



# Consolidated Financial Report [IFRS] for the 9-month period ended December 31, 2016

January 26, 2017

**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 Third Quarter Ended December 31, 2016 (April 1, 2016 to December 31, 2016)

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

	Revenues		Operating Income		Income before Income Taxes		Net Income		Net Income attributable to Shareholders of the Parent Company		Comprehensive Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Dec., 2016	666,536	(13.8)	47,179	(12.9)	47,642	(38.7)	36,123	(35.5)	36,193	(34.9)	41,696	(14.8)
Dec., 2015	772,898	7.9	54,197	(8.0)	77,727	25.8	55,977	14.9	55,583	16.3	48,913	(34.1)

	Earnings per Share attributable to Shareholders of the Parent Company (Basic)	Earnings per Share attributable to Shareholders of the Parent Company (Diluted)
	Yen	Yen
Dec., 2016	84.65	—
Dec., 2015	129.99	—

Note: In order to give a true view of the condition of the business of Hitachi Metals, Ltd. (the "Company") without the effects of business restructuring, adjusted operating income is presented as "operating income" in the table above, wherein said adjusted operating income is the operating income recorded in the condensed interim 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. Operating income in Condensed Interim Consolidated Statement of Comprehensive Income for the nine months ended December 31, 2015 was ¥79,200 million, and the nine months ended December 31, 2016 was ¥49,571 million.

## (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
Dec., 2016	1,033,136	538,117	526,282	50.9	1,230.85
Mar., 2016	1,033,311	504,675	495,865	48.0	1,159.70

## 2. Dividends

	Dividends per Share				
	1Q	2Q	3Q	Term-end	Annual
	Yen	Yen	Yen	Yen	Yen
Mar., 2016	—	13.00	—	13.00	26.00
Mar., 2017	—	13.00	—		
Mar., 2017 (Forecast)				13.00	26.00

Note: Revision of the latest forecasts of results : No

## 3. Business results forecast for the year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

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

	Revenues		Operating Income		Income before Income Taxes		Net Income attributable to Shareholders of the Parent Company		Basic Earnings per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	880,000	(13.5)	67,000	(11.9)	63,000	(34.5)	45,000	(34.8)	105.24

Note: Revision of the latest forecasts of results : No

In order to give a true view of the condition of the Company's business without the effects of business restructuring, adjusted operating income is presented as "operating income" in the table above, wherein said adjusted operating income is the operating income recorded in the condensed interim 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

(1) Changes in major subsidiaries during the period under review: Yes  
Newly included : Hitachi Metals San Huan Magnetic Materials (Nantong) Co., Ltd.  
Excluded : Hitachi Metals Automotive Components USA, LLC

(2) Changes in accounting policies and accounting estimates  
(i) Changes in accounting policies requested by IFRS: None  
(ii) Changes other than those in (i): None  
(iii) Changes in accounting estimates: None

(3) Numbers of shares issued (Common stock)

(i) Number of shares outstanding at end of period

(Including treasury stock)

Dec., 2016	428,904,352	March, 2016	428,904,352
Dec., 2016	1,326,767	March, 2016	1,324,420
Dec., 2016 (3Q)	427,578,988	Dec., 2015 (3Q)	427,584,643

(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 external auditors that are based on Financial Instruments and Exchange Act. The quarterly review procedure has not yet finished at the point of releasing this financial summary.

\*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, 2017, 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 Nine Months Ended December 31, 2016

## (1) Information Regarding Operating Results

During the nine months ended December 31, 2016, the global economy remained on a modest rebound track primarily in advanced countries. The United States had continuous stable economic growth, backed by an increased individual consumption. European economies continued to gradually recover despite weak movements in some indicators used by corporations. Chinese economy showed some signs of a partial rally in the market due to the effects of the government's various economic measures, while economic growth in emerging countries was still stagnant. Amid these situations, the Japanese economy remained unclear along with weak exports and production due to an economic slowdown in emerging countries, despite an upswing in individual consumption due to the improvement in the employment and income environment.

Among the industries in which Hitachi Metals Group (the "Group") operates, the automobile industry experienced a continued slump in sales of light vehicles in the domestic market, and a sign that the strong sales of new vehicles are reaching its peak was seen in the United States. However, sales have increased overall compared with those for the nine months ended December 31, 2016, since demand has increased in Europe and China. Supply and demand of steel continued to experience challenges due to weak global demand affected by the economic slowdown in emerging countries. The number of new housing starts increased both in the United States and Japan. In the electronics industry, while mobile devices in emerging countries suffered from stagnant growth, demand for household appliances increased, mainly in Japan, from October 2016 onward.

Under the business circumstances described above, for the nine months ended December 31, 2016, revenues of the Group decreased by 13.8% to ¥666,536 million and operating income decreased by ¥29,629 million to ¥49,571 million, compared with those for the nine months ended December 31, 2015. These results were influenced by a reduction in raw material prices (a sliding-scale raw material price system), the appreciation of the yen, and a decline in demand. Further, operating income decreased mainly due to a decrease in gross profit and gains on business reorganization and others of ¥30,232 million in other income arising from a transfer of shares equivalent to 51% of the issued shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) to Mitsubishi Materials Corporation as of April 1, 2015, during the nine months ended December 31, 2015. Income before income taxes decreased by ¥30,085 million to ¥47,642 million, and net income attributable to shareholders of the parent company decreased by ¥19,390 million to ¥36,193 million, compared with the same period of the prior year.

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 nine months ended December 31, 2016.

Effective from the three months ended June 30, 2016, the Group changed part of its internal managerial categories of businesses and consolidated subsidiaries related to reportable segments. It also changed treatment for certain corporate general and administrative expenses, such as research expenses and other such expenses, which were previously treated as adjustments, to allocate them to applicable reporting segments based on the budget. Refer to "3. Condensed interim consolidated financial statements, (5) Segment information" for details.

Comparable year-on-year information presented below reflects the above changes to the categories of the reportable segments and treatment for certain corporate general and administrative expenses.

### ***High-Grade Metal Products and Materials***

Revenues in the High-Grade Metal Products and Materials segment for the nine months ended December 31, 2016, were ¥174,002 million, a decrease of 10.4% as compared with those for the nine months ended December 31, 2015. Operating income of the segment decreased by ¥30,781 million to ¥15,907 million for the same period due to the effects of the decrease in revenues as well as gains on business reorganization and others of ¥25,931 million arising from the transfer of shares of Hitachi Tool Engineering, Ltd. (currently named Mitsubishi Hitachi Tool Engineering, Ltd.) during the three months ended June 30, 2015.

#### <Specialty Steel>

Sales of molds and tool steel fell below those for the nine months ended December 31, 2015, due to inventory adjustments of molds and tool steel affected by an economic slowdown mainly in Asia during the three months ended June 30, 2016. In industrial equipment materials, demand for environment-friendly products related to automobiles increased, and sales of other industrial components were strong. Sales of aircraft-related and energy-related materials faced an in-between season of demand. In alloys for electronic products, sales of display-related materials were stagnant.

<Rolls>

On September 1, 2016, the Group discontinued production at Baosteel Hitachi Rolls (Nantong) Ltd. with the objective of concentrating management resources in high value-added products. Additionally, sales of injection molding machine parts were affected by a decline in demand for mobile devices. As a result, sales of rolls as a whole fell year on year.

<Soft Magnetic Materials and Applied Products>

Sales of soft magnetic materials and applied products as a whole fell below those for the nine months ended December 31, 2015, due to a drop in demand in China, despite a gradual increase in demand for the mainstay Metglas® amorphous metals in India.

***Magnetic Materials and Applications***

Revenues in the Magnetic Materials and Applications segment for the nine months ended December 31, 2016, were ¥73,638 million, a decrease of 8.6% as compared with those for the nine months ended December 31, 2015. Operating income of the segment increased by ¥1,484 million to ¥6,399 million for the same period.

<Magnets>

In rare earth magnets, demand for industrial equipment and household appliances remained at the same level as that for the nine months ended December 31, 2015, despite strong demand in automotive electronic components for electric power steering and hybrid automobiles. In ferrite magnets, there was strong demand for automotive electronic components and household appliance parts. However, revenues in the segment fell below those for the nine months ended December 31, 2015, overall due to the effects of the reduction in raw material prices (a sliding-scale raw material price system) and the appreciation of the yen.

***High-Grade Functional Components and Equipment***

Revenues in the High-Grade Functional Components and Equipment segment for the nine months ended December 31, 2016, were ¥242,110 million, a decrease of 12.6% as compared with those for the nine months ended December 31, 2015. Operating income of the segment decreased by ¥5,080 million to ¥11,932 million for the same period.

<Casting Components for Automobiles>

Despite sustained strong demand for casting components for pickup trucks in North America, sales of casting components for automobiles as a whole decreased compared with those for the nine months ended December 31, 2015, due to a decrease in demand for casting components for farming machinery and construction machinery resulting from economic slowdown in emerging countries and sluggish grain and crude oil prices. Sales of heat-resistant exhaust casting components exceeded those for the same period of the prior year due to strong performance in Europe as well as significant sales growth in the United States and Asia. Sales of aluminum wheels fell below those for the same period of the prior year due to a decrease in those shipments as well as the appreciation of the yen.

<Piping Components>

Sales of pipe fittings as a whole fell below those for the nine months ended December 31, 2015, due in part to the effects of the delay in large-scale constructions in Japan, despite a steady increase in demand for housing-related supplies following an increased number of new housing starts both in Japan and overseas.

***Wires, Cables, and Related Products***

In the Wires, Cables, and Related Products segment, the Information System Business, which is comprised of the information network business and wireless antenna business together with all issued shares of Hitachi Cable Networks, Ltd. held by the Company, was transferred for the purpose of renewing the business portfolio as of December 1, 2016. Due partly to the transfer, revenues of the segment for the nine months ended December 31, 2016, were ¥175,896 million, a decrease of 19.8% as compared with those for the nine months ended December 31, 2015. Operating income of the segment increased by ¥3,284 million to ¥14,565 million for the same period due mainly to gains recognized on business reorganization and others of ¥5,074 million resulting from the transfer.

<Electric Wires and Cables>

While revenues from magnet wires and electrical wires and cables for construction decreased, sales of wires and cables for rolling stock, which is one of the focus areas of the Group, grew significantly, especially for China.

<Functional Components>

In automotive products, demand for both electronic components for automobiles and brake hoses was strong. Sales of probe cables for medical use fell below those for the same period of the prior year due to diminished demand in overseas countries.

### **Other**

Revenues in the Other segment for the nine months ended December 31, 2016, were ¥2,204 million, a decrease of 28.8% as compared with those for the nine months ended December 31, 2015. Operating income of the segment increased by ¥218 million to ¥205 million for the same period.

## **(2) Analysis of Financial Condition**

### **a) 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 December 31, 2016, is as follows:

Total assets were ¥1,033,136 million, a decrease of ¥175 million compared with the end of the fiscal year ended March 31, 2016.

Current assets were ¥477,813 million, a decrease of ¥6,042 million compared with the end of the fiscal year ended March 31, 2016. This was mainly attributable to decreases in cash and cash equivalents and trade receivables of ¥3,819 million and ¥3,785 million, respectively. Non-current assets were ¥555,323 million, an increase of ¥5,867 million compared with March 31, 2016.

This was mainly attributable to an increase in property, plant and equipment of ¥12,452 million, despite decreases in goodwill and intangible assets, and investments in securities and other financial assets of ¥3,421 million and ¥984 million, respectively.

Total liabilities were ¥495,019 million, a decrease of ¥33,617 million compared with the end of the fiscal year ended March 31, 2016. This was mainly attributable to a decrease in long-term debt of ¥30,049 million. Total equity was ¥538,117 million, an increase of ¥33,442 million compared with March 31, 2016. This was mainly attributable to increases in retained earnings and accumulated other comprehensive income of ¥25,429 million and ¥4,991 million, respectively.

### **b) Cash flows**

As of December 31, 2016, cash and cash equivalents were ¥116,481 million, a decrease of ¥3,819 million from March 31, 2016, as a result of cash provided by operating activities falling below net cash used in investing activities and financing activities.

The analysis of cash flows for each category as of December 31, 2016, is as follows:

#### **<Cash Flows from Operating Activities>**

Net cash provided by operating activities was ¥43,760 million. This was mainly attributable to the net effect of net income of ¥36,123 million, depreciation and amortization of ¥31,893 million, income taxes paid of ¥12,445 million, and an expenditure of ¥10,795 million due to increases in inventories and other working capital for the nine months ended December 31, 2016.

#### **<Cash Flows from Investing Activities>**

Net cash used in investing activities was ¥26,741 million, which was mainly attributable to the net effect of payment of ¥44,173 million for the purchase of property, plant and equipment and proceeds of ¥18,315 million from the sale of investments in securities and other financial assets.

#### **<Cash Flows from Financing Activities>**

Net cash used in financing activities was ¥22,149 million, which was mainly attributable to repayment of long-term debt of ¥21,218 million.

## **(3) Forecasts for the Fiscal Year Ending March 31, 2017, including Consolidated Operating Forecasts**

The performance for the nine months ended December 31, 2016, resulted in the same level as the forecast, in general. Although the business environment surrounding the Group is under an unpredictable situation over the next three months and onwards, there will be no change to the figures in the operating forecasts for the fiscal year ending March 31, 2017 (April 1, 2016, through March 31, 2017) that were announced on October 27, 2016.

## **2. Matters Relating to Summary Information (Notes)**

### **(1) Changes in Major Subsidiaries during the Nine Months Ended December 31, 2016**

The Company excluded Hitachi Metals Automotive Components USA, LLC from the scope of consolidation for the nine months ended December 31, 2016, as a result of an absorption-type merger in which Waupaca Foundry, Inc., a wholly-owned specified subsidiary of the Company, the surviving company, acquired Hitachi Metals Automotive Components USA, LLC, a wholly-owned specified subsidiary of the Company, the absorbed company.

Also, the Company established and included Hitachi Metals San Huan Magnetic Materials (Nantong) Co., Ltd., as a specified subsidiary of the Company, in the scope of consolidation.

### **(2) Changes in Accounting Policies and Accounting Estimates**

There were no changes in accounting policies and accounting estimates.

### **(3) Additional Information**

(De-integration with Sumitomo Metal Mining Co., Ltd.)

The Company and Sumitomo Metal Mining Co., Ltd. ("SMM") have entered into an agreement for the de-integration of the lead frame and copper product businesses as of September 30, 2016, for the purpose of making prompt management decisions in response to the rapidly changing market environment.

As a result, the Company transferred its 49% interest in SH Materials Co., Ltd., which was a joint venture between the Company and SMM, to SMM in full, SMM transferred its 50% interest in SH Copper Products Co., Ltd. ("SH Copper Products"), which was a joint venture between the Company and SMM, to the Company in full, and SH Copper Products became a wholly owned on January 5, 2017.

The effect of this share transfer/acquisition on operating income is prospected for ¥3.5 to 4 billion.

### 3. Condensed Interim Consolidated Financial Statements

#### (1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	120,300	116,481
Trade receivables	178,281	174,496
Inventories	146,964	148,778
Other current assets	38,310	38,058
Total current assets	483,855	477,813
Non-current assets		
Investments accounted for using the equity method	36,437	35,549
Investments in securities and other financial assets	22,446	21,462
Property, plant and equipment	304,292	316,744
Goodwill and intangible assets	158,915	155,494
Deferred tax assets	12,552	12,454
Other non-current assets	14,814	13,620
Total non-current assets	549,456	555,323
Total assets	1,033,311	1,033,136



(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Short-term debt	25,251	33,729
Current portion of long-term debt	27,131	37,543
Other financial liabilities	26,714	22,032
Trade payables	148,999	143,290
Accrued expenses	38,067	33,856
Advances received	2,426	805
Other current liabilities	8,126	5,583
Total current liabilities	276,714	276,838
Non-current liabilities		
Long-term debt	167,994	137,945
Other financial liabilities	3,482	1,710
Retirement and severance benefits	66,820	64,728
Deferred tax liabilities	7,933	8,169
Other non-current liabilities	5,693	5,629
Total non-current liabilities	251,922	218,181
Total liabilities	528,636	495,019
<b>Equity</b>		
Equity attributable to shareholders of the parent company		
Common stock	26,284	26,284
Capital surplus	115,806	115,806
Retained earnings	336,141	361,570
Accumulated other comprehensive income	18,780	23,771
Treasury stock, at cost	(1,146)	(1,149)
Total equity attributable to shareholders of the parent company	495,865	526,282
Non-controlling interests	8,810	11,835
Total equity	504,675	538,117
Total liabilities and equity	1,033,311	1,033,136

**(2) Condensed Interim Consolidated Statement of Income  
and Condensed Interim Consolidated Statement of Comprehensive Income**  
[ Condensed Interim Consolidated Statement of Income ]  
[ For the nine months ended December 31, 2016 ]

(Millions of yen)

	Note	For the third quarter ended December 31, 2015	For the third quarter ended December 31, 2016
Revenues		772,898	666,536
Cost of sales		(625,625)	(535,387)
Gross profit		147,273	131,149
Selling, general and administrative expenses		(93,076)	(83,970)
Other income		33,839	9,339
Other expenses		(8,836)	(6,947)
Operating income	1	79,200	49,571
Interest income		457	328
Other financial income		333	221
Interest charges		(2,635)	(2,180)
Other financial expenses		(72)	(480)
Share of profits (losses) of investments accounted for using the equity method		444	182
Income before income taxes		77,727	47,642
Income taxes		(21,750)	(11,519)
Net income		55,977	36,123
Net income attributable to:			
Shareholders of the parent company		55,583	36,193
Non-controlling interests		394	(70)
Net income		55,977	36,123
Earnings per share attributable to shareholders of the parent company			
Basic		¥129.99	¥84.65
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 ¥54,197 million and ¥47,179 million for the nine months ended December 31, 2015 and 2016, respectively. Note that adjusted operating income is presented as “operating income” in (1) Operating Results of summary information on the top page.

[ Condensed Interim Consolidated Statement of Comprehensive Income ]

[ For the nine months ended December 31, 2016 ]

(Millions of yen)

	For the third quarter ended December 31, 2015	For the third quarter ended December 31, 2016
Net income	55,977	36,123
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	(773)	66
Share of other comprehensive income of investments accounted for using the equity method	(70)	9
Total items not to be reclassified into net income	<u>(843)</u>	<u>75</u>
Items that can be reclassified into net income		
Foreign currency translation adjustments	(5,939)	4,647
Net change in fair value of cash flow hedges	655	1,276
Share of other comprehensive income of investments accounted for using the equity method	(937)	(425)
Total items that can be reclassified into net income	<u>(6,221)</u>	<u>5,498</u>
Total other comprehensive income	<u>(7,064)</u>	<u>5,573</u>
Comprehensive income	<u>48,913</u>	<u>41,696</u>
Comprehensive income attributable to:		
Shareholders of the parent company	48,769	41,538
Non-controlling interests	144	158
Comprehensive income	<u>48,913</u>	<u>41,696</u>

**(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, 2015	26,284	115,805	277,856	47,519	(1,105)	466,359	9,817	476,176
Changes in equity								
Net income	—	—	55,583	—	—	55,583	394	55,977
Other comprehensive income	—	—	—	(6,814)	—	(6,814)	(250)	(7,064)
Dividends to shareholders of the parent company	—	—	(11,118)	—	—	(11,118)	—	(11,118)
Dividends to non-controlling interests	—	—	—	—	—	—	(270)	(270)
Acquisition of treasury stock	—	—	—	—	(40)	(40)	—	(40)
Sales of treasury stock	—	1	—	—	0	1	—	1
Transactions with non-controlling interests	—	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	271	(271)	—	—	—	—
Total changes in equity	—	1	44,736	(7,085)	(40)	37,612	(126)	37,486
Balance at Dec. 31, 2015	26,284	115,806	322,592	40,434	(1,145)	503,971	9,691	513,662
	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, 2016	26,284	115,806	336,141	18,780	(1,146)	495,865	8,810	504,675
Changes in equity								
Net income	—	—	36,193	—	—	36,193	(70)	36,123
Other comprehensive income	—	—	—	5,345	—	5,345	228	5,573
Dividends to shareholders of the parent company	—	—	(11,118)	—	—	(11,118)	—	(11,118)
Dividends to non-controlling interests	—	—	—	—	—	—	(146)	(146)
Acquisition of treasury stock	—	—	—	—	(3)	(3)	—	(3)
Sales of treasury stock	—	—	—	—	0	0	—	0
Transactions with non-controlling interests	—	—	—	—	—	—	3,013	3,013
Transfer to retained earnings	—	—	354	(354)	—	—	—	—
Total changes in equity	—	—	25,429	4,991	(3)	30,417	3,025	33,442
Balance at Dec. 31, 2016	26,284	115,806	361,570	23,771	(1,149)	526,282	11,835	538,117

**(4) Condensed Interim Consolidated Statement of Cash Flows**

(Millions of yen)

	For the third quarter ended December 31, 2015	For the third quarter ended December 31, 2016
Cash flows from operating activities:		
Net income	55,977	36,123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,098	31,893
Impairment losses	301	745
Share of losses (profits) of investments accounted for using the equity method	(444)	(182)
Financial income and expenses	1,917	2,111
Structural reform expenses	3,039	990
Net loss (gain) on business reorganization and others	(29,841)	(4,309)
Income taxes	21,750	11,519
(Increase) decrease in trade receivables	22,315	1,058
(Increase) decrease in inventories	3,241	(6,905)
(Increase) decrease in accounts receivable - other	1,036	177
Increase (decrease) in trade payables	(18,692)	(4,948)
Increase (decrease) in accrued expenses	(2,858)	(3,093)
Increase (decrease) in retirement and severance benefits	(4,442)	(2,062)
Other	(3,994)	(5,907)
Subtotal	81,403	57,210
Interest and dividends received	1,194	1,808
Interest paid	(3,086)	(2,556)
Payments for structural reforms	(2,922)	(257)
Income taxes paid	(13,541)	(12,445)
Net cash provided by operating activities	63,048	43,760

(Millions of yen)

	For the third quarter ended December 31, 2015	For the third quarter ended December 31, 2016
Cash flows from investing activities:		
Purchase of property, plant and equipment	(40,000)	(44,173)
Purchase of intangible assets	(3,108)	(1,801)
Proceeds from sales of property, plant and equipment	978	1,374
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(1,570)	(525)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	29,581	18,315
Proceeds from transfer of business	1,694	—
Payments for transfer of business	(1,399)	—
Other	4,710	69
Net cash used in investing activities	(9,114)	(26,741)
Cash flows from financing activities:		
Increase (decrease) in short-term debt, net	3,401	7,323
Repayment of long-term debts	(17,543)	(21,218)
Proceeds from payments from non-controlling interests	—	3,013
Dividends paid to shareholders	(11,118)	(11,118)
Dividends paid to non-controlling interests	(270)	(146)
Acquisition of common stock for treasury	(40)	(3)
Proceeds from sales of treasury stock	1	0
Net cash used in financing activities	(25,569)	(22,149)
Effect of exchange rate changes on cash and cash equivalents	(1,667)	1,311
Net increase (decrease) in cash and cash equivalents	26,698	(3,819)
Cash and cash equivalents at the beginning of the first quarter	79,029	120,300
Cash and cash equivalents at the end of the third quarter	105,727	116,481

## (5) Segment Information

### I The primary products and services included in each segment are as follows:

Reportable segment	Major products and services
High-Grade Metal Products and Materials	<ul style="list-style-type: none"> <li>•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)</li> <li>•Rolls for steel mills</li> <li>•Injection molding machine parts</li> <li>•Structural ceramic products</li> <li>•Steel-frame joints for construction</li> <li>•Soft magnetic materials (Metglas® amorphous metals; FINEMET® nanocrystalline magnetic material; and soft ferrite) and applied products</li> </ul>
Magnetic Materials and Applications	<ul style="list-style-type: none"> <li>•Magnets (NEOMAX® rare-earth magnets; ferrite magnets; and other magnets and applied products)</li> <li>•Ceramic components</li> </ul>
High-Grade Functional Components and Equipment	<ul style="list-style-type: none"> <li>•Casting components for automobiles (HNM™ high-grade ductile cast iron products, cast iron products for transportation equipment, and HERCUNITE™ heat-resistant exhaust casting components)</li> <li>•SCUBA™ aluminum wheels and other aluminum components</li> <li>•Forged components for automobiles</li> <li>•Piping and infrastructure components (G™ Gourd brand pipe fittings, stainless steel and plastic piping components, water cooling equipment, precision mass flow control devices, and sealed expansion tanks)</li> </ul>
Wires, Cables, and Related Products	<ul style="list-style-type: none"> <li>•Industrial cables, electronic wires, electric equipment materials, and industrial rubber products</li> <li>•Cable assemblies</li> <li>•Electronic components for automotive, and brake hoses</li> <li>•Wireless systems</li> <li>•APRESIA™ Information networks products</li> </ul>

### II Last consolidated fiscal year (from April 1 to December 31, 2015)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Condensed Interim Consolidated Statement of Income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	193,946	80,567	276,887	219,181	770,581	2,317	772,898	—	772,898
Intersegment transactions	233	15	6	23	277	779	1,056	(1,056)	—
Total revenues	194,179	80,582	276,893	219,204	770,858	3,096	773,954	(1,056)	772,898
Segment profit (loss)	46,688	4,915	17,012	11,281	79,896	(13)	79,883	(683)	79,200
Financial income	—	—	—	—	—	—	—	—	790
Financial expenses	—	—	—	—	—	—	—	—	(2,707)
Share of profits (losses) of investments accounted for using the equity method	—	—	—	—	—	—	—	—	444
Income before income taxes	—	—	—	—	—	—	—	—	77,727

Note: 1. Segment profit (loss) 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 year (from April 1 to December 31, 2016)

(Millions of yen)

	Business Segment					Others	Total	Adjustments	Condensed Interim Consolidated Statement of Income
	High-Grade Metal Products and Materials	Magnetic Materials and Applications	High-Grade Functional Components and Equipment	Wires, Cables, and Related Products	Subtotal				
Revenues									
External customers	173,931	73,633	242,110	175,867	665,541	995	666,536	—	666,536
Intersegment transactions	71	5	—	29	105	1,209	1,314	(1,314)	—
Total revenues	174,002	73,638	242,110	175,896	665,646	2,204	667,850	(1,314)	666,536
Segment profit	15,907	6,399	11,932	14,565	48,803	205	49,008	563	49,571
Financial income	—	—	—	—	—	—	—	—	549
Financial expenses	—	—	—	—	—	—	—	—	(2,660)
Share of profits (losses) of investments accounted for using the equity method	—	—	—	—	—	—	—	—	182
Income before income taxes	—	—	—	—	—	—	—	—	47,642

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.

Effective from the three months ended June 30, 2016, the Group changed part of its internal managerial categories of businesses and consolidated subsidiaries related to reportable segments, aiming for enhanced operational efficiency and further growth of the Soft magnetic materials-related businesses. Accordingly, the Soft magnetic materials and applied products business, which was previously included in the Magnetic Materials and Applications segment, has been aggregated into the High-Grade Metal Products and Materials segment.

In accordance with the change to the internal managerial categories, the Group also changed treatment for certain corporate general and administrative expenses, including research expenses that were previously treated as adjustments, to allocate such expenses to applicable reporting segments based on the budget.

Year-on-year comparable segment information presented below reflects the above changes to the categories of the reportable segments and treatment for certain corporate general and administrative expenses.