



Consolidated Financial Report [IFRS]

For the 6-month period ended September 30, 2019

October 29, 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 Half Ended September 30, 2019 (April 1, 2019 to September 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 (loss)		Income before Income Taxes		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Sept, 2019	456,888	(12.0)	5,932	(82.1)	(37,600)	—	(38,681)	—	(42,536)	—
Sept, 2018	518,958	7.6	33,079	2.8	35,775	33.5	37,237	32.9	28,056	42.8

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

	Net Income (loss) attributable to Shareholders of the Parent Company		Comprehensive Income		Earnings per Share (Basic)	Earnings per Share (Diluted)
	Million yen	%	Million yen	%	Yen	Yen
Sept, 2019	(40,992)	—	(52,889)	—	(95.87)	—
Sept, 2018	28,138	43.3	39,282	66.2	65.81	—

(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
Sept, 2019	1,024,091	533,356	529,438	51.7	1,238.25
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	—	13.00			
March, 2020 (Forecast)			—	13.00	26.00

Note: 1. Revision of the latest forecasts of results : Yes

2. For the details, please refer to "Notice Concerning the Recording of Impairment Losses, Revisions to Operating Forecast for the Year Ending March 31, 2020 and Revisions to Dividend Forecast" released today on October 29, 2019.

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	895,000	(12.5)	14,000	(72.8)	(43,500)	—	(47,000)	—	(109.92)

Note: 1. Revision of the latest forecasts of results : Yes

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 (loss) recorded in the consolidated statement of income, excluding non-operating income and expenses, and extraordinary income and losses. Adjusted operating income is a unified 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)

Sept, 2019	428,904,352	March, 2019	428,904,352
Sept, 2019	1,335,666	March, 2019	1,334,441
Sept, 2019 (2Q)	427,569,195	Sept, 2018 (2Q)	427,571,513

(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.

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1. Qualitative Information Regarding Financial Results for the Six Months Ended September 30, 2019

(1) Information Regarding Operating Results

The global economy as a whole saw moderate growth during the six months ended September 30, 2019, but concerns over a slowdown in the future further deepened, mainly due to increasing 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. Meanwhile, Chinese economic growth continued to slow 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, mainly in the manufacturing industry, 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. Both domestic and overseas demand for industrial machinery were weak. Housing starts remained flat in the United States but declined in Japan. In the electronics field, smartphone shipments decreased.

Under the business circumstances described above, the Group's operating results for the six months ended September 30 were as follows.

Revenues decreased by 12.0% year on year to ¥456,888 million 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.

Adjusted operating income* for the six months ended September 30, 2019 decreased by ¥27,147 million year on year to ¥5,932 million. This was 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, in addition 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, despite measures including a reduction in fixed costs.

Operating income for the six months ended September 30, 2019 decreased by ¥73,375 million year on year, resulting in an operating loss of ¥37,600 million. This was attributable to the recording of impairment losses amounting to ¥42,581 million in other operating expenses for the magnetic materials and applications business as a whole during the six months ended September 30, 2019, which was due mainly to the changes in the operating environment of the rare earth magnet business and the subsequent review of the future profitability of the magnetic materials and applications business. For the details, please refer to "Notice Concerning the Recording of Impairment Losses, Revisions to Operating Forecast for the Year Ending March 31, 2020 and Revisions to Dividend Forecast" released today. Income before income taxes decreased by ¥75,918 million year on year to a loss before income taxes of ¥38,681 million. Net income attributable to shareholders of the parent company decreased by ¥69,130 million from the same period of the previous year to a net loss attributable to shareholders of the parent company of ¥40,992 million.

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 six months ended September 30, 2019, improved by ¥33,290 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 six months ended September 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 six months ended September 30, 2018 (April 1, 2018 to September 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 six months ended September 30, 2019 were ¥127,320 million, a decrease of 9.4% as compared with those for the six months ended September 30, 2018.

Breaking down the revenues by business, sales of molds and tool steel, among the business of tool steel & roll, 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 the business of industrial, aerospace & energy materials, sales of industrial materials decreased year on year, on the back of a decline in demand for 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 smartphone-related materials, and semiconductor package components, although sales of organic EL panel-related components increased and sales of battery related components remained firm.

Adjusted operating income decreased by ¥14,843 million to ¥360 million compared with the six months ended September 30, 2018, due to a decline in demand for the Company's mainstays including molds and tool steel and alloys for electronic products, a fall in raw material prices, and an active reduction of work in process. Operating income of the segment decreased by ¥14,086 million year on year to ¥386 million.

Functional Components and Equipment

Revenues in the Functional Components and Equipment segment for the six months ended September 30, 2019 were ¥157,473 million, a decrease of 14.6% 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.

Meanwhile in Asia, sales decreased year on year driven by a fall in demand in the Indian market. 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 six months ended September 30, 2019 decreased from the those of the six months ended September 30, 2018, due to a decline in exports to the United States and the Middle East although sales in Japan remained unchanged 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 ¥5,686 million year on year to ¥1,204 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 as well as a continued slump in sales of semiconductor manufacturing equipment. Operating income decreased by ¥4,240 million year on year to ¥646 million.

Magnetic Materials and Applications / Power Electronics

Revenues in the Magnetic Materials and Applications / Power Electronics segment for the six months ended September 30, 2019 were ¥60,595 million, a decrease of 16.0% 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. Meanwhile, 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 ¥3,819 million year on year to an adjusted operating loss of ¥674 million, due to a decrease in demand for magnetic materials and applications. Operating income decreased by ¥52,199 million year on year to an operating loss of ¥43,385 million, compared with the six months ended September 30, 2018. This was attributable to the recording of impairment losses amounting to ¥42,581 million in other operating expenses for the magnetic materials and applications business as a whole during the six months ended September 30, 2019, which was due mainly to the changes in the operating environment of the rare earth magnet business and the subsequent review of the future profitability of the magnetic materials and applications business.

Wires, Cables, and Related Products

Revenues in the Wires, Cables, and Related Products segment for the six months ended September 30, 2019, were ¥110,988 million, a decrease of 8.3% 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 tubes and cables. Sales of wires and cables for rolling stock decreased year on year as large-scale projects entered the offseason. 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.

Sales of automotive components decreased year on year, reflecting a decline in demand for automotive electronic components and brake hoses due to a decrease in global new vehicle sales.

Adjusted operating income decreased by ¥3,457 million to ¥3,743 million, as compared with the six months ended September 30, 2018, led in part by a decline in demand. Operating income of the segment decreased by ¥3,160 million year on year to ¥3,719 million for the same period.

Other

Revenues in the Other segment for the six months ended September 30, 2019, were ¥1,708 million, a decrease of 22.8%, and adjusted operating income increased by ¥80 million to ¥380 million, as compared with those for the six months ended September 30, 2018. Operating income of the segment decreased by ¥229 million to ¥153 million for the same period.

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(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 September 30, 2019, is as follows:

Total assets were ¥1,024,091 million, a decrease of ¥75,161 million compared with the end of the fiscal year ended March 31, 2019. Current assets were ¥449,645 million, a decrease of ¥30,686 million compared with the end of the fiscal year ended March 31, 2019. This was mainly attributable to a decrease in inventories of ¥22,196 million. Non-current assets were ¥574,446 million, a decrease of ¥44,475 million compared with the end of the fiscal year ended March 31, 2019. Property, plant and equipment decreased by ¥12,186 million, which was mainly attributable to an increase of ¥16,150 million in right-of-use assets arising from the application of IFRS 16 "Leases" and decrease due to impairment losses of ¥22,479 million for the magnetic materials and applications business. In addition, goodwill and intangible assets decreased by ¥24,676 million, which resulted primarily from impairment losses of ¥20,102 million for the magnetic materials and applications business.

Total liabilities were ¥490,735 million, a decrease of ¥13,306 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 ¥16,386 million and ¥8,475 million, respectively. The increase of the current portion of long-term debt and long-term debt was mainly attributable to an increase of ¥15,771 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 ¥7,296 million compared with the end of the fiscal year ended March 31, 2019. Trade payables and other financial liabilities (current liabilities) decreased by ¥22,034 million and ¥13,377 million, respectively. Total equity was ¥533,356 million, a decrease of ¥61,855 million compared with the end of the fiscal year ended March 31, 2019. This was mainly attributable to decreases in retained earnings of ¥48,857 million and accumulated other comprehensive income of ¥9,981 million.

2) Cash flows

Cash and cash equivalents as of the end of the six months ended September 30, 2019, were ¥44,262 million, an increase of ¥3,164 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 September 30, 2019, is as follows:

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥40,521 million. This was mainly attributable to the net effect of net loss of ¥42,536 million, despite of the impairment losses of ¥42,741 million and the depreciation and amortization of ¥28,105 million among others.

<Cash Flows from Investing Activities>

Net cash used in investing activities was ¥36,419 million. This was mainly attributable to payment of ¥35,745 million for the purchase of property, plant and equipment.

<Cash Flows from Financing Activities>

Net cash provided by financing activities was ¥1,623 million. This was mainly attributable to a net increase in short-term debt of ¥17,744 million, despite of the repayment of long-term debt of ¥8,261 million and the payment of dividends of ¥7,274 million.

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

In light of the business performance for the six months ended September 30, 2019 as well as the operating environment, the Company has revised the operating forecast for the year ending March 31, 2020 (April 1, 2019 through March 31, 2020) released on July 26, 2019 as shown in the table below. For the details, please refer to “Notice Concerning the Recording of Impairment Losses, Revisions to Operating Forecast for the Year Ending March 31, 2020 and Revisions to Dividend Forecast” released today.

Revisions to Consolidated Operating Forecast for the Year Ending March 31, 2020 (April 1, 2019 through March 31, 2020)

	Revenues (million yen)	Adjusted Operating Income (million yen)	Income before Income Taxes (million yen)	Net Income attributable to Shareholders of the Parent Company (million yen)	Basic Earnings per Share (yen)
Forecasts announced on July 26, 2019 (A)	1,000,000	54,000	38,000	28,500	66.66
Revised forecasts (B)	895,000	14,000	(43,500)	(47,000)	(109.92)
Differences (B) - (A)	(105,000)	(40,000)	(81,500)	(75,500)	—
Changes (%)	(10.5)	(74.1)	—	—	—
(Reference) Results for the fiscal year ended March 31, 2019	1,023,421	51,427	43,039	31,370	73.37

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

**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 September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	41,098	44,262
Trade receivables	195,306	188,622
Inventories	214,805	192,609
Other current assets	29,122	24,152
Total current assets	480,331	449,645
Non-current assets		
Investments accounted for using the equity method	28,563	27,632
Investments in securities and other financial assets	19,978	14,053
Property, plant and equipment	402,160	389,974
Goodwill and intangible assets	143,558	118,882
Deferred tax assets	9,652	10,489
Other non-current assets	15,010	13,416
Total non-current assets	618,921	574,446
Total assets	1,099,252	1,024,091

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Short-term debt	48,844	65,230
Current portion of long-term debt	34,268	35,860
Other financial liabilities	37,730	24,353
Trade payables	155,251	133,217
Accrued expenses	38,018	35,406
Contract liabilities	534	580
Other current liabilities	2,739	2,994
Total current liabilities	317,384	297,640
Non-current liabilities		
Long-term debt	118,986	125,869
Other financial liabilities	923	1,075
Retirement and severance benefits	58,124	57,946
Deferred tax liabilities	4,964	4,888
Other non-current liabilities	3,660	3,317
Total non-current liabilities	186,657	193,095
Total liabilities	504,041	490,735
Equity		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	115,045	115,343
Retained earnings	425,886	377,029
Accumulated other comprehensive income	21,925	11,944
Treasury stock, at cost	(1,161)	(1,162)
Total equity attributable to shareholders of the parent company	587,979	529,438
Non-controlling interests	7,232	3,918
Total equity	595,211	533,356
Total liabilities and equity	1,099,252	1,024,091

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

(Millions of yen)

	Note	For the first half ended September 30, 2018	For the first half ended September 30, 2019
Revenues		518,958	456,888
Cost of sales		(424,196)	(394,639)
Gross profit		94,762	62,249
Selling, general and administrative expenses		(61,683)	(56,317)
Other income		7,678	1,776
Other expenses		(4,982)	(45,308)
Operating income (loss)	1	35,775	(37,600)
Interest income		159	222
Other financial income		1,620	72
Interest charges		(1,161)	(1,424)
Other financial expenses		(2)	(767)
Share of (losses) profits of investments accounted for using the equity method		846	816
Income (loss) before income taxes		37,237	(38,681)
Income taxes		(9,181)	(3,855)
Net income (loss)		28,056	(42,536)
Net income (loss) attributable to:			
Shareholders of the parent company		28,138	(40,992)
Non-controlling interests		(82)	(1,544)
Net income (loss)		28,056	(42,536)
Earnings per share			
Basic		¥65.81	¥(95.87)
Diluted		—	—

Note: 1. Adjusted operating income, which is the operating income (loss) presented in the condensed interim consolidated statement of income, excluding other income and other expenses, is ¥33,079 million and ¥5,932 million for the six months ended September 30, 2018 and 2019, respectively.

[Condensed Interim Consolidated Statement of Comprehensive Income]
[For the six months ended September 30, 2019]

(Millions of yen)

	For the first half ended September 30, 2018	For the first half ended September 30, 2019
Net income (loss)	28,056	(42,536)
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	196	(99)
Share of other comprehensive income of investments accounted for using the equity method	(131)	28
Total items not to be reclassified into net income	65	(71)
Items that can be reclassified into net income		
Foreign currency translation adjustments	11,088	(10,086)
Net change in fair value of cash flow hedges	207	(142)
Share of other comprehensive income of investments accounted for using the equity method	(134)	(54)
Total items that can be reclassified into net income	11,161	(10,282)
Total other comprehensive income	11,226	(10,353)
Comprehensive income	39,282	(52,889)
Comprehensive income attributable to:		
Shareholders of the parent company	39,325	(50,962)
Non-controlling interests	(43)	(1,927)
Comprehensive income	39,282	(52,889)

(3) Condensed Interim 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, 2018	26,284	113,518	407,180	16,896	(1,158)	562,720	7,472	570,192
Changes in equity								
Net income	—	—	28,138	—	—	28,138	(82)	28,056
Other comprehensive income	—	—	—	11,187	—	11,187	39	11,226
Dividends to shareholders of the parent company	—	—	(5,558)	—	—	(5,558)	—	(5,558)
Dividends to non-controlling interests	—	—	—	—	—	—	(137)	(137)
Acquisition of treasury stock	—	—	—	—	(2)	(2)	—	(2)
Sales of treasury stock	—	0	—	—	0	0	—	0
Transactions with non-controlling interests	—	1,527	—	—	—	1,527	46	1,573
Transfer to retained earnings	—	—	(24)	24	—	—	—	—
Total changes in equity	—	1,527	22,556	11,211	(2)	35,292	(134)	35,158
Balance at Sept. 30, 2018	26,284	115,045	429,736	28,107	(1,160)	598,012	7,338	605,350

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
Balance at April 1, 2019	26,284	115,045	425,886	21,925	(1,161)	587,979	7,232	595,211
Cumulative effect of accounting change	—	—	(607)	—	—	(607)	—	(607)
Restated balance	26,284	115,045	425,279	21,925	(1,161)	587,372	7,232	594,604
Changes in equity								
Net income (loss)	—	—	(40,992)	—	—	(40,992)	(1,544)	(42,536)
Other comprehensive income	—	—	—	(9,970)	—	(9,970)	(383)	(10,353)
Dividends to shareholders of the parent company	—	—	(7,269)	—	—	(7,269)	—	(7,269)
Dividends to non-controlling interests	—	—	—	—	—	—	(5)	(5)
Acquisition of treasury stock	—	—	—	—	(1)	(1)	—	(1)
Sales of treasury stock	—	0	—	—	0	0	—	0
Transactions with non-controlling interests	—	298	—	—	—	298	(1,382)	(1,084)
Transfer to retained earnings	—	—	11	(11)	—	—	—	—
Total changes in equity	—	298	(48,250)	(9,981)	(1)	(57,934)	(3,314)	(61,248)
Balance at Sept. 30, 2019	26,284	115,343	377,029	11,944	(1,162)	529,438	3,918	533,356

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	For the first half ended September 30, 2018	For the first half ended September 30, 2019
Cash flows from operating activities:		
Net income (loss)	28,056	(42,536)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,802	28,105
Impairment losses	403	42,741
Share of losses (profits) of investments accounted for using the equity method	(846)	(816)
Financial income and expenses	(616)	1,897
Losses (profits) on sale of property, plant and equipment	1,527	998
Structural reform expenses	3	—
Net loss (gain) on business reorganization and others	(5,621)	—
Income taxes	9,181	3,855
(Increase) decrease in trade receivables	(3,657)	2,471
(Increase) decrease in inventories	(21,721)	19,349
(Increase) decrease in accounts receivable - other	5,305	8,979
Increase (decrease) in trade payables	(6,328)	(18,888)
Increase (decrease) in accrued expenses	802	(2,060)
Increase (decrease) in retirement and severance benefits	(51)	441
Other	(3,144)	(6,680)
Subtotal	28,095	37,856
Interest and dividends received	1,889	2,047
Interest paid	(1,181)	(1,389)
Payments for structural reforms	(3)	—
Income taxes refund (paid)	(6,790)	2,007
Net cash provided by operating activities	22,010	40,521

(Millions of yen)

	For the first half ended September 30, 2018	For the first half ended September 30, 2019
Cash flows from investing activities:		
Purchase of property, plant and equipment	(52,620)	(35,745)
Purchase of intangible assets	(692)	(691)
Proceeds from sales of property, plant and equipment	332	171
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	266	(104)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	431	122
Other	1,085	(172)
Net cash used in investing activities	(51,198)	(36,419)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	45,623	17,744
Proceeds from long-term debt	3,272	499
Repayment of long-term debt	(20,062)	(8,261)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(1,362)	(1,084)
Dividends paid to shareholders	(5,558)	(7,269)
Dividends paid to non-controlling interests	(137)	(5)
Acquisition of common stock for treasury	(2)	(1)
Proceeds from sales of treasury stock	0	0
Net cash used in financing activities	21,774	1,623
Effect of exchange rate changes on cash and cash equivalents	2,682	(2,561)
Net increase (decrease) in cash and cash equivalents	(4,732)	3,164
Cash and cash equivalents at the beginning of the first quarter	54,912	41,098
Cash and cash equivalents at the end of the second quarter	50,180	44,262

(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 six months ended September 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 fiscal year (from April 1 to September 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	140,461	184,373	72,136	120,717	517,687	1,271	518,958	—	518,958
Intersegment transactions	92	—	—	291	383	941	1,324	(1,324)	—
Total revenues	140,553	184,373	72,136	121,008	518,070	2,212	520,282	(1,324)	518,958
Segment profit	14,472	4,886	8,814	6,879	35,051	382	35,433	342	35,775
Financial income	—	—	—	—	—	—	—	—	1,779
Financial expenses	—	—	—	—	—	—	—	—	(1,163)
Share of (losses) profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	846
Income before income taxes	—	—	—	—	—	—	—	—	37,237

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 year (from April 1 to September 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	127,248	157,473	60,591	110,795	456,107	781	456,888	—	456,888
Intersegment transactions	72	—	4	193	269	927	1,196	(1,196)	—
Total revenues	127,320	157,473	60,595	110,988	456,376	1,708	458,084	(1,196)	456,888
Segment profit (loss)	386	646	(43,385)	3,719	(38,634)	153	(38,481)	881	(37,600)
Financial income	—	—	—	—	—	—	—	—	294
Financial expenses	—	—	—	—	—	—	—	—	(2,191)
Share of (losses) profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	816
Income before income taxes	—	—	—	—	—	—	—	—	(38,681)

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 six months ended September 30, 2018 (April 1, 2018 to September 30, 2018), have been recorded under the Magnetic Materials and Applications / Power Electronics Materials segment.