



Consolidated Financial Report [IFRS]

For the 3-month period ended June 30, 2019

July 26, 2019

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

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

Representative: Koji Sato, President and Chief Executive Officer

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

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

1. Performance for the First Quarter Ended June 30, 2019 (April 1, 2019 to June 30, 2019)

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

	Revenues		Adjusted Operating Income		Operating Income		Income before Income Taxes		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June, 2019	233,953	(9.9)	5,512	(65.5)	5,189	(74.8)	4,517	(78.9)	3,214	(81.1)
June, 2018	259,699	7.6	15,980	(9.5)	20,580	20.5	21,383	18.4	16,963	22.1

Note: In order to give a true view of the condition of the whole Group's business without the effects of business restructuring etc., the Hitachi Metals Group (the "Group") shows "adjusted operating income" which is the operating income recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses. Adjusted operating income is a unified profitindicator for the Hitachi Group, including Hitachi, Ltd.

	Net Income attributable to Shareholders of the Parent Company		Comprehensive Income		Earnings per Share (Basic)	Earnings per Share (Diluted)
	Million yen	%	Million yen	%	Yen	Yen
June, 2019	3,242	(81.0)	(4,895)	—	7.58	—
June, 2018	17,026	22.6	21,752	47.7	39.82	—

(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
June, 2019	1,098,494	582,434	575,468	52.4	1,345.91
March, 2019	1,099,252	595,211	587,979	53.5	1,375.16

2. Dividends

	Dividends per Share				
	1Q	2Q	3Q	Term-end	Annual
	Yen	Yen	Yen	Yen	Yen
March, 2019	—	17.00	—	17.00	34.00
March, 2020	—				
March, 2020 (Forecast)		17.00	—	17.00	34.00

Note: Revision of the latest forecasts of results : No

3. Business results forecast for the year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

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

	Revenues		Adjusted Operating Income		Income before Income Taxes		Net Income attributable to Shareholders of the Parent Company		Earnings per Share (Basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	1,000,000	(2.3)	54,000	5.0	38,000	(11.7)	28,500	(9.1)	66.66

Note: 1. Revision of the latest forecasts of results : No

2. In order to give a true view of the condition of the Group's business without the effects of business restructuring etc., the Group shows "adjusted operating income" which is the operating income recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses. Adjusted operating income is a unified profitindicator for the Hitachi Group, including Hitachi, Ltd.

※ Other Notes

Numbers of shares issued (Common stock)

(i) Number of shares outstanding at end of period

(Including treasury stock)

June, 2019	428,904,352	March, 2019	428,904,352
June, 2019	1,335,000	March, 2019	1,334,441
June, 2019 (1Q)	427,569,581	June, 2018 (1Q)	427,571,899

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

(iii) Average number of shares issued during the term

*This quarterly consolidated financial report is not subject to the quarterly review procedure by the scope of audit.

*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 may differ from those projected. Please refer to “(3) Forecasts for the Fiscal Year Ending March 31, 2020, including Consolidated Operating Forecasts” on page 7 for precondition and assumption as the basis of the above forecasts.

○ **Table of Contents**

1. Qualitative Information Regarding Financial Results for the Three Months Ended June 30, 2019.....	4
(1) Information Regarding Operating Results.....	4
(2) Analysis of Financial Condition.....	6
(3) Forecasts for the Fiscal Year Ending March 31, 2020, including Consolidated Operating Forecasts.....	7
2. Condensed Interim Consolidated Financial Statements and Notes to Condensed Interim Consolidated Financial Statements...	8
(1) Condensed Interim Consolidated Statement of Financial Position.....	8
(2) Condensed Interim Consolidated Statement of Income and Condensed Interim Consolidated Statement of Comprehensive Income.....	10
[Condensed Interim Consolidated Statement of Income].....	10
[Condensed Interim Consolidated Statement of Comprehensive Income].....	11
(3) Condensed Interim Consolidated Statement of Changes in Equity.....	12
(4) Condensed Interim Consolidated Statement of Cash Flows.....	13
(5) Changes in Accounting Policies.....	15
(6) Segment Information.....	16

1. Qualitative Information Regarding Financial Results for the Three Months Ended June 30, 2019

(1) Information Regarding Operating Results

The global economy as a whole saw moderate growth during the three months ended June 30, 2019, but concerns over a slowdown in the future further deepened, mainly due to trade disputes, the slowdown of the Chinese economy, and policy uncertainties in many countries. In the United States, steady economic recovery continued, underpinned by a continued improvement in the employment situation and an increase in individual consumption and capital expenditures. Meanwhile, China's economic growth slowed down as a result of the trade conflict with the United States and a slowdown in domestic demand, which resulted in a slowdown in exports and a decline in production in Europe and weakened the performance of Asian emerging economies. Amid such circumstances, the Japanese economy was faced with a fall in business confidence largely due to a slowdown in industrial production and exports.

Among the industries in which the Group operates, the automobile industry in Japan saw an increase in sales of new vehicles, mainly light vehicles and medium-sized and large ordinary passenger vehicles. Meanwhile, China experienced a significant drop mainly in sales of passenger vehicles, and both the United States and Europe also saw a decrease in sales, leading to a drop in global automobile sales as a whole. Demand for steel generally remained firm. Housing starts dropped both in Japan and the United States. In the electronics field, smartphone shipments decreased.

Under the business circumstances described above, for the three months ended June 30, 2019, the revenues of the Group decreased by 9.9% year on year to ¥233,953 million. This was mainly due to a fall in raw material prices (sliding-scale raw material price system), in addition to a decrease in demand mainly for the Group's mainstays. On the income front, measures including a reduction in fixed costs contributed to an increase in income, however adjusted operating income* for the three months ended June 30, 2019 decreased by ¥10,468 million year on year to ¥5,512 million, mainly due to a slowdown in the electronics-related and semiconductor-related markets, a decline in demand for various manufacturing equipment and industrial machinery, and a decrease in sales of new vehicles. Additionally, it was also attributable to a major production adjustment implemented in order to address a decrease in demand and to optimize inventories, as part of measures to improve operational efficiency. Operating income for the three months ended June 30, 2019, decreased by ¥15,391 million to ¥5,189 million, compared with the three months ended June 30, 2018 in which a combined total of ¥5,757 million in gains on bargain purchase and step acquisition was recorded under other income, which was generated from making Santoku a consolidated subsidiary of the Company as of April 2, 2018. Income before income taxes decreased by ¥16,866 million to ¥4,517 million and net income attributable to shareholders of the parent company decreased by ¥13,784 million to ¥3,242 million, as compared with the same period the previous year.

The Group introduced business management based on Return on Invested Capital (ROIC) with the aim of improving cash flow and capital efficiency. As one of the measures to address these key management challenges in the fiscal year 2021 Medium-term Management Plan, the Group reduces the level of equity investment mainly by shortening the Cash Conversion Cycle (CCC) to reduce the risk of fluctuations in raw material prices. As a result, free cash flow for the three months ended June 30, 2019, improved by ¥6,368 million from the same period last year.

The results by business segment are as follows. Note that revenues for each segment include intersegment revenues. There were no significant changes to the businesses of the Group during the three months ended June 30, 2019.

The Company transferred soft magnetic components and materials from the Specialty Steel Products segment to the Magnetic Materials and Applications segment, and changed the segment name from the Magnetic Materials and Applications segment to the Magnetic Materials and Applications / Power Electronics Materials segment as of April 1, 2019. Due to this change, the results of soft magnetic components and materials for the three months ended June 30, 2018 (April 1, 2018 to June 30, 2018), have been recorded under the Magnetic Materials and Applications / Power Electronics Materials segment.

Specialty Steel Products

Revenues in the Specialty Steel Products segment for the three months ended June 30, 2019 were ¥63,747 million, a decrease of 8.2% as compared with those for the three months ended June 30, 2018.

Breaking down the revenues by business, sales of molds and tool steel, among tool steel & rolls, decreased year on year, due to a fall in raw material prices (sliding-scale raw material price system) as well as a decrease in demand in international markets especially in China and inventory adjustments in Japan. Both domestic sales and exports of rolls increased year on year. Sales of injection molding machine parts remained unchanged year on year as demand remained firm.

Among industrial, aerospace & energy materials, sales of industrial materials decreased year on year, on the back of a decline in demand for environment-conscious products related to automobiles and a fall in raw material prices (sliding-scale raw material

price system). Sales of aerospace and energy materials increased year on year due to an increase in demand for aircraft-related components and materials.

Overall sales of alloys for electronic products decreased year on year, due to a decline in demand for organic EL panel-related components, smartphone-related materials, and semiconductor package components, despite an increase in sales of battery-related components.

Adjusted operating income decreased by ¥6,863 million to ¥539 million compared with the three months ended June 30, 2018, due to a decline in demand for the Company's mainstays, a fall in raw material prices, and an active reduction of work in process. Operating income of the segment decreased by ¥6,875 million year on year to ¥652 million.

Functional Components and Equipment

Revenues in the Functional Components and Equipment segment for the three months ended June 30, 2019 were ¥83,316 million, a decrease of 11.0% year on year.

Breaking down the revenues by business, sales of casting components for automobiles in the United States decreased year on year. This was attributable to a decrease in demand for light truck and passenger vehicles and a fall in raw material prices (sliding-scale raw material price system), despite an increase in demand for casting components for commercial vehicles and construction machinery. Meanwhile in Asia, sales decreased year on year driven by a fall in raw material prices (sliding-scale raw material price system), although demand remained unchanged from the same period last year. Sales of heat-resistant exhaust casting components decreased year on year, mainly reflecting a decrease in sales of new vehicles in China and Europe. It has been determined to withdraw from the aluminum wheels business. Therefore, in March 2019, the Company sold a consolidated subsidiary manufacturing aluminum wheels in the United States, and the termination of production in Japan is also progressing as planned towards the end of September 2020.

As a result, overall sales of casting components for automobiles decreased year on year.

Among piping components, overall sales of pipe fittings in the three months ended June 30, 2019 remained unchanged from the those of the three months ended June 30, 2018, due to a decline in exports to the Middle East although exports to the United States and sales in Japan increased year on year. Sales of semiconductor manufacturing equipment decreased year on year due to the delay of some capital investment projects. As a result, overall sales of piping components decreased year on year.

Adjusted operating income decreased by ¥1,312 million year on year to ¥1,995 million, largely due to a decrease in sales from the automotive casting components business in the United States which is the Company's core business, although some improvement was made in the heat-resistant exhaust casting components and aluminum wheels businesses positioned as "businesses with issues." Operating income decreased by ¥832 million year on year to ¥1,715 million.

Magnetic Materials and Applications / Power Electronics

Revenues in the Magnetic Materials and Applications / Power Electronics segment for the three months ended June 30, 2019 were ¥30,590 million, a decrease of 15.6% year on year.

Breaking down the revenues by business, sales of rare earth magnets among magnetic materials and applications decreased year on year. This was because sales of industrial equipment-related rare earth magnets decreased year on year due to a slowdown in the electronics-related and semiconductor-related markets and a significant decline in demand for various manufacturing equipment and industrial machinery, and sales of automotive electronic components also decreased year on year. Sales of ferrite magnets decreased year on year due to a decrease in automotive electronic components. As a result, overall sales of magnetic materials and applications decreased year on year.

Among power electronics materials, sales of soft magnetic materials and their applied products decreased year on year due to a decline in demand for amorphous metals for transformers and some components for consumer equipment, despite an increase in demand for the use of automotive electronic components, while sales of ceramic components increased year on year due to an increase in demand mainly for the use of automotive electronic components. As a result, sales of power electronics materials as a whole remained at the same level as the same period last year.

Adjusted operating income decreased by ¥1,080 million year on year to an adjusted operating loss of ¥213 million, due to a decrease in demand for magnetic materials and applications. Operating income decreased by ¥6,793 million year on year to an operating loss of ¥243 million, compared with the three months ended June 30, 2018 in which a gain on bargain purchase of ¥5,757 million was recorded under other income.

Wires, Cables, and Related Products

Revenues in the Wires, Cables, and Related Products segment for the three months ended June 30, 2019, were ¥56,030 million, a decrease of 6.6% year on year.

Breaking down the revenues by business, sales of medical use increased year on year due to an increase in demand for both probe cables and tubes. Sales of wires and cables for rolling stock decreased year on year as large-scale projects entered the off-season. Sales of magnet wires decreased year on year due to a decrease in their demand for both automotive and industrial applications. Sales of electronic wires also decreased year on year due to a decline in their demand mainly for FA / robots. As a result, overall sales of wires, cables, and related products decreased year on year.

Among automotive components, sales of wires, cables, and related products for automotive electronic components applications decreased year on year as a whole, due to a decline in demand for brake hoses despite an increase in demand for various sensors and harnesses.

Adjusted operating income decreased by ¥1,739 million to ¥1,847 million, as compared with the three months ended June 30, 2018, led in part by a decline in demand for the Company's mainstays. Operating income of the segment decreased by ¥1,220 million year on year to ¥1,863 million for the same period.

Other

Revenues in the Other segment for the three months ended June 30, 2019, were ¥876 million, a decrease of 18.5%, and adjusted operating income increased by ¥25 million to ¥167 million, as compared with those for the three months ended June 30, 2018. Operating income of the segment decreased by ¥151 million to ¥54 million for the same period.

*In order to give a true view of the condition of the Group's business without the effects of business restructuring etc., the Group shows "adjusted operating income" which is the operating income recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses. Adjusted operating income is a unified profit indicator for the Hitachi Group, including Hitachi, Ltd.

(2) Analysis of Financial Condition

1) Assets, liabilities, and equity

The analysis of changes in the Group's condensed interim consolidated statement of financial position as of the end of the period ended June 30, 2019, is as follows:

Total assets were ¥1,098,494 million, a decrease of ¥758 million compared with the end of the fiscal year ended March 31, 2019. Current assets were ¥479,124 million, a decrease of ¥1,207 million compared with the end of the fiscal year ended March 31, 2019. This was mainly attributable to a decrease in inventories of ¥3,750 million despite an increase in trade receivables of ¥1,424 million. Non-current assets were ¥619,370 million, an increase of ¥449 million compared with the end of the fiscal year ended March 31, 2019. Property, plant and equipment increased by ¥11,297 million, which was mainly attributable to an increase of ¥16,947 million in right-of-use assets arising from the application of IFRS 16 "Leases."

Property, plant and equipment, less the incremental effect of the right-of-use assets, decreased by ¥5,650 million compared with the end of the fiscal year ended March 31, 2019. Investments in securities and other financial assets decreased by ¥5,776 million. This was mainly because derivative assets that will have an exercise date of the put option within a year were classified under other current assets. In addition, goodwill and intangible assets decreased by ¥3,834 million, which resulted from translating foreign currency goodwill.

Total liabilities were ¥516,060 million, an increase of ¥12,019 million compared with the end of the fiscal year ended March 31, 2019. Short-term debt, and the current portion of long-term debt and long-term debt increased by ¥26,888 million and ¥10,044 million, respectively. The increase of the current portion of long-term debt and long-term debt was mainly attributable to an increase of ¥16,556 million in lease liabilities arising from the application of IFRS 16 "Leases," and the current portion of long-term debt and long-term debt, less the incremental effect of the lease liabilities, decreased by ¥6,512 million compared with the end of the fiscal year ended March 31, 2019. Trade payables and other financial liabilities (current liabilities) decreased by ¥11,000 million and ¥10,383 million, respectively. Total equity was ¥582,434 million, a decrease of ¥12,777 million compared with the end of the fiscal year ended March 31, 2019. This was mainly attributable to decreases in accumulated other comprehensive income of ¥7,876 million and retained earnings of ¥4,634 million.

2) Cash flows

Cash and cash equivalents as of the end of the three months ended June 30, 2019, were ¥41,489 million, an increase of ¥391 million compared with the end of the fiscal year ended March 31, 2019, as a result of cash provided by operating activities and financing activities exceeding net cash used in investing activities. The analysis of cash flows for each category as of June 30, 2019, is as follows:

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥6,987 million. This was mainly attributable to the net effect of net income of ¥3,214 million and depreciation and amortization of ¥13,944 million despite payment of ¥11,943 million for the increase of working capital among others.

<Cash Flows from Investing Activities>

Net cash used in investing activities was ¥19,215 million, which was mainly attributable to payment of ¥19,618 million for the purchase of property, plant and equipment.

<Cash Flows from Financing Activities>

Net cash provided by financing activities was ¥14,588 million. This was mainly attributable to a net increase in short-term debt of ¥28,066 million, repayment of long-term debt of ¥6,487 million, and payment of dividends of ¥7,274 million.

(3) Forecasts for the Fiscal Year Ending March 31, 2020, including Consolidated Operating Forecasts

The performance for the three months ended June 30, 2019 remained below the forecast made at the beginning of the fiscal year ending March 31, 2020, due to a decrease in demand mainly for the Company's mainstays. While the uncertain business environment is expected to continue into the second quarter ending September 30, 2019, currently the Group is carefully examining demand forecasts and the effects of the measures to improve performance. Therefore, the figures in the operating forecast for the fiscal year ending March 31, 2020 (April 1, 2019 through March 31, 2020) have not been revised from the forecast figures released on April 25, 2019.

**2. Condensed Interim Consolidated Financial Statements
and Notes to Condensed Interim Consolidated Financial Statements**
(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	41,098	41,489
Trade receivables	195,306	196,730
Inventories	214,805	211,055
Other current assets	29,122	29,850
Total current assets	480,331	479,124
Non-current assets		
Investments accounted for using the equity method	28,563	27,783
Investments in securities and other financial assets	19,978	14,202
Property, plant and equipment	402,160	413,457
Goodwill and intangible assets	143,558	139,724
Deferred tax assets	9,652	10,680
Other non-current assets	15,010	13,524
Total non-current assets	618,921	619,370
Total assets	1,099,252	1,098,494

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Short-term debt	48,844	75,732
Current portion of long-term debt	34,268	36,563
Other financial liabilities	37,730	27,347
Trade payables	155,251	144,251
Accrued expenses	38,018	33,872
Contract liabilities	534	663
Other current liabilities	2,739	4,058
Total current liabilities	317,384	322,486
Non-current liabilities		
Long-term debt	118,986	126,735
Other financial liabilities	923	1,105
Retirement and severance benefits	58,124	57,488
Deferred tax liabilities	4,964	4,834
Other non-current liabilities	3,660	3,412
Total non-current liabilities	186,657	193,574
Total liabilities	504,041	516,060
Equity		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	115,045	115,045
Retained earnings	425,886	421,252
Accumulated other comprehensive income	21,925	14,049
Treasury stock, at cost	(1,161)	(1,162)
Total equity attributable to shareholders of the parent company	587,979	575,468
Non-controlling interests	7,232	6,966
Total equity	595,211	582,434
Total liabilities and equity	1,099,252	1,098,494

**(2) Condensed Interim Consolidated Statement of Income
and Condensed Interim Consolidated Statement of Comprehensive Income**
[Condensed Interim Consolidated Statement of Income]
[For the three months ended June 30, 2019]

(Millions of yen)

	Note	For the first quarter ended June 30, 2018	For the first quarter ended June 30, 2019
Revenues		259,699	233,953
Cost of sales		(212,564)	(200,079)
Gross profit		47,135	33,874
Selling, general and administrative expenses		(31,155)	(28,362)
Other income		6,823	934
Other expenses		(2,223)	(1,257)
Operating income	1	20,580	5,189
Interest income		46	119
Other financial income		807	57
Interest charges		(544)	(724)
Other financial expenses		(2)	(612)
Share of (losses) profits of investments accounted for using the equity method		496	488
Income before income taxes		21,383	4,517
Income taxes		(4,420)	(1,303)
Net income		16,963	3,214
Net income attributable to:			
Shareholders of the parent company		17,026	3,242
Non-controlling interests		(63)	(28)
Net income		16,963	3,214
Earnings per share			
Basic		¥39.82	¥7.58
Diluted		—	—

Note: 1. Adjusted operating income, which is the operating income presented in the condensed interim consolidated statement of income, excluding other income and other expenses, is ¥15,980 million and ¥5,512 million for the three months ended June 30, 2018 and 2019, respectively.

[Condensed Interim Consolidated Statement of Comprehensive Income]

[For the three months ended June 30, 2019]

(Millions of yen)

	For the first quarter ended June 30, 2018	For the first quarter ended June 30, 2019
Net income	16,963	3,214
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	(8)	(28)
Share of other comprehensive income of investments accounted for using the equity method	(115)	13
Total items not to be reclassified into net income	<u>(123)</u>	<u>(15)</u>
Items that can be reclassified into net income		
Foreign currency translation adjustments	4,928	(7,922)
Net change in fair value of cash flow hedges	111	(180)
Share of other comprehensive income of investments accounted for using the equity method	(127)	8
Total items that can be reclassified into net income	<u>4,912</u>	<u>(8,094)</u>
Total other comprehensive income	<u>4,789</u>	<u>(8,109)</u>
Comprehensive income	<u><u>21,752</u></u>	<u><u>(4,895)</u></u>
Comprehensive income attributable to:		
Shareholders of the parent company	21,846	(4,634)
Non-controlling interests	(94)	(261)
Comprehensive income	<u><u>21,752</u></u>	<u><u>(4,895)</u></u>

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	For the first quarter ended June 30, 2018	For the first quarter ended June 30, 2019
Cash flows from operating activities:		
Net income	16,963	3,214
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,244	13,944
Impairment losses	—	160
Share of losses (profits) of investments accounted for using the equity method	(496)	(488)
Financial income and expenses	(307)	1,160
Losses (profits) on sale of property, plant and equipment	562	490
Structural reform expenses	3	—
Net loss (gain) on business reorganization and others	(5,757)	—
Income taxes	4,420	1,303
(Increase) decrease in trade receivables	(2,864)	(4,349)
(Increase) decrease in inventories	(15,577)	1,676
(Increase) decrease in accounts receivable - other	6,546	8,991
Increase (decrease) in trade payables	4,346	(9,270)
Increase (decrease) in accrued expenses	(3,874)	(3,489)
Increase (decrease) in retirement and severance benefits	310	13
Other	(1,514)	(4,771)
Subtotal	15,005	8,584
Interest and dividends received	421	198
Interest paid	(713)	(886)
Payments for structural reforms	(3)	—
Income taxes paid	(3,905)	(909)
Net cash provided by operating activities	10,805	6,987

(Millions of yen)

	For the first quarter ended June 30, 2018	For the first quarter ended June 30, 2019
Cash flows from investing activities:		
Purchase of property, plant and equipment	(30,320)	(19,618)
Purchase of intangible assets	(268)	(431)
Proceeds from sales of property, plant and equipment	189	169
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	281	(99)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	329	98
Other	388	666
Net cash used in investing activities	(29,401)	(19,215)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	18,991	28,066
Proceeds from long-term debt	3,272	284
Repayment of long-term debt	(9,446)	(6,487)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(1,142)	—
Dividends paid to shareholders	(5,558)	(7,269)
Dividends paid to non-controlling interests	(7)	(5)
Acquisition of common stock for treasury	(1)	(1)
Proceeds from sales of treasury stock	0	0
Net cash used in financing activities	6,109	14,588
Effect of exchange rate changes on cash and cash equivalents	982	(1,969)
Net increase (decrease) in cash and cash equivalents	(11,505)	391
Cash and cash equivalents at the beginning of the first quarter	54,912	41,098
Cash and cash equivalents at the end of the first quarter	43,407	41,489

(5) Changes in Accounting Policies

Adoption of IFRS 16 "Leases"


From the beginning of the full-year ending March 31, 2020, the Group has adopted IFRS 16 "Leases." IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard introduces a single accounting model under which lessees recognize all leases in the statement of consolidated financial position.

As a transitional measure upon the adoption of IFRS 16, the Group applies this standard with the cumulative effect of initially applying this standard recognized as an adjustment to the beginning balance of retained earnings for the full-year ending March 31, 2020.

The leases held by the Group are mainly real estate leases, and the effect of the adoption of IFRS 16 on the condensed statement of consolidated financial position as of the beginning of the full-year ending March 31, 2020 are minor and include: an increase of ¥16,693 million in assets mainly due to recognizing right-of-use assets, an increase of ¥17,300 million in liabilities mainly due to recognizing lease liabilities, and a decrease of ¥607 million in equity due to the adjustment to the beginning balance of retained earnings. Additionally, under IFRS 16, the depreciation adjustment of right-of-use assets is included in cash flows from operating activities instead of the payment of operating lease expense, and the payment of lease liabilities is included in cash flows from financing activities, in the condensed cash flow statement for the three months ended June 30, 2019. This resulted in an increase in cash flows from operating activities and a decrease in cash flows from financing activities, compared to those under the old accounting standard.

(6) Segment Information

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

Reportable segment	Major products and services
Specialty Steel Products	<p>< Tool Steel & Roll ></p> <ul style="list-style-type: none"> ·Molds and tool steel, Rolls for steel mills, Injection molding machine parts, Structural ceramic products, and Steel-frame joints for construction <p>< Industrial, Aerospace & Energy Materials ></p> <ul style="list-style-type: none"> ·Automobile-related materials, Razor and blade materials, Precision cast components, and Aircraft- and energy-related materials <p><Electronic Materials ></p> <ul style="list-style-type: none"> ·Display-related materials, Semiconductor and other package materials, and Battery-related materials
Functional Components and Equipment	<p>< Automotive Casting ></p> <ul style="list-style-type: none"> ·HNMTM high-grade ductile cast iron products, Cast iron products for transportation equipment, HERCUNITETM heat-resistant exhaust casting components, and Aluminum components <p>< Piping Components ></p> <ul style="list-style-type: none"> ·Piping and infrastructure components ( TM Gourd brand pipe fittings, valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices and sealed expansion tanks)
Magnetic Materials and Applications / Power Electronics	<p>< Magnetic Materials ></p> <ul style="list-style-type: none"> ·NEOMAX[®] rare-earth magnets, Ferrite magnets, and Other magnets and applied products <p>< Power Electronics Materials ></p> <ul style="list-style-type: none"> ·Soft magnetic materials (Metglas[®] amorphous metals; FINEMET[®] nanocrystalline magnetic material; and soft ferrite) and applied products, and Ceramic components
Wires, Cables, and Related Products	<p>< Electric Wire & Cable ></p> <ul style="list-style-type: none"> ·Industrial cables, Electronic wires, Electric equipment materials, Cable assemblies, and Industrial rubber products <p>< Automotive Components ></p> <ul style="list-style-type: none"> ·Automotive electronic components and Brake hoses

II Last consolidated first quarter (from April 1, 2018 to June 30, 2018)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Condensed Interim Consolidated Statement of Income
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications /Power Electronics	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	69,383	93,659	36,262	59,767	259,071	628	259,699	—	259,699
Intersegment transactions	46	—	—	202	248	447	695	(695)	—
Total revenues	69,429	93,659	36,262	59,969	259,319	1,075	260,394	(695)	259,699
Segment profit	7,527	2,547	6,550	3,083	19,707	205	19,912	668	20,580
Financial income	—	—	—	—	—	—	—	—	853
Financial expenses	—	—	—	—	—	—	—	—	(546)
Share of (losses) profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	496
Income before income taxes	—	—	—	—	—	—	—	—	21,383

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.

III Current first quarter (from April 1, 2019 to June 30, 2019)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Condensed Interim Consolidated Statement of Income
	Specialty Steel Products	Functional Components and Equipment	Magnetic Materials and Applications /Power Electronics	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	63,706	83,316	30,589	55,928	233,539	414	233,953	—	233,953
Intersegment transactions	41	—	1	102	144	462	606	(606)	—
Total revenues	63,747	83,316	30,590	56,030	233,683	876	234,559	(606)	233,953
Segment profit (loss)	652	1,715	(243)	1,863	3,987	54	4,041	1,148	5,189
Financial income	—	—	—	—	—	—	—	—	176
Financial expenses	—	—	—	—	—	—	—	—	(1,336)
Share of (losses) profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	488
Income before income taxes	—	—	—	—	—	—	—	—	4,517

Note: 1. Segment profit (loss) is based on operating income.

2. Intersegment transactions are recorded at the same prices used in transactions with third parties. Adjustments represent mainly allocation variances of general and administrative expenses for corporate assets, which are not allocated to each reportable segment.

The Company transferred soft magnetic components and materials from the Specialty Steel Products segment to the Magnetic Materials and Applications segment, and changed the segment name from the Magnetic Materials and Applications segment to the Magnetic Materials and Applications / Power Electronics Materials segment as of April 1, 2019. Due to this change, the results of soft magnetic components and materials for the three months ended June 30, 2018 (April 1, 2018 to June 30, 2018), have been recorded under the Magnetic Materials and Applications / Power Electronics Materials segment.