

# Hitachi Metals, Ltd. (May 12, 2015)

<http://www.hitachi-metals.co.jp/e/>

1-2-1 Shibaura, Minato-ku, Tokyo

## Consolidated Financial Report for the 12-month period ended March 31, 2015

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Listed Stock Exchanges: Tokyo (First Section, Code 5486)

Scheduled Date of the Ordinary General Meeting of Shareholders: June 23, 2015

1. Performance over the year, April 1, 2014 to March 31, 2015 (Figures are rounded off to the nearest million yen)

(1) Consolidated Operating Results	3/2015	3/2014	(Change)
Net sales (million yen)	<b>1,006,301</b>	807,952	24.5%
Operating income (million yen)	<b>78,216</b>	59,536	31.4%
Income before income taxes and minority interests (million yen)	<b>79,334</b>	50,796	56.2%
Net income (million yen)	<b>66,553</b>	39,417	68.8%
Net income per share (yen)	<b>155.64</b>	95.65	
Diluted net income per share (yen)	—	—	
Net income to shareholders' equity (%)	<b>16.4</b>	12.9	
Return On Assets	<b>7.9</b>	8.8	
Operating income to net sales (%)	<b>7.8</b>	7.4	

Note: Consolidated Statements of Comprehensive Income: 97,863 million yen 85.3% (previous year: 52,823 million yen 111.9%)  
Equity in earnings(losses) of affiliated companies: 843 million yen (previous year: 1,306 million yen)

(2) Consolidated Financial Position	3/2015	3/2014
Total assets (million yen)	<b>1,065,990</b>	840,742
Net assets (million yen)	<b>459,727</b>	373,198
Equity ratio (%)	<b>42.2</b>	43.2
Net assets per share (yen)	<b>1,053.06</b>	848.73

Note: Shareholders' equity (3/2015: 450,269 million yen 3/2014: 362,944 million yen)

(3) Consolidated cash flows (million yen)	3/2015	3/2014
Cash flows from operating activities	<b>111,092</b>	100,557
Cash flows from investing activities	<b>(113,161)</b>	(30,906)
Cash flows from financing activities	<b>(11,677)</b>	(30,914)
Cash and cash equivalents at year-end	<b>88,223</b>	95,543

2. Dividend	3/2014	3/2015	3/2016 (Planned)
Annual dividend per share (yen)	17.00	<b>23.00</b>	26.00
Interim (yen)	7.00	<b>10.00</b>	13.00
End of period (yen)	10.00	<b>13.00</b>	13.00
Total dividend paid (full year) (million yen)	7,271	<b>9,835</b>	—
Consolidated dividend payout ratio (%)	17.8	<b>14.8</b>	15.2
Dividends to net assets (consolidated) (%)	2.2	<b>2.4</b>	—

3. Consolidated Financial Forecast for the period, April 1, 2015 to March 31, 2016

	Interim period	Year-on-year Change (%)	Full-year	Year-on-year Change (%)
Revenues (million yen)	<b>540,000</b>	—	<b>1,100,000</b>	—
Operating income (million yen)	<b>66,000</b>	—	<b>107,000</b>	—
Income before income taxes and minority interests (million yen)	<b>65,500</b>	—	<b>106,000</b>	—
Net income attributable to owners of the parent company (million yen)	<b>47,000</b>	—	<b>73,000</b>	—
Basic earnings per share (yen)	<b>109.92</b>	—	<b>170.73</b>	—

(Note) The Group has voluntarily adopted IFRS and prepared its consolidated financial statements under IFRS for the annual securities reports beginning the fiscal year ended March 31, 2015 (April 1, 2014 through March 31, 2015). Accordingly, the consolidated financial forecast for the period, April 1, 2015 to March 31, 2016, is calculated based on IFRS. The details of the financial forecast are presented in (2) Outlook for Fiscal 2015 (the fiscal year ending March 31, 2016), 1. Analysis of Operating Results, Operating Results and Financial Condition at page 5 of the attachment.

#### 4. Other

- (1) Changes in major subsidiaries during the period under review: Yes  
Newly included : Hitachi Metals MMC Superalloy, Ltd.  
Excluded : Hitachi Metals Techno, Ltd.
- (2) Changes in accounting policies, accounting estimates and retrospective restatements in the consolidated financial statements  
[1] Changes due to revisions in accounting standards: None  
[2] Changes other than those in [1]: None  
[3] Changes in accounting estimates: None  
[4] Retrospective restatements: None
- (3) Numbers of shares issued (Common stock)
- |  |                     |                     |
|--|---------------------|---------------------|
| Number of shares outstanding at end of period (including treasury stock) | 3/2015: 428,904,352 | 3/2014: 428,904,352 |
| Number of treasury stock outstanding at end of period                    | 3/2015: 1,322,108   | 3/2014: 1,272,690   |
| Average number of shares issued during the term                          | 3/2015: 427,606,515 | 3/2014: 412,104,159 |

#### \* Status of audit procedures

As mentioned above, the Company has voluntarily adopted IFRS and prepared its consolidated financial statements under IFRS for annual securities reports beginning the fiscal year ended March 31, 2015. However, the consolidated financial statements included in this financial report have been prepared under the Generally Accepted Accounting Principles in Japan. This financial report is outside the scope of audit procedures under the Financial Instruments and Exchange Act and the audit procedures on financial statements were not completed as of the release of this financial report.

\*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. Analysis of Operating Results” on page 3 for precondition and assumption as the basis of the above forecasts.

## **【Operating Results and Financial Condition】**

### **1. Analysis of Operating Results**

#### **(1) Overview of Fiscal 2014 (fiscal year ended March 31, 2015)**

Despite various economic issues, the global economy experienced moderate upturns and showed some steadiness for the fiscal year ended March 31, 2015. The U.S. economic conditions continued to recover, whereas in Asia, the Chinese economy shifted to grow at a relatively slow pace, South Korea's recovery showed signs of a slowdown, and Taiwan continued to experience a moderate recovery. In Europe, while there were lingering concerns throughout the year over geopolitical risks, such as government debt obligations and political uncertainty, the region as a whole maintained a relatively moderate recovery. As for the Japanese economy, despite a slowdown in consumer spending due to a drop-off in demand following last-minute demand in response to the consumption tax hike enacted on April 1, 2014, the overall economy remained stable due to the strong export environment and robust capital investments.

Among the industries in which the Hitachi Metals Group (the "Group") operates, the automobile market stayed relatively strong, supported by steady overseas demand, especially in North America, despite negative effects caused by the subsequent drop-off in demand in response to the consumption tax hike in Japan and decreased production due to shrinking backlogs. The mobile phone industry enjoyed favorable demand for smartphones, especially overseas. The household appliance and personal computer industries stayed weak in Japan because of lower consumer spending, whereas the overseas market remained steady. Furthermore, the Japanese housing construction market shrank, while public investment remained steady. Steel production decreased mainly due to weak automobile sales and low construction demand, although production for industrial machinery remained steady.

Amid this market environment, Hitachi Metals, Ltd. (the "Company") acquired shares equivalent to 51% of issued shares in MMC Superalloy Corporation (currently named Hitachi Metals MMC Superalloy, Ltd.), a wholly owned subsidiary of Mitsubishi Materials Corporation, on July 1, 2014, for the purpose of reinforcing the aircraft and energy materials business. Following this transaction, Hitachi Metals MMC Superalloy, Ltd. is reported under the High-Grade Metal Products and Materials segment as a consolidated subsidiary of the Group, and its operating results were reflected in the segment starting from the second quarter ended September 30, 2014. Furthermore, the Company acquired the entire ownership of Waupaca Foundry Holdings, Inc. on November 10, 2014, which is the company that holds the entire shares of Waupaca Foundry, Inc. (Waupaca Foundry, Inc. is engaged in the iron casting business for transportation machinery in North America). Accordingly, Waupaca Foundry, Inc. is reported under the High-Grade Functional Components and Equipment segment as a consolidated subsidiary of the Group, and its operating results were reflected in the segment starting from November 2014.

The financial results of the Group for the fiscal year ended March 31, 2015, are as follows when compared with those for the year ended March 31, 2014, partly owing to the merger with Hitachi Cable, Ltd. on July 1, 2013: net sales of the Group increased by 24.5% to ¥1,006,301 million; operating income increased by ¥18,680 million to ¥78,216 million; and income before income taxes and minority interests increased by ¥28,538 million to ¥79,334 million. While ¥6,792 million of loss on structural reform was recorded as an extraordinary loss, net income increased by ¥27,136 million to ¥66,553 million for the same period year-on-year. This was not only due to the boost in net sales and income as well as recognition of a gain on the transfer of business of ¥3,937 million under extraordinary income, but also the recording of ¥8,736 million from a gain on sales of stocks of subsidiaries and affiliates following the completion of a tender offer (hereafter, the "Tender Offer") on March 18, 2015. As announced in the "Notice Concerning a Tender Offer for the Shares of a Subsidiary," dated February 3, 2015, the Company accepted the Tender Offer from CK Holdings Ltd. for the shares of Hitachi Metals Techno, Ltd., which operated as a consolidated subsidiary as part of the High-Grade Functional Components and Equipment Segment. The Company transferred its entire shares of Hitachi Metals Techno, Ltd. on March 25, 2015 upon completion of the Tender Offer.

Results by business segment are as follows: Note that sales for each segment include intersegment sales and transfers.

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

Sales in the High-Grade Metal Products and Materials segment for the fiscal year ended March 31, 2015, were ¥262,306 million, an increase of 10.4% on a year-on-year basis. Operating income increased by ¥6,862 million to ¥32,274 million for the same period.

#### **<Special Steels>**

Sales of tool steels increased during the fiscal year ended March 31, 2015, due to robust demand in Japan backed by strong capital investment as well as steady overseas markets. Sales of alloys for electronic products also increased, supported by strong demand for display-related materials. Meanwhile, sales of semiconductor and other package materials remained steady year-on-year thanks to generally robust demand, despite a partial slowdown in demand (mainly for smartphones and tablet devices) in the latter half of the fiscal year. For industrial equipment materials, automobile-related materials sales showed an overall increase in both Japanese and overseas markets, supported by steady demand for environment-friendly products. Aircraft- and energy-related materials sales both increased not only because of continuing robust demand, but also due to the performance of Hitachi Metals MMC Superalloy, Ltd., which became a consolidated subsidiary of the Group from the second quarter ended September 30, 2014.

#### <Rolls>

Sales of rolls increased on steady demand in overseas markets and a recovery in domestic demand. Sales of injection molding machine parts showed favorable demand, both in Japan and overseas, mainly for smartphones and tablet devices.

#### <Amorphous Materials>

Sales of amorphous materials decreased due to the sluggish Chinese market, the major market for the product, from the latter stage of the first half of the fiscal year.

#### <Cutting Tools>

Sales of cutting tools increased because of favorable demand for industrial machinery in Japan as well as steady demand in overseas markets driven by an increase in exports.

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

Sales in the Magnetic Materials and Applications segment for the fiscal year ended March 31, 2015, were ¥135,517 million, an increase of 0.9% year-on-year. Operating income increased by ¥4,694 million to ¥16,412 million for the same period.

#### <Magnets>

Steady year-on-year sales of rare earth magnets was supported not only by strong demand for automotive electronic components from hybrid cars for overseas markets and electric power steering, but also by steady demand for factory automated- and household/elevator-related products, although there were signs of a slowdown in domestic automobile demand in Japan. Sales of ferrite magnets increased due to strong demand for automotive electronic components and household appliance parts, both in Japanese and overseas markets.

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

Sales of ferrite applied products experienced a slowdown in demand for solar power generation systems parts in the latter half of the fiscal year. Sales of ferrite core remained steady mainly for automotive electronic components and smartphones. An increase in sales of FINEMET<sup>®</sup> was largely attributable to steady demand in general-purpose inverters and air conditioners.

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

Sales in the High-Grade Functional Components and Equipment segment for the fiscal year ended March 31, 2015, were ¥282,280 million, an increase of 50.4% as compared on a year-on-year basis. Operating income increased by ¥5,041 million to ¥17,872 million for the same period.

#### <Casting Components for Automobiles>

Sales of heat-resistant exhaust casting components remained flat, supported by a recovery in the European market, the leading market for the products, and by strong demand in the U.S. market. Overall, the increase in sales of high-grade ductile iron products was due to favorable demand for automobiles in overseas markets, including the United States, as well as no clear adverse impact from the consumption tax hike in Japan. Despite a decrease in production of certain automobile types equipped with the products in Japan, sales of aluminum wheels increased, supported by robust demand in the U.S. market. Furthermore, since the operating results of the Group included those of Waupaca Foundry Inc. starting from November 2014, this significantly contributed to the overall increase in sales of Casting Components for Automobiles during the fiscal year.

#### <Piping Components>

Sales of pipe fittings remained flat year-on-year: robust demand in the U.S. market was offset by a decrease in housing starts in Japan caused by the consumption tax hike. Sales of stainless steel and plastic piping components also remained flat due to the following: proven advantages in light of construction and earthquake resistance contributed to steady demand for gas-related products; however, the decrease in housing starts in Japan had a negative effect on sales.

#### <Construction Components>

Although sales of construction components were supported by private capital expenditures and public investments in Japan, the sales amount decreased compared with the fiscal year ended March 31, 2014, the period when there were one-time events increasing the sales amount, such as extended scope of application of the percentage of completion method.

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

Wires, Cables, and Related Products segment was newly established due to the merger with Hitachi Cable, Ltd. on July 1, 2013. The results of the segment are reflected in those of the Group starting from the second quarter ended September 30, 2014.

Sales in the segment during the fiscal year were ¥328,411 million, an increase of 30.8% as compared with those for the fiscal year ended March 31, 2014. Operating income increased by ¥3,157 million to ¥20,204 million for the same period.

#### <Electric Wires and Cables>

Sales of electric wires and cables were supported by the following: continuous demand for construction/capital investments and machine tools in Japan; steady demand in wires and cables for rolling stock, which is one of the focused areas of the Group, especially in the Chinese market; and an increase in sales of probe cables for medical use in the global market.

#### <Automotive Products>

Sales of electronic components, including vehicle-mounted sensors, showed a steady increase, supported by brisk demand for automobiles, especially in North America.

#### <Information System Devices and Materials>

Despite strong demand for telecommunications devices driven by the widespread use of smartphones, network products and wireless systems sales remained anemic in the latter half of the fiscal year, owing to weak capital investments by telecommunications carriers during the period.

#### *Other*

Sales in the Other segment for the fiscal year ended March 31, 2015, were ¥4,375 million, an increase of 35.0% as compared with those for the fiscal year ended March 31, 2014. Operating income decreased by ¥277 million to ¥319 million for the same period.

#### **(2) Outlook for Fiscal 2015 (the fiscal year ending March 31, 2016)**

As for the Group's business environment, the Group expects the U.S. economy to stay robust overall, though the European economy could continue to raise concerns over geopolitical risks, and emerging countries are likely to experience an economic slowdown. In Japan, despite concerns of decreasing demand in response to the consumption tax hike, the Group expects exports to continue increasing due to the weakening yen. The Group believes this will lead to an increase in domestic production and solid growth in public and private sector investments.

In this business environment, the Group is committed to establishing a stronger business foundation by accelerating the implementation of its global strategy and expanding or creating business domains.

On July 1, 2014, at the High-Grade Metal Products and Materials segment, the Company acquired the shares of Hitachi Metals MMC Superalloy, Ltd. to strengthen its aircraft and energy materials business. Furthermore, on April 1, 2015, the Company transferred 51% of its issued shares in Hitachi Tool Engineering, Ltd. (which changed its name to Mitsubishi Hitachi Tool Engineering, Ltd. as of April 1, 2015) to Mitsubishi Materials Corporation in order to strengthen core operations at the segment's cemented carbide tools business, creating a structure that will leverage each company's management resources. At the High-Grade Functional Components and Equipment segment, on November 10, 2014, the Group consolidated Waupaca Foundry, Inc. in order to significantly strengthen its iron casting business and generate mid-to-long term global growth.

As part of the Company's efforts to shift management resources to core areas as it reviews its business portfolio, on March 25, 2015, it transferred its entire shares in Hitachi Metals Techno, Ltd., which belonged to the High-Grade Functional Components and Equipment segment, to CK Holdings Ltd. As a result, Hitachi Metal Techno Ltd., which specializes in the area of materials and equipment for construction/industrial equipment, is no longer accounted for as a consolidated subsidiary of the Company. At the Wires, Cables, and Related Products segment, the Company transferred its compound semiconductor business on April 1, 2015, to Sumitomo Chemical Co., Ltd., which possesses broad knowhow and related technology concerning alloys for electronic products.

Furthermore, the Group, which is proactively globalizing its business, will voluntarily adopt the International Financial Reporting Standards ("IFRS") and prepare its consolidated financial statements under IFRS for annual securities reports beginning from the fiscal year ended March 31, 2015 for the purposes of better understanding of group management, stronger governance, and more efficient business operations. Accordingly, operating consolidated forecasts for the fiscal year ending March 31, 2016, are prepared based on IFRS.

In light of this transition, operating forecasts based on IFRS for the fiscal year ending March 31, 2016, are presented below.

Revenues are expected to benefit from the impact of consolidating Hitachi Metals MMC Superalloy, Ltd. and Waupaca Foundry, Inc. and from efforts to revise the business portfolio. Revenues should also receive a contribution from continuing solid demand, mainly for automotive-, industrial infrastructure-, and energy-related products.

Operating income of ¥107,000 million is expected not only due to stronger revenues and a boost from recording a gain on sales of stocks of a subsidiary, but also due to a positive effect from the non-amortization of goodwill under IFRS. Furthermore, income before income taxes of ¥106,000 million and net income attributable to owners of the parent company of ¥73,000 million are projected.

Consolidated Operating Forecasts for the fiscal year ending March 31, 2016 (IFRS)

	Revenues (million yen)	Operating income (million yen)	Income before income taxes (million yen)	Net income attributable to owners of the parent company (million yen)	Basic earnings per share (yen)
Fiscal year ending March 31, 2016	1,100,000	107,000	106,000	73,000	170.73

## 2. Analysis of Financial Condition

Cash and cash equivalents as of March 31, 2015, were ¥88,223 million, a decrease of ¥7,320 million from March 31, 2014, as a result of the cash used in investing and financing activities exceeding the net cash provided by operating activities.

The analysis for cash flows for each category as of March 31, 2015, is as follows:

### <Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥111,092 million, which was mainly attributable to income before income taxes and minority interests of ¥79,334 million, and proceeds of ¥20,889 million due to a decrease in notes and accounts receivable-trade.

### <Cash Flows from Investing Activities>

Net cash used in investing activities was ¥113,161 million, which was mainly due to payments of ¥90,207 million for acquiring shares of subsidiaries subject to consolidation, including those of Waupaca Foundry Holdings, Inc.

### <Cash Flows from Financing Activities>

Net cash used in financing activities was ¥11,677 million, which was mainly attributable to proceeds of ¥123,923 million from long-term loans, offset by ¥98,411 million of repayments of long-term loans and ¥9,103 million of dividend payments.

The following table shows historical trends in cash flow indicators:

	3/2011	3/2012	3/2013	3/2014	3/2015
Capital ratio (%)	39.3	38.0	46.2	43.2	42.2
Capital ratio at market value (%)	69.7	62.5	59.5	74.7	74.0
Interest-bearing debts to cash flows (year) (%)	351.0	5,626.1	231.7	175.0	229.0
Interest coverage ratio (ratio)	23.0	1.6	34.3	41.5	39.6

\*Capital ratio: equity/total assets

Capital ratio at market value: Total market value of stocks/total assets

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 bonds and loans payable recorded in the consolidated balance sheets. Interest paid represents the amount of interest expenses paid per the consolidated statements of cash flows.

### 3. Dividend Policy and Dividends for the Current and Next Fiscal Years

The Company's basic dividend policy is to determine profit distributions to shareholders and internal reserves by comprehensively assessing business environment, business development, and business performance. Management's primary commitment is to generate robust growth over medium-term to long-term period, by strengthening the international competitiveness and enhancing the corporate value of the Company, to deliver appropriate returns of profits to shareholders in a long-term period under the business environment with evolving customer needs and technology and globalization. The internal reserves are to be used for development and commercialization of new materials, incubation of new businesses, and expansion and streamline of competitive product lines by looking into the future business development. The Company purchases treasury stock to implement the agile capital policy in accordance with its needs, financial conditions, stock price levels, and other factors.

For dividend payments from the current fiscal year's retained earnings, the management paid an interim dividend of ¥10 per share (the dividend record date: the end of the second quarter) and forecasts a year-end dividend of ¥13 per share (the dividend record date: the end of the fiscal year), which will result in an annual dividend of ¥23 per share.

For dividend payments from the next fiscal year's retained earnings, the management forecasts an interim dividend of ¥13 per share (the dividend record date: the end of the second quarter) and a year-end dividend of ¥13 per share (the dividend record date: the end of the fiscal year), which will result in an annual dividend of ¥26 per share, considering operating forecasts.

### 4. Business Risks

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

- Market trends in electronics, automobiles, construction, and other related industries in which the Group operates
- Economic fluctuations in the United States, Asia, Europe, and other regions where the Group sells its products
- Price changes in raw materials affected by international market conditions
- Effects of fluctuations in interest rates and credit risks associated with financing activities
- Impacts of changes in foreign exchange rates on transactions, assets, and debt denominated in foreign currencies
- Impairment losses arising from changes in fair value of investment securities held
- Disturbances due to economic, social, or political factors affecting overseas operations
- Decline in competitiveness and abilities to develop and commercialize new technologies or products
- Disputes over intellectual property rights
- Increase in costs associated with environmental, export control, or other regulation, or penalties for regulatory violations
- Costs related to product defects
- Impact of earthquakes or other major natural disasters on business activities
- Claims and lawsuits for damages due to unauthorized disclosure of personal and confidential information

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.

## 【Organization of the Hitachi Metals Group】

The major companies of the Group are categorized, in general, as below.

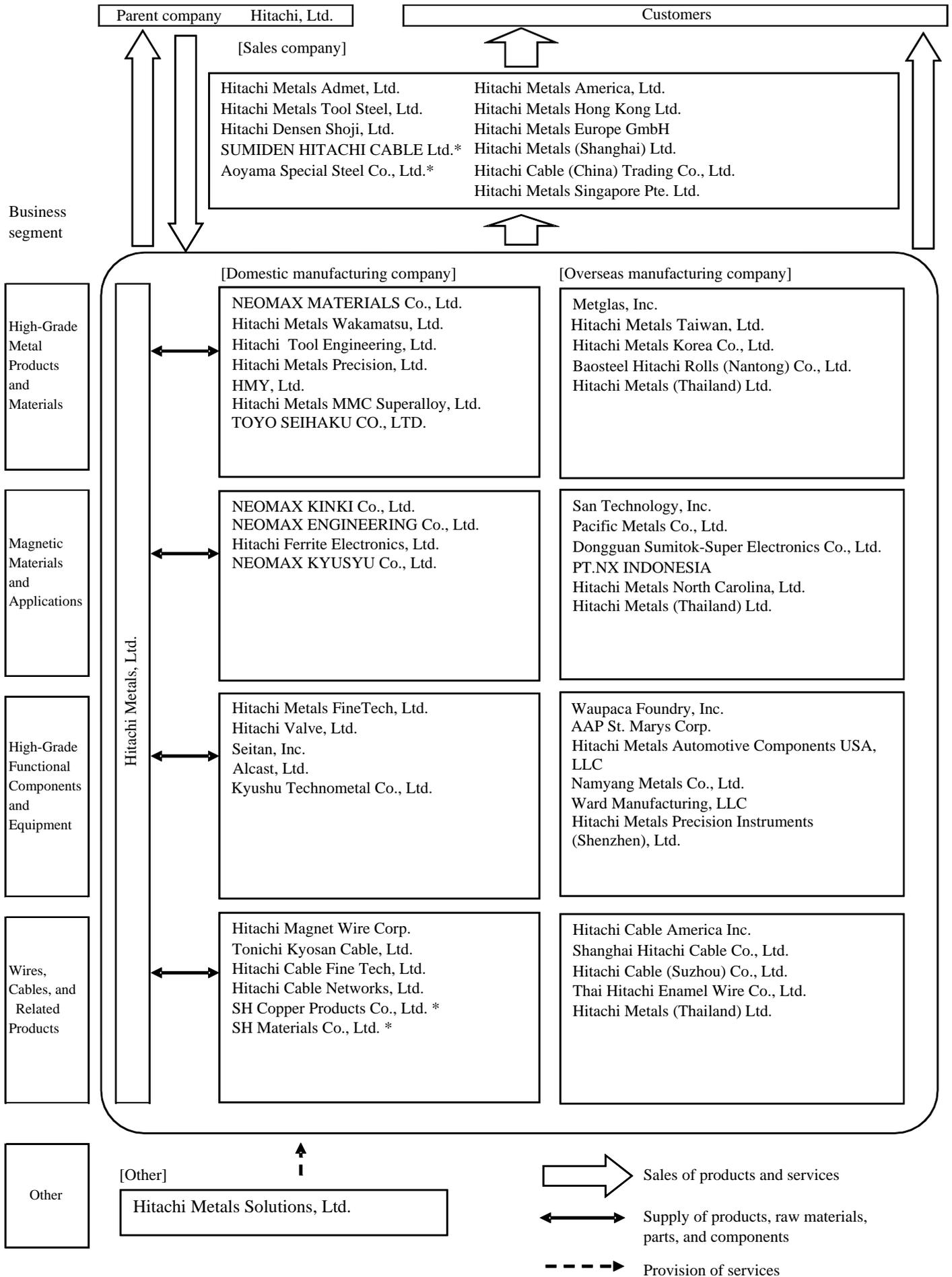
Business Segment	Principal Products and Major Group Companies
High-Grade Metal Products and Materials	<p><u>(Principal Products)</u></p> <ul style="list-style-type: none"> <li>•YSS™ brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials and semiconductor and other package materials], materials for industrial equipment [automobile-, aircraft-, and energy-related materials], and razor and blade materials)</li> <li>•Precision cast components</li> <li>•Rolls for steel mills</li> <li>•Injection molding machine parts</li> <li>•Structural ceramic products</li> <li>•Steel-frame joints for construction</li> <li>•Metglas® amorphous metals</li> <li>•Cutting tools</li> </ul>
	<p><u>(Major Group Companies)</u></p> <p>Hitachi Metals Tool Steel, Ltd.; NEOMAX MATERIALS Co., Ltd.; Hitachi Metals Wakamatsu, Ltd.; Hitachi Tool Engineering, Ltd.; Hitachi Metals Precision, Ltd.; HMY, Ltd.; Hitachi Metals MMC Superalloy, Ltd.; TOYO SEIHAKU CO., LTD.; Aoyama Special Steel Co., Ltd. (*); Metglas, Inc.; Hitachi Metals Taiwan, Ltd.; Hitachi Metals Korea Co., Ltd.; Baosteel Hitachi Rolls (Nantong) Co., Ltd.; Hitachi Metals Admet, Ltd.; Hitachi Metals America, Ltd.; Hitachi Metals Hong Kong Ltd.; Hitachi Metals Europe GmbH; Hitachi Metals (Shanghai) Ltd.; Hitachi Metals Singapore Pte. Ltd.; Hitachi Metals (Thailand) Ltd.</p>
Magnetic Materials and Applications	<p><u>(Principal Products)</u></p> <ul style="list-style-type: none"> <li>•Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products)</li> <li>•Soft magnetic materials (soft ferrite; FINEMET® nanocrystalline magnetic material; and Metglas® amorphous metals) and applied products</li> <li>•Materials and components for IT devices</li> <li>•Materials and components for medical equipment</li> </ul>
	<p><u>(Major Group Companies)</u></p> <p>NEOMAX KINKI Co., Ltd.; NEOMAX ENGINEERING Co., Ltd.; Hitachi Ferrite Electronics, Ltd.; NEOMAX KYUSHU Co., Ltd.; San Technology, Inc.; Pacific Metals Co., Ltd.; Dongguan Sumitok-Super Electronics Co., Ltd.; PT.NX INDONESIA; Hitachi Metals North Carolina, Ltd.; Hitachi Metals Admet, Ltd.; Hitachi Metals America, Ltd.; Hitachi Metals Hong Kong Ltd.; Hitachi Metals Europe GmbH; Hitachi Metals (Shanghai) Ltd.; Hitachi Metals Singapore Pte. Ltd.; Hitachi Metals (Thailand) Ltd.</p>
High-Grade Functional Components and Equipment	<p><u>(Principal Products)</u></p> <ul style="list-style-type: none"> <li>•Casting components for automobiles ((HNM™ high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE™ heat-resistant exhaust casting components)</li> <li>•SCUBA™ aluminum wheels and other aluminum components</li> <li>•Forged components for automobiles</li> <li>•Piping and infrastructure components (Gourd® brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)</li> </ul>
	<p><u>(Major Group Companies)</u></p> <p>Hitachi Metals FineTech, Ltd.; Hitachi Valve, Ltd.; Seitan, Inc.; Alcast, Ltd.; Kyushu Technometal Co., Ltd.; Waupaca Foundry, Inc.; AAP St. Marys Corp.; Hitachi Metals Automotive Components USA, LLC; Namyang Metals Co., Ltd.; Ward Manufacturing, LLC; Hitachi Metals Precision Instruments (Shenzhen), Ltd.; Hitachi Metals Admet, Ltd.; Hitachi Metals America, Ltd.; Hitachi Metals Europe GmbH, Hitachi Metals (Shanghai) Ltd.</p>
Wires, Cables, and Related Products	<p><u>(Principal Products)</u></p> <ul style="list-style-type: none"> <li>•Electric wires and cables (electric power and industrial systems, electronic and telecommunication materials, electric equipment materials, and industrial rubber products)</li> <li>•Automotive products (electronic components and brake hoses)</li> <li>•Information system devices and materials (information networks, wireless systems, and compound semiconductor products)</li> </ul>
	<p><u>(Major Group Companies)</u></p> <p>Hitachi Densen Shoji, Ltd.; Hitachi Magnet Wire Corp.; Tonichi Kyosan Cable, Ltd.; Hitachi Cable Fine Tech, Ltd.; Hitachi Cable Networks, Ltd.; SH Copper Products Co.,Ltd. (*); SH Materials Co.,Ltd. (*); SUMIDEN HITACHI CABLE Ltd. (*); Hitachi Cable America, Inc.; Hitachi Cable (China) Trading Co., Ltd.; Shanghai Hitachi Cable Co., Ltd.; Hitachi Cable (Suzhou) Co., Ltd.; Thai Hitachi Enamel Wire Co., Ltd.; Hitachi Metals Hong Kong Ltd.; Hitachi Metals Singapore Pte. Ltd.; Hitachi Metals (Thailand) Ltd.</p>
Other	<p><u>(Principal Businesses)</u></p> <p>Real estate and software businesses</p>
	<p><u>(Major Group Company)</u></p> <p>Hitachi Metals Solutions, Ltd.</p>

(Note)

1. The companies marked (\*) are affiliates.

2. The companies that engage in multiple businesses are included in the respective segments.

The above can be illustrated, in general, as below



(Note)

1. Companies without mark are consolidated subsidiaries. Companies with asterisk (\*) are affiliates.

## **【Management Policies】**

### **1. Basic Management Policy**

The basic management policy of the Group is to operate business, as fulfilling social responsibilities, to contribute towards creating a better society by developing relationships with stakeholders of the Group, such as shareholders, investors, and business partners. The Group, therefore, endeavors to create new products and businesses through enhancement of basic technologies and technical innovation, and to provide new values to the society. The Group also ensures that its product development and manufacturing is environmentally sustainable. In addition, the Group will engage with the society through disclosing appropriate corporate information in a timely manner, contributing to the community, reflecting a broad social perspective to management of the Group, and establish a relationship of mutual trust. Through these business activities, the Group will steadily enhance its corporate value.

### **2. Management Indicators**

The goal of the Group is to achieve a return on equity of at least 13% as indicated in the medium-term management plan for the period ending in March 2016, which is essential for continual dividends in a long period in accordance with its dividend policy and for returns of profits to its shareholders through corporate value enhancement.

### **3. Medium- to Long-Term Corporate Management Strategies and Challenges**

Since its establishment, the Company has contributed to society by offering distinctive materials and products for various industries, including the automotive, electronics, and infrastructure sectors.

Meanwhile, market globalization has accelerated as the world economy has changed structurally, with expectations that competition will be increasingly intense. Under these conditions, the environment surrounding the Company is set to change substantially, and the Company has compiled its medium-term management plan for the fiscal year ending in March 2016 as part of its efforts to achieve new growth. The Company will strive to sustain its development as a manufacturer of highly functional materials, seeking growth in global markets while strengthening its corporate foundations.

The Company's goal under the fiscal 2015 medium-term management plan is to achieve sustained growth as a world-top-class manufacturer of highly functional materials through "Change" and "Challenge." To that end, the Company will review its business portfolio for advancing reallocation of management resources to focused areas. It will also strengthen and accelerate global growth strategies, bolster its capabilities in developing new products and technologies, and maximize the synergy generated by the merger.

The following will be priority items:

- (i) Bolster the Company's capabilities in developing new products and technologies  
Increasing the speed of everything from material and product development to market launches, commencement of mass production, and sales promotions, the Company will accelerate the creation and development of the new products that will be its next mainstays. The development of materials, in particular, serves as the basis of the industrial revolution, and is also the wellspring of the Group's continuing existence and contributions to society. In the midst of ongoing efforts to achieve low-carbon societies in countries and regions around the world, the Company will continue to enhance its efforts and focus corporate resources on environmentally friendly products.
- (ii) Strengthen and accelerate global growth strategies  
Strengthening and expanding the Company's marketing and sales forces while accelerating globalization of its production, the Company will also strive to strengthen its cost competitiveness on two tracks: improvements to its production technologies and expansion of global procurement and centralized purchasing. The Company will establish an appropriate cost structure to arm itself in the global marketplace. Doing this will increase the Company's ability to expand into global markets and bolster its competitiveness, and the Company will put its strengths to work in efforts to expand the scope of its operations in the industrial infrastructure, energy, automotive, and electronics sectors.
- (iii) Establish robust corporate foundations  
The Company will build robust corporate foundations by endeavoring to quickly demonstrate the benefits of its corporate integration, in addition to expanding global procurement and centralized purchasing and cutting IT and logistics costs. In tandem with this, the Company will deploy capital and assets strategically and adeptly, endeavoring to maximize its corporate value. Furthermore, as the Company executes the actions put forth in this medium-term management plan, it will encourage the training and promotion of the human resources who represent its future, providing the driving force to achieve sustained growth.

## **【Basic Views of Selecting Accounting Standards】**

The Group plans to voluntarily adopt IFRS and prepare its consolidated financial statements under IFRS for the annual securities reports beginning 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.

**Consolidated Balance Sheets**

(Millions of Yen)

	End of 3/2015	End of 3/2014	(difference)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and deposits	62,969	45,289	17,680
Notes and accounts receivable-trade	226,707	210,503	16,204
Securities	683	1,058	(375)
Merchandise and finished goods	63,652	52,336	11,316
Work in process	58,714	45,007	13,707
Raw materials and supplies	49,561	45,547	4,014
Deferred tax asset	14,024	16,059	(2,035)
Accounts receivable-other	31,054	32,629	(1,575)
Deposit paid in subsidiaries and associates	24,571	49,196	(24,625)
Other	16,429	10,835	5,594
Allowance for doubtful accounts	(660)	(681)	21
<b>Total current assets</b>	<b>547,704</b>	<b>507,778</b>	<b>39,926</b>
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Buildings and structures	267,088	244,555	22,533
Accumulated depreciation	(179,019)	(173,479)	(5,540)
Buildings and structures, net	88,069	71,076	16,993
Machinery, equipment and vehicle	614,183	538,943	75,240
Accumulated depreciation	(483,450)	(451,468)	(31,982)
Machinery, equipment and vehicles, net	130,733	87,475	43,258
Tools, furniture and fixtures	89,003	77,318	11,685
Accumulated depreciation	(71,897)	(65,726)	(6,171)
Tools, furniture and fixtures, net	17,106	11,592	5,514
Land	54,682	55,849	(1,167)
Leased assets	220	137	83
Accumulated depreciation	(138)	(79)	(59)
Lease assets, net	82	58	24
Construction in progress	16,129	8,616	7,513
<b>Total tangible fixed assets</b>	<b>306,801</b>	<b>234,666</b>	<b>72,135</b>
<b>Intangible assets</b>			
Goodwill	105,028	33,546	71,482
Other	49,627	12,579	37,048
<b>Total intangible assets</b>	<b>154,655</b>	<b>46,125</b>	<b>108,530</b>
<b>Investments and other assets</b>			
Investment securities	29,607	36,203	(6,596)
long-term loans receivable	144	161	(17)
Deferred tax asset	10,077	1,008	9,069
Net defined benefit asset	5,009	3,927	1,082
Other	12,495	11,564	931
Allowance for doubtful accounts	(502)	(690)	188
<b>Total investments and other assets</b>	<b>56,830</b>	<b>52,173</b>	<b>4,657</b>
<b>Total fixed assets</b>	<b>518,286</b>	<b>332,964</b>	<b>185,322</b>
<b>Total assets</b>	<b>1,065,990</b>	<b>840,742</b>	<b>225,248</b>

(Millions of Yen)

	End of 3/2015	End of 3/2014	(difference)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Notes and accounts payable-trade	179,369	167,436	11,933
Short-term loans payable	31,964	42,949	(10,985)
Current portion of long-term loans payable	24,437	39,635	(15,198)
Income taxes payable	4,319	7,422	(3,103)
Accrued expense	40,564	33,280	7,284
Advances received	2,525	2,830	(305)
Deferred tax liabilities	—	8	(8)
Allowance for directors' bonuses	329	354	(25)
Provision for surcharge	—	332	(332)
Other	37,631	23,796	13,835
<b>Total current liabilities</b>	<b>321,138</b>	<b>318,042</b>	<b>3,096</b>
<b>Fixed liabilities</b>			
Bonds payable	35,000	35,000	—
Convertible bond-type bonds with subscription rights to shares	4,495	4,495	—
Long-term loans payable	158,463	53,879	104,584
Liability for retirement benefits	66,311	47,939	18,372
Provision for directors' retirement benefits	21	79	(58)
Provision for environmental measures	1,530	1,024	506
Deferred tax liabilities	13,569	3,267	10,302
Negative goodwill	—	13	(13)
Asset retirement obligations	1,034	194	840
Other	4,702	3,612	1,090
<b>Total fixed liabilities</b>	<b>285,125</b>	<b>149,502</b>	<b>135,623</b>
<b>Total liabilities</b>	<b>606,263</b>	<b>467,544</b>	<b>138,719</b>
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Capital stock	26,284	26,284	—
Capital surplus	115,693	115,692	1
Retained earnings	297,412	239,530	57,882
Treasury stock	(1,105)	(1,010)	(95)
<b>Total shareholders' equity</b>	<b>438,284</b>	<b>380,496</b>	<b>57,788</b>
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gains (losses) on available-for-sale securities	5,490	4,802	688
Gain (loss) on deferred hedge transactions	(65)	(876)	811
Foreign currency translation adjustments	16,262	(4,693)	20,955
Remeasurements of retirement benefits	(9,702)	(16,785)	7,083
<b>Total valuation, translation adjustments</b>	<b>11,985</b>	<b>(17,552)</b>	<b>29,537</b>
<b>Minority interests</b>	<b>9,458</b>	<b>10,254</b>	<b>(796)</b>
<b>Total Net Assets</b>	<b>459,727</b>	<b>373,198</b>	<b>86,529</b>
<b>Total liabilities and net assets</b>	<b>1,065,990</b>	<b>840,742</b>	<b>225,248</b>

## Consolidated Statements of Income

(Millions of Yen)

	Fiscal 2014 (Mar. 31, 2015)	Ratio to Sales (%)	Fiscal 2013 (Mar. 31, 2014)	Ratio to Sales (%)	(difference) (%)
<b>Net sales</b>	<b>1,006,301</b>	100.0	807,952	100.0	125
<b>Cost of sales</b>	<b>796,121</b>	79.1	638,872	79.1	125
<b>Gross profit</b>	<b>210,180</b>	20.9	169,080	20.9	124
<b>Selling, general and administrative expenses</b>	<b>131,964</b>	13.1	109,544	13.6	120
<b>Operating income(loss)</b>	<b>78,216</b>	7.8	59,536	7.4	131
<b>Non-operating income</b>					
Interest income	771		723		107
Dividends income	287		305		94
Negative goodwill amortization	14		321		4
Equity in earnings of affiliated companies	843		1,306		65
Foreign exchange gains	2,722		1,684		162
Gain on sale of marketable securities	714		74		965
Rent income of fixed assets	723		514		141
Reversal of provision for surcharge	—		1,429		—
Other	4,210		3,622		116
Total non-operating income	10,284	1.0	9,978	1.2	103
<b>Non-operating expenses</b>					
Interest expenses	2,920		2,362		124
Loss on disposal of fixed assets	2,368		1,520		156
Product maintenance and repair	419		1,654		25
Other	7,919		3,080		257
Total non-operating expenses	13,626	1.4	8,616	1.1	158
<b>Extraordinary income</b>					
Gain on transfer of business	3,937		—		—
Gain on sales of property and equipment	479		188		255
Gain on sales of stocks of subsidiaries and affiliated companies	8,736		129		—
Gain on change in equity	—		160		—
Gain on sales of patent rights	—		100		—
Amortization of negative goodwill	242		—		—
Foreign value added taxes refund	1,731		—		—
Total extraordinary income	15,125	1.5	577	0.1	—
<b>Extraordinary losses</b>					
Loss on impairment of property and equipment	497		71		700
Loss on disposal of property plant and equipment	—		155		—
Loss on structural reform	6,792		5,378		126
Loss on revision of retirement benefit plan	2,367		—		—
Loss on sales of stocks of subsidiaries and affiliated companies	1,009		—		—
Litigation expenses	—		1,000		—
Foreign value added taxes	—		3,166		—
Loss on forward agreement of stocks of subsidiaries and affiliates	—		909		—
Total extraordinary losses	10,665	1.1	10,679	1.3	100
<b>Income before income taxes</b>	<b>79,334</b>	7.9	50,796	6.3	156
<b>Income taxes-current</b>	<b>18,255</b>		11,321		161
<b>Income taxes-deferred</b>	<b>(6,673)</b>		(176)		—
<b>Total extraordinary income taxes</b>	<b>11,582</b>	1.2	11,145	1.4	104
<b>Income before minority interests</b>	<b>67,752</b>	6.7	39,651	4.9	171
<b>Minority interests in income</b>	<b>1,199</b>	0.1	234	0.0	512
<b>Net income</b>	<b>66,553</b>	6.6	39,417	4.9	169

**Consolidated Statements of Comprehensive Income**

(Millions of Yen)

	<b>Fiscal 2014</b>	Fiscal 2013
	<b>(Mar. 31,2015)</b>	(Mar. 31,2014)
<b>Income before minority interests</b>	<b>67,752</b>	39,651
<b>Other comprehensive income:</b>		
Net unrealized holding gains (losses)on available-for-sale securities	<b>32</b>	947
Deferred gains on hedges	<b>(150)</b>	23
Foreign currency translation adjustments	<b>20,885</b>	8,172
Remeasurements of defined benefit plans	<b>6,994</b>	3,040
Accounted for using equity method	<b>2,350</b>	990
Total other comprehensive income (loss)	<b>30,111</b>	13,172
Comprehensive income	<b>97,863</b>	52,823
Comprehensive income attributable to:		
Shareholders of the parent company	<b>96,074</b>	52,063
Minority shareholders	<b>1,789</b>	760

## Consolidated Statements of Changes in Net Assets

Fiscal 2013 (Apr.1, 2013 - Mar.31, 2014)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2013	26,284	42,463	192,500	(833)	260,414
Changes during the fiscal 2013					
Cumulative effects of changes in accounting policies	—	—	(425)	—	(425)
Restated balance	26,284	42,463	192,075	(833)	259,989
Transfer of pension liability adjustment of foreign subsidiaries	—	—	—	—	—
Increase by merger	—	73,221	13,437	(10)	86,648
Cash dividends	—	—	(5,552)	—	(5,552)
Net income (loss) for the fiscal 2013	—	—	39,417	—	39,417
Acquisition of treasury stock	—	—	—	(181)	(181)
Retirement of treasury stock	—	8	—	14	22
Change of scope of consolidation	—	—	153	—	153
Net increase/decrease during the fiscal 2013 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the fiscal 2013	—	73,229	47,455	(177)	120,507
<b>Balance as of March 31, 2014</b>	<b>26,284</b>	<b>115,692</b>	<b>239,530</b>	<b>(1,010)</b>	<b>380,496</b>

(Millions of Yen)

	Valuation, Translation Adjustments and others						Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Securities Available-for-Sale	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Transfer of pension liability adjustment of foreign subsidiaries	Remeasurements of defined benefit plans	Total Valuation, Translation Adjustments and others		
Balance as of March 31, 2013	3,849	7	(11,372)	(2,600)	—	(10,116)	9,567	259,865
Changes during the fiscal 2013								
Cumulative effects of changes in accounting policies	—	—	—	2,600	(10,668)	(8,068)	(60)	(8,553)
Restated balance	3,849	7	(11,372)	—	(10,668)	(18,184)	9,507	251,312
Transfer of pension liability adjustment of foreign subsidiaries	—	—	—	—	—	—	—	—
Increase by merger	56	(1,143)	(1,725)	—	(9,089)	(11,901)	2,106	76,853
Cash dividends	—	—	—	—	—	—	—	(5,552)
Net income (loss) for the fiscal 2013	—	—	—	—	—	—	—	39,417
Acquisition of treasury stock	—	—	—	—	—	—	—	(181)
Retirement of treasury stock	—	—	—	—	—	—	—	22
Change of scope of consolidation	—	—	(113)	—	—	(113)	—	40
Net increase/decrease during the fiscal 2013 of non shareholders' equity items	897	260	8,517	—	2,972	12,646	(1,359)	11,287
Total increase/decrease during the fiscal 2013	953	(883)	6,679	—	(6,117)	632	747	121,886
<b>Balance as of March 31, 2014</b>	<b>4,802</b>	<b>(876)</b>	<b>(4,693)</b>	<b>—</b>	<b>(16,785)</b>	<b>(17,552)</b>	<b>10,254</b>	<b>373,198</b>

## Consolidated Statements of Changes in Net Assets

Fiscal 2014 (Apr.1, 2014 - Mar.31, 2015)

(Millions of Yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of March 31, 2014	26,284	115,692	239,530	(1,010)	380,496
Changes during the fiscal 2014					
Restated balance	—	—	—	—	—
Cash dividends	—	—	(8,553)	—	(8,553)
Net income (loss) for the fiscal 2014	—	—	66,553	—	66,553
Acquisition of treasury stock	—	—	—	(107)	(107)
Retirement of treasury stock	—	3	—	3	6
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	(2)	—	9	7
Change of scope of consolidation	—	—	(118)	—	(118)
Net increase/decrease during the fiscal 2014 of non shareholders' equity items	—	—	—	—	—
Total increase/decrease during the fiscal 2014	—	1	57,882	(95)	57,788
<b>Balance as of March 31, 2015</b>	<b>26,284</b>	<b>115,693</b>	<b>297,412</b>	<b>(1,105)</b>	<b>438,284</b>

(Millions of Yen)

	Valuation, Translation Adjustments and others						Minority Interests	Total Net Assets
	Net Unrealized Holding Gain on Securities Available-for-Sale	Gain (loss) on Deferred Hedge Transactions	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Valuation, Translation Adjustments and others			
Balance as of March 31, 2014	4,802	(876)	(4,693)	(16,785)	(17,552)	10,254	373,198	
Changes during the fiscal 2014								
Restated balance	—	—	—	—	—	—	—	
Cash dividends	—	—	—	—	—	—	(8,553)	
Net income (loss) for the fiscal 2014	—	—	—	—	—	—	66,553	
Acquisition of treasury stock	—	—	—	—	—	—	(107)	
Retirement of treasury stock	—	—	—	—	—	—	6	
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	—	—	7	
Change of scope of consolidation	—	—	—	—	—	—	(118)	
Net increase/decrease during the fiscal 2014 of non shareholders' equity items	688	811	20,955	7,083	29,537	(796)	28,741	
Total increase/decrease during the fiscal 2014	688	811	20,955	7,083	29,537	(796)	86,529	
<b>Balance as of March 31, 2015</b>	<b>5,490</b>	<b>(65)</b>	<b>16,262</b>	<b>(9,702)</b>	<b>11,985</b>	<b>9,458</b>	<b>459,727</b>	

**Consolidated Statements of Cash Flows**

(Millions of Yen)

	End of 3/2015	End of 3/2014
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	79,334	50,796
Depreciation and amortization	39,843	33,639
Amortization of goodwill and negative goodwill	4,246	2,430
Loss on impaired property and equipment	497	71
Loss (gain) on sales of shares of subsidiaries and associates	(7,727)	(129)
Gain on sales of property and equipment	(1,040)	(743)
Loss on disposal of property, plant and equipment	2,493	1,675
Loss on structural reform	6,792	5,378
Loss (gain) on transfer of business	(3,937)	—
Loss on revision of retirement benefit plan	2,367	—
Litigation expenses	—	1,000
Foreign value added taxes	—	3,166
Reversal of provision for surcharge	—	(1,429)
Loss on forward agreement of stocks of subsidiaries and affiliates	—	909
Interest and dividends income	(1,058)	(1,028)
Interest expenses	2,920	2,362
Decrease (Increase) in notes and accounts receivable-trade	20,889	(18,941)
Decrease (Increase) in inventories	(6,734)	14,138
Decrease (increase) in accounts receivable	2,897	(6,005)
Increase (decrease) in notes and accounts payable-trade	(11,944)	14,166
Increase (decrease) in accrued expenses	3,619	4,438
Increase (decrease) in net defined benefit liability	2,738	(856)
Other	(8,254)	(2,069)
<b>Subtotal</b>	<b>127,941</b>	<b>102,968</b>
Amount paid for structural reform	(1,572)	(2,556)
Payments for litigation expenses	—	(1,758)
Refund of foreign value added taxes	1,731	—
Income taxes paid	(17,008)	(3,994)
Refund of income taxes	—	5,897
<b>Net cash provided by operating activities</b>	<b>111,092</b>	<b>100,557</b>
<b>Cash flows from investing activities</b>		
Expenditures for acquisition of property, plant and equipment	(44,063)	(28,040)
Proceeds from sales of property, plant and equipment	1,811	992
Expenditures for acquisition of intangible assets	(4,087)	(3,125)
Proceeds from sales of investment securities	2,893	418
Purchase of stocks of subsidiaries' and affiliates companies	(26)	(1,705)
Proceeds from sales of subsidiaries' common stock	1,913	200
Proceeds from transfer of business	9,678	—
Payments for transfer of business	(1,900)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	12	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(90,207)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	11,296	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(264)	—
Interest and dividends income received	711	1,038
Other	(928)	(684)
<b>Net cash used in investing activities</b>	<b>(113,161)</b>	<b>(30,906)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(25,182)	(13,596)
Proceeds from long-term loans payable	123,923	3,126
Repayment of long-term loans payable	(98,411)	(11,941)
Interest expenses paid	(2,805)	(2,424)
Proceeds from sale of treasury stock	3	14
Purchases of treasury stock	(102)	(181)
Cash dividends paid	(8,553)	(5,552)
Cash dividends paid to minority shareholders	(550)	(360)
<b>Net cash by used in financing activities</b>	<b>(11,677)</b>	<b>(30,914)</b>
<b>Effect of exchange rate changes in cash and cash equivalents</b>	<b>6,426</b>	<b>2,853</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,320)</b>	<b>41,590</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>95,543</b>	<b>34,102</b>
<b>Increase in cash and cash equivalents resulting from merger</b>	<b>—</b>	<b>21,317</b>
<b>Decrease in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>—</b>	<b>(1,466)</b>
<b>Cash and cash equivalents at end of year</b>	<b>88,223</b>	<b>95,543</b>

## **【Consolidated Financial Statements】**

### **5. Notes to the Consolidated Financial Statements**

#### **Changes in presentation**

<Consolidated statements of income>

“Write-down of investment securities,” presented as a separate line item of “Non-operating expenses” for the fiscal year ended March 31, 2014, is included in “Other” of “Non-operating expenses” for the fiscal year ended on or after March 31, 2015, as its monetary significance has decreased. To reflect this change in presentation, the Company has made certain reclassifications to its consolidated financial statements for the previous year.

As a result, ¥17 million of “Write-down of investment securities” of “Non-operating expenses” in the consolidated statement of income for the previous year is reclassified and presented as “Other.”

<Consolidated statements of cash flows>

“Gain or loss on sales of stocks of subsidiaries and affiliated companies,” included in “Other” of “Cash flows from operating activities” (negative figures denote gains) for the fiscal year ended March 31, 2014, is presented as a separate line item for the fiscal years ended on or after March 31, 2015, as its monetary significance has increased. To reflect this change in presentation, the Company has made certain reclassifications to its consolidated financial statements for the previous year.

As a result, (¥2,198) million of “Other” of “Cash flows from operating activities” in the consolidated statement of cash flows for the previous year is reclassified and presented as (¥129) million of “Gain or loss on sales of stocks of subsidiaries and affiliated companies” and (¥2,069) million of “Other.”

“Purchase of investment securities,” presented as a separate line item of “Cash flows from investing activities” for the fiscal year ended March 31, 2014, is included in “Other” of “Cash flows from investing activities” for the fiscal years ended on or after March 31, 2015, as its monetary significance has decreased. To reflect this change in presentation, the Company has made certain reclassifications to its consolidated financial statements for the previous year.

As a result, (¥55) million in “Purchase of investment securities” of “Cash flows from investing activities” in the consolidated statement of cash flows for the previous year is reclassified and presented as “Other.”

## Segment information

Information on net sales, income (loss), assets, and other items by reportable segment

For the fiscal year ended March 31, 2014

Last consolidated fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of Yen)

	Business Segments Reported					Subtotal	Other Businesses	Total	Adjustments	Consolidated Statements of Income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products						
Sales:										
Unaffiliated customers	234,101	134,182	187,426	250,687	806,396	1,556	807,952	—	807,952	
Intersegment	3,563	67	265	467	4,362	1,685	6,047	(6,047)	—	
Total sales	237,664	134,249	187,691	251,154	810,758	3,241	813,999	(6,047)	807,952	
Operating Income (Loss)	25,412	11,718	12,831	17,047	67,008	596	67,604	(8,068)	59,536	
Assets	283,929	158,699	133,388	262,076	838,092	15,013	853,105	(12,363)	840,742	
Depreciation and amortization	11,945	6,295	7,223	7,188	32,651	571	33,222	417	33,639	
Capital expenditures	11,849	7,297	6,380	5,604	31,130	201	31,331	656	31,987	

(Note)

1. Real Estate Business and Software Business are included in the Other Businesses.

2. Details of adjustments are as follows:

- (1) Adjustments for segment income of (¥8,068) million for the year ended March 31, 2014, include corporate expenses of (¥7,984) million, which are not allocated to each reportable segment. Corporate expenses include amortization of goodwill of (¥2,603) million. Corporate expenses represent mainly general and administrative expenses, which are not allocated to each reportable segment.
- (2) Adjustments for segment assets of (¥12,363) million as of March 31, 2014, include an elimination against the administration department in the headquarters of (¥154,533) million. Adjustments for segment assets also include corporate assets of ¥145,192 million, which are not allocated to each reportable segment as of March 31, 2014. Unamortized balances of goodwill of ¥33,179 million are included in corporate assets.
- (3) Adjustments for increases in property, plant and equipment and intangible assets of ¥656 million for the year ended March 31, 2014, represent investments for systems in the administration department.

3. Segment income is adjusted to the operating income in the consolidated statement of income.

4. Major products and services of each reportable segment

### Overview of Business Segments Reported

High-Grade Metal Products and Materials	<ul style="list-style-type: none"> <li>•YSS™ brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials and semiconductor and other package materials], industrial equipment and energy-related materials, and razor and blade materials)</li> <li>•Precision cast components •Rolls for steel mills •Injection molding machine parts •Structural ceramic products</li> <li>•Steel-frame joints for construction •Metglas® amorphous metals •Cutting tools</li> </ul>
Magnetic Materials and Applications	<ul style="list-style-type: none"> <li>•Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products)</li> <li>•Soft magnetic materials (soft ferrite; FINEMET® nanocrystalline magnetic material; and Metglas® amorphous metals) and applied products •Components for information and telecommunication equipment</li> <li>•IT materials and components •Materials and components for medical equipment</li> </ul>
High-Grade Functional Components and Equipment	<ul style="list-style-type: none"> <li>•High-grade casting components for automobiles (HERCUNITE™ heat-resistant exhaust casting components and HNM™ high-grade ductile cast iron products)</li> <li>•SCUBA™ aluminum wheels and other aluminum components •Forged components for automobiles</li> <li>•Piping and infrastructure components (Gourd™ brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)</li> <li>•Construction components (floor access systems, structural systems, and roofing systems)</li> <li>•Chain (for material handling systems)</li> </ul>
Wires, Cables, and Related Products	<ul style="list-style-type: none"> <li>•Electric wires and cables (electric power and industrial wires and cables; electronic wires, cables, and wiring devices; fiber optic and telecommunication cables; magnet wires; and industrial rubber products)</li> <li>•Automotive products (electronic components and brake hoses)</li> <li>•Information system devices and materials (information networks, wireless systems, and compound semiconductor products)</li> <li>•Metal and component products (Brass products, etc.)</li> </ul>

5. Net sales by geographical area

Last consolidated fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Japan	North America	Asia	Europe	Others	Total
Net Sales	472,249	94,153	183,170	46,918	11,462	807,952

Note: Net sales represent sales made by the parent company and its consolidated subsidiaries in countries or regions other than Japan.

## Segment information

Current year (from April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Business Segments Reported					Other Businesses	Total	Adjustments	Consolidated Statements of Income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Sales:									
Unaffiliated customers	258,908	135,431	281,968	328,014	1,004,321	1,980	1,006,301	—	1,006,301
Intersegment	3,398	86	312	397	4,193	2,395	6,588	(6,588)	—
Total sales	262,306	135,517	282,280	328,411	1,008,514	4,375	1,012,889	(6,588)	1,006,301
Operating Income (Loss)	32,274	16,412	17,872	20,204	86,762	319	87,081	(8,865)	78,216
Assets	312,597	150,130	340,161	278,698	1,081,586	16,520	1,098,106	(32,116)	1,065,990
Depreciation and amortization	11,828	6,453	10,699	9,905	38,885	418	39,303	540	39,843
Capital expenditures	18,724	10,209	12,576	9,094	50,603	357	50,960	514	51,474

(Note)

1. Real Estate Business and Software Business are included in the Other Businesses.

2. Details of adjustments are as follows:

- (1) Adjustments for segment income of (¥8,865) million for the year ended March 31, 2015, include corporate expenses of (¥8,898) million, which are not allocated to each reportable segment. Corporate expenses include amortization of goodwill of (¥2,606) million. Corporate expenses represent mainly general and administrative expenses, which are not allocated to each reportable segment.
- (2) Adjustments for segment assets of (¥32,116) million as of March 31, 2015, include an elimination against the administration department in the headquarters of (¥156,703) million. Adjustments for segment assets also include corporate assets of ¥127,503 million, which are not allocated to each reportable segment as of March 31, 2015. Unamortized balances of goodwill of ¥30,573 million are included in corporate assets.
- (3) Adjustments for increases in property, plant and equipment and intangible assets of ¥514 million for the year ended March 31, 2015, represent investments for systems in the administration department.

3. Segment income is adjusted to the operating income in the consolidated statement of income.

4. Major products and services of each reportable segment

### Overview of Business Segments Reported

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

5. Net sales by geographical area

Current year (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Japan	North America	Asia	Europe	Others	Total
Net Sales	529,295	200,380	212,655	49,330	14,641	1,006,301

Note: Net sales represent sales made by the parent company and its consolidated subsidiaries in countries or regions other than Japan.

## Significant Subsequent Events

<Transfer of shares of Hitachi Tool Engineering, Ltd.>

As of September 26, 2014, the Company and Mitsubishi Materials entered into an agreement under which Mitsubishi Materials acquired 51% of the issued shares in Hitachi Tool Engineering, Ltd. ("Hitachi Tool"), a wholly owned subsidiary of the Company, to strengthen the base of the cemented carbide products (cutting tools) business. The shares were transferred under the agreement as of April 1, 2015, and Hitachi Tool changed its business name to Mitsubishi Hitachi Tool Engineering, Ltd.

Capital gains associated with the transaction are expected to be ¥13,300 million.