

Consolidated Financial Statements for the Third Quarter Ended December 31, 2014

January 27, 2015
Stock Listings: Tokyo

Registered Company Name: Hitachi Kokusai Electric Inc.

Code No: 6756

URL: <http://www.hitachi-kokusai.co.jp/global/>

Representative: Manabu Shinomoto, President, CEO and Director

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Scheduled date of filing of quarterly report: February 13, 2015

Planned Start Date for Dividend Payments: —

Preparation of supplementary material for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(All figures are rounded down to the nearest million yen)

1. Consolidated Financial Results (For the nine months ended December 31, 2014)

(1) Consolidated Results of Operations (Percentages indicate percentage increase or decrease year-on-year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3Q of FY 2014	111,700	11.1	8,667	56.4	8,857	51.9	6,168	69.7
3Q of FY 2013	100,582	11.0	5,541	299.2	5,830	282.5	3,635	—

(Note) Comprehensive Income 3Q of FY2014 9,820 Million Yen (44.7%) 3Q of FY2013 6,788 Million Yen (—%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
3Q of FY2014	60.03	—
3Q of FY2013	35.37	—

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets per share
	Million Yen	Million Yen	%	Yen
3Q of FY2014	178,904	85,079	47.5	826.52
FY2013	188,083	91,101	45.8	838.62

(Note) Stockholder's equity 3Q of FY2014 84,911 Million Yen FY2013 86,171 Million Yen

2. Dividends

	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	—	6.00	—	22.00	28.00
FY2014	—	6.00	—	—	—
FY2014(Forecast)	—	—	—	14.00	20.00

(Note) Revision of the latest dividend forecast: No

3. Consolidated Financial Forecast for FY2014 (From April 1, 2014 to March 31, 2015)

(Percentages indicate percentage increase or decrease year-on-year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2014	180,000	7.5	18,000	6.0	18,000	3.5	13,500	(11.9)	131.41

(Note) Revision of the latest consolidated financial forecast: Yes

Notes

- (1) Changes to significant subsidiaries during the term (changes in specified subsidiaries due to changes in scope) : No
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements : Yes
- (3) Changes in accounting policies, accounting estimates and restatement of corrections
- [1] Changes due to changes in accounting standards : No
- [2] Changes other than [1] above : Yes
- [3] Changes in accounting estimates : No
- [4] Restatement : No

(4) Number of shares issued (common stock)

[1] Number of shares at end of period (Including treasury stock)	3Q of FY2014	105,221,259 shares	FY2013	105,221,259 shares
[2] Number of treasury stock at end of period	3Q of FY2014	2,487,513 shares	FY2013	2,467,726 shares
[3] Average number of shares during the period (Quarterly Cumulative Total)	3Q of FY2014	102,745,662 shares	3Q of FY2013	102,776,271 shares

(Notes)

Information regarding the implementation of quarterly review procedure

This quarterly financial report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

Explanation on the appropriate use of financial forecasts and other important items

The forecasts figures are based on information currently available to the Company and certain assumptions deemed to be reasonable. This material does not represent promises or guarantees regarding the forecasts and due to various factors, actual results may vary significantly from these forecasts.

This document has been translated from the Japanese original for reference purpose only. With respect to any differences between the English translation and the Japanese original, the Japanese version takes precedence. The translations of Japanese Yen amounts into U.S. Dollar amounts are included solely for the convenience of readers and have been made at the rate of 120.55Yen to U.S.\$1, the rate of exchange at December 30, 2014.

HITACHI KOKUSAI ELECTRIC INC.
CONSOLIDATED FINANCIAL STATEMENTS

(Translation)

Consolidated Balance Sheets (Unaudited)
 December 31, 2014 and March 31, 2014

	Millions of Yen		Millions of
	FY2013	3Q of FY2014	U.S. Dollars
			3Q of FY2014
Assets			
Current assets			
Cash and deposits	14,807	15,076	125
Deposits with Hitachi, Ltd.	42,812	30,948	257
Notes and accounts receivable - trade	53,855	38,853	322
Electronically recorded monetary claims - operating	1,102	925	8
Merchandise and finished goods	17,966	19,653	163
Work in process	10,596	19,377	161
Raw materials and supplies	6,250	7,659	64
Deferred tax assets	6,973	7,288	60
Other	3,660	7,677	64
Allowance for doubtful accounts	(213)	(258)	(2)
Total current assets	157,808	147,198	1,221
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	13,662	13,426	111
Machinery, equipment and vehicles, net	3,623	3,584	30
Land	4,874	4,508	37
Construction in progress	421	191	2
Other, net	1,684	1,824	15
Total property, plant and equipment	24,264	23,533	195
Intangible assets			
Goodwill	341	194	2
Other	998	915	8
Total intangible assets	1,339	1,109	9
Investments and other assets			
Investment securities	1,533	1,669	14
Long-term loans receivable	66	2,075	17
Deferred tax assets	1,020	1,079	9
Other	2,424	2,535	21
Allowance for doubtful accounts	(371)	(294)	(2)
Total investments and other assets	4,672	7,064	59
Total non-current assets	30,275	31,706	263
Total assets	188,083	178,904	1,484

HITACHI KOKUSAI ELECTRIC INC.
CONSOLIDATED FINANCIAL STATEMENTS

(Translation)

Consolidated Balance Sheets (Unaudited)
 December 31, 2014 and March 31, 2014

	Millions of Yen		Millions of U.S. Dollars
	FY2013	3Q of FY2014	3Q of FY2014
Liabilities			
Current liabilities			
Notes and accounts payable - trade	40,213	37,399	310
Short-term loans payable	424	599	5
Income taxes payable	1,276	817	7
Accrued expenses	9,604	8,976	74
Advances received	10,673	12,926	107
Provision for product warranties	1,501	1,407	12
Provision for loss on construction contracts	51	111	1
Other	4,804	3,645	30
Total current liabilities	68,546	65,880	546
Non-current liabilities			
Long-term loans payable	111	126	1
Provision for directors' retirement benefits	98	111	1
Net defined benefit liability	27,589	26,448	219
Deferred tax liabilities	349	920	8
Asset retirement obligations	66	94	1
Other	223	246	2
Total non-current liabilities	28,436	27,945	232
Total liabilities	96,982	93,825	778
Net assets			
Shareholders' equity			
Capital stock	10,058	10,058	83
Capital surplus	26,202	18,459	153
Retained earnings	57,867	61,158	507
Treasury shares	(2,661)	(2,692)	(22)
Total shareholders' equity	91,466	86,983	722
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	254	362	3
Foreign currency translation adjustment	373	2,990	25
Remeasurements of defined benefit plans	(5,922)	(5,424)	(45)
Total accumulated other comprehensive income	(5,295)	(2,072)	(17)
Minority interests	4,930	168	1
Total net assets	91,101	85,079	706
Total liabilities and net assets	188,083	178,904	1,484

HITACHI KOKUSAI ELECTRIC INC.
CONSOLIDATED FINANCIAL STATEMENTS

(Translation)

Consolidated Quarterly Statements of Operations (Unaudited)
For the nine months ended December 31, 2014 and 2013

	Millions of Yen		Millions of U.S. Dollars
	3Q of FY2013	3Q of FY2014	3Q of FY2014
Net sales	100,582	111,700	927
Cost of sales	71,235	78,713	653
Gross profit	29,347	32,987	274
Selling, general and administrative expenses	23,806	24,320	202
Operating income	5,541	8,667	72
Non-operating income			
Interest income	192	208	2
Dividend income	69	68	1
Gain on sales of investment securities	163	7	0
Foreign exchange gains	159	—	—
Other	269	190	2
Total non-operating income	852	473	4
Non-operating expenses			
Interest expenses	14	11	0
Loss on disposal of non-current assets	126	47	0
Foreign exchange losses	—	75	1
Share of loss of entities accounted for using equity method	—	20	0
Maintenance cost for idle assets	66	50	0
Other	357	80	1
Total non-operating expenses	563	283	2
Ordinary income	5,830	8,857	73
Extraordinary losses			
Business structure improvement expenses	662	—	—
Impairment loss	240	535	4
Loss on sales of non-current assets	—	176	1
Total extraordinary losses	902	711	6
Income before income taxes and minority interests	4,928	8,146	68
Income taxes	1,159	1,913	16
Income before minority interests	3,769	6,233	52
Minority interests in income	134	65	1
Net income	3,635	6,168	51

HITACHI KOKUSAI ELECTRIC INC.
CONSOLIDATED FINANCIAL STATEMENTS

(Translation)

Consolidated Quarterly Statements of Cash Flows (Unaudited)
For the nine months ended December 31, 2014 and 2013

	Millions of Yen		Millions of U.S. Dollars
	3Q of FY2013	3Q of FY2014	3Q of FY2014
Cash flows from operating activities			
Income before income taxes and minority interests	4,928	8,146	68
Depreciation	2,399	2,502	21
Impairment loss	240	535	4
Increase (decrease) in allowance for doubtful accounts	84	(38)	(0)
Increase (decrease) in net defined benefit liability	(616)	(689)	(6)
Increase (decrease) in provision for directors' retirement benefits	(20)	13	0
Increase (decrease) in provision for product warranties	(90)	(95)	(1)
Increase (decrease) in provision for loss on construction contracts	(13)	60	0
Interest and dividend income	(261)	(276)	(2)
Interest expenses	14	11	0
Loss (gain) on disposal of non-current assets	126	47	0
Loss (gain) on sales of non-current assets	(21)	129	1
Decrease (increase) in notes and accounts receivable - trade	5,323	15,963	132
Decrease (increase) in inventories	(16,269)	(11,186)	(93)
Decrease (increase) in other current assets	(105)	(2,538)	(21)
Increase (decrease) in notes and accounts payable - trade	9,015	(3,987)	(33)
Increase (decrease) in accrued consumption taxes	(932)	(1,307)	(11)
Increase (decrease) in other current liabilities	3,324	396	3
Other, net	521	406	3
Subtotal	7,647	8,092	67
Interest and dividend income received	261	267	2
Interest expenses paid	(16)	(10)	(0)
Income taxes paid	(1,603)	(2,224)	(18)
Income taxes refund	62	26	0
Payments for extra retirement payments	(1,789)	—	—
Net cash provided by (used in) operating activities	4,562	6,151	51
Cash flows from investing activities			
Payments into time deposits	(3,592)	(2,110)	(18)
Proceeds from withdrawal of time deposits	1,336	927	8
Payments for investments in capital of subsidiaries and associates	—	(208)	(2)
Proceeds from sales of investment securities	313	8	0
Purchase of property, plant and equipment	(3,863)	(2,193)	(18)
Proceeds from sales of property, plant and equipment	64	190	2
Purchase of intangible assets	(311)	(246)	(2)
Decrease (increase) in short-term loans receivable	(538)	22	0
Payments of long-term loans receivable	(26)	(1,886)	(16)
Collection of long-term loans receivable	22	13	0
Decrease (increase) in other investments	237	(11)	(0)
Purchase of long-term prepaid expenses	—	(78)	(1)
Other, net	0	2	0
Net cash provided by (used in) investing activities	(6,358)	(5,570)	(46)
Cash flows from financing activities			
Proceeds from long-term loans payable	—	77	1
Repayments of long-term loans payable	(8)	(26)	(0)
Increase (decrease) in short-term loans payable	(105)	143	1
Cash dividends paid	(1,640)	(2,871)	(24)
Cash dividends paid to minority shareholders	(173)	(483)	(4)
Decrease (increase) in treasury shares	(38)	(30)	(0)
Purchase of shares of subsidiaries without change in scope of consolidation	—	(12,420)	(103)
Other, net	(6)	(1)	(0)
Net cash provided by (used in) financing activities	(1,970)	(15,611)	(129)
Effect of exchange rate change on cash and cash equivalents	1,279	2,152	18
Net increase (decrease) in cash and cash equivalents	(2,487)	(12,878)	(107)
Increase in cash and cash equivalents from newly consolidated subsidiary	259	—	—
Cash and cash equivalents at beginning of period	47,154	57,147	474
Cash and cash equivalents at end of period	44,926	44,269	367

Supplementary information for the third quarter ended December 31, 2014 (Consolidated basis)

1. Summary

(Millions of yen)

	Fiscal 2013				Fiscal 2014											
	1st half (A)	2nd half		Total (D)	1st half		2nd half				Total					
		3Q (B)	(C)		Results (E)	(E)/(A) %	3Q Results (F)	(F)/(B) %	Previous Forecast (G)	Revised Forecast (H)	(H)/(G) %	(H)/(C) %	Previous Forecast (I)	Revised Forecast (J)	(J)/(I) %	(J)/(D) %
Orders received	87,383	54,885	107,144	194,527	79,071	90	41,778	76	93,929	98,929	105	92	173,000	178,000	103	92
Net sales	62,962	37,620	104,403	167,365	73,976	117	37,724	100	98,024	106,024	108	102	172,000	180,000	105	108
Operating income	1,771	3,770	15,205	16,976	5,736	324	2,931	78	10,264	12,264	119	81	16,000	18,000	113	106
Ordinary income	1,952	3,878	15,442	17,394	5,834	299	3,023	78	10,166	12,166	120	79	16,000	18,000	113	103
Net income	600	3,035	14,726	15,326	3,974	662	2,194	72	8,026	9,526	119	65	12,000	13,500	113	88

2. Reportable segment

(Millions of yen)

	Fiscal 2013				Fiscal 2014											
	1st half (A)	2nd half		Total (D)	1st half		2nd half				Total					
		3Q (B)	(C)		Results (E)	(E)/(A) %	3Q Results (F)	(F)/(B) %	Previous Forecast (G)	Revised Forecast (H)	(H)/(G) %	(H)/(C) %	Previous Forecast (I)	Revised Forecast (J)	(J)/(I) %	(J)/(D) %
Video and wireless network																
Orders received	51,751	19,449	45,934	97,685	48,090	93	15,370	79	51,910	51,910	100	113	100,000	100,000	100	102
Net sales	33,927	18,249	56,229	90,156	36,403	107	19,214	105	58,597	58,597	100	104	95,000	95,000	100	105
Operating income (loss)	(875)	99	5,599	4,724	(471)	—	110	111	6,471	6,471	100	116	6,000	6,000	100	127
Eco- and thin film processing																
Orders received	35,200	35,203	60,764	95,964	30,588	87	26,188	74	41,412	46,412	112	76	72,000	77,000	107	80
Net sales	28,613	19,125	47,685	76,298	37,230	130	18,319	96	38,770	46,770	121	98	76,000	84,000	111	110
Operating income	2,981	3,694	9,819	12,800	6,635	223	2,477	67	3,865	6,365	165	65	10,500	13,000	124	102
Eliminations/Corporate																
Orders received	432	233	446	878	393	91	220	94	607	607	100	136	1,000	1,000	100	114
Net sales	422	246	489	911	343	81	191	78	657	657	100	134	1,000	1,000	100	110
Operating income (loss)	(335)	(23)	(213)	(548)	(428)	—	344	—	(72)	(572)	—	—	(500)	(1,000)	—	—
Total																
Orders received	87,383	54,885	107,144	194,527	79,071	90	41,778	76	93,929	98,929	105	92	173,000	178,000	103	92
Net sales	62,962	37,620	104,403	167,365	73,976	117	37,724	100	98,024	106,024	108	102	172,000	180,000	105	108
Operating income	1,771	3,770	15,205	16,976	5,736	324	2,931	78	10,264	12,264	119	81	16,000	18,000	113	106

(Note) Previous Forecast: Announced on October 23, 2014