

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2015

April 27, 2015

Registered Company Name: Hitachi Kokusai Electric Inc.

Stock Listings: Tokyo

Code No: 6756

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

Representative: Manabu Shinomoto, President, CEO and Director

Contact: Akira Horiuchi, General Manager of Strategic Planning & Communication Center

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Scheduled date of Annual General Meeting of Shareholders: June 29 2015

Scheduled date of filing of annual securities report: June 29, 2015

Planned Start Date for Dividend Payments: June 5, 2015

Preparation of supplementary material for financial results: Yes

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

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

1. Consolidated Financial Results (For the fiscal year ended March 31, 2015)

(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	%
FY 2014	183,632	9.7	21,103	24.3	21,449	23.3	14,712	(4.0)
FY 2013	167,365	20.6	16,976	176.9	17,394	169.2	15,326	148.6

(Note) Comprehensive Income FY2014 17,950 Million Yen ((8.3)%) FY2013 19,580 Million Yen (122.1%)

	Net Income per Share	Diluted Net Income per Share	Return (Net Income) on Equity	Return (Ordinary income) on Assets	Return (Operating Income) on Sales
	Yen	Yen	%	%	%
FY2014	143.19	—	16.4	11.4	11.5
FY2013	149.13	—	18.3	10.2	10.1

(Note) Share of profit of entities accounted for using equity method FY2014 (74) Million Yen FY2013 — Million Yen

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio	Net Assets per share
	Million Yen	Million Yen	%	Yen
FY2014	188,189	93,099	49.4	904.93
FY2013	188,083	91,101	45.8	838.62

(Note) Stockholder's equity FY2014 92,963 Million Yen FY2013 86,171 Million Yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of the Fiscal Year
	Million Yen	Million Yen	Million Yen	Million Yen
FY2014	7,726	(6,676)	(13,280)	46,868
FY2013	15,657	(4,720)	(2,043)	57,147

2. Dividends

	Dividend per Share					Total Amount of Dividends	Dividends Payout Ratio (Consolidated)	Ratio of Total Amount of Dividends to Net Assets (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY2013	—	6.00	—	22.00	28.00	2,877	18.8	3.4
FY2014	—	6.00	—	30.00	36.00	3,698	25.1	4.1
FY2015 (Forecast)	—	10.00	—	26.00	36.00		23.9	

3. Consolidated Financial Forecast for FY2015(From April 1, 2015 to March 31, 2016)

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

	Revenues		Operating Income		Income before income taxes		Net Income		Net Income attributable to owners of the parent		Basic net income per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
2Q of FY2015	85,000	—	5,800	—	5,800	—	4,200	—	4,200	—	40.88
FY2015	184,000	—	19,500	—	19,500	—	15,500	—	15,500	—	150.88

(Note)The Company will adopt International Financial Reporting Standards ("IFRS") for the consolidated financial statements of annual report under the Financial Instruments and Exchange Law from the fiscal year ended March 31, 2015. Therefore, the Company has made the forecasts for the year ending March 31, 2016 based on IFRS.

Notes

(1) Changes to significant subsidiaries during the term (changes in specified subsidiaries due to changes in scope) : No

(2) 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

(3) Number of shares issued (common stock)

[1] Number of shares at end of period (Including treasury stock)	FY2014	105,221,259 shares	FY2013	105,221,259 shares
[2] Number of treasury stock at end of period	FY2014	2,492,047 shares	FY2013	2,467,726 shares
[3] Average number of shares during the period (Quarterly Cumulative Total)	FY2014	102,742,206 shares	FY2013	102,770,939 shares

(Notes)

Information regarding the implementation of review procedure

This financial report is exempt from the 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 120.17Yen to U.S.\$1, the rate of exchange at March 31, 2015.

HITACHI KOKUSAI ELECTRIC INC.
CONSOLIDATED FINANCIAL STATEMENTS

(Translation)

Consolidated Balance Sheets (Unaudited)
 March 31, 2015 and March 31, 2014

	Millions of Yen		Millions of
	FY2013	FY2014	U.S. Dollars
			FY2014
Assets			
Current assets			
Cash and deposits	14,807	16,535	138
Deposits with Hitachi, Ltd.	42,812	32,462	270
Notes and accounts receivable - trade	53,855	55,668	463
Electronically recorded monetary claims - operating	1,102	1,266	11
Merchandise and finished goods	17,966	18,150	151
Work in process	10,596	13,031	108
Raw materials and supplies	6,250	7,746	64
Deferred tax assets	6,973	6,053	50
Other	3,660	7,284	61
Allowance for doubtful accounts	(213)	(275)	(2)
Total current assets	157,808	157,920	1,314
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	13,662	13,120	109
Machinery, equipment and vehicles, net	3,623	3,399	28
Land	4,874	3,585	30
Construction in progress	421	319	3
Other, net	1,684	1,925	16
Total property, plant and equipment	24,264	22,348	186
Intangible assets			
Goodwill	341	128	1
Other	998	997	8
Total intangible assets	1,339	1,125	9
Investments and other assets			
Investment securities	1,533	1,820	15
Long-term loans receivable	66	1,885	16
Deferred tax assets	1,020	998	8
Other	2,424	2,388	20
Allowance for doubtful accounts	(371)	(295)	(2)
Total investments and other assets	4,672	6,796	57
Total non-current assets	30,275	30,269	252
Total assets	188,083	188,189	1,566

	Millions of Yen		Millions of U.S. Dollars
	FY2013	FY2014	FY2014
Liabilities			
Current liabilities			
Notes and accounts payable - trade	40,213	43,626	363
Short-term loans payable	424	3,031	25
Income taxes payable	1,276	1,187	10
Accrued expenses	9,604	12,392	103
Advances received	10,673	10,196	85
Provision for product warranties	1,501	1,655	14
Provision for loss on construction contracts	51	273	2
Other	4,804	2,849	24
Total current liabilities	68,546	75,209	626
Non-current liabilities			
Long-term loans payable	111	92	1
Provision for directors' retirement benefits	98	122	1
Net defined benefit liability	27,589	17,998	150
Deferred tax liabilities	349	1,341	11
Asset retirement obligations	66	126	1
Other	223	202	2
Total non-current liabilities	28,436	19,881	165
Total liabilities	96,982	95,090	791
Net assets			
Shareholders' equity			
Capital stock	10,058	10,058	84
Capital surplus	26,202	18,400	153
Retained earnings	57,867	69,703	580
Treasury shares	(2,661)	(2,700)	(22)
Total shareholders' equity	91,466	95,461	794
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	254	537	4
Foreign currency translation adjustment	373	2,281	19
Remeasurements of defined benefit plans	(5,922)	(5,316)	(44)
Total accumulated other comprehensive income	(5,295)	(2,498)	(21)
Minority interests	4,930	136	1
Total net assets	91,101	93,099	775
Total liabilities and net assets	188,083	188,189	1,566

HITACHI KOKUSAI ELECTRIC INC.
CONSOLIDATED FINANCIAL STATEMENTS

(Translation)

Consolidated Quarterly Statements of Operations (Unaudited)
Years ended March 31, 2015 and 2014

	Millions of Yen		Millions of U.S. Dollars
	FY2013	FY2014	FY2014
Net sales	167,365	183,632	1,528
Cost of sales	116,496	128,159	1,066
Gross profit	50,869	55,473	462
Selling, general and administrative expenses	33,893	34,370	286
Operating income	16,976	21,103	176
Non-operating income			
Interest income	269	268	2
Dividend income	69	66	1
Gain on sales of investment securities	167	20	0
Rent income	81	71	1
Foreign exchange gains	171	—	—
Settlement received	—	380	3
Other	222	192	2
Total non-operating income	979	997	
Non-operating expenses			
Interest expenses	15	20	0
Loss on disposal of non-current assets	155	49	0
Foreign exchange losses	—	306	3
Share of loss of entities accounted for using equity method	—	74	1
Maintenance cost for idle assets	91	64	1
Penalty	119	—	—
Other	181	138	1
Total non-operating expenses	561	651	5
Ordinary income	17,394	21,449	178
Extraordinary income			
Gain on sales of non-current assets	2,920	—	—
Total extraordinary income	2,920	—	—
Extraordinary losses			
Business structure improvement expenses	1,184	755	6
Impairment loss	967	1,435	12
Loss on sales of non-current assets	6	176	1
Impairment of goodwill	449	—	—
Total extraordinary losses	2,606	2,366	20
Income before income taxes and minority interests	17,708	19,083	159
Income taxes - current	2,151	2,321	19
Income taxes - deferred	(542)	1,973	16
Total income taxes	1,609	4,294	36
Income before minority interests	16,099	14,789	123
Minority interests in income	773	77	1
Net income	15,326	14,712	122

HITACHI KOKUSAI ELECTRIC INC.
CONSOLIDATED FINANCIAL STATEMENTS

(Translation)

Consolidated Quarterly Statements of Cash Flows (Unaudited)
Years ended March 31, 2015 and 2014

	Millions of Yen		Millions of
	FY2013	FY2014	U.S. Dollars
			FY2014
Cash flows from operating activities			
Income before income taxes and minority interests	17,708	19,083	159
Depreciation	3,238	3,399	28
Impairment loss on goodwill	449	—	—
Impairment loss	967	1,435	12
Increase (decrease) in allowance for doubtful accounts	232	(4)	(0)
Increase (decrease) in net defined benefit liability	(1,023)	(9,048)	(75)
Increase (decrease) in provision for directors' retirement benefits	(15)	24	0
Increase (decrease) in provision for product warranties	398	159	1
Increase (decrease) in provision for loss on construction contracts	28	222	2
Interest and dividend income	(338)	(334)	(3)
Interest expenses	15	20	0
Loss (gain) on disposal of non-current assets	160	49	0
Loss (gain) on sales of non-current assets	(2,950)	116	1
Decrease (increase) in notes and accounts receivable - trade	(12,985)	(1,494)	(12)
Decrease (increase) in inventories	(7,814)	(3,645)	(30)
Decrease (increase) in other current assets	151	(2,352)	(20)
Increase (decrease) in notes and accounts payable - trade	14,782	2,391	20
Increase (decrease) in accrued consumption taxes	(881)	(941)	(8)
Increase (decrease) in other current liabilities	6,285	124	1
Other, net	533	850	7
Subtotal	18,940	10,054	84
Interest and dividend income received	337	319	3
Interest expenses paid	(19)	(19)	(0)
Income taxes paid	(1,877)	(2,666)	(22)
Income taxes refund	65	38	0
Payments for extra retirement payments	(1,789)	—	—
Net cash provided by (used in) operating activities	15,657	7,726	64
Cash flows from investing activities			
Payments into time deposits	(4,062)	(4,235)	(35)
Proceeds from withdrawal of time deposits	3,671	2,661	22
Purchase of investment securities	(150)	(1)	(0)
Payments for investments in capital of subsidiaries and associates	—	(208)	(2)
Proceeds from sales of investment securities	327	43	0
Purchase of property, plant and equipment	(7,562)	(2,790)	(23)
Proceeds from sales of property, plant and equipment	3,342	216	2
Purchase of intangible assets	(523)	(428)	(4)
Decrease (increase) in short-term loans receivable	8	27	0
Payments of long-term loans receivable	(28)	(1,894)	(16)
Collection of long-term loans receivable	27	17	0
Decrease (increase) in other investments	229	(11)	(0)
Purchase of long-term prepaid expenses	—	(76)	(1)
Other, net	1	3	0
Net cash provided by (used in) investing activities	(4,720)	(6,676)	(56)
Cash flows from financing activities			
Proceeds from long-term loans payable	—	77	1
Repayments of long-term loans payable	(20)	(39)	(0)
Net increase (decrease) in short-term loans payable	(155)	2,601	22
Cash dividends paid	(1,644)	(2,874)	(24)
Cash dividends paid to minority shareholders	(173)	(483)	(4)
Decrease (increase) in treasury shares	(43)	(38)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(12,522)	(104)
Other, net	(8)	(2)	(0)
Net cash provided by (used in) financing activities	(2,043)	(13,280)	(111)
Effect of exchange rate change on cash and cash equivalents	840	1,951	16
Net increase (decrease) in cash and cash equivalents	9,734	(10,279)	(86)
Cash and cash equivalents at beginning of period	47,154	57,147	476
Increase in cash and cash equivalents from newly consolidated subsidiary	259	—	—
Cash and cash equivalents at end of period	57,147	46,868	390

Supplementary information for the fiscal year ended March 31, 2015 (Consolidated basis)

1. Summary

(Millions of yen)

	Japanese Accounting Standards												IFRS		
	Fiscal 2013			Fiscal 2014									Fiscal 2015 (Forecast)		
	1st half (A)	2nd half (B)	Total (C)	1st half (D)	2nd half				Total				1st half (I)	2nd half (J)	Total (K)
					Previous Forecast (E)	Results (F)	(F)/(E) %	(F)/(B) %	Previous Forecast (G)	Results (H)	(H)/(G) %	(H)/(C) %			
Orders received	87,383	107,144	194,527	79,071	98,929	111,335	113	104	178,000	190,406	107	98	81,000	103,000	184,000
Net sales	62,962	104,403	167,365	73,976	106,024	109,656	103	105	180,000	183,632	102	110	85,000	99,000	184,000
Operating income	1,771	15,205	16,976	5,736	12,264	15,367	125	101	18,000	21,103	117	124	5,800	13,700	19,500
Ordinary income	1,952	15,442	17,394	5,834	12,166	15,615	128	101	18,000	21,449	119	123	—	—	—
Net income	600	14,726	15,326	3,974	9,526	10,738	113	73	13,500	14,712	109	96	4,200	11,300	15,500

2. Reportable segment

(Millions of yen)

	Japanese Accounting Standards												IFRS		
	Fiscal 2013			Fiscal 2014									Fiscal 2015 (Forecast)		
	1st half (A)	2nd half (B)	Total (C)	1st half (D)	2nd half				Total				1st half (I)	2nd half (J)	Total (K)
					Previous Forecast (E)	Results (F)	(F)/(E) %	(F)/(B) %	Previous Forecast (G)	Results (H)	(H)/(G) %	(H)/(C) %			
Video and wireless network															
Orders received	51,751	45,934	97,685	48,090	51,910	52,535	101	114	100,000	100,625	101	103	48,000	55,000	103,000
Net sales	33,927	56,229	90,156	36,403	58,597	58,361	100	104	95,000	94,764	100	105	36,500	63,500	100,000
Operating income (loss)	(875)	5,599	4,724	(471)	6,471	6,576	102	117	6,000	6,105	102	129	(1,000)	8,000	7,000
Eco- and thin film processing															
Orders received	35,200	60,764	95,964	30,588	46,412	58,327	126	96	77,000	88,915	115	93	32,500	47,500	80,000
Net sales	28,613	47,685	76,298	37,230	46,770	50,795	109	107	84,000	88,025	105	115	48,000	35,000	83,000
Operating income	2,981	9,819	12,800	6,635	6,365	9,011	142	92	13,000	15,646	120	122	7,000	6,000	13,000
Eliminations/Corporate															
Orders received	432	446	878	393	607	473	78	106	1,000	866	87	99	500	500	1,000
Net sales	422	489	911	343	657	500	76	102	1,000	843	84	93	500	500	1,000
Operating income (loss)	(335)	(213)	(548)	(428)	(572)	(220)	—	—	(1,000)	(648)	—	—	(200)	(300)	(500)
Total															
Orders received	87,383	107,144	194,527	79,071	98,929	111,335	113	104	178,000	190,406	107	98	81,000	103,000	184,000
Net sales	62,962	104,403	167,365	73,976	106,024	109,656	103	105	180,000	183,632	102	110	85,000	99,000	184,000
Operating income	1,771	15,205	16,976	5,736	12,264	15,367	125	101	18,000	21,103	117	124	5,800	13,700	19,500

(Note) Previous Forecast: Announced on January 27, 2015

On IFRS "Net sales" means "Revenues" and "Net income" means "Net Income attributable to owners of the parent".

3. Overseas sales

(Millions of yen)

	Fiscal 2013			Fiscal 2014				Fiscal 2015 (Forecast)			
	1st half (A)	2nd half (B)	Total (C)	1st half (D)	2nd half (E)	Total (F)	(F)/(C) %	1st half (G)	2nd half (H)	Total (I)	(I)/(F) %
Overseas sales	30,213	46,396	76,609	36,619	51,488	88,107	115	47,000	40,200	87,200	99
Overseas sales ratio (%)	48.0	44.4	45.8	49.5	47.0	48.0	—	55.3	40.6	47.4	—
North America	6,592	7,766	14,358	8,700	7,573	16,273	113	7,800	6,800	14,600	90
Europe	678	1,434	2,112	3,316	4,519	7,835	371	1,300	1,700	3,000	38
Asia	21,510	35,648	57,158	23,434	37,824	61,258	107	36,500	30,000	66,500	109
Other	1,433	1,548	2,981	1,169	1,572	2,741	92	1,400	1,700	3,100	113

4. Capital investment, Depreciation, R&D expenditure

(Millions of yen)

	Fiscal 2013			Fiscal 2014				Fiscal 2015 (Forecast)	
	1st half (A)	2nd half (B)	Total (C)	1st half (D)	2nd half (E)	Total (F)	(F)/(C) %	Total (G)	(G)/(F) %
Capital investment	5,742	3,854	9,596	1,452	1,754	3,206	33	5,420	169
Depreciation	1,605	1,633	3,238	1,640	1,759	3,399	105	3,760	111
R&D expenditure	5,527	5,678	11,205	4,768	5,141	9,909	88	12,700	128