



Consolidated Financial Report [IFRS]

For the Year Ended March 31, 2018

April 26, 2018

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

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Date of the Ordinary General Meeting of Shareholders: June 19, 2018

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

1. Performance over the year under review (Apr. 1, 2017 - Mar. 31, 2018)

(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, 2018	988,303	8.5	65,130	(1.3)	46,326	(32.1)	46,985	(28.8)	42,075	(17.0)	42,210	(16.6)
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)

(Note) In order to give a true view of the condition of the Company's business without the effects of business restructuring, adjusted operating income is presented as "operating income" in the table above, wherein said 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, 2018	39,653	(23.7)	98.72	—	7.7	4.5	4.7
March, 2017	51,965	29.6	118.32	—	9.8	6.4	7.5

Reference: Share of profit of investments accounted for using the equity method March, 2018 ¥2,706millions March, 2017 ¥1,154millions

(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, 2018	1,058,832	570,192	562,720	53.1	1,316.08
March, 2017	1,040,390	548,746	536,563	51.6	1,254.89

(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, 2018	39,133	(75,080)	(47,562)	54,912
March, 2017	89,391	(35,864)	(34,192)	139,411

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			
March, 2017	Yen —	Yen 13.00	Yen —	Yen 13.00	Yen 26.00	Million yen 11,118	% 22.0	% 2.2
March, 2018	—	13.00	—	13.00	26.00	11,116	26.3	2.0
March, 2019 (Forecast)	—	13.00	—	13.00	26.00		23.2	

3. Business results forecast for the year ending March 31, 2019 (Apr.1, 2018 - Mar.31, 2019)

(% 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	1,020,000	3.2	73,000	12.1	64,500	37.2	48,000	13.7	112.26

(Note) In order to give a true view of the condition of the Company's business without the effects of business restructuring, adjusted operating income is presented as "operating income" in the table above, wherein said 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.

※ Other Notes

Numbers of shares issued (Common stock)

(i) Number of shares outstanding at end of period

(Including treasury stock)

March, 2018	428,904,352	March, 2017	428,904,352
March, 2018	1,332,135	March, 2017	1,327,900
March, 2018	427,573,950	March, 2017	427,578,446

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

(iii) Average number of shares issued during the term

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

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

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1. Overview of Operating Results

(1) Overview of Operating Results

1) Overview of Fiscal 2017 (fiscal year ended March 31, 2018)

The global economy during the year ended March 31, 2018, remained on a modest rebound track primarily in developed countries. Steady economic growth continued in the United States maintained, backed by an improvement in the employment situation and an increase in individual consumption and capital expenditures. European economies, especially in the euro-zone, continued on a moderate recovery path due to an improvement in capital investment and productivity. The Chinese economy also showed some signs of strength due to the effects of the government's various economic measures, and economic growth in other emerging countries in Asia also remained on a recovery track. Amid these conditions, the Japanese economy recovered gradually as a result of the ongoing improvement in the employment and income environment and increased exports and capital investment supported by the steady recovery of the global economy.

Among the industries in which the Hitachi Metals Group (the "Group") operates, in the automobile industry, sales in Japan increased, led by strong demand for new models; and Europe and China also showed firm demand, while sales of new vehicles decreased in the United States compared with the year ended March 31, 2017. Demand for steel increased mainly in the manufacturing sector, including automobiles and industrial machinery. The number of new housing starts increased in the United States but was on a declining trend in Japan. In the electronics field, mobile device shipments increased.

Under the business circumstances described above, for the year ended March 31, 2018, the revenues of the Group increased by 8.5% to ¥988,303 million, compared with the year ended March 31, 2017. This result was affected mainly by a rise in raw materials prices (a sliding-scale raw materials pricing system) and the depreciation of the yen, in addition to an increase in demand for mainstays. Adjusted operating income* decreased by ¥853 million to ¥65,130 million, compared with the year ended March 31, 2017, mainly due to a rise in costs associated with a drop in profitability of heat-resistant exhaust casting components/ aluminum wheels and a rise in raw materials prices, despite an increase in income associated with increased revenue and the effects of cost reduction activities. Operating income decreased by ¥21,941 million to ¥46,326 million, compared with the year ended March 31, 2017, due to the recording of a gain on business reorganization and others as other revenue in the prior consolidated fiscal year, as well as the recording of impairment loss as other expenses during the year ended March 31, 2018. For the year ended March 31, 2018, income before income taxes decreased by ¥19,031 million to ¥46,985 million and net income attributable to shareholders of the parent company decreased by ¥8,383 million to ¥42,210 million, compared with the year ended March 31, 2017.

Results by business segment are as follows. Note that revenues for each segment include intersegment revenues. There were no changes to the businesses of the Group during the year ended March 31, 2018.

The Group has changed its segment names from "High-Grade Metal Products and Materials" to "Specialty Steel Products" and from "High-Grade Functional Components and Equipment" to "Functional Components and Equipment" effective from April 1, 2017. This change in segment names does not affect the segment information.

The Company has also changed the business segment of SH Copper Products Co., Ltd, a subsidiary of the Company, and one other subsidiary from the Wires, Cables, and Related Products segment to the Specialty Steel Products segment as of July 1, 2017, aiming to strengthen battery-related components in the Specialty Steel Products segment. Due to this change, the results of SH Copper Products, etc. for the year ended March 31, 2018, have been recorded under the Specialty Steel Products segment. In the following year-on-year comparisons, the figures for the year ended March 31, 2017 have been reclassified into the new segment classification. The results of SH Copper Products Co., Ltd, which became a consolidated subsidiary as of January 5, 2017, have been recorded since the fourth quarter of the year ended March 31, 2017 (January 1, 2017 through March 31, 2017).

Specialty Steel Products

Revenues in the Specialty Steel Products segment for the year ended March 31, 2018, were ¥290,599 million, an increase of 19.5%, and adjusted operating income increased by ¥4,328 million to ¥27,865 million, as compared with the year ended March 31, 2017. Operating income of the segment increased by ¥3,956 million to ¥26,127 million for the same period.

<Specialty Steel>

Sales of molds and tool steel exceeded those for the year ended March 31, 2017, due to a recovery in demand in both Japan and Asia. Sales of industrial equipment materials increased overall compared with those for the year ended March 31, 2017, as sales of environmentally friendly products related to automobiles as well as other industrial components, in particular, components for semiconductor-related equipment, increased. Sales of alloys for electronic products increased significantly

compared with the year ended March 31, 2017, due to strong sales of semiconductor package components in addition to increased sales of battery-related and organic EL panel-related components. Aircraft-related and energy-related materials sales were weak.

<Rolls>

In September 2016, the Group discontinued production of rolls at a Chinese subsidiary for the purpose of concentrating management resources on high value-added products. Meanwhile, sales of injection molding machine parts recovered resulting from an increase in demand for mobile devices. As a result, sales of rolls as a whole increased 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 year ended March 31, 2017, due to a drop in demand for amorphous metals, although sales of applied products for mobile devices and automobiles increased because of robust demand.

Magnetic Materials and Applications

Revenues in the Magnetic Materials and Applications segment for the year ended March 31, 2018, were ¥106,131 million, an increase of 6.4%, and adjusted operating income increased by ¥279 million to ¥9,593 million, as compared with the year ended March 31, 2017. Operating income of the segment decreased by ¥2,015 million to ¥7,286 million for the same period due to a rise in other expenses.

Sales of rare earth magnets overall exceeded those for the year ended March 31, 2017. The increase in sales is attributable to strong demand for automotive electronic components for electric power steering and hybrid automobiles and solid sales of industrial equipment, supported by increased demand for robots as well as capital investment-related demand for organic EL panels and semiconductors. Sales of ferrite magnets increased compared with the year ended March 31, 2017, due to strong demand for automotive electronic components, reflecting increased automobile production as well as robust demand for household appliance parts.

Functional Components and Equipment

Revenues in the Functional Components and Equipment segment for the year ended March 31, 2018, were ¥360,053 million, an increase of 8.0%, while adjusted operating income decreased by ¥5,654 million to ¥11,799 million due to a drop in the profitability of heat-resistant exhaust casting components and aluminum wheels, as compared with the year ended March 31, 2017. Operating income of the segment decreased by ¥15,313 million to ¥607 million for the same period on the back of a rise in other expenses due to the recording of an impairment loss relating to the aluminum wheel business.

<Casting Components for Automobiles>

Despite a slowdown in demand for casting components for pickup trucks and other light trucks as well as passenger vehicles in North America, sales of casting components for automobiles increased as a whole compared with the year ended March 31, 2017. This was due to an increase in demand for casting components for commercial vehicles, farming machinery, and construction machinery in North America, and increased demand for automobiles in Asia.

Revenues for heat-resistant exhaust casting components increased as compared with the prior year due to an increase in demand in the American, European, Asian and Japanese markets, but profits decreased for the same period due to productivity issues and other factors.

Sales of aluminum wheels fell below those for the year ended March 31, 2017, mainly affected by decreased demand for passenger vehicles in North America and productivity issues.

<Piping Components>

Sales of pipe fittings were robust due to an increased number of new housing starts in the United States, an increase in large construction projects in Japan, and strong performance in devices for semiconductor manufacturing equipment, reflecting an increase in demand for semiconductor-related equipment comparing to the period of the year ended March 31, 2017.

Wires, Cables, and Related Products

Due to the effects of a reorganization conducted for the purpose of renewing the Group's business portfolio, revenues in the Wires, Cables, and Related Products segment for the year ended March 31, 2018, were ¥230,532 million, a decrease of 1.0% while adjusted operating income increased by ¥266 million to ¥14,947 million, as compared with the year ended March 31, 2017, because of the expansion of the focused fields. Operating income for the segment decreased by ¥8,876 million to ¥11,183 million for the same period, due to the recording of a gain on business reorganization and others as other operating revenue in the prior year, as well as an increase in other expenses during the year ended March 31, 2018.

<Electric Wires and Cables>

Sales of wires and cables for rolling stock grew significantly, including growth in China. Sales of electric wires for

semiconductor manufacturing equipment and FA/robots increased, and magnet wires for automobiles and industrial machinery also posted higher sales.

<High Performance Components>

Demand for various sensors, harnesses for electric parking brakes and hybrid automobiles increased, and demand for brake hoses was also firm. Sales of probe cables for medical use increased over the prior year due to increased overseas demand.

Other

Revenues in the Other segment for the year ended March 31, 2018, were ¥3,417 million, an increase of 15.3%, and adjusted operating income decreased by ¥129 million to ¥124 million, as compared with the year ended March 31, 2017. Operating income of the segment decreased by ¥220 million to ¥111 million for the same period.

2) Outlook for Fiscal 2018 (the fiscal year ending March 31, 2019)

As for the Group's business environment, while the Group expects the world economy 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 companies. The consolidated operating forecasts for the fiscal year ending March 31, 2019, the third year of this medium-term management plan, are as follows:

Consolidated operating forecasts for the fiscal year ending March 31, 2019 (April 1, 2018— March 31, 2019)

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

	Revenues		Adjusted Operating income		Income before Income Taxes		Net Income attribute to Shareholders of the Parent Company		Basic Earnings per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2019	1,020,000	3.2	73,000	12.1	64,500	37.2	48,000	13.7	112.26

* In order to give a true view of the condition of the Company's business without the effects of business restructuring, adjusted operating income is presented as "operating income" in the table above, wherein said 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, 2018, is as follows:

Total assets were ¥1,058,832 million, an increase of ¥18,442 million compared with the end of the fiscal year ended March 31, 2017. Current assets were ¥484,032 million, a decrease of ¥7,863 million compared with the end of the fiscal year ended March 31, 2017. This was mainly attributable to increases in trade receivables and inventories of ¥32,060 million and ¥36,646 million, respectively, and a decrease in cash and cash equivalents of ¥84,499 million. Non-current assets were ¥574,800 million, an increase of ¥26,305 million compared with the end of the fiscal year ended March 31, 2017. This was mainly attributable to increases in property, plant and equipment of ¥30,651 million and a decrease in goodwill and intangible assets of ¥9,299 million.

Total liabilities were ¥488,640 million, a decrease of ¥3,004 million compared with the end of the fiscal year ended March 31, 2017. This was mainly attributable to the net effect of decreases in the current portion of long-term debt and long-term debt of ¥34,515 million in total and deferred tax liabilities of ¥5,453 million and increases in trade payables of ¥22,209 million and other financial liabilities of ¥14,015 million. Total equity was ¥570,192 million, an increase of ¥21,446 million compared with the end of the fiscal year ended March 31, 2017. This was mainly attributable to an increase in retained earnings of ¥31,111 million.

2) Cash flows

Cash and cash equivalents as of March 31, 2018, were ¥54,912 million, a decrease of ¥84,499 million from March 31, 2017, as a result of net cash used in investing activities and financing activities exceeding the cash provided by operating activities.

The analysis of cash flows for each category as of March 31, 2018, is as follows:

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥39,133 million. This was mainly attributable to net income of ¥42,075 million, and depreciation and amortization of ¥46,138 million despite payment of ¥48,343 million for the increase of working capital for inventories, among others.

<Cash Flows from Investing Activities>

Net cash used in investing activities was ¥75,080 million, which was mainly attributable to payment of ¥76,265 million for the purchase of property, plant and equipment.

<Cash Flows from Financing Activities>

Net cash used in financing activities was ¥47,562 million. This was mainly attributable to the repayment of long-term debt of ¥35,239 million and the payment of dividends of ¥11,294 million to shareholders.

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

In the fiscal year ended March 31, 2018, the funds generated by an increase in earnings or changes in working capital were primarily allocated to capital expenditure aimed at strengthening the platform to achieve further growth.

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

	3/2014	3/2015	3/2016	3/2017	3/2018
Ratio of equity attributable to shareholders of the parent company	43.9	43.0	48.0	51.6	53.1
Ratio of equity attributable to shareholders of the parent company at market value	74.0	72.8	48.0	64.2	50.8
Ratio of interest-bearing debts to cash flows	178.7	234.3	190.4	217.5	411.0
Interest coverage ratio	40.9	38.1	30.6	31.2	15.2

*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.

(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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	139,411	54,912
Trade receivables	175,568	207,628
Inventories	153,556	190,202
Other current assets	23,360	31,290
Total current assets	491,895	484,032
Non-current assets		
Investments accounted for using the equity method	26,239	27,863
Investments in securities and other financial assets	20,964	21,385
Property, plant and equipment	324,667	355,318
Goodwill and intangible assets	151,195	141,896
Deferred tax assets	11,651	13,280
Other non-current assets	13,779	15,058
Total non-current assets	548,495	574,800
Total assets	1,040,390	1,058,832

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Short-term debt	26,301	27,203
Current portion of long-term debt	35,462	27,368
Other financial liabilities	26,360	41,060
Trade payables	150,785	172,994
Accrued expenses	37,817	40,313
Advances received	858	869
Other current liabilities	6,002	7,153
Total current liabilities	283,585	316,960
Non-current liabilities		
Long-term debts	132,694	106,273
Other financial liabilities	1,641	956
Retirement and severance benefits	60,299	57,807
Deferred tax liabilities	8,758	3,305
Other non-current liabilities	4,667	3,339
Total non-current liabilities	208,059	171,680
Total liabilities	491,644	488,640
Equity		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	115,806	113,518
Retained earnings	376,069	407,180
Accumulated other comprehensive income	19,555	16,896
Treasury stock, at cost	(1,151)	(1,158)
Total equity attributable to shareholders of the parent company	536,563	562,720
Non-controlling interests	12,183	7,472
Total equity	548,746	570,192
Total liabilities and equity	1,040,390	1,058,832

(2) Consolidated Statement of Income and Comprehensive Income

[Consolidated Statement of Income]

(Millions of yen)

	Note	For the year ended March 31, 2017	For the year ended March 31, 2018
Revenues		910,486	988,303
Cost of sales		(731,153)	(803,607)
Gross profit		179,333	184,696
Selling, general and administrative expenses		(113,350)	(119,566)
Other income		14,070	5,401
Other expenses		(11,786)	(24,205)
Operating income	1	68,267	46,326
Interest income		346	449
Other financial income		248	988
Interest charges		(2,810)	(2,334)
Other financial expenses		(1,189)	(1,150)
Share of (losses) profits of investments accounted for using the equity method		1,154	2,706
Income before income taxes		66,016	46,985
Income taxes		(15,324)	(4,910)
Net income		50,692	42,075
Net income attributable to:			
Shareholders of the parent company		50,593	42,210
Non-controlling interests		99	(135)
Net income		50,692	42,075
Earnings per share attributable to shareholders of the parent company			
Basic		¥118.32	¥98.72
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 ¥65,983 million and ¥65,130 million for the fiscal year ended March 31, 2017 and 2018, respectively.

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Net income	50,692	42,075
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	(38)	663
Remeasurements of defined benefit plans	2,628	2,094
Share of other comprehensive income of investments accounted for using the equity method	(477)	474
Total items not to be reclassified into net income	2,113	3,231
Items that can be reclassified into net income		
Foreign currency translation adjustments	(1,590)	(6,132)
Net change in fair value of cash flow hedges	1,114	433
Share of other comprehensive income of investments accounted for using the equity method	(364)	46
Total items that can be reclassified into net income	(840)	(5,653)
Total other comprehensive income	1,273	(2,422)
Comprehensive income	51,965	39,653
Comprehensive income attributable to		
Shareholders of the parent company	51,821	39,569
Non-controlling interests	144	84
Comprehensive income	51,965	39,653

(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, 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
Changes in equity								
Net income	—	—	42,210	—	—	42,210	(135)	42,075
Other comprehensive income	—	—	—	(2,641)	—	(2,641)	219	(2,422)
Dividends to shareholders of the parent company	—	—	(11,117)	—	—	(11,117)	—	(11,117)
Dividends to non-controlling interests	—	—	—	—	—	—	(177)	(177)
Acquisition of treasury stock	—	—	—	—	(7)	(7)	—	(7)
Sales of treasury stock	—	0	—	—	0	0	—	0
Transactions with non-controlling interests	—	(2,288)	—	—	—	(2,288)	(4,618)	(6,906)
Transfer to retained earnings	—	—	18	(18)	—	—	—	—
Total changes in equity	—	(2,288)	31,111	(2,659)	(7)	26,157	(4,711)	21,446
Balance at March 31, 2018	26,284	113,518	407,180	16,896	(1,158)	562,720	7,472	570,192

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Cash flows from operating activities:		
Net income	50,692	42,075
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,039	46,138
Impairment losses	1,063	10,611
Share of losses (profits) of investments accounted for using the equity method	(1,154)	(2,706)
Financial income and expenses	3,405	2,047
Losses (profits) on sale of property, plant and equipment	2,276	2,340
Structural reform expenses	1,495	799
Net loss (gain) on business reorganization and others	(7,657)	(280)
Income taxes	15,324	4,910
(Increase) decrease in trade receivables	6,092	(33,542)
(Increase) decrease in inventories	(7,513)	(37,829)
(Increase) decrease in accounts receivable - other	1,257	(8,096)
Increase (decrease) in trade payables	3,907	23,028
Increase (decrease) in accrued expenses	670	3,181
Increase (decrease) in retirement and severance benefits	(2,691)	697
Other	(4,882)	(2,975)
Subtotal	105,323	50,398
Interest and dividends received	2,497	1,672
Interest paid	(2,864)	(2,583)
Payments for structural reforms	(762)	(628)
Income taxes paid	(14,803)	(9,726)
Net cash provided by operating activities	89,391	39,133

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018
Cash flows from investing activities:		
Purchase of property, plant and equipment	(63,144)	(76,265)
Purchase of intangible assets	(2,074)	(1,262)
Proceeds from sales of property, plant and equipment	1,578	2,073
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(773)	(105)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	27,903	918
Payments for transfer of business	—	(86)
Other	646	(353)
Net cash used in investing activities	<u>(35,864)</u>	<u>(75,080)</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term debt, net	484	2,335
Proceeds from long-term debt	—	3,549
Repayment of long-term debt	(26,782)	(35,239)
Proceeds from payments from non-controlling interests	3,419	—
Purchase of shares of consolidated subsidiaries from non-controlling interests	—	(6,906)
Dividends paid to shareholders	(11,118)	(11,117)
Dividends paid to non-controlling interests	(190)	(177)
Acquisition of common stock for treasury	(5)	(7)
Proceeds from sales of treasury stock	0	0
Net cash used in financing activities	<u>(34,192)</u>	<u>(47,562)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(224)</u>	<u>(990)</u>
Net increase (decrease) in cash and cash equivalents	<u>19,111</u>	<u>(84,499)</u>
Cash and cash equivalents at the beginning of the year	<u>120,300</u>	<u>139,411</u>
Cash and cash equivalents at the end of the year	<u><u>139,411</u></u>	<u><u>54,912</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 Specialty Steel Products segment comprises the Specialty Steel Business, Roll Business, and Soft Magnetic Materials Business. The Magnetic Materials are composed by Magnet Business. The 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 Group has changed its segment names from “High-Grade Metal Products and Materials” to “Specialty Steel Products” and from “High-Grade Functional Components and Equipment” to “Functional Components and Equipment” effective from April 1, 2017. This change in segment names does not affect the segment information.

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

Reportable segment	Major products and services
Specialty Steel Products	<ul style="list-style-type: none"> •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) •Rolls for steel mills •Structural ceramic products •Injection molding machine parts •Steel-frame joints for construction •Soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic material; and soft ferrite) and applied products
Magnetic Materials and Applications	<ul style="list-style-type: none"> •Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products) •Ceramic components
Functional Components and Equipment	<ul style="list-style-type: none"> •Casting components for automobiles (HNM™ high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE™ heat-resistant exhaust casting components) •SCUBA™ aluminum wheels and other aluminum components •Piping and infrastructure components (G™ Gourd brand pipe fittings, valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
Wires, Cables, and Related Products	<ul style="list-style-type: none"> •Industrial cables, electronic wires, electric equipment materials, and industrial rubber products •Cable assemblies •Automotive electronic components and brake hoses

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

Last consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Business Segment					Others	Total	Adjustments	Consolidated statements of income
	Specialty Steel Products	Magnetic Materials and Applications	Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	243,127	99,754	333,506	232,713	909,100	1,386	910,486	—	910,486
Intersegment transactions	104	2	3	173	282	1,577	1,859	(1,859)	—
Total revenues	243,231	99,756	333,509	232,886	909,382	2,963	912,345	(1,859)	910,486
Segment profit	22,171	9,301	15,920	20,059	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	348,632	117,927	334,241	228,428	1,029,228	5,485	1,034,713	5,677	1,040,390
Other items:									
Depreciation and amortization	13,050	6,106	14,650	8,018	41,824	390	42,214	825	43,039
Capital expenditure	17,968	13,659	22,575	7,056	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.

Current year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Consolidated statements of income
	Specialty Steel Products	Magnetic Materials and Applications	Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	290,412	106,119	360,053	229,888	986,472	1,831	988,303	—	988,303
Intersegment transactions	187	12	—	644	843	1,586	2,429	(2,429)	—
Total revenues	290,599	106,131	360,053	230,532	987,315	3,417	990,732	(2,429)	988,303
Segment profit	26,127	7,286	607	11,183	45,203	111	45,314	1,012	46,326
Financial income	—	—	—	—	—	—	—	—	1,437
Financial expenses	—	—	—	—	—	—	—	—	(3,484)
Share of profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	2,706
Income before income taxes	—	—	—	—	—	—	—	—	46,985
Segment assets	388,098	135,390	341,073	246,805	1,111,366	1,490	1,112,856	(54,024)	1,058,832
Other items:									
Depreciation and amortization	14,275	7,086	16,739	6,715	44,815	298	45,113	1,025	46,138
Capital expenditure	27,974	20,619	24,705	8,710	82,008	207	82,215	9,571	91,786
Impairment losses	1,193	1,340	8,011	41	10,585	26	10,611	—	10,611

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.

The Company has also changed the business segment of SH Copper Products Co., Ltd, a subsidiary of the Company, and one other subsidiary from the Wires, Cables, and Related Products segment to the Specialty Steel Products segment as of July 1, 2017, aiming to strengthen battery-related components in the Specialty Steel Products segment. Due to this change, the results of SH Copper Products, etc. for the year ended March 31, 2018, have been recorded under the Specialty Steel Products segment.

Other Related Information

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.

For the year ended March 31, 2018

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
431,549	294,836	198,076	51,447	12,395	988,303

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 ¥259,683 million and ¥75,323 million, respectively.

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

(Millions of yen)

Japan	North America	Asia	Europe	Other areas	Total
321,141	170,395	44,664	278	1,482	537,960

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

Non-current assets (excluding financial assets) attributable to the United States were ¥170,395 million.

3) Significant customer information

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

[Net Income per Share]

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

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

	For the year ended March 31, 2017	For the year ended March 31, 2018
Weighted-average number of ordinary shares on which basic EPS is calculated	427,578 Thousands of shares	427,573 Thousands of shares
Net income attributable to shareholders of the parent company	50,593 Millions of yen	42,210 Millions of yen
Basic EPS attributable to shareholders of the parent company	118.32 Yen	98.72 Yen

[Subsequent Events]

There is no applicable item.