

# Hitachi Metals

**Financial Results for the First Half  
Ended September 30, 2015**

**Operating Results Forecast  
for the Year Ending March 31, 2016**

**October 27, 2015**

***Towards  
Innovative  
Growth***



**Materials Mag!c**

<b>1</b>	<b>Overview of Operating Results for the First Half Ended September 30, 2015</b>
<b>2</b>	<b>Operating Results Forecast for the Year Ending March 31, 2016</b>
<b>3</b>	<b>Overview of the Action Plan</b>
<b>4</b>	<b>Focus of the Next Medium-Term Management Plan</b>

### Trend in demand

**Demand remained sluggish, particularly for automotive-related components and materials in Japan. Demand was weak in general despite strong sales for some products, due in part to the deceleration of the economy in China.**

- **Automotive-related demand in the U.S. market was strong.**
- **Industrial infrastructure-related demand was strong overall.**
- **Electronics and information systems-related demand remained sluggish.**

### Special factors

**A non-recurring gain resulting from portfolio restructuring was posted.**

- **There was a gain of ¥29.3 billion on portfolio restructuring (¥27 billion related to the sale of shares in the former Hitachi Tool Engineering, Ltd.)**

# 1-2. Overview of Operating Results for the First Half Ended September 30, 2015

## IFRS

	(¥billions) Profit margin in brackets	1H, FY2014 Business Performance US\$1 = ¥103.04	1H, FY2015 Business Performance US\$1 = ¥121.80	Change	
Revenues		448.7	525.0	+17%	Increase in revenues from the consolidation of Waupaca Foundry, Inc., among other factors.
Adjusted operating income		[8.2%] 36.7	[6.9%] 36.2	-0.5	Declined by ¥500 million YoY due to impairment losses on raw materials and the impact from a decline in demand, primarily for automotive-related materials in Japan.
Other income		7.4	31.8	+24.4	Income of ¥29.3 billion posted from business restructuring, etc. (¥27.0 billion of this was related to the sale of shares in the former Hitachi Tool Engineering, Ltd.)
Other expenses		(4.4)	(6.4)	-2.0	
Operating income		[8.8%] 39.7	[11.7%] 61.6	+21.9	
Interest income/charges		(0.8)	(1.5)	-0.7	
Other financial income/ expenses		1.1	0.3	-0.8	
Share of profits of investments accounted for using the equity method		0.9	0.3	-0.6	
Income before income taxes		40.9	60.7	+19.8	
Income taxes		(9.0)	(16.6)	-7.6	
Net income attributable to owners of the parent company		31.7	43.8	+12.1	
Overseas markets' share of revenues <sup>*1</sup>		42%	57%	+15%	Increase from the consolidation of Waupaca Foundry, Inc., among other factors.
Employees		26,729	29,413	+2,684	Increase from the consolidation of Waupaca Foundry, Inc., among other factors.

<sup>\*1</sup> Overseas revenues by region:  
2015/2Q: North America, 31%; Asia 20%; Europe, 4%; Other, 2%  
2014/2Q: North America, 12%; Asia, 23%; Europe 5%; Other, 2%

# 1-3. Operating Results by Segment for the First Half Ended September 30, 2015

## IFRS

Profit margin in brackets (¥billions)		1H, FY2014 Business Performance US\$1 = ¥103.04	1H, FY2015 Business Performance US\$1 = ¥121.80	Change	
High-Grade Metal Products and Materials	Revenues	126.0	124.3	-1%	Declined by ¥9.0 billion due to the sales of shares in the former Hitachi Tool Engineering, Ltd. and exclusion of the company from consolidation.
	Adjusted operating income	[11.9%] 15.0	[10.9%] 13.6	-1.4	Decline in income, due in part to the exclusion from consolidation noted above.
	Segment operating income	[12.5%] 15.8	[32.3%] 40.2	+24.4	¥27.0 billion in income resulting from business restructuring accompanying the sale of shares, etc. posted.
Magnetic Materials and Applications	Revenues	68.3	62.4	-9%	Decline in revenue due in part to a decline in the sales price caused by a decline in raw materials prices.
	Adjusted operating income	[11.3%] 7.7	[8.0%] 5.0	-2.7	Decline in income due to a decline in revenues and to the impact of impairment losses on raw materials.
	Segment operating income	[11.3%] 7.7	[7.9%] 4.9	-2.8	
High-Grade Functional Components and Equipment	Revenues	94.1	189.0	+101%	Substantial increase in revenues due to firm demand and the consolidation of Waupaca Foundry, Inc., among other factors.
	Adjusted operating income	[6.8%] 6.4	[7.3%] 13.8	+7.4	Substantial increase in income due to the consolidation of Waupaca Foundry, Inc., among other factors.
	Segment operating income	[5.6%] 5.3	[6.9%] 13.1	+7.8	
Wires, Cables, and Related Products	Revenues	161.3	147.6	-8%	Persistent sluggish demand for products related to information systems, which has reached the end of the investment cycle.
	Adjusted operating income	[6.4%] 10.3	[4.9%] 7.2	-3.1	
	Segment operating income	[8.5%] 13.7	[4.9%] 7.3	-6.4	Gain on business transfer posted in the first quarter of fiscal year ended March 31, 2015. (¥3.9 billion)
Other and Adjustments	Revenues	(1.0)	1.7	+2.7	
	Adjusted operating income	(2.7)	(3.4)	-0.7	
	Segment operating income	(2.8)	(3.9)	-1.1	
Total	Revenues	448.7	525.0	+17%	
	Adjusted operating income	[8.2%] 36.7	[6.9%] 36.2	-0.5	
	Segment operating income	[8.8%] 39.7	[11.7%] 61.6	+21.9	

# 1-4. Operating Results by Segment: High-Grade Metal Products and Materials

(¥billions) Profit margin in brackets	1H FY2014	1H FY2015	Change	Summary
Revenues	126.0	124.3	-1%	Performance was strong overall, despite the exclusion of the former Hitachi Tool Engineering, Ltd. from consolidation.
Adjusted operating income	[11.9%] 15.0	[10.9%] 13.6	-1.4	Income declined due to the impact of the exclusion of the former Hitachi Tool Engineering, Ltd. from consolidation.
Segment operating income	[12.5%] 15.8	[32.3%] 40.2	+24.4	¥27.0 billion in income from business restructuring, etc. posted (related to the sales of shares in the former Hitachi Tool Engineering, Ltd.).

## Overview of Revenues

### ■ Specialty steel

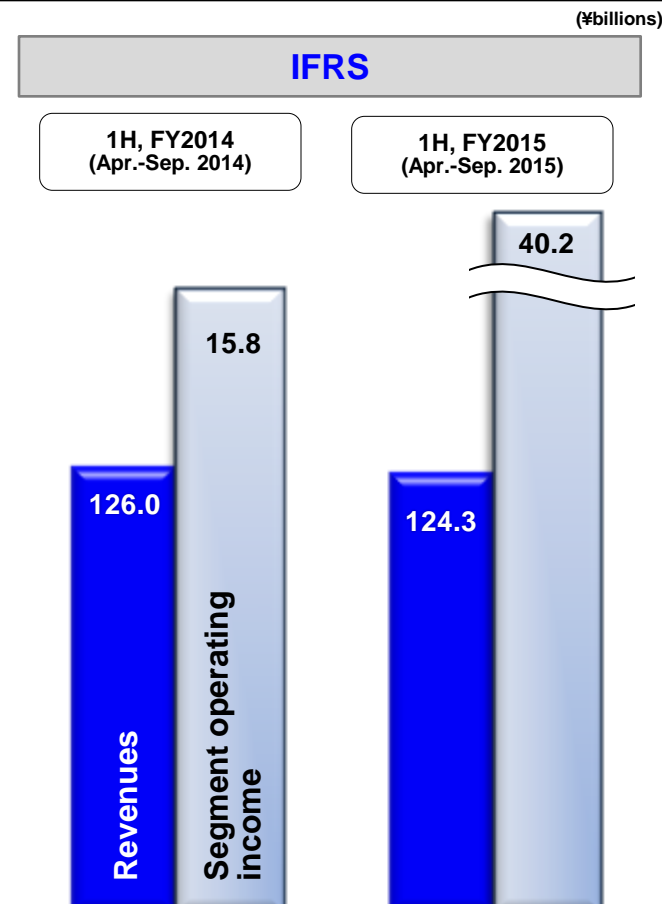
- Tool steel:  
Sales to China and the ASEAN region declined, but strong sales of mold materials for automobiles in Japan and progress in shifting product composition toward high value-added products maintained sales on par with the same period last year.
- Alloys for electronic products:  
Sales of display-related materials for smartphones and tablets were strong; however, a slump in sales of packaging materials for semiconductors and other products caused sales to decline compared to the same period last year.
- Industrial equipment materials:  
Some automotive materials saw a decline in demand, but overseas sales remained strong for other industrial components and materials, keeping sales on par with the same period last year. Sales of aircraft and energy-related materials were firm. This, coupled with the consolidation of Hitachi Metals MMC Superalloy, Ltd., resulted in strong growth.

### ■ Rolls

- Various types of rolls: Increased due to growth in exports.
- Injection molding machine parts: On par with the same period last year on the back of strong demand from capital investment.

### ■ Amorphous Metals

Demand declined from the same period last year due to slumping sales to China, the main market.



# 1-5. Operating Results by Segment: Magnetic Materials and Applications

(¥billions) Profit margin in brackets	1H FY2014	1H FY2015	Change	Summary
Revenues	68.3	62.4	-9%	
Adjusted operating income	[11.3%] 7.7	[8.0%] 5.0	-2.7	Decline in income due to a decline in revenues and to the impact of impairment losses on raw materials.
Segment operating income	[11.3%] 7.7	[7.9%] 4.9	-2.8	

## Overview of Revenues

### ■ Magnets

- Rare-earth magnets:  
Sales declined from the same period last year as the slump in demand for hybrid vehicles persisted and FA-related demand declined in both the U.S. and Japan despite strong demand in Japan and overseas for automatic power steering and other automotive electronic components and demand related to smartphones.
- Ferrite magnets:  
Sales increased on the back of strong demand for automotive electronic components and home electronics parts both in Japan and overseas markets.

### ■ Soft magnetic materials and applied products

Sales of ferrite applied products for components used in solar power generation declined.

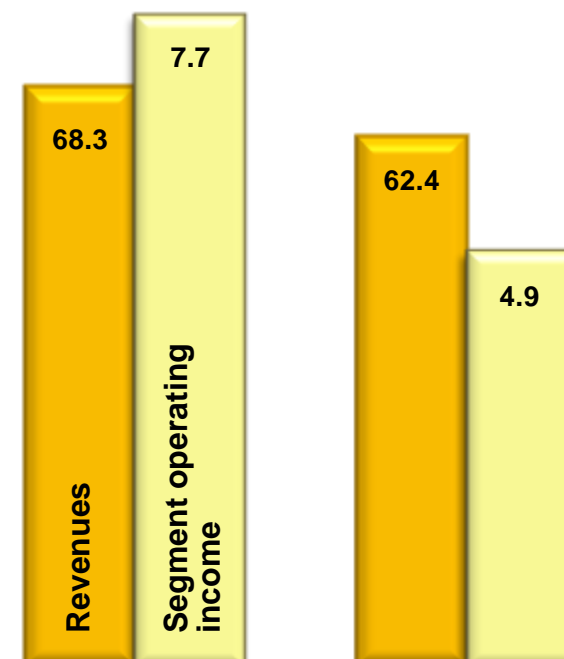
Sales of ferrite cores also slumped as demand from China slowed.

Sales of FINEMET® declined as a result of the decline in demand for automotive electronic components and cutbacks in the production of air conditioners.

## IFRS

1H, FY2014  
(Apr.-Sep. 2014)

1H, FY2015  
(Apr.-Sep. 2015)



# 1-6. Operating Results by Segment: High-Grade Functional Components and Equipment

(¥billions) Profit margin in brackets	1H FY2014	1H FY2015	Change	Summary
Revenues	94.1	189.0	+101%	Substantial increase in revenues from firm demand and the consolidation of Waupaca Foundry, Inc., among other factors.
Adjusted operating income	[6.8%] 6.4	[7.3%] 13.8	+7.4	Substantial increase in income from the consolidation of Waupaca Foundry, Inc., among other factors.
Segment operating income	[5.5%] 5.3	[6.9%] 13.1	+7.8	

## Overview of Revenues

### ■ Casting components for automobiles

- High-grade ductile cast iron products:  
Sales increased due to robust demand for automobiles in the U.S. and other overseas markets, as well as in Japan.
- Heat-resistant casting components:  
A temporary decline in demand during the first half of the period caused a year-on-year decline.
- Aluminum wheels:  
Increased over the same period last year on the back of strong demand in Japan and the U.S.

The consolidation of Waupaca Foundry, Inc. also resulted in a substantial increase in both sales and income for automotive casting components in general, in addition to the above.

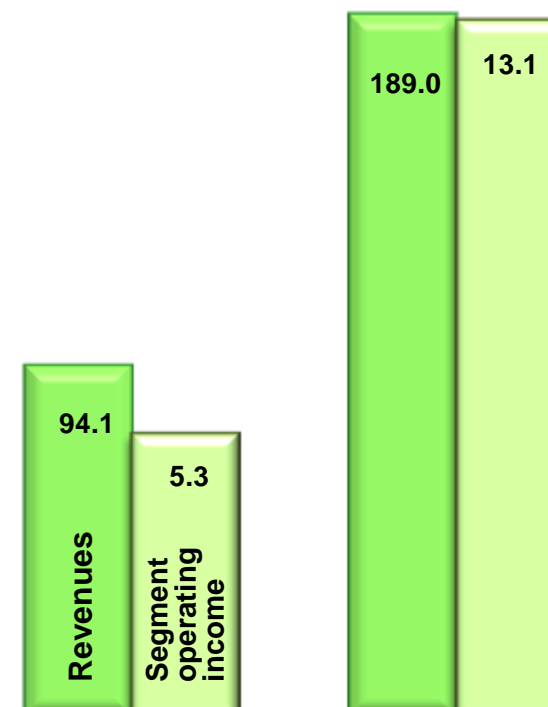
### ■ Piping components

- Pipe fittings:  
The increase in overseas projects covered the decline in sales in Japan, keeping sales on par with the same period last year.
- Stainless steel and plastic piping components:  
Sales declined from the same period last year as demand in Japan hit a temporary lull.

## IFRS

1H, FY2014  
(Apr.-Sep. 2014)

1H, FY2015  
(Apr.-Sep. 2015)





# 1-7. Operating Results by Segment: Wires, Cables, and Related Products

(¥billions) Profit margin in brackets	1H FY2014	1H FY2015	Change	Summary
Revenues	161.3	147.6	-8%	Demand for information system-related products remained sluggish.
Adjusted operating income	[6.4%] 10.3	[4.9%] 7.2	-3.1	
Segment operating income	[8.5%] 13.7	[4.9%] 7.3	-6.4	Gain on business transfer posted during the first quarter of fiscal year ended March 31, 2015 (¥3.9 billion).

## Overview of Revenues

### ■ Electric wires and cables

While revenues decreased as a result of changes made in the company's business portfolio, there was steady demand for wires and cables used in rolling stock, a core area of the Group, especially in overseas markets.

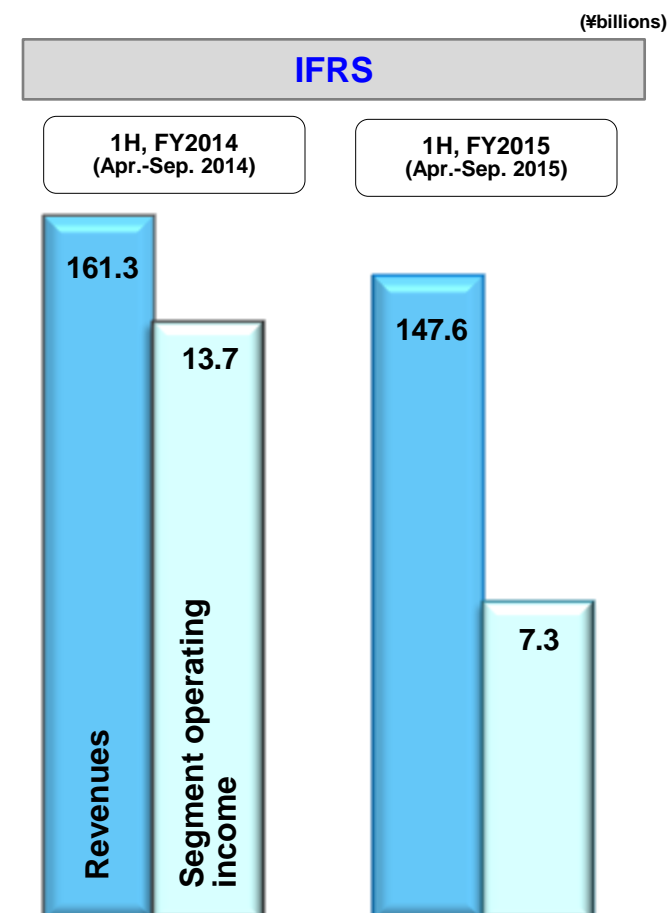
Sales of probe cables for medical use were also strong, while sales of electric wires and cables used in construction in Japan were sluggish.

### ■ Automotive products

Both electronic components and brake hoses recorded strong sales, supported by brisk demand for automobiles, especially in North America.

### ■ Information systems

Sales of network products and wireless systems were weak, owing to the continuing slump in capital investment by communications providers.



# 1-8. Assets, Liabilities, and Net Assets

(¥billions)

Category		March 31, 2015	September 30, 2015	Change
	Cash and cash equivalents	79.0	116.4	+37.4
	Trade receivables	220.5	205.6	-14.9
	Inventories	166.5	160.3	-6.2
	Other current assets	78.7	47.4	-31.3
	Non-current assets	538.8	552.5	+13.7
Total Assets		1,083.5	1,082.2	-1.3
	Interest-bearing debt	255.4	246.3	-9.1
	Trade payables/other	181.1	174.6	-6.5
	Other current liabilities	170.8	152.7	-18.1
	Total Liabilities	607.3	573.6	-33.7
	Equity attributable to shareholders of the parent company	466.4	498.9	+32.5
	Non-controlling interests	9.8	9.7	-0.1
	Total Net Assets	476.2	508.6	+32.4
(D/E ratio)		0.55	0.49	-0.06

# 1-9. Consolidated Cash Flows

(¥billions)

Category	1H FY2014	1H FY2015	Increase (Decrease)
Net income for the first half	32.0	44.1	+12.1
Depreciation and amortization	17.6	21.3	+3.7
Increase in operating capital	4.8	11.3	+6.5
Other	(7.1)	(27.0)	-19.9
Cash flows from operating activities	47.3	49.7	+2.4
Purchase of property, plant, and equipment	(18.8)	(29.6)	-10.8
Other	6.1	32.8	+26.7
Cash flows from investing activities	(12.7)	3.2	+15.9
Free cash flow	34.6	52.9	+18.3
Decrease in debt and bonds	(24.4)	(8.4)	+16.0
Dividend payments, etc.	(4.7)	(5.7)	-1.0
Cash flows from financing activities	(29.1)	(14.1)	+15.0
Effect of in exchange rates changes	1.7	(1.5)	-3.2
Increase in cash and cash equivalents	7.2	37.4	+30.2
Cash and cash equivalents at the end of period	100.2	116.4	+16.2

## [Cash flows from operating activities]

An increase in income for second quarter and other factors resulted in a net cash inflow of ¥2.4 billion compared to the same period last year.

## [Cash flows from investing activities]

There was a net cash inflow of ¥15.9 billion over the same period last year due to a ¥27.3 billion gain on the sale of shares and other factors, which exceeded the increase in expenditures for capital investment intended to strengthen the growth base.

## [Cash flows from financing activities]

While there was an increase in dividends paid, a decrease in long-term borrowings resulted in a net cash inflow of ¥15.0 billion.

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**Trend in demand**

**The decline in sales, primarily from slow automotive-related demand in Japan and the continuing weakness of demand caused by the decline in the pace of economic growth in China and emerging countries is likely to worsen during the second half, resulting in persistent weakness overall.**

- Automotive-related:  
Sales in North America are generally stable. The slump in demand for trucks and other vehicles in emerging nations will persist.
- Industrial infrastructure-related:  
Sales to the aircraft and energy segments are strong, but the slump in demand products sold to the Chinese market is persisting and the slump in demand relating to capital investment in Japan will persist.
- Electronics-related:  
While demand for smartphone-related materials is anticipated, demand will remain lukewarm and no increase or growth is anticipated.

## 2-2. Operating Results Forecast for the Year Ending March 31, 2016

### IFRS

	FY2014 Business Performance US\$1 = ¥109.93	FY2015 Previous Forecast Assuming US\$1 = ¥115 Released May 12, 2015	FY2015 Current Forecast Assuming US\$1 = ¥121	Change	
<b>(¥billions) Profit margin in brackets</b>					
Revenues	1,004.4	1,100.0	1,040.0	-5%	Signs of decline in demand grew stronger upon entering the second half, and a decline greater than that previously forecast is anticipated.
Adjusted operating income	84.4	[8.4%] 92.0	[7.4%] 77.0	-15.0	The previous forecast has been revised downward due to a decline in sales and the impact of impairment losses on raw materials during the first half.
Operating income	[8.4%] 84.4	[9.7%] 107.0	[9.6%] 100.0	-7.0	The number for operating income was revised downward as a result of the decline in adjusted operating income.
Income before income taxes	86.4	106.0	97.0	-9.0	
Net income*1	70.6	73.0	68.0	-5.0	
Total assets	1,083.5	1,150.0	1,100.0	-50.0	
Shareholders' equity	466.4	482.0	517.5	+35.5	
Interest-bearing debt	255.4	242.0	237.0	-5.0	
D/E ratio (times)	0.55	0.46	0.46	±0	
ROE	16.8%	14.5%	13.8%	-0.7%	
Overseas markets' share of sales	47%	55%	55%	±0	
Employees	30,278	29,500	29,000	-500	

\*1 Net income attributable to owners of the parent company.

## 2-3. FY2015 Net Sales and Adjusted Operating Income by Segment

### IFRS

(#billions)		FY2014 Business Performance US\$1 = ¥109.93	FY2015 Previous Forecast Assuming US\$1 = ¥115 Released May 12, 2015	FY2015 Current Forecast Assuming \$1 = ¥121	Change	
High-Grade Metal Products and Materials	Revenues	260.8	265.0	248.0	-6%	Declined as a result a slump in demand from China for amorphous metals.
	Adjusted operating income	32.8	32.5	28.6	-3.9	Previous forecast revised downward due to a decline in sales.
	Adjusted operating margin	12.6%	12.3%	11.5%	-0.8	
Magnetic Materials and Applications	Revenues	135.5	134.0	122.0	-9%	Decline in sales to China for products related to FA, automobiles, and consumer electronics.
	Adjusted operating income	16.8	15.0	10.8	-4.2	The previous forecast was revised downward due to a decline in sales and owing to the impact from impairment losses recognized due to the decline in materials prices.
	Adjusted operating margin	12.4%	11.2%	8.9%	-2.3	
High-Grade Functional Components and Equipment	Revenues	282.3	394.0	369.0	-6%	Sales declined on the back of the continuing slump in demand for products related to Japanese automobiles and the impact of the decline in materials prices.
	Adjusted operating income	20.2	32.5	28.5	-4.0	The previous forecast was revised downward due to a decline in sales.
	Adjusted operating margin	7.2%	8.2%	7.7%	-0.5	
Wires, Cables, and Related Products	Revenues	328.0	311.0	299.0	-4%	The slump in sales of information systems-related products continues.
	Adjusted operating income	20.8	20.0	16.5	-3.5	
	Adjusted operating margin	6.3%	6.4%	5.5%	-0.9	
Other Businesses and Adjustments	Revenues	(2.2)	(4.0)	2.0	+6.0	
	Adjusted operating income	(6.2)	(8.0)	(7.4)	+0.6	
Total	Revenues	1,004.4	1,100.0	1,040.0	-5%	
	Adjusted operating income	84.4	92.0	77.0	-15.0	
	Adjusted operating margin	8.4%	8.4%	7.4%	-1.0	

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**Taking on “Change” and “Challenge”  
to be a global top-class  
high-performance materials company**

**Priority Items**

- 1. Expand business domains and increase percentage of new products.**
- 2. Strengthen the local management structure to handle expansion of business overseas.**
- 3. Establish a rock solid business base.**

## **Crossing the Bridge to the Next Medium-Term Management Plan**

**Implementing an Action Plan  
Designed for the Next Three Years**

**Formulate an offensive growth strategy  
and revolutionary measures.**

- 1. Implement the growth strategy.**
- 2. Respond to emerging issues.**
- 3. Restructure the portfolio.**

## 3-3-1. Overview of the Action Plan: Growth Strategy Implementation and Issues

Planting  
seeds for  
growth

### Implementation of the Growth Specialty Steel Strategy (for the first half of fiscal year ending March 31, 2016)

#### 1. Enhanced competitiveness of strategic products through major investments.

- Aircraft & energy-related materials, automotive components & materials, tool steel
- Sustained strategic investments that will serve as the base for global growth

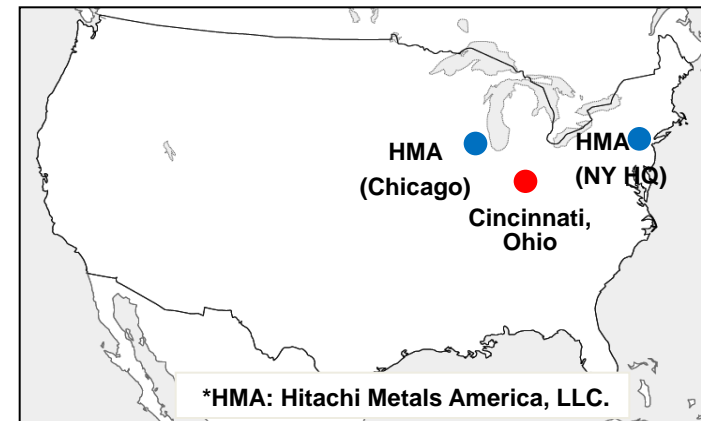


24 ton vacuum induction melting and casting furnace (VIM; brought online in March 2015), 10,000 ton free forging press (scheduled for completion in fiscal year ending March 31, 2018)

#### 2. Began global expansion of the tool steel business.

- Acquisition of specialty steel processing and sales company in North America (Diehl Steel Company, Inc.)
- While small in scale, this is an important strategic move in expanding globally.

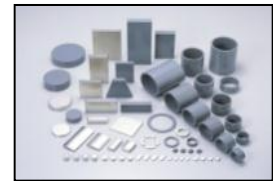
- Diehl is situated in the midwestern U.S. where the automotive industry is concentrated, and possesses a client base that is primarily automotive-related.
- Roughly 90 years have passed since the founding of the company, and it offers tool steel cutting and processing services to meet the needs of a wide range of clients.
- It's strengths lie in its plate processing capabilities and sales network, which includes Web sales.
- The (projected) effective date will be November 2, 2015.
- The name of the new company will be Diehl Tool Steel, Inc., and it will pursue synergies in the HMA group.



Planted  
seeds for  
growth

### Magnet Business: Pursuit of a Joint Venture in China and Establishment of Production Structure

1. Joint venture agreement concluded with Beijing Zhong Ke San Huan Hi-Tech Co., Ltd.
  - Positioned the company as an integrated producer of neodymium magnets in the Chinese market, handling everything from material procurement to manufacturing and sales.
  - Expanded market territory and business scale through steady efforts to achieve market growth and to build a global production and sales structure.
2. Build the optimal global production structure
  - Rare-earth magnets: Improve material flow.
  - Ferrite magnets: Secure and maintain a high profit structure.



Rare-earth Magnet  
NEOMAX®

Tasks to  
achieve  
growth

### Strengthen the automotive casting components business in the Americas

- Waupaca: Expand market territory and expand into non-automotive segments.
- NM business: Cut manufacturing costs and upgrade production technology.
- HERCUNITE: Build a business structure to accommodate expansion of the gasoline turbo market.

Tasks to  
achieve  
growth

### 3-3-3. Overview of the Action Plan: Growth Strategy Implementation and Issues

#### Tasks to achieve growth

#### Cable Materials Business: Continue to evolve and build a base for growth

- Shift to segments and markets where our strengths can be capitalized on (rolling stock, health care, and electronic components).
- Implement a growth strategy and achieve a high profit structure.
- Invest in streamlining upstream processes.

#### Strengthened the base for growth

#### Established regional headquarters in four locations overseas (for the first half of fiscal year ending March 31, 2016)

1. Formulated and implemented a regional strategy and generated synergies between businesses.
  - Formulated and implemented a regional strategy based on market conditions and client circumstances in each of the four regions in the Americas, Europe, China, and Asia.
2. Strengthened governance
  - Strengthened regional headquarter functions by recruiting and actively promoting local management level human resources.
  - Strengthened the compliance structure.

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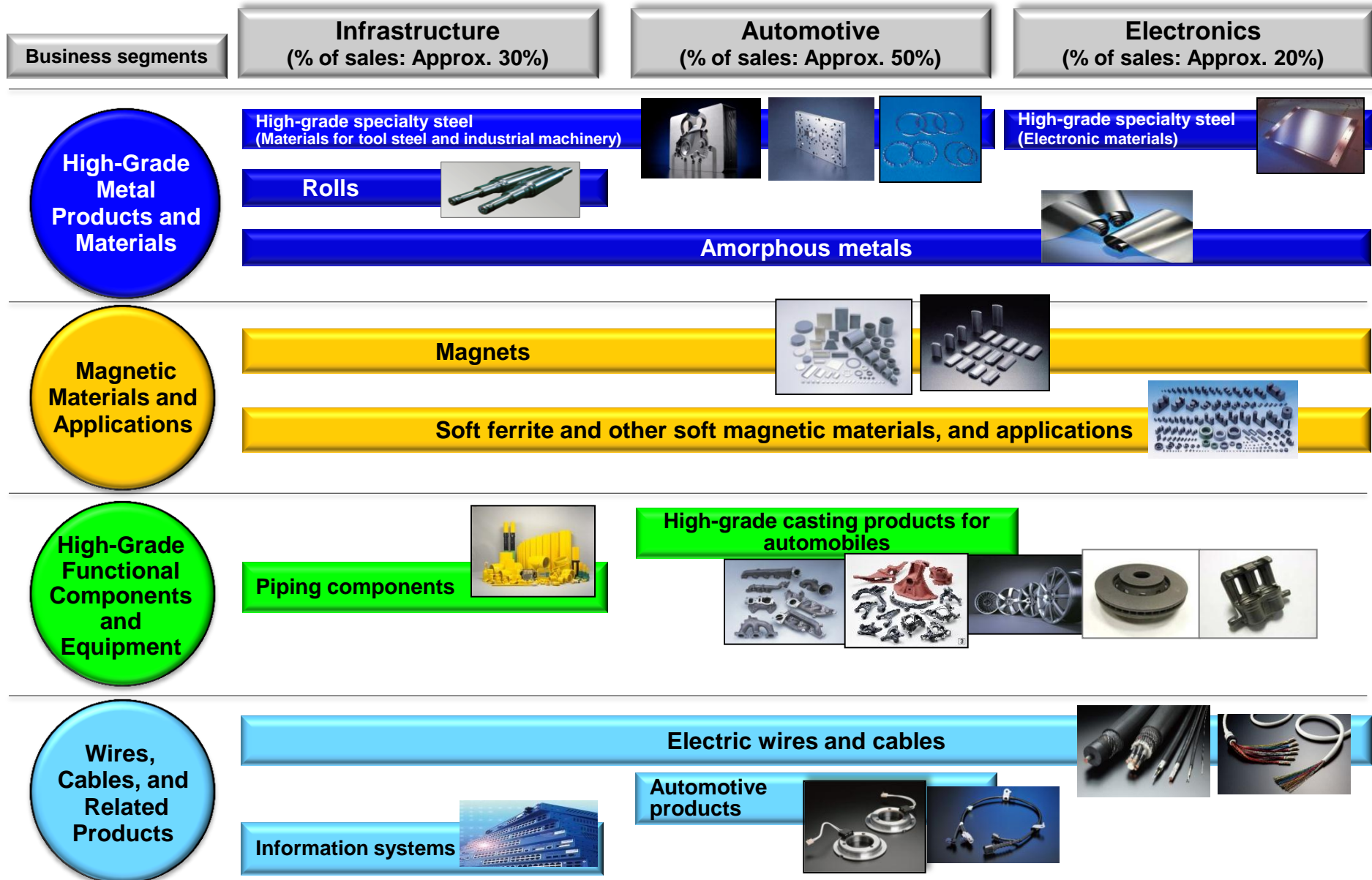
### Accelerate implementation of the growth strategy. Aim for growth in the global market.

- Continuous implementation and harvesting of the growth strategy
  - Strengthen global competitiveness (capital investment, M&A).
  - Upgrade manufacturing.
  - Improve material solutions from the client's perspective (R&D).
  - Adopt global regional strategies.
  - Improve cash efficiency.
- Establish a base that will generate sustained growth.
  - Build a solid business structure.
  - Create an innovative corporate culture.

# **Taking on “Change” and “Challenge” to be a global top-class high-performance materials company**

- **Create an organization and structure that will enable sustained growth.**
- **Shift business to growth markets and strive to be top in the world.**









# (Reference) Hitachi Metals: Description of Business Segments

## Business Segments

## Principal Products

	High-Grade Metals Company	Specialty steel	YSS™ brand high-grade specialty steel products: Molds and tool steel, alloys for electronic products [display-related materials and semiconductor and other packaging materials], materials for industrial equipment [automobile-, aircraft-, and energy-related materials], razor and blade materials, precision cast components
		Rolls	Rolls for steel mills Injection molding machine parts Structural ceramic products Steel-frame joints for construction
		Amorphous metals	Metglas® amorphous metals
	Magnetic Materials Company		Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products) Soft magnetic materials (soft ferrite; FINEMET® nanocrystalline magnetic material and applied products; and Metglas® amorphous metals) and applied products Materials and components for IT devices Materials and components for medical equipment
	High-Grade Functional Components Company	Casting components for automobiles	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 Forged components for automobiles
		Piping components	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)
	Cable Materials Company		Electric wires and cables (electric power and industrial systems, electronic and telecommunication materials, electric equipment materials, and industrial rubber products) Automotive products (electronic components and brake hoses) Information systems (information networks, and wireless systems)

**This document contains forward-looking statements—such as results forecasts and management plans—that are not historical facts. All such forward-looking statements are based upon all available information and upon assumptions and projections that were deemed rational at the time the Company prepared this document. Changes to the underlying assumptions or circumstances could cause the actual results to differ substantially. The factors causing such differences include, but are not limited to, the following:**

- **Changes in economic conditions and regulations in the main markets where the Company operates, particularly Japan, the United States, Asia and Europe**
- **Sudden changes in technological trends**
- **Changes in competitive advantage and the capabilities of the Company and its subsidiaries and affiliates to develop and commercialize new products and businesses**
- **Fluctuations in the status of product markets, exchange rates and international commodity markets**
- **Changes in financing environments**
- **The capability of the Company and its subsidiaries and affiliates to cope with fluctuations in product supply and demand, the status of product markets, exchange rates and international commodity markets**
- **Protection of the Company's intellectual property, and securing of licenses to use the intellectual property of other parties**
- **Changes in the status of alliances with other parties for product development, etc.**
- **Fluctuations in the Japanese stock markets**