

Consolidated Financial Statements for the Third Quarter Ended December 31, 2016

January 26, 2017

Registered Company Name: Hitachi Kokusai Electric Inc.

Stock Listings: Tokyo

Code No: 6756

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

Representative: Kaichiro Sakuma, President, CEO and Director

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Scheduled date of filing of quarterly report: February 13, 2017

Planned Start Date for Dividend Payments: —

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 nine months ended December 31, 2016)

(1) Consolidated Results of Operations

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

	Revenues		Adjusted Operating Income		Income before income taxes		Net Income		Net income attributable to owners of the parent		Comprehensive income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3Q of FY 2016	111,122	(16.3)	5,966	(53.5)	5,477	(56.7)	3,584	(59.1)	3,632	(58.7)	3,401	(56.5)
3Q of FY 2015	132,781	16.6	12,832	36.2	12,635	41.8	8,766	27.3	8,799	28.8	7,820	(22.3)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
3Q of FY2016	35.36	—
3Q of FY2015	85.66	—

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Million Yen	Million Yen	Million Yen	%	Yen
3Q of FY2016	192,302	95,240	95,079	49.4	925.76
FY2015	174,569	96,087	95,964	55.0	934.35

2. Dividends

	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	14.00	—	26.00	40.00
FY2016	—	10.00	—		
FY2016 (Forecast)				16.00	26.00

(Note) Revision of the latest dividend forecast: No

3. Consolidated Financial Forecast for FY2016 (From April 1, 2016 to March 31, 2017)

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

	Revenues		Adjusted Operating Income		Income before income taxes		Net Income		Net income attributable to owners of the parent		Basic earnings per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2016	173,000	(4.3)	13,600	(15.7)	11,700	(30.1)	7,700	(40.6)	7,700	(40.8)	74.97

(Note) Revision of the latest forecast: Yes

Notes

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

(2) Changes in accounting policies and accounting estimates

[1] Changes in accounting policies requested by IFRS : No

[2] Changes other than [1] above : No

[3] Changes in accounting estimates : No

(3) Number of shares issued (common stock)

[1] Number of shares at end of period (Including treasury stock)

3Q of FY2016	105,221,259 shares	FY2015	105,221,259 shares
3Q of FY2016	2,517,133 shares	FY2015	2,514,706 shares
3Q of FY2016	102,705,720 shares	3Q of FY2015	102,718,079 shares

[2] Number of treasury stock at end of period

[3] Average number of shares during the period (Quarterly Cumulative Total)

(Notes)

Information regarding the implementation of review procedure

This quarterly 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.

HITACHI KOKUSAI ELECTRIC INC.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position (Unaudited)
December 31, 2016 and March 31, 2016

	Millions of Yen	
	FY2015	3Q of FY2016
Assets		
Current assets		
Cash and cash equivalents	47,567	51,647
Trade and other receivables	50,192	43,474
Inventories	37,120	51,992
Other current assets	1,760	1,563
Subtotal	136,639	148,676
Non-current assets		
Property, plant and equipment	21,503	26,898
Intangible assets	2,525	3,925
Other financial assets	10,049	8,575
Deferred tax assets	2,784	3,347
Other non-current assets	1,069	881
Total non-current assets	37,930	43,626
Total assets	174,569	192,302

Millions of Yen

	FY2015	3Q of FY2016
Liabilities		
Current liabilities		
Short-term debt	733	1,408
Trade and other payables	36,600	48,185
Accrued expenses	11,087	9,169
Other financial liabilities	222	1,044
Income tax payable	2,032	1,430
Advances received	3,227	10,629
Provisions	1,972	1,379
Other current liabilities	55	146
Total current liabilities	55,928	73,390
Non-current liabilities		
Long-term debt	101	687
Other financial liabilities	—	849
Retirement and severance benefits	22,083	21,787
Provisions	94	52
Other non-current liabilities	276	297
Total non-current liabilities	22,554	23,672
Total liabilities	78,482	97,062
Equity		
Equity attributable to owners of the parent		
Common stock	10,058	10,058
Capital surplus	17,534	16,878
Retained earnings	68,088	68,023
Other components of equity	3,022	2,863
Treasury stock, at cost	(2,738)	(2,743)
Total equity attributable to owners of the parent	95,964	95,079
Non-controlling interests	123	161
Total equity	96,087	95,240
Total liabilities and equity	174,569	192,302

HITACHI KOKUSAI ELECTRIC INC.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Profit or Loss (Unaudited)
 Nine months ended December 31, 2016 and 2015

	Millions of Yen	
	3Q of FY2015	3Q of FY2016
Revenues	132,781	111,122
Cost of sales	(93,483)	(80,419)
Gross profit	39,298	30,703
Selling, general and administrative expenses	(26,466)	(24,737)
Other income	293	186
Other expenses	(895)	(1,144)
Financial income	270	363
Financial expenses	(33)	(5)
Share of loss of investments accounted for using the equity method	0	—
EBIT (Earnings before interest and taxes)	12,467	5,366
Interest income	179	129
Interest expenses	(11)	(18)
Income before income taxes	12,635	5,477
Income taxes	(3,869)	(1,893)
Net income	8,766	3,584
Net income attributable to:		
Owners of the parent	8,799	3,632
Non-controlling interests	(33)	(48)

	Yen	
Earnings per share attributable to owners of the parent		
Basic	85.66	35.36
Diluted	—	—

Consolidated Statements of Comprehensive Income (Unaudited)
 Nine months ended December 31, 2016 and 2015

	Millions of Yen	
	3Q of FY2015	3Q of FY2016
Net income	8,766	3,584
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	220	(29)
Remeasurements of defined benefit plans	—	2
Total items not to be reclassified into net income	220	(27)
Items that can be reclassified into net income		
Foreign currency translation adjustments	(1,166)	(152)
Cash flow hedges measured at fair value	—	(4)
Share of OCI of investments accounted for using the equity method	0	—
Total items that can be reclassified into net income	(1,166)	(156)
Other comprehensive income (OCI)	(946)	(183)
Comprehensive income	7,820	3,401
Comprehensive income attributable to:		
Owners of the parent	7,852	3,474
Non-controlling interest	(32)	(73)

Supplementary information for the Third quarter ended December 31, 2016 [IFRS] (Consolidated basis)

1. Summary

(Millions of yen)

	Fiscal 2015				Fiscal 2016												
	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	93,344	27,074	69,282	162,626	85,461	92	45,653	169	—	—	—	—	—	—	—	—	—
Revenues	90,940	41,841	89,800	180,740	72,164	79	38,958	93	96,836	100,836	104	112	169,000	173,000	102	96	
Adjusted operating income	10,065	2,767	6,076	16,141	3,019	30	2,947	107	10,581	10,581	100	174	13,600	13,600	100	84	
EBIT	10,333	2,134	6,198	16,531	3,211	31	2,155	101	9,389	8,389	89	135	12,600	11,600	92	70	
Income before income taxes	10,446	2,189	6,300	16,746	3,294	32	2,183	100	9,406	8,406	89	133	12,700	11,700	92	70	
Net income attributable to owners of the parent	7,712	1,087	5,286	12,998	2,294	30	1,338	123	6,206	5,406	87	102	8,500	7,700	91	59	

(Note) Previous Forecast: Announced on October 26, 2016

"Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

"EBIT" is presented as income from contributing operations, before income taxes less interest income plus interest expenses.

2. Reportable segment

(Millions of yen)

	Fiscal 2015				Fiscal 2016												
	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 Communication Solutions																	
Orders received	49,996	12,337	30,282	80,278	38,465	77	12,992	105	—	—	—	—	—	—	—	—	—
Revenues	37,320	21,210	51,898	89,218	31,715	85	15,990	75	48,285	47,285	98	91	80,000	79,000	99	89	
Adjusted operating income (loss)	(828)	(479)	1,231	403	(1,962)	—	(975)	—	4,962	2,962	60	241	3,000	1,000	33	248	
EBIT	(807)	(1,162)	1,301	494	(2,159)	—	(1,769)	—	4,159	1,159	28	89	2,000	(1,000)	—	—	
Thin Film Process Solutions																	
Orders received	42,835	14,507	38,533	81,368	46,523	109	32,390	223	—	—	—	—	—	—	—	—	—
Revenues	53,194	20,406	37,369	90,563	40,025	75	22,680	111	47,975	52,975	110	142	88,000	93,000	106	103	
Adjusted operating income	11,129	3,165	4,749	15,878	5,201	47	4,094	129	6,199	7,799	126	164	11,400	13,000	114	82	
EBIT	11,144	3,245	4,862	16,006	5,497	49	3,884	120	5,903	7,503	127	154	11,400	13,000	114	81	
Eliminations/Corporate																	
Orders received	513	230	467	980	473	92	271	118	—	—	—	—	—	—	—	—	—
Revenues	426	225	533	959	424	100	288	128	576	576	100	108	1,000	1,000	100	104	
Adjusted operating income (loss)	(236)	81	96	(140)	(220)	—	(172)	—	(580)	(180)	—	—	(800)	(400)	—	—	
EBIT	(4)	51	35	31	(127)	—	40	78	(673)	(273)	—	—	(800)	(400)	—	—	
Total																	
Orders received	93,344	27,074	69,282	162,626	85,461	92	45,653	169	—	—	—	—	—	—	—	—	—
Revenues	90,940	41,841	89,800	180,740	72,164	79	38,958	93	96,836	100,836	104	112	169,000	173,000	102	96	
Adjusted operating income	10,065	2,767	6,076	16,141	3,019	30	2,947	107	10,581	10,581	100	174	13,600	13,600	100	84	
EBIT	10,333	2,134	6,198	16,531	3,211	31	2,155	101	9,389	8,389	89	135	12,600	11,600	92	70	

(Note) We changed the segment name from FY2016.

The Video and Wireless Network → Video and Communication Solutions, Eco-and Thin Film Processing → Thin Film Process Solutions