

# **Hitachi Maxell**

# **Consolidated Results**

## **Year Ended March 2006**

April 26, 2006

The Maxell logo is rendered in a bold, red, lowercase sans-serif font. The letters are thick and closely spaced, with a distinctive design for the 'x' and 'e'.

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# 1. Consolidated Results for FY 3/2006

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# Consolidated Results for FY 3/2005

(millions of yen)

	FY 3/2005	FY 3/2006 (change)		Change previous forecast to actual for FY 3/2006
Net sales	201,196	204,131	(+1%)	+1,131
Operating income	4,798	5,592	(+17%)	+592
Ordinary income	6,263	7,264	(+16%)	+764
Net income	1,501	3,235	(+116%)	+835
Capital expenditure	15,200	8,971	(-41%)	-
Depreciation	11,505	10,382	(-10%)	-
R&D costs	9,690	8,269	(-15%)	-
Exchange rate	\$1=¥108 1Euro=¥136	\$1=¥114 1Euro=¥138		

# Factor Analysis for FY 3/2006(year-on-year )

## Change

(FY 3/2005) → (FY 3/2006)

## Factor Analysis

(100 millions of yen)

### ■Sales

**+29**

(2,012 → 2,041)

Volume	+67
Unit price	-92
Exchange rate	+54

### ■Operating income

**+8**

(48 → 56)

Volume	+25
Unit price	-92
Exchange rate	+18
Cost reduction and others	+57

# Segment Information(year-on-year )

**FY 3/2006**

(millions of yen)

	<b>Sales</b> (year-on-year)		<b>Operating income</b> (year-on-year)	
<b>Information Storage Media</b>	<b>112,197</b>	<b>(+6%)</b>	<b>3,214</b>	<b>(+1,890)</b>
<b>Audio-Video Tape</b>	<b>25,110</b>	<b>(-21%)</b>	<b>-269</b>	<b>(-1,457)</b>
<b>Battery and Electric Appliance</b>	<b>66,824</b>	<b>(+5%)</b>	<b>2,647</b>	<b>(+361)</b>
<b>Total</b>	<b>204,131</b>	<b>(+1%)</b>	<b>5,592</b>	<b>(+794)</b>

## **2. Projection of FY 3/2007**

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## Segment Changes and Reasons for Changes

### **1. Material-Device-Electric Appliance Segment Established**

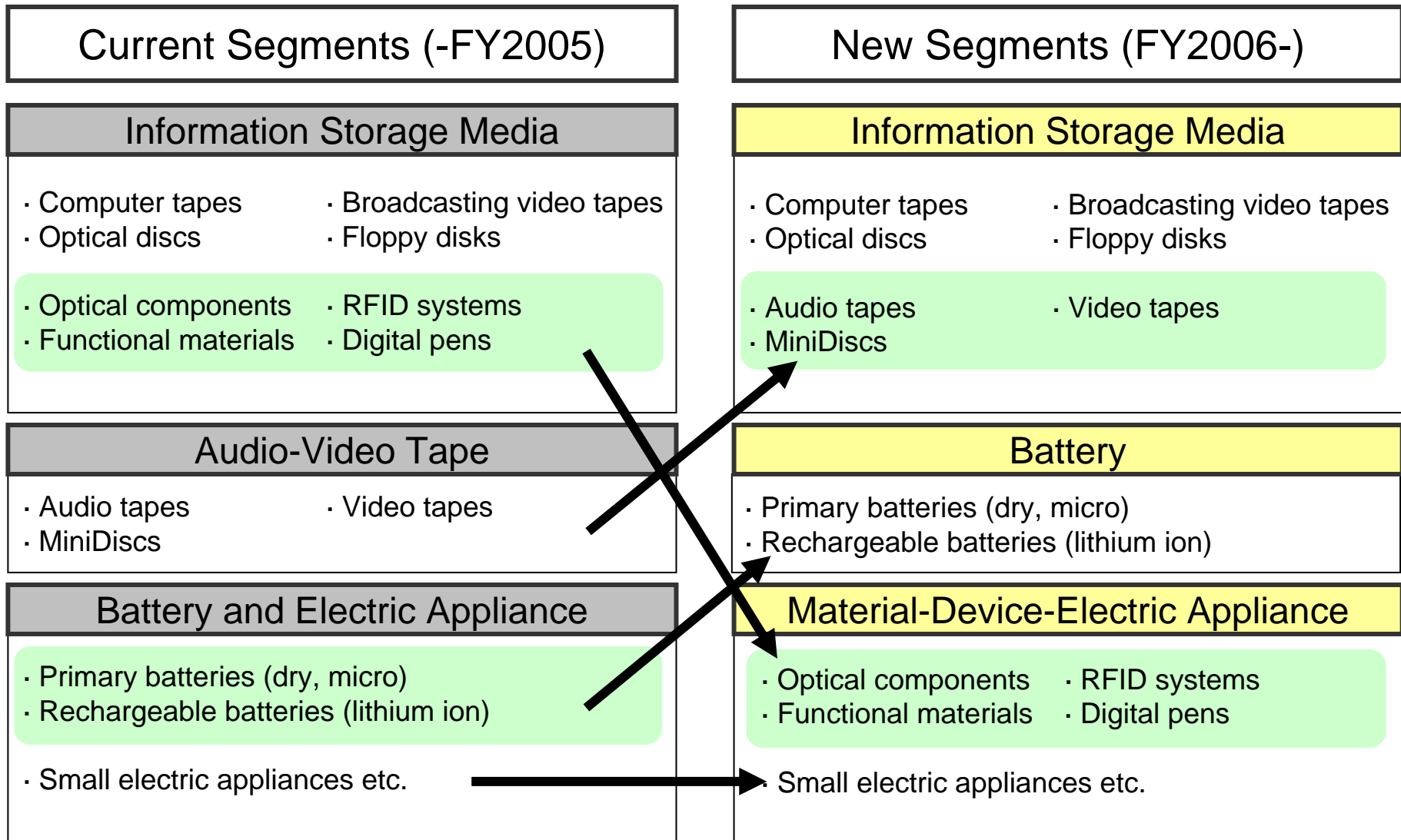
- To position “Optical components” and “Functional materials” as medium-term growth drivers through concentrated allocation of management resources

### **2. “Battery” Segment Established Separately**

- To develop into new markets, to position segment as our core business

### **3. “Audio-Video Tape” Segment Integrated into “Information Storage Media” Segment**

# Overview of New Segments



# Projection of FY 3/2007

(millions of yen)

	FY 3/2006 Results	FY 3/2007 Projected	( year on year)
Net sales	204,131	206,000	(+1%)
Operating income	5,592	5,700	(+2%)
Ordinary income	7,264	6,600	(-9%)
Net income	3,235	3,300	(+2%)
Capital expenditure	8,971	15,600	(+74%)
Depreciation	10,382	11,200	(+8%)
R&D costs	8,269	9,100	(+10%)
Exchange rate	\$1=¥114 1Euro=¥138	\$1=¥110 1Euro =¥132	

# Segment Information

(millions of yen)

	FY 3/2006		FY 3/2007	
	Sales	Operating income	Sales (year on year)	Operating income (year on year)
Information Storage Media	128,407	5,929	121,800 (-5%)	4,300 (-1,629)
Battery	39,692	1,216	44,500 (+12%)	1,400 (+184)
Material-Device-Electric Appliance	36,032	-1,553	39,700 (+10%)	0 (+1,553)
<b>Total</b>	<b>204,131</b>	<b>5,592</b>	<b>206,000 (+1%)</b>	<b>5,700 (+108)</b>

## 3. FY2005 Management Measures

### FY2005 Management Policy

- ✓ Strengthening Management Organization
- ✓ Cultivating and Revitalizing Core Operations
- ✓ Establishing Robust New Businesses Early

# Strengthening Management Organization

Priority Issues	Steps Taken
<b>Strengthening of consolidated management</b>	<ul style="list-style-type: none"><li>■ Integrated IT systems worldwide to enable information sharing</li><li>■ Reorganized in-house systems</li></ul>
<b>Reorganization of operations</b>	<ul style="list-style-type: none"><li>■ Transferred card operations to Maxell Seiki to strengthen RFID systems operations</li><li>■ Merged Tohshin Malaysia with Maxell Malaysia to buttress optical components operations</li><li>■ Ceased MiniDisc production</li></ul>
<b>Reform of development-commercialization process</b>	<ul style="list-style-type: none"><li>■ Limited development themes through selection and concentration</li><li>■ Divided development themes into phases, clearly prioritized commercialization</li></ul>
<b>Bolstering of marketing capabilities Enhancement of marketing efficiency</b>	<ul style="list-style-type: none"><li>■ Strengthened sales organization in China (established Chengdu Office)</li><li>■ Heightened efficiency of sales bases in Japan</li></ul>

# Cultivating and Revitalizing Core Operations

Core Operation	Steps	Results
<b>Computer Tapes</b>	<ul style="list-style-type: none"> <li>■ Developed high-end market</li> <li>■ Bolstered brand sales</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased high-capacity sales</li> <li>■ Introduced IBM3590E</li> </ul>
<b>Optical Discs</b>	<ul style="list-style-type: none"> <li>■ Developed high-quality, attractive products</li> <li>■ Promoted development of next-generation discs</li> </ul>	<ul style="list-style-type: none"> <li>■ Maintained large share of domestic and overseas markets (Japan No.1, U.S. No.2)</li> <li>■ Established technology for mass production of next-generation discs</li> </ul>
<b>Lithium Ion Rechargeable Batteries</b>	<ul style="list-style-type: none"> <li>■ Developed industry-leading high-capacity, high energy density products</li> <li>■ Offered range of sizes and short lead times</li> </ul>	<ul style="list-style-type: none"> <li>■ Shipment volumes increased due to new customers acquisition</li> </ul>
<b>Primary Batteries</b>	<ul style="list-style-type: none"> <li>■ Strengthened sales through high-performance alkaline dry batteries “Dynamic” and “Epsialpha”</li> <li>■ Extended sales of high-value-added micro batteries</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased domestic market share for alkaline dry batteries</li> <li>■ Opened new fields for micro batteries such as automotive and medical care applications</li> </ul>

# Establishing Robust New Businesses Early

New Business	Results of Initiatives
<b>Optical Components</b>	<ul style="list-style-type: none"><li>■ Grew sales of high-resolution camera lenses, multi-compatible pick-up lenses</li><li>■ Diversified uses of micro cameras from cellular telephones to vehicle-mounted and monitoring camera applications</li></ul>
<b>Functional Materials</b>	<ul style="list-style-type: none"><li>■ Developed of films for flat panel displays, started shipments</li></ul>
<b>RFID Systems</b>	<ul style="list-style-type: none"><li>■ Expanded amusement-related products</li><li>■ Improved coherence by integrating card operations</li></ul>
<b>Digital Pens</b>	<ul style="list-style-type: none"><li>■ Expanded market to fields of logistics, education, medical care, and public utilities</li></ul>

Note: This document contains forward-looking statements which reflect management's current views and judgments 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.

# Appendix : Major Business Lines

<b>Segment</b>	<b>Main Products</b>
<b>Information Storage Media</b>	Computer Tapes, Broadcasting Video Tapes, DVD Discs, DVD Discs Compatible with Blue-light Lasers, CD Discs, MO Disks, Floppy Disks, MiniDiscs, Audio Tapes, Video Tapes
<b>Battery</b>	Lithium Ion Rechargeable Batteries, Dry Batteries, Coin-Type Lithium Manganese Dioxide Rechargeable Batteries, Silver Oxide Batteries, Manganese Lithium Batteries
<b>Material-Device-Electric Appliance</b>	Optical Components, Functional Materials, Small Electric Appliances, Electroforming/Precision Components, Metal/Plastic Molded Products, Labels and Cards for Printers, etc.