



## Summary of Consolidated Financial Results for the Third Quarter ended December 31, 2004

January 28, 2005

Hitachi Maxell, Ltd.

Code No: 6810

(URL <http://www.maxell.com/>)

Representative: Norio Akai (President and Chief Executive Officer)

Contact person: Masaki Kuno (Director of Business Strategy Office)

Telephone: 81-3-3515-8283

### 1. Changes in Preparation Method for Quarterly Business Results

Application of simplified accounting methods:	A simplified method has been applied in some accounts for appropriating reserves.
Changes in accounting methods from the previous term:	None
Changes in scope of consolidation and application of equity methods:	(Excluded) 1
No audit or review by an independent auditor	

### 2. Business results and financial position for period ended December 31, 2004

(April 1, 2004 through December 31, 2004)

#### (1) Operating Results

(Amounts less than ¥1million, except per share amounts, have been omitted)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2004	155,382	(5.4)	4,736	(48.7)	6,206	(36.8)	4,224	(27.5)
December 31, 2003	164,190	(1.6)	9,240	(29.1)	9,819	(24.9)	5,825	(16.0)
(Reference)March 31,2004	212,698	-	11,134	-	12,810	-	7,106	-

	Net income per share		Net income per share (Diluted)	
	Yen	Yen	Yen	Yen
December 31, 2004	42.71	-	-	-
December 31, 2003	58.90	-	-	-
(Reference)March 31,2004	71.52	-	-	-

Note: Percentage change is the ratio of increase or decrease in each item of business results for the period ended December 31,2003

#### (2) Financial Position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2004	287,536	196,636	68.4	1,988.38
December 31, 2003	296,249	194,917	65.8	1,971.01
(Reference)March 31,2004	300,054	195,438	65.1	1,975.94

#### (3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2004	1,108	(1,343)	(1,481)	24,283
December 31, 2003	13,425	(13,498)	(1,967)	24,079
(Reference)March 31,2004	24,255	(21,984)	(2,696)	25,713

### 3. Forecast for business results for the fiscal ending March 31, 2005

(April 1, 2004 through March 31, 2005)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
March 31,2005	199,000	3,900	5,400	3,000	30.34

\*With regard to projections set forth above, please refer to the attached materials on page 3.

#### (Reference) Forecast for non-consolidated business results for the fiscal ending March 31, 2005

	Net sales	Operating income	Ordinary income	Net income	Cash dividends applicable to the year		
					Interim		Full year
					Yen	Yen	Yen
March 31,2005	116,000	700	3,000	1,400	9.50	9.50	19.00

## Appendix

### Overview of Consolidated Business Results

#### **1. Overview of the third quarter (April 1, 2004 - December 31, 2004)**

In the third quarter, net sales declined 5.4% from the same term last year (all comparisons hereafter on same basis) to ¥155,382 million due to a decline in the unit price of information storage media products. Operating income fell 48.7% to ¥4,736 million, attributable to increasing materials costs in addition to lower unit prices, while ordinary income dropped 36.8% to ¥6,206 million. Net income fell 27.5% to ¥4,224 million as a result of ¥4,900 million yen (¥4,400 million on a non-consolidated basis) in gains on the return of the proxy portion of the employee pension fund posted as an extraordinary gain and extraordinary losses including a ¥1,600 million loss on the disposal of inefficient fixed assets with low utilization rates as part of business structural reform costs, as well as a ¥2,700 million provision for loan losses to address concerns over Group companies with low earnings.

Results by business segment for the nine months ending December 31, 2004 are given below.

#### **Information Storage Media**

Strong global demand boosted sales figures for recordable DVD media and increased sales. Sales in the new “Next Keystone” businesses also rose significantly due to the steady performance of camera-lens units for mobile phone applications and RFID systems. However, despite efforts to launch new products such as the LTO Ultrium 3 and expand sales of computer tape, product unit costs fell overall due to severe market competition and sales undercut the previous year’s levels. As a result, the Information Storage Media segment saw an overall drop in sales of 4.5% to ¥81,035 million. The drop in the unit prices of recordable DVD media and computer tape as well as rising materials costs pushed operating income down 73.6% to ¥1,629 million.

#### **Audio-Video Tape**

As a result of falling demand for audio-video tapes, sales fell 16.7% to ¥25,904 million, while operating income declined 8.3% to ¥1,287 million.

#### **Battery and Electric Appliance**

Sales of rechargeable, lithium-ion batteries rose, primarily for mobile phones and mobile devices. In the primary battery business, sales of a new alkaline dry-cell with a recommended use-by date that has been extended from the typical two years to four years—an industry first—helped bolster sales

from October. In micro-batteries, the Company began shipping heat-resistant coin batteries for use in tire puncture sensors. However, primary battery sales declined overall due to severe price competition. As a result of the above factors, the Battery and Electric Appliance sector experienced a 0.4% rise in sales to ¥48,443 million and a 9.3% increase in operating income to ¥1,820 million.

\* LTO Ultrium is a trademark of Certance, Hewlett Packard and IBM in the United States of America and other countries.

## **2. Full Year Outlook (April 1, 2004 – March 31, 2005)**

We announced revisions to our consolidated earnings estimates for the fiscal year ending in March 2005 on December 27, 2004. We predict a 6.4% decline in consolidated net sales compared to the previous year (all comparisons hereafter on same basis) to ¥199,000 million, a 65.0% drop in operating income to ¥3,900 million, a 57.8% fall in ordinary income to ¥5,400 million and a 57.8% drop in net income to ¥3,000 million. On a non-consolidated basis, we anticipate a 4.8% decline in sales to ¥116,000 million, an 84.6% drop in operating income to ¥700 million, a 56.2% fall in ordinary income to ¥3,000 million and a 44.0% drop in net income to ¥1,400 million.

**Consolidated Net Sales and Operating Income(Loss) by Segment**

(Millions of yen)

	Three months ended December 31			Nine months ended December 31		
	2004	2003	Change (%)	2004	2003	Change (%)
Net sales	54,628	57,155	(4.4)	155,382	164,190	(5.4)
Information Storage Media	28,215	29,880	(5.6)	81,035	84,840	(4.5)
Audio-Video Tape	9,522	11,083	(14.1)	25,904	31,090	(16.7)
Battery and Electric Appliance	16,891	16,192	4.3	48,443	48,260	0.4
Operating income	264	3,035	(91.3)	4,736	9,240	(48.7)
Information Storage Media	(886)	1,984	-	1,629	6,172	(73.6)
Audio-Video Tape	624	848	(26.4)	1,287	1,403	(8.3)
Battery and Electric Appliance	526	203	159.1	1,820	1,665	9.3
Ordinary income	468	3,259	(85.6)	6,206	9,819	(36.8)
Net income	742	2,103	(64.7)	4,224	5,825	(27.5)
Exchange rate of \$1	¥105	¥109	-	¥108	¥115	-

**Geographic Segments**

(Millions of yen)

	Three months ended December 31			Nine months ended December 31		
	2004	2003	Change (%)	2004	2003	Change (%)
Net sales (Overseas)	32,634	36,024	(9.4)	95,959	105,331	(8.9)
United States	16,664	17,914	(7.0)	47,724	52,224	(8.6)
Europe	10,038	11,785	(14.8)	29,005	33,827	(14.3)
Asia and Other areas	5,932	6,325	(6.2)	19,230	19,280	(0.3)
Net sales (Domestic)	21,994	21,131	4.1	59,423	58,859	1.0
Net sales	54,628	57,155	(4.4)	155,382	164,190	(5.4)

Note: This document contains forward-looking statements which reflect management's current views and judgements with respect to certain future plans, events and strategies based on currently available information and do not constitute promises, commitments or guarantees. The forward-looking statements involve known and unknown risks and uncertainties that can cause actual results to differ materially from those projected or implied therein. Factor that can cause actual results to differ materially from those projected or implied in the forward looking statements and from historical events include, but are not limited to, future economic trends, competition in the industrial sector in which Maxell operates, market demand, rates of exchange (for the yen and other currencies in which Maxell makes significant sales or in which Maxell's assets and liabilities are denominated), and sociopolitical conditions and circumstances.

**Consolidated Balance Sheets**

Description	Third Quarter of Fiscal 2004 (As of December 31, 2004)		Fiscal 2003 (As of March 31, 2004)		Increase/decrease
	Amount	Composition	Amount	Composition	
	Millions of yen	%	Millions of yen	%	Millions of yen
<b>Current assets</b>	110,428	38.4	119,474	39.8	(9,046)
Cash and time deposits	9,852		13,641		(3,789)
Trade notes and Accounts receivables	42,945		37,845		5,100
Marketable securities	16,139		25,588		(9,449)
Inventories	27,224		29,761		(2,537)
Other current assets	14,268		12,639		1,629
<b>Fixed assets</b>	177,108	61.6	180,580	60.2	(3,472)
Tangible fixed assets	85,673	29.8	84,385	28.1	1,288
Intangible fixed assets	1,961	0.7	2,182	0.7	(221)
Investments and other assets	89,474	31.1	94,013	31.4	(4,539)
<b>Total assets</b>	<b>287,536</b>	<b>100.0</b>	<b>300,054</b>	<b>100.0</b>	<b>(12,518)</b>
<b>Current liabilities</b>	46,985	16.4	52,917	17.7	(5,932)
Trade notes and accounts payables	17,579		19,225		(1,646)
Short-term bank loans	1,887		1,486		401
Other current liabilities	27,519		32,206		(4,687)
<b>Long-term liabilities</b>	43,817	15.2	51,612	17.2	(7,795)
Bonds	30,000		30,000		-
Allowance for retirement benefit	8,852		16,735		(7,883)
Other long-term liabilities	4,965		4,877		88
(Total liabilities)	90,802	31.6	104,529	34.9	(13,727)
Minority interests	98	0.0	87	0.0	11
Common stock	12,203	4.2	12,203	4.1	-
Capital surplus	22,325	7.8	22,325	7.4	0
Retained earnings	170,692	59.4	168,383	56.1	2,309
Net unrealized holding gain on securities	(1,937)	(0.7)	(880)	(0.3)	(1,057)
Foreign currency translation adjustments	(5,584)	(1.9)	(5,529)	(1.8)	(55)
Cost of treasury stock	(1,063)	(0.4)	(1,064)	(0.4)	1
(Total stockholders' equity)	196,636	68.4	195,438	65.1	1,198
<b>Total liabilities, minority interests   and stockholders' equity</b>	<b>287,536</b>	<b>100.0</b>	<b>300,054</b>	<b>100.0</b>	<b>(12,518)</b>

**Consolidated Statements of Income**

Description	Third Quarter of Fiscal 2004 (April 1, 2004 through December 31, 2004)		Third Quarter of Fiscal 2003 (April 1, 2003 through December 31, 2003)		Increase/ decrease	Change
	Amount	Ratio to net sales	Amount	Ratio to net sales		
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	155,382	100.0	164,190	100.0	(8,808)	94.6
Cost of sales	106,805	68.7	106,606	64.9	199	100.2
Gross profit	48,577	31.3	57,584	35.1	(9,007)	84.4
Selling, general and administrative expenses	43,841	28.3	48,344	29.5	(4,503)	90.7
Operating income	4,736	3.0	9,240	5.6	(4,504)	51.3
<b>Other income</b>	3,001	2.0	3,024	1.9	(23)	99.2
Interest and dividend income	1,656		1,723			
Equity in earnings of non-consolidated subsidiaries and affiliates	141		227			
Miscellaneous income	1,204		1,074			
<b>Other expenses</b>	1,531	1.0	2,445	1.5	(914)	62.6
Interest expenses	709		850			
Miscellaneous expenses	822		1,595			
<b>Ordinary income</b>	6,206	4.0	9,819	6.0	(3,613)	63.2
<b>Extraordinary gains</b>	5,503	3.5	642	0.4	4,861	857.2
Gain on sales of fixed assets	17		161			
Gain on sales of investment securities	540		481			
Gain on sales of golf club membership	1		-			
Gain on return of proxy portion of employee pension fund	4,945		-			
<b>Extraordinary losses</b>	4,841	3.1	685	0.4	4,156	706.7
Loss on disposal of fixed assets	1,603		671			
Loss on sales of investment securities	12		2			
Loss on revaluation of investment securities	564		8			
Provision of allowance for bad debts	2,661		-			
Write-down of golf club membership	1		4			
<b>Income before income taxes and minority interest</b>	6,868	4.4	9,776	6.0	(2,908)	70.3
Income taxes - current	2,025	1.3	4,517	2.8	(2,492)	44.8
Income taxes - deferred	606	0.4	(565)	(0.3)	1,171	-
Minority interests	13	0.0	(1)	(0.0)	14	-
<b>Net income</b>	4,224	2.7	5,825	3.5	(1,601)	72.5

**Consolidated Statements of Cash Flows**

Description	Third Quarter of Fiscal 2004 (April 1, 2004 through December 31, 2004)	Third Quarter of Fiscal 2003 (April 1, 2003 through December 31, 2003)
	Amount	Amount
<b>I Cash flows from operating activities</b>	Millions of yen	Millions of yen
Net profit before income taxes and minority interests	6,868	9,776
Depreciation	8,804	8,350
Decrease (increase) in trade notes and accounts receivables	(4,639)	(4,022)
Decrease (increase) in inventories	2,797	(2,118)
Increase (decrease) in trade notes and accounts payables	(2,160)	1,360
Other	(10,562)	79
<b>Net cash provided by (used in) operating activities</b>	<b>1,108</b>	<b>13,425</b>
<b>II Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(12,661)	(10,708)
Net proceeds from sales and purchase of investment securities	11,865	(3,002)
Other	(547)	212
<b>Net cash provided by (used in) investing activities</b>	<b>(1,343)</b>	<b>(13,498)</b>
<b>III Cash flows from financing activities</b>		
Increase (decrease) in debt	397	(107)
Dividends paid to stockholders	(1,879)	(1,878)
Other	1	18
<b>Net cash used in financing activities</b>	<b>(1,481)</b>	<b>(1,967)</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>286</b>	<b>(640)</b>
<b>V Net increase (decrease) in cash and cash equivalents</b>	<b>(1,430)</b>	<b>(2,680)</b>
<b>VI Cash and cash equivalents at beginning of year</b>	<b>25,713</b>	<b>26,151</b>
<b>VII Cash and cash equivalents of initially consolidated subsidiaries at beginning of year</b>	<b>-</b>	<b>608</b>
<b>VIII Cash and cash equivalents at end of year</b>	<b>24,283</b>	<b>24,079</b>