



Consolidated Financial Report [IFRS] For the First Quarter Ended June 30, 2018

July 26, 2018

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

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

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

1. Performance for the First Quarter Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

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

	Revenues		Adjusted Operating Income		Operating Income		Income before Income Taxes		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June, 2018	259,699	7.6	15,980	(9.5)	20,580	20.5	21,383	18.4	16,963	22.1
June, 2017	241,312	6.6	17,664	8.4	17,083	11.6	18,055	45.2	13,892	44.4

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

	Net Income attributable to Shareholders of the Parent Company		Comprehensive Income		Earnings per Share (Basic)	Earnings per Share (Diluted)
	Million yen	%	Million yen	%	Yen	Yen
June, 2018	17,026	22.6	21,752	47.7	39.82	—
June, 2017	13,893	46.1	14,726	—	32.49	—

(2) Financial Standing

	Total Asset	Total Equity	Equity attributable to Shareholders of the Parent Company	Equity attributable to Shareholders of the Parent Company Ratio	Equity per Share attributable to Shareholders of the Parent Company
	Million yen	Million yen	Million yen	%	Yen
June, 2018	1,092,480	588,171	580,372	53.1	1,357.37
March, 2018	1,058,832	570,192	562,720	53.1	1,316.08

2. Dividends

	Dividends per Share				
	1Q	2Q	3Q	Term-end	Annual
	Yen	Yen	Yen	Yen	Yen
March, 2018	—	13.00	—	13.00	26.00
March, 2019	—				
March, 2019 (Forecast)		13.00	—	13.00	26.00

Note: Revision of the latest forecasts of results : No

3. Business results forecast for the year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

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

	Revenues		Adjusted Operating Income		Income before Income Taxes		Net Income attributable to Shareholders of the Parent Company		Earnings per Share (Basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	1,020,000	3.2	73,000	12.1	64,500	37.2	48,000	13.7	112.26

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

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

June, 2018	428,904,352	March, 2018	428,904,352
June, 2018	1,332,651	March, 2018	1,332,135
June, 2018 (1Q)	427,571,899	June, 2017 (1Q)	427,575,573

(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, 2019, including Consolidated Operating Forecasts” on page 6 for precondition and assumption as the basis of the above forecasts.

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1. Qualitative Information Regarding Financial Results for the Three Months Ended June 30, 2018

(1) Information Regarding Operating Results

The global economy during the three months ended June 30, 2018, remained on a modest rebound track primarily in developed countries. Steady economic growth continued in the United States maintained, backed by an improvement in the employment situation and an increase in individual consumption and capital expenditures. European economies, especially in the euro-zone, continued on a moderate recovery path due to an improvement in capital investment and productivity. The Chinese economy remained steady supported by robust consumption, while economic growth in other Asian emerging countries was also generally on a mild recovery track. Amid such circumstances, the Japanese economy saw a gradual recovery as a result of improvement in the employment and income environment as well as increased exports and capital investment supported by a recovery of the global economy.

Among the industries in which the Group operates, in the automobile industry, sales increased year on year overall, due to a recovery in the United States and increases in China and Europe, despite a year-on-year drop in sales of new vehicles in Japan as the effect of new model cars ran its course. Demand for steel increased mainly in the manufacturing sector, including automobile and industrial machinery. Housing starts remained unchanged in Japan, while they increased in the United States. In the electronics industry, smartphone shipments were on a declining trend.

Under the business circumstances described above, the revenues of the Group for the three months ended June 30, 2018 increased by 7.6% year on year to ¥259,699 million. This result was influenced mainly by a rise in raw material prices (sliding-scale raw materials price system), in addition to an increase in demand for mainstays. Adjusted operating income* decreased by ¥1,684 million year on year to ¥15,980 million, mainly due to a rise in costs following aggressive investment, despite an increase in income associated with increased revenue and the effects of cost reduction measures. Operating income increased by ¥3,497 million to ¥20,580 million as a result of recording ¥5,757 million in gain on bargain purchase, etc. under other income, which was generated from making Santoku Corporation (“Santoku”) a consolidated subsidiary of the Company as of April 2, 2018. For the three months ended June 30, 2018, income before income taxes increased by ¥3,328 million to ¥21,383 million and net income attributable to shareholders of the parent company increased by ¥3,133 million to ¥17,026 million, compared with those for the three months ended June 30, 2017.

Results by business segment are as follows. Note that revenues for each segment include intersegment revenues. There were no changes to the businesses of the Group during the three month ended June 30, 2018.

The Company has also changed the business segment of SH Copper Products Co., Ltd, a subsidiary of the Company, and one other subsidiary from the Wires, Cables, and Related Products segment to the Specialty Steel Products segment as of July 1, 2017, aiming to strengthen battery-related components in the Specialty Steel Products segment. Due to this change, the results of SH Copper Products, etc. for the three months ended June 30, 2017 have been recorded under the Specialty Steel Products segment.

Specialty Steel Products

Revenues in the Specialty Steel Products segment for the three months ended June 30, 2018, were ¥76,363 million, an increase of 8.1% as compared with those for the three months ended June 30, 2017. Adjusted operating income was unchanged from the three months ended June 30, 2017 at ¥7,512 million, due to an increase in costs associated with aggressive investment and a rise in raw materials prices. Operating income also remained unchanged year on year at ¥7,641 million.

<Specialty Steel>

Sales of molds and tool steel increased year on year, due to robust sales mainly in Japan. Sales of industrial equipment materials exceeded those for the three months ended June 30, 2017 on the back of an increase in sales of environment-conscious products related to automobiles. Sales of alloys for electronic products increased year on year as a result of an increase in sales of battery-related and organic EL panel-related components, in addition to robust sales of semiconductor package components.

Sales of aircraft-related and energy-related materials increased year on year overall, due to an increase in sales of aircraft-related materials despite weak results of energy-related materials.

<Rolls>

Both domestic sales and exports of rolls were strong. Sales of injection molding machine parts increased as capital investment-related demand remained at a high level. As a result, sales of rolls as a whole increased year on year.

<Soft Magnetic Materials and Applied Products>

Sales of soft magnetic materials and applied products as a whole increased year on year due to robust sales of applied products for automobiles on the back of increased demand, although demand for amorphous metals was stagnated.

Magnetic Materials and Applications

Revenues in the Magnetic Materials and Applications segment for the three months ended June 30, 2018 were ¥29,328 million, an increase of 15.9% year on year, while adjusted operating income decreased by ¥1,277 million year on year to ¥757 million due to an increase in costs associated with aggressive investment and changes in raw material prices. Operating income increased by ¥4,373 million year on year to ¥6,436 million as a result of recording ¥5,757 million in gain on bargain purchase, etc. under other income, which was generated from making Santoku a consolidated subsidiary of the Company as of April 2, 2018.

Sales of rare earth magnets exceeded those for the three months ended June 30, 2017 overall. This increase in sales is attributable to strong demand for automotive electronic components for electric power steering and hybrid/electric vehicles, and a rise in sales of industrial equipment, supported by increased capital investment-related demand for robots and semiconductor-related products. Santoku becoming a consolidated subsidiary also had an effect on overall sales.

Sales of ferrite magnets increased year on year on the back of strong demand for automotive electronic components, reflecting increased automobile production, despite a decrease in some of the overseas demand for household appliance parts.

Functional Components and Equipment

Revenues in the Functional Components and Equipment segment for the three months ended June 30, 2018, were ¥93,659 million, an increase of 2.6% year on year, due in part to a rise in raw material prices (sliding-scale raw materials price system). Adjusted operating income decreased by ¥624 million year on year to ¥3,307 million, and operating income decreased by ¥1,016 million year on year to ¥2,547 million.

<Casting Components for Automobiles>

Sales of casting components for automobiles increased as a whole compared with those for the three months ended June 30, 2017. This was due to an increase in demand for casting components for commercial vehicles, farming machinery, and construction machinery in North America, and increased demand for automobiles in Asia.

Sales of heat-resistant exhaust casting components increased year on year due to an increase in demand in the Asian and Japanese markets, amid structural business reforms including productivity improvement, correction of selling prices, and adjustment of production volumes with the aim of improving revenues. Sales of aluminum wheels fell below those for the three months ended June 30, 2017 despite initiatives in structural business reforms.

<Piping Components>

Sales of pipe fittings as a whole remained unchanged from the three months ended June 30, 2017. This mainly reflected an increase in housing starts in the United States despite a temporary drop in demand in Japan due to price revisions. Sales of semiconductor manufacturing equipment dropped year on year due to the delay of some capital investment projects. As a result, sales of piping components as a whole decreased year on year.

Wires, Cables, and Related Products

Revenues in the Wires, Cables, and Related Products segment for the three months ended June 30, 2018, were ¥59,969 million, an increase of 11.4%, and adjusted operating income increased by ¥154 million to ¥3,586 million, as compared with those for the three months ended June 30, 2017. Operating income of the segment decreased by ¥165 million to ¥3,083 million for the same period.

<Electric Wires and Cables>

Sales of wires and cables for rolling stock grew significantly, mainly for China. Sales of electric wires for FA/robots increased, while sales of magnet wires were also robust mainly for automobiles. As a result, sales of electric wires and cables as a whole increased year on year.

<High Performance Components>

Demand for various sensors, harnesses for electric parking brakes and hybrid automobiles increased, and demand for brake hoses was also firm. Sales of high performance components for medical use increased year on year supported by robust demand for both probe cables and tubes. As a result, sales of high performance components as a whole increased year on year.

Other

Revenues in the Other segment for the three months ended June 30, 2018, were ¥1,075 million, an increase of 30.5%, and adjusted operating income increased by ¥77 million to ¥142 million, as compared with those for the three months ended June 30, 2017. Operating income of the segment increased by ¥103 million to ¥205 million for the same period.

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

(2) Analysis of Financial Condition

1) Assets, liabilities, and equity

The analysis of changes in the Group's condensed interim consolidated statement of financial position as of the end of the period ended June 30, 2018, is as follows:

Total assets were ¥1,092,480 million, an increase of ¥33,648 million compared with the end of the fiscal year ended March 31, 2018. Current assets were ¥492,159 million, an increase of ¥8,127 million compared with the end of the fiscal year ended March 31, 2018. This was mainly attributable to the net effect of an increase in inventories of ¥20,462 million and a decrease in cash and cash equivalents of ¥11,505 million. Non-current assets were ¥600,321 million, an increase of ¥25,521 million compared with the end of the fiscal year ended March 31, 2018. This was mainly attributable to an increase in property, plant and equipment of ¥21,374 million.

Total liabilities were ¥504,309 million, an increase of ¥15,669 million compared with the end of the fiscal year ended March 31, 2018. This was mainly attributable to the net effect of an increase in short-term debt of ¥22,117 million, and a decrease in other financial liabilities of ¥6,989 million. Total equity was ¥588,171 million, an increase of ¥17,979 million compared with the end of the fiscal year ended March 31, 2018. This was mainly attributable to an increase in retained earnings of ¥11,434 million.

2) Cash flows

Cash and cash equivalents as of the end of the three months ended June 30, 2018, were ¥43,407 million, a decrease of ¥11,505 million from the end of the fiscal year ended March 31, 2018, as a result of net cash used in investing activities exceeding cash provided by operating activities and financing activities. The analysis of cash flows for each category as of June 30, 2018, is as follows:

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥10,805 million. This was mainly attributable to the net effect of net income of ¥16,963 million, depreciation and amortization of ¥12,244 million despite payment of ¥14,095 million for the increase of working capital or inventories, among others.

<Cash Flows from Investing Activities>

Net cash used in investing activities was ¥29,401 million, which was mainly attributable to payment of ¥30,320 million for the purchase of property, plant and equipment.

<Cash Flows from Financing Activities>

Net cash provided by financing activities was ¥6,109 million. This was mainly attributable to a net increase in short-term debt of ¥18,991 million, repayment of long-term debt of ¥9,446 million, and payment of dividends of ¥5,565 million.

(3) Forecasts for the Fiscal Year Ending March 31, 2019, including Consolidated Operating Forecasts

The performance for the three months ended June 30, 2018, resulted in the same level as the initial forecast, in general. There will be no change to the figures in the operating forecast for the fiscal year ending March 31, 2019 (April 1, 2018, through March 31, 2019) that was announced on April 26, 2018.

**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, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	54,912	43,407
Trade receivables	207,628	216,394
Inventories	190,202	210,664
Other current assets	31,290	21,694
Total current assets	484,032	492,159
Non-current assets		
Investments accounted for using the equity method	27,863	28,155
Investments in securities and other financial assets	21,385	21,170
Property, plant and equipment	355,318	376,692
Goodwill and intangible assets	141,896	145,542
Deferred tax assets	13,280	13,602
Other non-current assets	15,058	15,160
Total non-current assets	574,800	600,321
Total assets	1,058,832	1,092,480

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Short-term debt	27,203	49,320
Current portion of long-term debt	27,368	30,792
Other financial liabilities	41,060	33,555
Trade payables	172,994	175,542
Accrued expenses	40,313	37,031
Contract liabilities	—	800
Advances received	869	—
Other current liabilities	7,153	5,378
Total current liabilities	316,960	332,418
Non-current liabilities		
Long-term debt	106,273	103,320
Other financial liabilities	956	1,472
Retirement and severance benefits	57,807	59,016
Deferred tax liabilities	3,305	3,933
Other non-current liabilities	3,339	4,150
Total non-current liabilities	171,680	171,891
Total liabilities	488,640	504,309
Equity		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	113,518	114,883
Retained earnings	407,180	418,614
Accumulated other comprehensive income	16,896	21,750
Treasury stock, at cost	(1,158)	(1,159)
Total equity attributable to shareholders of the parent company	562,720	580,372
Non-controlling interests	7,472	7,799
Total equity	570,192	588,171
Total liabilities and equity	1,058,832	1,092,480

**(2) Condensed Interim Consolidated Statement of Income
and Condensed Interim Consolidated Statement of Comprehensive Income**
[Condensed Interim Consolidated Statement of Income]
[For the three months ended June 30, 2018]

(Millions of yen)

	Note	For the first quarter ended June 30, 2017	For the first quarter ended June 30, 2018
Revenues		241,312	259,699
Cost of sales		(194,227)	(212,564)
Gross profit		47,085	47,135
Selling, general and administrative expenses		(29,421)	(31,155)
Other income		853	6,823
Other expenses		(1,434)	(2,223)
Operating income	1	17,083	20,580
Interest income		66	46
Other financial income		1,037	807
Interest charges		(630)	(544)
Other financial expenses		—	(2)
Share of (losses) profits of investments accounted for using the equity method		499	496
Income before income taxes		18,055	21,383
Income taxes		(4,163)	(4,420)
Net income		13,892	16,963
Net income attributable to:			
Shareholders of the parent company		13,893	17,026
Non-controlling interests		(1)	(63)
Net income		13,892	16,963
Earnings per share attributable to shareholders of the parent company			
Basic		¥32.49	¥39.82
Diluted		—	—

Note: 1. Adjusted operating income, which is the operating income presented in the condensed interim consolidated statement of income, excluding other income and other expenses, is ¥17,664 million and ¥15,980 million for the three months ended June 30, 2017 and 2018, respectively.

[Condensed Interim Consolidated Statement of Comprehensive Income]

[For the three months ended June 30, 2018]

(Millions of yen)

	For the first quarter ended June 30, 2017	For the first quarter ended June 30, 2018
Net income	13,892	16,963
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	152	(8)
Share of other comprehensive income of investments accounted for using the equity method	7	(115)
Total items not to be reclassified into net income	159	(123)
Items that can be reclassified into net income		
Foreign currency translation adjustments	546	4,928
Net change in fair value of cash flow hedges	57	111
Share of other comprehensive income of investments accounted for using the equity method	72	(127)
Total items that can be reclassified into net income	675	4,912
Total other comprehensive income	834	4,789
Comprehensive income	14,726	21,752
Comprehensive income attributable to:		
Shareholders of the parent company	14,696	21,846
Non-controlling interests	30	(94)
Comprehensive income	14,726	21,752

(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, 2017	26,284	115,806	376,069	19,555	(1,151)	536,563	12,183	548,746
Changes in equity								
Net income	—	—	13,893	—	—	13,893	(1)	13,892
Other comprehensive income	—	—	—	803	—	803	31	834
Dividends to shareholders of the parent company	—	—	(5,559)	—	—	(5,559)	—	(5,559)
Dividends to non-controlling interests	—	—	—	—	—	—	(21)	(21)
Acquisition of treasury stock	—	—	—	—	(2)	(2)	—	(2)
Sales of treasury stock	—	—	—	—	—	—	—	—
Transactions with noncontrolling interests	—	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	17	(17)	—	—	—	—
Total changes in equity	—	—	8,351	786	(2)	9,135	9	9,144
Balance at June 30, 2017	26,284	115,806	384,420	20,341	(1,153)	545,698	12,192	557,890

	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	—	—	17,026	—	—	17,026	(63)	16,963
Other comprehensive income	—	—	—	4,820	—	4,820	(31)	4,789
Dividends to shareholders of the parent company	—	—	(5,558)	—	—	(5,558)	—	(5,558)
Dividends to non-controlling interests	—	—	—	—	—	—	(7)	(7)
Acquisition of treasury stock	—	—	—	—	(1)	(1)	—	(1)
Sales of treasury stock	—	0	—	—	0	0	—	0
Transactions with noncontrolling interests	—	1,365	—	—	—	1,365	428	1,793
Transfer to retained earnings	—	—	(34)	34	—	—	—	—
Total changes in equity	—	1,365	11,434	4,854	(1)	17,652	327	17,979
Balance at June 30, 2018	26,284	114,883	418,614	21,750	(1,159)	580,372	7,799	588,171

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	For the first quarter ended June 30, 2017	For the first quarter ended June 30, 2018
Cash flows from operating activities:		
Net income	13,892	16,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,282	12,244
Share of losses (profits) of investments accounted for using the equity method	(499)	(496)
Financial income and expenses	(473)	(307)
Losses (profits) on sale of property, plant and equipment	427	562
Structural reform expenses	70	3
Net loss (gain) on business reorganization and others	—	(5,757)
Income taxes	4,163	4,420
(Increase) decrease in trade receivables	(11,660)	(2,864)
(Increase) decrease in inventories	(12,365)	(15,577)
(Increase) decrease in accounts receivable - other	969	6,546
Increase (decrease) in trade payables	8,045	4,346
Increase (decrease) in accrued expenses	(4,022)	(3,874)
Increase (decrease) in retirement and severance benefits	583	310
Other	(5,086)	(1,514)
Subtotal	5,326	15,005
Interest and dividends received	917	421
Interest paid	(982)	(713)
Payments for structural reforms	(70)	(3)
Income taxes paid	(2,559)	(3,905)
Net cash provided by operating activities	2,632	10,805

(Millions of yen)

	For the first quarter ended June 30, 2017	For the first quarter ended June 30, 2018
Cash flows from investing activities:		
Purchase of property, plant and equipment	(17,450)	(30,320)
Purchase of intangible assets	(258)	(268)
Proceeds from sales of property, plant and equipment	53	189
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(24)	281
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	825	329
Other	19	388
Net cash used in investing activities	(16,835)	(29,401)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	5,087	18,991
Proceeds from long-term debt	300	3,272
Repayment of long-term debt	(6,150)	(9,446)
Purchase of shares of consolidated subsidiaries from non-controlling interests	—	(1,142)
Dividends paid to shareholders	(5,559)	(5,558)
Dividends paid to non-controlling interests	(21)	(7)
Acquisition of common stock for treasury	(2)	(1)
Proceeds from sales of treasury stock	—	0
Net cash used in financing activities	(6,345)	6,109
Effect of exchange rate changes on cash and cash equivalents	385	982
Net increase (decrease) in cash and cash equivalents	(20,163)	(11,505)
Cash and cash equivalents at the beginning of the first quarter	139,411	54,912
Cash and cash equivalents at the end of the first quarter	119,248	43,407

(5) Changes in Accounting Policies

1) Adoption of IFRS 9 "Financial Instruments"(amended in July 2014)

From the beginning of the three months ended June 30, 2018, the Group has adopted IFRS9 "Financial Instruments" (amended in July 2014). As a transitional measure upon the adoption of IFRS9 (amended in July 2014), 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 three months ended June 30, 2018.

There is no material impact on the Group's financial position and operating results from the application of this standard.

2) Adoption of IFRS 15 "Revenue from Contracts with Customers"

From the beginning of the three months ended June 30, 2018, the Group has adopted IFRS 15 "Revenue from Contracts with Customers". As a transitional measure upon the adoption of IFRS 15, the Group applies this standard retrospectively with the cumulative effect of initially applying this standard recognized as an adjustment to the beginning balance of retained earnings for the three months ended June 30, 2018.

There is no material impact on the Group's financial position and operating results from the application of this 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	<ul style="list-style-type: none"> •YASUGI SPECIALTY STEEL brand high-grade specialty steel products (molds and tool steel, alloys for electronic products [display-related materials, semiconductor and other package materials, and battery-related materials], materials for industrial equipment [automobile related materials, and razor and blade materials] aircraft- and energy-related materials, and precision cast components) •Rolls for steel mills •Injection molding machine parts •Structural ceramic products •Steel-frame joints for construction •Soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic material; and soft ferrite) and applied products
Magnetic Materials and Applications	<ul style="list-style-type: none"> •Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products) •Ceramic components
Functional Components and Equipment	<ul style="list-style-type: none"> •Casting components for automobiles (HNM™ high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE™ heat-resistant exhaust casting components) •SCUBA™ aluminum wheels and other aluminum components •Piping and infrastructure components (Gourd™ Gourd brand pipe fittings, valves, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)
Wires, Cables, and Related Products	<ul style="list-style-type: none"> •Industrial cables, electronic wires, electric equipment materials, and industrial rubber products •Cable assemblies •Automotive electronic components and brake hoses

II Last consolidated first quarter (from April 1, 2017 to June 30, 2017)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Condensed Interim Consolidated Statement of Income
	Specialty Steel Products	Magnetic Materials and Applications	Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	70,571	25,304	91,247	53,754	240,876	436	241,312	—	241,312
Intersegment transactions	50	3	—	73	126	388	514	(514)	—
Total revenues	70,621	25,307	91,247	53,827	241,002	824	241,826	(514)	241,312
Segment profit	7,546	2,063	3,563	3,248	16,420	102	16,522	561	17,083
Financial income	—	—	—	—	—	—	—	—	1,103
Financial expenses	—	—	—	—	—	—	—	—	(630)
Share of (losses) profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	499
Income before income taxes	—	—	—	—	—	—	—	—	18,055

Note: 1. Segment profit is based on operating income.

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

III Current first quarter (from April 1, 2018 to June 30, 2018)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Condensed Interim Consolidated Statement of Income
	Specialty Steel Products	Magnetic Materials and Applications	Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	76,317	29,328	93,659	59,767	259,071	628	259,699	—	259,699
Intersegment transactions	46	—	—	202	248	447	695	(695)	—
Total revenues	76,363	29,328	93,659	59,969	259,319	1,075	260,394	(695)	259,699
Segment profit	7,641	6,436	2,547	3,083	19,707	205	19,912	668	20,580
Financial income	—	—	—	—	—	—	—	—	853
Financial expenses	—	—	—	—	—	—	—	—	(546)
Share of (losses) profits of investments accounted for using the equity method	—	—	—	—	—	—	—	—	496
Income before income taxes	—	—	—	—	—	—	—	—	21,383

Note: 1. Segment profit is based on operating income.

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

The Company has changed the business segment of SH Copper Products Co., Ltd, a subsidiary of the Company, and one other subsidiary from the Wires, Cables, and Related Products segment to the Specialty Steel Products segment as of July 1, 2017, aiming to strengthen battery-related components in the Specialty Steel Products segment.

Due to this change, the results of SH Copper Products, etc. for the three months ended June 30, 2017 have been recorded under the Specialty Steel Products segment.