

Hitachi Maxell Consolidated Financial Results for the Third Quarter of FY 2008

(April 1, 2008 - December 31, 2008)

January 30, 2009

The Maxell logo is displayed 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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1-1. Consolidated Financial Results for 3Q/FY2008

(three-months period)

(millions of yen)

	3Q/FY07	3Q/FY08	change
Net sales	58,145	42,406	-27.1%
Operating income	1,976	593	-70.0%
Ordinary income (loss)	2,683	-1,056	-
Net income (loss)	1,381	-16,628	-
Capital expenditure	2,870	1,215	-57.7%
Depreciation	3,448	2,804	-18.7%
R&D expenses	2,573	1,975	-23.2%
Exchange rate	\$1 =¥ 113 €1 =¥ 165	\$1 =¥ 95 €1 =¥ 126	

1-2. Factor Analysis (year-on-year)

Change

(3Q/FY07 → 3Q/FY08 : three-months period)

■ Net sales

-15.7

(58.1 → 42.4)

■ Operating income

-1.4

(2.0 → 0.6)

Factor Analysis

(billions of yen)

Volume	-8.9
Unit price	-1.6
Exchange rate	-5.2

Volume	-2.1
Unit price	-1.6
Exchange rate	-0.8
Cost reduction and others	+3.1

1-3. Consolidated Financial Results for 3Q/FY2008

(nine-months period)

(millions of yen)

	3Q/FY07	3Q/FY08	Change
Net sales	159,945	140,731	-12.0%
Operating income	4,494	2,986	-33.6%
Ordinary income	5,092	2,754	-45.9%
Extraordinary gains	493	921	+86.8%
Extraordinary losses	1,767	10,208	+477.7%
Income (loss) before tax	3,818	-6,533	-
Net income (loss)	1,745	-17,571	-

1-3. Consolidated Financial Results for 3Q/FY2008

(nine-months period)

(millions of yen)

	3Q/FY07	3Q/FY08	Change
Capital expenditure	9,644	10,038	+4.1%
Depreciation	8,531	7,823	-8.3%
R&D expenses	7,168	6,238	-13.0%
Exchange rate	\$1 =¥117 €1 =¥164	\$1 =¥102 €1 =¥150	

1-4. Factor Analysis (year-on-year)

Change

(3Q/FY07 → 3Q/FY08: nine-months period)

Factor Analysis

(billions of yen)

■ Net sales

-19.2

(159.9 → 140.7)

Volume **-2.6**

Unit price **-5.4**

Exchange rate **-11.2**

■ Operating income

-1.5

(4.5 → 3.0)

Volume **-1.0**

Unit price **-5.4**

Exchange rate **-2.5**

**Cost reduction
and others** **+7.4**

1-5. Segment Information (year-on-year)

	Net sales		Operating income (loss)	
	3Q/FY07	3Q/FY08 (change)	3Q/FY07	3Q/FY08 (change)
Information Storage Media	28,565	17,995 (-37.0%)	1,397	1,004 (-393)
Battery	14,899	12,362 (-17.0%)	900	46 (-854)
Material-Device-Electronic Appliance	14,681	12,049 (-17.9%)	-321	-457 (-136)
Total	58,145	42,406 (-27.1%)	1,976	593 (-1,383)

1-6. 3Q Segment Information (quarter-on-quarter)

(millions of yen)

	Net sales		Operating income (loss)	
	2Q/FY08	3Q/FY08 (change)	2Q/FY08	3Q/FY08 (change)
Information Storage Media	20,379	17,995 (-11.7%)	876	1,004 (+128)
Battery	15,228	12,362 (-18.8%)	399	46 (-353)
Material-Device-Electronic Appliance	13,353	12,049 (-9.8%)	-218	-457 (-239)
Total	48,960	42,406 (-13.4%)	1,057	593 (-464)

2. Topics

2-1. Depression of the Global Market Condition

2-2. Urgent Measures for Business Improvement

2-1. Depression of the Global Market Condition

Three Priority Businesses

Battery

- **Rechargeable Batteries :**
 - decreased sales of large cellular phone makers
 - decreased utilization of PND production lines
 - slumped electric tool market in North America, Europe and Asia
- **Primary Batteries :** significantly dropped sales of new cars in North America

Optical Components

- **Pickup Lenses :** decreased sales of PCs with optical disc drives
- **Camera Lens Units :** demand dropped by inventory adjustment of cellular phone makers

Functional Materials

- **Functional Films :** lower demand by market slowdown of PDP market

Core Businesses

Information Storage Media

- **Computer Tapes :** falling price by fiercer competition, exchange fluctuation
- **Broadcasting Video Tapes :** demand dropped by cost reduction of broadcasting stations
- **Optical Discs :** falling price, slowdown of personal consumption

2-2. Urgent Measures for Business Improvement

< Offensive Measures >

I. Further accumulating of sales volume

- ◆ expanding market share of products for major customers

II. Enhancement of “Monozukuri” manufacturing capabilities

- ◆ improving productivity of current production lines, which can lead to lower new capital investment

III. Early launch of new products

- ◆ productization assist by R&D staffs

< Defensive Measures >

I. Rigorous cost reduction and improvement of operational efficiency

- ◆ implementing cost reduction through all businesses process, from order receipt, “Monozukuri” manufacturing, to selling

II. Reduction of fixed cost without allowing a sanctuary

- ◆ adjusting appropriate manpower scale and personnel positioning & executed temporary shutdown
- ◆ drastic reduction of expenses

3. Projection for FY2008

3-1. Revision of Business Projection for FY2008

3-2. Factor Analysis (Comparison with the previous projection)

3-3. Revision of Segment Information

3-4. Measures to Become Profitable in FY2009

3-1. Revision of Business Projection for FY2008

(millions of yen)	Projection in Oct. (A)	Projection in Jan. (B)	year-on-year	(B)-(A)
Net sales	200,000	170,000	-18.8%	-30,000
Operating income (loss)	3,500	-3,300	-	-6,800
Ordinary income (loss)	5,200	-3,600	-	-8,800
Net income (loss)	-800	-24,700	-	-23,900
Capital expenditure	22,000	14,000	+12.4%	-
Depreciation	12,000	10,500	-5.6%	-
R&D expenses	10,000	8,000	-14.1%	-
Exchange rate	\$1 =¥103 €1 =¥149	\$1 =¥ 98 €1 =¥139		

3-2. Factor Analysis (Comparison with the previous projection)

Change

(Projection in Oct. → Projection in Jan.)

Factor Analysis

(billions of yen)

■ Net sales

-30.0

(200.0 → 170.0)

Volume -25.2

Unit price -0.8

Exchange rate -4.0

■ Operating income (loss)

-6.8

(3.5 → -3.3)

Volume -7.1

Unit price -0.8

Exchange rate -0.5

**Cost reduction
and others +1.6**

3-3. Revision of Segment information

(millions of yen)

	Net sales (change)	Operating income (loss) (change)	Comparison with the previous projection	
			Net sales	Operating income (loss)
Information Storage Media	74,000 (-30.1%)	900 (-78.2%)	-10,000	-1,800
Battery	48,000 (-12.1%)	-1,800 (-)	-14,000	-3,100
Material- Device- Electronic Appliance	48,000 (-1.7%)	-2,400 (-)	-6,000	-1,900
Total	170,000 (-18.8%)	-3,300 (-)	-30,000	-6,800

3-4. Measures to Become Profitable in FY2009

To be profitable company by conquering depression

Further acceleration of strong business : boost-up of battery business

- ◆ focusing our resources on battery business
- ◆ cultivation of new markets and accelerating R&D of new products in both of rechargeable battery and primary battery businesses
- ◆ acquiring new big customers

More speedy action : drastic business structure reform

- ◆ enhancing and streamlining Optical Component business by site integration
- ◆ reinforcing new product region and cultivating new markets of Slientec Corporation
- ◆ enhancing Maxell group sales system
- ◆ making suitable organization and manpower for our company size

Revolution of our mindset : thoroughly sharing crisis consciousness

- ◆ challenging brightly and positively with correct recognition of current situation

Reference : Major Business Lines

Segment	Main Products
Information Storage Media	Computer tapes, Broadcasting video tapes, Blu-ray Discs, DVDs, CDs, Audio tapes, Video tapes
Battery	Lithium ion rechargeable batteries, Coin-type lithium rechargeable batteries, Silver oxide batteries, Lithium ion primary batteries, Alkaline dry batteries
Material-Device-Electronic Appliance	Optical components, Functional materials, Adhesive tapes, RFID systems, Small electric appliances, Electroforming/precision components, Metal/plastic molded products, etc.

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.

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