233	11.4	68,980	(4.1)	69,056	(2.1)

(Note) Adjusted operating income is the operating income recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses. Adjusted operating income is a unified profit indicator for the Hitachi Group, including Hitachi, Ltd.

	Comprehensive Income		Earnings per Share attributable to Shareholders of the Parent Company (Basic)		Earnings per Share attributable to Shareholders of the Parent Company (Diluted)		Net Income Ratio to Equity attributable to Shareholders of the Parent Company		Income before Income Taxes Ratio to Assets		Operating Income Ratio to Revenues	
	Million yen	%	Yen		Yen		%		%		%	
March, 2017	51,965	29.6	118.32		—		9.8		6.4		7.5	
March, 2016	40,082	(61.6)	161.50		—		14.4		9.1		9.8	

Reference: Share of profit of investments accounted for using the equity method March, 2017 ¥1,154millions March, 2016 ¥428millions

#### (2) Financial Standing

	Total Asset	Total Equity	Equity attributable to Shareholders of the Parent Company	Equity attributable to Shareholders of the Parent Company Ratio	Equity per Share attributable to Shareholders of the Parent Company
	Million yen	Million yen	Million yen	%	Yen
March, 2017	1,040,390	548,746	536,563	51.6	1,254.89
March, 2016	1,033,311	504,675	495,865	48.0	1,159.70

#### (3) Statement of Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Period
	Million yen	Million yen	Million yen	Million yen
March, 2017	89,391	(35,864)	(34,192)	139,411
March, 2016	115,742	(32,147)	(37,872)	120,300

### 2. Dividends

	Dividends per Share					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividends on Equity attributable to Shareholders of the Parent Company (Consolidated)	
	1Q	2Q	3Q	Term-end	Annual			Million yen	%
March, 2016	—	13.00	—	13.00	26.00	11,118	16.1	2.3	
March, 2017	—	13.00	—	13.00	26.00	11,118	22.0	2.2	
March, 2018 (Forecast)	—	13.00	—	13.00	26.00		24.7		

### 3. Business results forecast for the year ending March 31, 2018 (Apr.1, 2017 - Mar.31, 2018)

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

	Revenues		Adjusted Operating Income		Income before Income Taxes		Net Income attributable to Shareholders of the Parent Company		Basic Earnings per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	950,000	4.3	80,000	21.2	63,000	(4.6)	45,000	(11.1)	105.24

(Note) Adjusted operating income is the operating income recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses. Adjusted operating income is a unified profit indicator for the Hitachi Group, including Hitachi, Ltd.

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

\*The forecast figures, with the exception of actual results, are based on certain assumptions and predictions of the management at the time of preparation. Changes in business conditions or underlying assumptions may cause actual results to differ from those projected. Please refer to “1. (1)Overview of Operating Results” on page 4 for precondition and assumption as the basis of the above forecasts.

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# 1. Overview of Operating Results

## (1) Overview of Operating Results

### 1) Overview of Fiscal 2016 (fiscal year ended March 31, 2017)

During the year ended March 31, 2017, the global economy remained on a modest recovery path primarily in advanced countries. The United States maintained stable economic growth, backed by an increase in individual consumption and a favorable employment situation. European economies continued a moderate recovery despite a slowdown in improvements in some corporate sectors. The Chinese economy showed some signs of a partial rally in the market due to the effects of the government's various economic measures, and economic growth in emerging countries also remained on a recovery track. Amid these situations, the Japanese economy showed some signs of a gradual recovery thanks to the improvement in employment and income environments despite weak exports and production due to the impact of an economic slowdown in emerging countries.

Among the industries in which Hitachi Metals Group (the "Group") operates, sales in the automobile industry have increased overall compared with the fiscal year ended March 31, 2016. This is mainly due to increased demand in the Japanese market since the end of 2016 and steady demand in Europe and China, although the sales of new vehicles have reached their peak level in the United States. Supply and demand of steel showed positive signs in the construction sector in the Japanese market since the beginning of 2017, although demand for steel continued to experience challenges on a global basis affected by the economic slowdown in emerging countries. The number of new housing starts increased both in the United States and Japan. In the electronics industry, mobile devices started to show a recovery before the end of the fiscal year, and demand for household appliances increased mainly in Japan during the latter half of the fiscal year ended March 31, 2017.

Under the business circumstances described above, for the fiscal year ended March 31, 2017, revenues of the Group decreased by 10.5% to ¥910,486 million, adjusted operating income decreased by ¥10,078 million to ¥65,983 million, and operating income decreased by ¥31,687 million to ¥68,267 million, compared with those for the fiscal year ended March 31, 2016. These results were influenced mainly by a reduction in raw material prices (a sliding-scale raw material price system), the appreciation of the yen, and a decline in demand. Further, operating income decreased mainly due to a decrease in gross profit and 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, during the fiscal year ended March 31, 2016. For the fiscal year ended March 31, 2017, income before income taxes decreased by ¥30,217 million to ¥66,016 million and net income attributable to owners of the parent company decreased by ¥18,463 million to ¥50,593 million, compared with the year ended March 31, 2016.

Results by business segment are as follows. Note that sales for each segment include intersegment sales and transfers. There were no changes to the businesses of the Group during the year ended March 31, 2017.

Effective from the three months ended June 30, 2016, the Group changed part of its internal managerial categories of businesses and consolidated subsidiaries related to reportable segments. It also changed treatment for certain corporate general and administrative expenses, such as research expenses and other such expenses, which were previously treated as adjustments, to allocate them to applicable reporting segments based on the budget. Refer to "3. Consolidated Financial Statements and Notes to Consolidated Financial Statements (5)Notes to the Consolidated Financial Statements [Segment Information]" for details.

Comparable year-on-year information presented below reflects the above changes to the categories of the reportable segments and treatment for certain corporate general and administrative expenses.

### ***High-Grade Metal Products and Materials***

Revenues in the High-Grade Metal Products and Materials segment for the fiscal year ended March 31, 2017, were ¥234,725 million, a decrease of 8.5%, and adjusted operating income decreased by ¥3,525 million to ¥23,503 million, as compared with those for the fiscal year ended March 31, 2016. Operating income of the segment decreased by ¥31,793 million to ¥21,277 million for the same period due to the effects of the decrease in revenues as well as gains on business reorganization and others of ¥25,931 million arising from the transfer of shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) during the three months ended June 30, 2015.

#### <Specialty Steels>

Sales of molds and tool steel fell below those for the fiscal year ended March 31, 2016, due to inventory adjustments of molds and tool steel affected by an economic slowdown mainly in Asia during the three months ended June 30, 2016. In industrial equipment materials, demand for environment-friendly products related to automobiles increased, and sales of other industrial components were strong. Sales of aircraft-related and energy-related materials faced an in-between season of demand. In alloys for electronic products, sales of display-related materials were stagnant.

#### <Rolls>

On September 1, 2016, the Group discontinued production at Baosteel Hitachi Rolls (Nantong) Ltd. with the objective of concentrating management resources in high value-added products. Additionally, sales of injection molding machine parts were affected by a decline in demand for mobile devices. As a result, sales of rolls as a whole fell year on year.

#### <Soft Magnetic Materials and Applied Products>

Sales of soft magnetic materials and applied products as a whole fell below those for the fiscal year ended March 31, 2016, due to a drop in demand in China, despite a gradual increase in demand for the mainstay Metglas® amorphous metals in India.

### ***Magnetic Materials and Applications***

Revenues in the Magnetic Materials and Applications segment for the fiscal year ended March 31, 2017, were ¥99,756 million, a decrease of 5.2%, and adjusted operating income increased by ¥2,392 million to ¥9,314 million, as compared with those for the fiscal year ended March 31, 2016. Operating income of the segment increased by ¥2,274 million to ¥9,301 million for the same period.

#### <Magnets>

In rare earth magnets, demand for industrial equipment and household appliances increased as compared with that for the fiscal year ended March 31, 2016, supported by strong demand in automotive electronic components for electric power steering and hybrid automobiles. In ferrite magnets, there was strong demand for automotive electronic components and household appliance parts. However, revenues in the segment fell below those for the fiscal year ended March 31, 2016, overall due to the effects of the reduction in raw material prices (a sliding-scale raw material price system) and the appreciation of the yen.

### ***High-Grade Functional Components and Equipment***

Revenues in the High-Grade Functional Components and Equipment segment for the fiscal year ended March 31, 2017, were ¥333,509 million, a decrease of 8.7%, and adjusted operating income decreased by ¥8,662 million to ¥17,453 million, as compared with those for the fiscal year ended March 31, 2016. Operating income of the segment decreased by ¥7,688 million to ¥15,920 million for the same period.

#### <Casting Components for Automobiles>

Despite sustained high demand for casting components for pickup trucks in North America, sales of casting components for automobiles as a whole decreased compared with those for the fiscal year ended March 31, 2016, due to a decrease in demand for casting components for farming machinery and construction machinery resulting from economic slowdown in emerging countries and sluggish grain and crude oil prices. Sales of heat-resistant exhaust casting components exceeded those for the prior fiscal year due to significant sales growth in the United States and Asia. Sales of aluminum wheels fell below those for the same period of the prior year due to a decrease in shipments as well as the appreciation of the yen.

#### <Piping Components>

Sales of pipe fittings as a whole fell below those for the fiscal year ended March 31, 2016, due in part to the effects of the delay in large-scale constructions in Japan, despite a steady increase in demand for housing-related supplies following an increased number of new housing starts both in Japan and overseas.

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

Revenues in the Wires, Cables, and Related Products segment for the fiscal year ended March 31, 2017, were ¥241,392 million, a decrease of 16.3%, and adjusted operating income decreased by ¥309 million to ¥14,715 million, as compared with those for

the fiscal year ended March 31, 2016. In the Wires, Cables, and Related Products segment, the following measures were taken for the purpose of renewing the business portfolio. The Information System Business, which is comprised of the information network business and wireless antenna business together with all issued shares of Hitachi Cable Networks, Ltd. held by Hitachi Metals, Ltd. (the “Company”), was transferred as of December 1, 2016. In addition, on January 5, 2017, for the purpose of making prompt management decisions in response to a rapidly changing market environment, the Company transferred all of its interest in SH Materials Co., Ltd, which was a joint venture between the Company and Sumitomo Metal Mining Co., Ltd. (“SMM”) and accounted for using the equity-method to SMM. At the same time, the Company obtained all of SMM’s interest in SH Copper Products Co., Ltd. (“SH Copper Products”), which was a joint venture between the Company and SMM and accounted for using the equity-method, and SH Copper Products became a wholly owned subsidiary of the Company. Due to these measures, the Company recorded gains on business reorganization of ¥8,417 million for the fiscal year ended March 31, 2017. As a result, operating income increased by ¥4,974 million to ¥20,953 million as compared with the fiscal year ended March 31, 2016.

<Electric Wires and Cables>

While revenues from magnet wires and electrical wires and cables for construction decreased, sales of wires and cables for rolling stock, which is one of the focus areas of the Group, grew significantly, especially for China.

<Functional Components>

In automotive products, demand for both electronic components for automobiles and brake hoses was strong. Sales of probe cables for medical use fell below those for the prior year due to diminished demand in overseas countries.

**Other**

Revenues in the Other segment for the fiscal year ended March 31, 2017, were ¥2,963 million, a decrease of 16.5%, and adjusted operating income decreased by ¥65 million to ¥253 million, as compared with those for the fiscal year ended March 31, 2016. Operating income of the segment increased by ¥188 million to ¥331 million for the same period.

**2) Outlook for Fiscal 2017 (the fiscal year ending March 31, 2018)**

As for the Group’s business environment, while the Group expects the world economies to continue on a recovery path, there are uncertainties stemming from political instability in many countries, concerns about further economic slowdown in emerging countries such as China, and sudden fluctuations in exchange rates and resource prices.

In this business environment, the Group aims to carry out its global growth strategies and build structures for sustainable growth based on the fiscal 2018 medium-term management plan to position itself as one of the world's leading high-performance materials company materials. The consolidated operating forecasts for the fiscal year ending March 31, 2018, the second year of this medium-term management plan, are as follows:

Consolidated operating forecasts for the fiscal year ending March 31, 2018 (April 1, 2017— March 31, 2018)

(% represents the percentage change year-on-year)

	Revenues		Adjusted Operating income		Income before income		Net income attributable to shareholders of the parent company		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Fiscal year ending March 31, 2018	950,000	4.3	80,000	21.2	63,000	(4.6)	45,000	(11.1)	105.24

(Note) Adjusted operating income is the operating income recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses. Adjusted operating income is a unified profit indicator for the Hitachi Group, including Hitachi, Ltd.

## (2) Overview of Financial Condition

### 1) Assets, liabilities, and equity

The analysis of changes in the Group's consolidated statement of financial position as of the end of the fiscal year ended March 31, 2017, is as follows:

Total assets were ¥1,040,390 million, an increase of ¥7,079 million compared with the end of the fiscal year ended March 31, 2016. Current assets were ¥491,895 million, a increase of ¥8,040 million compared to the end of the fiscal year ended March 31, 2016. This was mainly attributable to the net effect of an increase in cash and cash equivalents of ¥19,111 million and a decrease in other current assets of ¥14,950 million. Non-current assets were ¥548,495 million, an decrease of ¥961 million compared to the end of the fiscal year ended March 31, 2016. This was mainly attributable to decreases in investments accounted for using the equity method, goodwill and intangible assets, investments in securities and other financial assets, and other non-current assets of ¥10,198 million, ¥7,720 million, ¥1,482 million, and ¥1,035 million, respectively, despite of an increase in property, plant and equipment of ¥20,375 million.

Total liabilities were ¥491,644 million, a decrease of ¥36,992 million compared to the end of the fiscal year ended March 31, 2016. This was mainly attributable to a decrease in long-term debt of ¥35,300 million. Total equity was ¥548,746 million, an increase of ¥44,071 million compared to the end of the fiscal year ended March 31, 2016. This was mainly attributable to an increase in retained earnings of ¥39,928 million.

### 2) Cash flows

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2017, were ¥139,411 million, an increase of ¥19,111 million from the end of the fiscal year ended March 31, 2016, as a result of net cash provided by operating activities exceeding cash used in investing activities and financing activities.

The analysis of cash flows for each category as of the end of the fiscal year ended March 31, 2017, is as follows:

#### <Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥89,391 million, which was mainly attributable to net income of ¥50,692 million and depreciation and amortization of intangible assets of ¥43,039 million for the fiscal year ended March 31, 2017.

#### <Cash Flows from Investing Activities>

Net cash used in investing activities was ¥35,864 million, which was mainly attributable to the net effect of payment of ¥63,144 million for the purchase of property, plant and equipment, and proceeds of ¥27,903 million from the sale of investments in securities and other financial assets.

#### <Cash Flows from Financing Activities>

Net cash used in financing activities was ¥34,192 million, which was mainly attributable to repayment of long-term debt of ¥26,782 million and payment of dividends of ¥11,308 million to shareholders.

	3/2014	3/2015	3/2016	3/2017
Ratio of equity attributable to shareholders of the parent company	43.9	43.0	48.0	51.6
Ratio of equity attributable to shareholders of the parent company at market value	74.0	72.8	48.0	64.2
Ratio of interest-bearing debts to cash flows	178.7	234.3	190.4	217.5
Interest coverage ratio	40.9	38.1	30.6	31.2

\*Ratio of equity attributable to shareholders of the parent company: Equity attributable to shareholders of the parent company/total assets

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

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

Interest coverage ratio: Cash flows from operations/interest paid

1. Each indicator is calculated using financial information per consolidated financial statements.
2. Total market value of stocks is calculated by multiplying the closing stock price at the fiscal year end by total number of stocks issued (excluding treasury stocks) as of the fiscal year end.
3. Cash flows from operating activities in the consolidated statements of cash flows are used as cash flows from operations in the above calculation. Interest-bearing debts include all interest-bearing debts recorded in the consolidated statement of financial position. Interest paid represents the amount of interest expenses paid per the consolidated statements of cash flows.
4. As the Company has applied IFRS from the fiscal year ended March 31, 2015, with the transition date to IFRS of April 1, 2013, indicators for the fiscal years ended on March 31, 2013, are not disclosed.

### **(3) Business Risks**

The following are some of the business risks that may affect the performance and financial condition of the Group:

- a) Market trends in electronics, automobiles, construction, and other related industries in which the Group operates
- b) Economic fluctuations in the United States, Asia, Europe, and other regions where the Group sells its products
- c) Price changes in raw materials affected by international market conditions
- d) Effects of fluctuations in interest rates and credit risks associated with financing activities
- e) Impacts of changes in foreign exchange rates on transactions, assets, and debt denominated in foreign currencies
- f) Impairment losses arising from changes in fair value of investment securities held
- g) Disturbances due to economic, social, or political factors affecting overseas operations
- h) Decline in competitiveness and abilities to develop and commercialize new technologies or products
- i) Disputes over intellectual property rights
- j) Increase in costs associated with environmental, export control, or other regulation, or penalties for regulatory violations
- k) Costs related to product defects
- l) Impact of earthquakes or other major natural disasters on business activities
- m) Claims and lawsuits for damages due to unauthorized disclosure of personal and confidential information
- n) Estimates concerning retirement and service benefit
- o) Affects by a management strategy of the parent company
- p) Plan to reach M&A
- q) Difficulties to implement as the targeted benchmarks on the Medium-term Management Plan

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

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

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



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

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

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	120,300	139,411
Trade receivables	178,281	175,568
Inventories	146,964	153,556
Other current assets	38,310	23,360
Total current assets	483,855	491,895
Non-current assets		
Investments accounted for using the equity method	36,437	26,239
Investments in securities and other financial assets	22,446	20,964
Property, plant and equipment	304,292	324,667
Goodwill and intangible assets	158,915	151,195
Deferred tax assets	12,552	11,651
Other non-current assets	14,814	13,779
Total non-current assets	549,456	548,495
Total assets	1,033,311	1,040,390

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Short-term debt	25,251	26,301
Current portion of long-term debt	27,131	35,462
Other financial liabilities	26,714	26,360
Trade payables	148,999	150,785
Accrued expenses	38,067	37,817
Advances received	2,426	858
Other current liabilities	8,126	6,002
Total current liabilities	<u>276,714</u>	<u>283,585</u>
Non-current liabilities		
Long-term debts	167,994	132,694
Other financial liabilities	3,482	1,641
Retirement and severance benefits	66,820	60,299
Deferred tax liabilities	7,933	8,758
Other non-current liabilities	5,693	4,667
Total non-current liabilities	<u>251,922</u>	<u>208,059</u>
Total liabilities	<u>528,636</u>	<u>491,644</u>
<b>Equity</b>		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	115,806	115,806
Retained earnings	336,141	376,069
Accumulated other comprehensive income	18,780	19,555
Treasury stock, at cost	(1,146)	(1,151)
Total equity attributable to shareholders of the parent company	<u>495,865</u>	<u>536,563</u>
Non-controlling interests	8,810	12,183
Total equity	<u>504,675</u>	<u>548,746</u>
Total liabilities and equity	<u>1,033,311</u>	<u>1,040,390</u>

## (2) Consolidated Statement of Income and Comprehensive Income

[ Consolidated Statement of Income ]

(Millions of yen)

	Note	For the year ended March 31, 2016	For the year ended March 31, 2017
Revenues		1,017,584	910,486
Cost of sales		(819,433)	(731,153)
Gross profit		198,151	179,333
Selling, general and administrative expenses		(122,090)	(113,350)
Other income		36,416	14,070
Other expenses		(12,523)	(11,786)
Operating income	1	99,954	68,267
Interest income		847	346
Other financial income		385	248
Interest charges		(3,692)	(2,810)
Other financial expenses		(1,689)	(1,189)
Share of profits (losses) of investments accounted for using the equity method		428	1,154
Income before income taxes		96,233	66,016
Income taxes		(27,253)	(15,324)
Net income		68,980	50,692
Net income attributable to:			
Shareholders of the parent company		69,056	50,593
Non-controlling interests		(76)	99
Net income		68,980	50,692
Earnings per share attributable to shareholders of the parent company			
Basic		¥161.50	¥118.32
Diluted		—	—

Note: 1. Adjusted operating income, which is the operating income presented in the Consolidated Statement of Income, excluding other income and other expenses, is ¥76,061 million and ¥65,983 million for the fiscal year ended March 31, 2016 and 2017, respectively.

[ Consolidated Statements of Comprehensive Income ]

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Net income	68,980	50,692
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)	(38)
Remeasurements of defined benefit plans	(6,456)	2,628
Share of other comprehensive income of investments accounted for using the equity method	(119)	(477)
Total items not to be reclassified into net income	<u>(7,741)</u>	<u>2,113</u>
Items that can be reclassified into net income		
Foreign currency translation adjustments	(19,960)	(1,590)
Net change in fair value of cash flow hedges	(233)	1,114
Share of other comprehensive income of investments accounted for using the equity method	(964)	(364)
Total items that can be reclassified into net income	<u>(21,157)</u>	<u>(840)</u>
Total other comprehensive income	<u>(28,898)</u>	<u>1,273</u>
Comprehensive income	<u>40,082</u>	<u>51,965</u>
Comprehensive income attributable to		
Shareholders of the parent company	40,664	51,821
Non-controlling interests	(582)	144
Comprehensive income	<u>40,082</u>	<u>51,965</u>

## (3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Balance at April 1, 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	—	—	(11,118)	—	—	(11,118)	—	(11,118)
Dividends to non-controlling interests	—	—	—	—	—	—	(425)	(425)
Acquisition of treasury stock	—	—	—	—	(41)	(41)	—	(41)
Sales of treasury stock	—	1	—	—	0	1	—	1
Transactions with non-controlling interests	—	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	347	(347)	—	—	—	—
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
Changes in equity								
Net income	—	—	50,593	—	—	50,593	99	50,692
Other comprehensive income	—	—	—	1,228	—	1,228	45	1,273
Dividends to shareholders of the parent company	—	—	(11,118)	—	—	(11,118)	—	(11,118)
Dividends to non-controlling interests	—	—	—	—	—	—	(190)	(190)
Acquisition of treasury stock	—	—	—	—	(5)	(5)	—	(5)
Sales of treasury stock	—	0	—	—	0	0	—	0
Transactions with non-controlling interests	—	—	—	—	—	—	3,419	3,419
Transfer to retained earnings	—	—	453	(453)	—	—	—	—
Total changes in equity	—	0	39,928	775	(5)	40,698	3,373	44,071
Balance at March 31, 2017	26,284	115,806	376,069	19,555	(1,151)	536,563	12,183	548,746

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from operating activities:		
Net income	68,980	50,692
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,927	43,039
Impairment losses	1,372	1,063
Share of (profits) losses of investments accounted for using the equity method	(428)	(1,154)
Financial income and expenses	4,149	3,405
Losses (profits) on sale of property, plant and equipment	1,377	2,276
Structural reform expenses	3,250	1,495
Net (gain) loss on business reorganization and others	(29,841)	(7,657)
Income taxes	27,253	15,324
(Increase) decrease in trade receivables	33,731	6,092
(Increase) decrease in inventories	12,974	(7,513)
(Increase) decrease in accounts receivable - other	6,540	1,257
Increase (decrease) in trade payables	(24,837)	3,907
Increase (decrease) in accrued expenses	(1,291)	670
Increase (decrease) in retirement and severance benefits	(701)	(2,691)
Other	(9,407)	(4,882)
Subtotal	136,048	105,323
Interest and dividends received	1,641	2,497
Interest paid	(3,780)	(2,864)
Payments for structural reforms	(3,239)	(762)
Income taxes paid	(14,928)	(14,803)
Net cash provided by operating activities	115,742	89,391

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from investing activities:		
Purchase of property, plant and equipment	(53,646)	(63,144)
Purchase of intangible assets	(4,112)	(2,074)
Proceeds from sales of property, plant and equipment	1,844	1,578
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(12,940)	(773)
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	27,903
Proceeds from transfer of business	1,694	—
Payments for transfer of business	(1,399)	—
Other	5,221	646
Net cash used in investing activities	<u>(32,147)</u>	<u>(35,864)</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term debt, net	(2,255)	484
Proceeds from long-term debt	6,000	—
Repayment of long-term debt	(30,034)	(26,782)
Proceeds from payments from non-controlling interests	—	3,419
Dividends paid to shareholders	(11,118)	(11,118)
Dividends paid to non-controlling interests	(425)	(190)
Acquisition of common stock for treasury	(41)	(5)
Proceeds from sales of treasury stock	1	0
Net cash used in financing activities	<u>(37,872)</u>	<u>(34,192)</u>
Effect of exchange rate changes on cash and cash equivalents	(4,452)	(224)
Net (decrease) increase in cash and cash equivalents	<u>41,271</u>	<u>19,111</u>
Cash and cash equivalents at the beginning of the year	<u>79,029</u>	<u>120,300</u>
Cash and cash equivalents at the end of the year	<u><u>120,300</u></u>	<u><u>139,411</u></u>

(5) Notes to the Consolidated Financial Statements

[ Segment Information ]

The Group's operating segments are components for which independent financial information is available and which are regularly reviewed by the Board of Directors to assist the Board in making decisions about resources to be allocated to the segments and to assess performance.

The Group has adopted a 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.

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 are composed by Magnet 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	<ul style="list-style-type: none"> <li>•YASUGI SPECIALTY STEEL brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials, semiconductor and other package materials, and battery-related materials], materials for industrial equipment [automobile related materials, and razor and blade materials] aircraft- and energy-related materials, and precision cast components)</li> <li>•Rolls for steel mills</li> <li>•Injection molding machine parts</li> <li>•Structural ceramic products</li> <li>•Steel-frame joints for construction</li> <li>•Soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic material; and soft ferrite) and applied products</li> </ul>
Magnetic Materials and Applications	<ul style="list-style-type: none"> <li>•Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products)</li> <li>•Ceramic components</li> </ul>
High-Grade Functional Components and Equipment	<ul style="list-style-type: none"> <li>•Casting components for automobiles (HNM™ high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE™ heat-resistant exhaust casting components)</li> <li>•SCUBA™ aluminum wheels and other aluminum components</li> <li>•Forged components for automobiles</li> <li>•Piping and infrastructure components (Gourd™ Gourd brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)</li> </ul>
Wires, Cables, and Related Products	<ul style="list-style-type: none"> <li>•Industrial cables, electronic wires, electric equipment materials, and industrial rubber products</li> <li>•Cable assemblies</li> <li>•Electronic components for automotive, and brake hoses</li> <li>•Wireless systems</li> <li>•APRESIA™ Information networks products</li> </ul>

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



Last consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Business Segment					Others	Total	Adjustments	Consolidated statements of income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	256,343	105,257	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	256,652	105,279	365,118	288,246	1,015,295	3,547	1,018,842	(1,258)	1,017,584
Segment profit	53,070	7,027	23,608	15,979	99,684	143	99,827	127	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	314,724	105,961	326,600	269,031	1,016,316	15,262	1,031,578	1,733	1,033,311
Other items:									
Depreciation and amortization	11,935	5,588	14,958	9,203	41,684	453	42,137	790	42,927
Capital expenditure	23,849	6,106	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

Note:

1. Segment profit is based on operating income.
2. Intersegment transactions are recorded at the same prices used in transactions with third parties. Adjustments represent mainly allocation variances of general and administrative expenses for corporate assets, which are not allocated to each reportable segment.
3. Adjustments represent mainly cash and cash equivalents, investments in securities, and other financial assets included in corporate assets and eliminations of intersegment transactions.
4. Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.

Current year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Consolidated statements of income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	234,621	99,754	333,506	241,219	909,100	1,386	910,486	—	910,486
Intersegment transactions	104	2	3	173	282	1,577	1,859	(1,859)	—
Total revenues	234,725	99,756	333,509	241,392	909,382	2,963	912,345	(1,859)	910,486
Segment profit	21,277	9,301	15,920	20,953	67,451	331	67,782	485	68,267
Financial income	—	—	—	—	—	—	—	—	594
Financial expenses	—	—	—	—	—	—	—	—	(3,999)
Share of profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	1,154
Income before income taxes	—	—	—	—	—	—	—	—	66,016
Segment assets	324,645	117,927	334,241	252,415	1,029,228	5,485	1,034,713	5,677	1,040,390
Other items:									
Depreciation and amortization	12,845	6,106	14,650	8,223	41,824	390	42,214	825	43,039
Capital expenditure	17,812	13,659	22,575	7,212	61,258	122	61,380	2,463	63,843
Impairment losses	123	204	—	730	1,057	—	1,057	6	1,063

Note:

1. Segment profit is based on operating income.
2. Intersegment transactions are recorded at the same prices used in transactions with third parties. Adjustments represent mainly allocation variances of general and administrative expenses for corporate assets, which are not allocated to each reportable segment.
3. Adjustments represent mainly cash and cash equivalents, investments in securities, and other financial assets included in corporate assets and eliminations of intersegment transactions.
4. Capital expenditure represents increases in property, plant and equipment, intangible assets, and investment property.

Effective from the three months ended June 30, 2016, the Group changed part of its internal managerial categories of businesses and consolidated subsidiaries related to reportable segments, aiming for enhanced operational efficiency and further growth of the Soft magnetic materials-related businesses. Accordingly, the Soft magnetic materials and applied products business, which was previously included in the Magnetic Materials and Applications segment, has been aggregated into the High-Grade Metal Products and Materials segment.

In accordance with the change to the internal managerial categories, the Group also changed treatment for certain corporate general and administrative expenses, including research expenses that were previously treated as adjustments, to allocate such expenses to applicable reporting segments based on the budget.

Year-on-year comparable segment information presented below reflects the above changes to the categories of the reportable segments and treatment for certain corporate general and administrative expenses.

## 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

#### (a) 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

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 and ¥73,988 million, respectively.

#### (b) 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

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

Non-current assets (excluding financial assets) attributable to the United States were ¥194,215 million.

### 3) Significant customer information

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

For the year ended March 31, 2017

1) Product and service information

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

2) Geographic information

(a) Revenues

(Millions of yen)

Japan	North America	Asia	Europe	Other areas	Total
403,610	276,803	174,227	42,755	13,091	910,486

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 ¥245,194 million and ¥62,743 million, respectively.

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

(Millions of yen)

Japan	North America	Asia	Europe	Other areas	Total
279,130	191,458	42,504	203	1,361	514,656

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

Non-current assets (excluding financial assets) attributable to the United States were ¥191,458 million.

3) Significant customer information

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

[ Net Income per Share ]

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

	For the year ended March 31, 2016	For the year ended March 31, 2017
Weighted-average number of ordinary shares on which basic EPS is calculated	427,583 Thousands of shares	427,578 Thousands of shares
Net income attributable to shareholders of the parent company	69,056 Millions of yen	50,593 Millions of yen
Basic EPS attributable to shareholders of the parent company	161.50 Yen	118.32 Yen

Note that diluted EPS attributable to shareholders of the parent company for fiscal 2015 is not presented because no potentially dilutive shares of common stock were issued or outstanding, and diluted EPS attributable to shareholders of the parent company for fiscal 2016 is not presented because no potential ordinary shares of common stock were issued or outstanding.

[ Subsequent Events ]

There is no applicable item.