



## Summary of Consolidated Financial Results for the Year ended March 31, 2006

April 26, 2006

Hitachi Maxell, Ltd. (URL <a href="http://www.maxell.com/">http://www.maxell.com/</a> ) Representative: Contact person: Phone: Meeting of the Board of Directors for Approval Results: Parent Company: Shareholder voting rights (including subsidiaries of Hitachi, Ltd.): U.S.GAAP:	Stock Code: 6810  Yoshito Tsunoda (President and Chief Executive Officer) Yoshiyuki Kasuga (Department Manager of Legal & Corporate Communication Dept.) +81-3-3515-8283  April 25, 2006 Hitachi, Ltd. (Stock Code: 6501)  53.6 %  Not Applicable
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### 1. Business Results and Financial Position for the period ended March 31, 2006 (April 1, 2005 through March 31, 2006)

(1) Operating Results (Amounts less than ¥1 million have been rounded down)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2006	204,131	1.5	5,592	16.5	7,264	16.0	3,235	115.5
March 31, 2005	201,196	(5.4)	4,798	(56.9)	6,263	(51.1)	1,501	(78.9)

	Net income per share	Net income per share (Diluted)	ROE	Ordinary income to total assets	Ordinary income to net sales
	Yen	Yen	%	%	%
March 31, 2006	33.34	-	1.7	2.6	3.6
March 31, 2005	14.98	-	0.8	2.2	3.1

Note: 1. Equity in earnings of affiliates: March 31, 2006 ¥130 million; March 31, 2005 ¥183 million

2. Average number of shares outstanding during the period (Consolidated): March 31, 2006 95,998,366 shares; March 31, 2005 98,336,948 shares

3. Change in accounting policies: No

4. Percentage change is the ratio of increase or decrease in each item of business results compared with prior period.

### (2) Financial Position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2006	286,208	193,208	67.5	2,012.22
March 31, 2005	280,718	190,511	67.9	1,984.37

Note: Number of shares issued and outstanding: March 31, 2006 96,000,643 shares; March 31, 2005 95,992,140 shares

### (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
March 31, 2006	19,230	3,859	(1,677)	44,676
March 31, 2005	8,879	(6,322)	(6,007)	22,469

### (4) Scope of Consolidation and Application of Equity Method:

Consolidated subsidiaries: 21; Subsidiaries under equity method: 9; Affiliates under equity method: 2

### (5) Changes in Scope of Consolidation and Application of Equity Method:

Consolidation: Increase - company; Decrease - company Equity method: Increase - company; Decrease 2 company

## 2. Forecast for business results for the fiscal ending March 31, 2007

(April 1, 2006 through March 31, 2007)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim	100,000	2,100	2,600	1,000
Full year	206,000	5,700	6,600	3,300

Note: Projected net income per share (consolidated) ¥34.37

\*With regard to projections set forth above, please refer to the attached materials on page 8.

# **1.Management Policies**

## **(1) Basic Management Policy**

The Hitachi Maxell Group is committed to its formative philosophy advocating harmony and concord and calling on employees to work with heart and soul, and to be of service to society. We encourage our employees to be proud members of the Hitachi Maxell Group and to contribute to society through the development of outstanding and unique technology and products. At the same time, the Group is aware that a corporation is itself a member of society and, besides ensuring that its conduct is fair and transparent, seeks, as a good corporate citizen, to contribute to the creation of a truly rich society by working in harmony with the environment and by engaging in corporate citizenship activities. In addition, the Group strives to increase corporate value by implementing management strategies from the standpoint of the stockholders, investors, customers, employees, and all the other stakeholders in the Hitachi Maxell Group.

## **(2) Basic Profit Distribution Policy**

Our main guiding policy is to return profits to our shareholders on an ongoing basis and in a stable and appropriate manner. Our basic policy is to pay dividends that reflect performance, in light of a comprehensive consideration of various factors including our financial position and forward-looking investment. Internal reserves are appropriated for research and development, investment in new business areas, investment in areas such as mergers and acquisitions, facilities and equipment to increase production and improve operational efficiency, and aggressive improvement of IT.

## **(3) Policy on Lowering of Investment Unit**

The Company lowered its stock investment unit from 1,000 shares to 100 shares in August, 2002. We recognize that enhancing liquidity in the stock market and increasing our base of individual investors is an important issue for ongoing management consideration.

## **(4) The Company's Targeted Management Benchmarks and Medium-to-Long-Term Strategy**

The Group has been implementing a medium-term management plan that started from the year ended March 2005 and finishes in the year ending March 2007. However, although we have steadily implemented structural reforms and established the foundations for a recovery in performance, the attainment of medium-term management goals has become challenging due to rapid changes in the Group's operating environment and delay in responding to those changes. Having resolved to address those issues directly, we are taking on the challenge of a new medium-term management plan with three main focuses: "Innovation and Speed," "Selection and Concentration," and "Revolutionizing Our Mind-Set."

The overriding vision of the new medium-term management plan is "Change for Growth," which aims to evolve

Maxell into a group with greater growth potential and to further pursue growth in scale and profitability moving toward the year ending March 2011—the 50th anniversary of Maxell’s foundation. Aiming to realize that vision, our action plan is founded on “Reconstructing and Newly Developing Core Operations,” “Establishing Robust New Businesses Early, and Acquiring New Technology for the Future,” and “Bolstering and Exploiting Our Organizational Strength” Through those efforts we aim to achieve net sales of ¥250,000 million, operating income of ¥15,000 million, and ROE of 5% or higher in the fiscal year ending March 2009.

Specific measures that we will implement to realize the new medium-term management plan targets are as follows.

■**“Innovation and Speed”: “Reconstructing and Newly Developing Core Operations”**

The Group will reconstruct and newly develop its core operations by leveraging its “Manufacturing Strength” and “Brand Power” for the forward development of next-generation technology and the cultivation of new markets. At the same time, applying “Innovation and Speed,” the Company will take uncompromising steps to reduce process costs, to reform business models, and to bolster marketing through the further strengthening of brand power and other initiatives.

■**“Selection and Concentration”: “Establishing Robust New Businesses Early, Acquiring New Technology for the Future”**

We aim to bring forward the commercialization of prospective businesses and build a new portfolio. Among the businesses that we have nurtured to date, we will focus the allocation of management resources on “Optical components” and “Functional materials.” We will accelerate commercialization by narrowing down current develop themes, and we will formulate new themes.

■**“Revolutionizing Our Mind-Set”: “Bolstering and Exploiting Our Organizational Strength”**

We believe that a robust organizational structure is indispensable to the implementation of management strategies. We are currently in the midst of changing attitudes through a “Revitalize and Innovate Initiative” in which all employees are participating. However, we will step up measures aimed at “Revolutionizing Our Mind-Set” and enhancing our organizational strength to realize the steady implementation of management strategies.

**(5) Issues that the Company Should Address**

Issues that the Group should address in order to implement medium-to-long-term management strategies are as follows.

■**Strengthening of Personnel Training**

We recognize that personnel utilization within an organization is one of the most important issues in corporate management. We will pursue effective personnel utilization and efficient personnel deployment that reflects changes in the operating environment. At the same time, our goal is to create a lively dynamic company through the establishment of an equitable and transparent personnel evaluation system and the globalization of our organization and workforce.

**■Corporate Management with Awareness of Corporate Social Responsibility**

We recognize that enhancing corporate value based on an awareness of social responsibility is one of the most important facets of corporate management. With a view to being a corporate group that earns the trust of all of its stakeholders, we conduct environmental management seeking to construct a resource-recycling society that is sustainable and environment-friendly while actively participating in social contribution activities aimed at harmonious coexistence with local communities. Moreover, we are working to develop internal control systems through the reinforcement of our risk management system and the uncompromising pursuit of management compliance.

## 2. Business Performance and Financial Status

### (1) Business Performance

#### 1) Overview

In economies worldwide in the fiscal year under review, ended March 31, 2006, the U.S. economy performed favorably on the back of capital investment and housing investment, despite the impact of hikes in crude oil prices. Overall, Europe was lackluster due to low internal demand. In Asia, although exports to the United States were flat, external demand accelerated economic recovery. Meanwhile, Japan saw expansion of its economic recovery thanks to favorable domestic demand in such areas as capital investment and consumer spending.

The Group faced a challenging operating environment. The impact of falling product prices and higher raw material costs due to hikes in crude oil prices counteracted expansion of the market for digital consumer electronics and a weakening of the yen.

Faced with those conditions, the Company sought to achieve performance recovery by forcefully undertaking structural reform. As a result, the Company posted a 1.5% increase in net sales from the previous fiscal year, to ¥204,131 million (hereafter all comparisons are with the previous fiscal year). Due to the capacity utilization effect accompanying the increase in net sales and to efforts to reduce process costs, the Company recorded increases of 16.5% in operating income, to ¥5,592 million; 16.0% in ordinary income, to ¥7,264 million; and 115.5% in net income, to ¥3,235 million. Further, as part of the aggressive operational restructuring that we are currently implementing, we decided to stop production of Mini Discs—an area that had low profitability. Impairment loss stemming from that withdrawal was recorded in extraordinary losses for the fiscal year. Consequently, net income per share was 33.34 yen. The average exchange rate for the year was 114 yen to the dollar.

Performance by segment was as follows.

#### **Information Storage Media**

In computer tapes, sales volumes of large-storage-capacity products were favorable. In recordable DVDS, we marketed high-quality attractive new products such as the “Easy select” series and the “Wide ultra white label” series while capitalizing on our brand power to bolster sales. As a consequence, sales volumes increased favorably worldwide. In new businesses, optical components performed well due to increased sales of such offerings as pickup lenses for optical disks and camera lens units with high-resolution picture quality and advanced functionality. As a result, overall Information Storage Media sales rose 6.4%, to ¥112,197 million. The capacity utilization effect that accompanied higher shipments, a better product mix, and initiatives to curb process costs enabled the segment to shrug off the influence of falling product prices and soaring raw material costs. Therefore, segment operating income jumped 142.7%, to ¥3,214 million.

### **Audio-Video Tape**

We sought to shift toward high-value-added lineups such as video camera tape, to develop products reflecting customer demand, and to draw on our brand power to develop sales worldwide. However, because the market as a whole is shrinking, Audio-Video Tape registered a 21.5% decline in overall sales, to ¥25,110 million, and an operating loss of ¥269 million, compared with operating income of ¥1,457 million in the previous fiscal year.

### **Battery and Electric Appliance**

In rechargeable batteries, high-capacity prismatic lithium ion rechargeable batteries—an area in which the Group boasts particular expertise—sold briskly for cellular telephone applications. In primary batteries, falling market prices impacted alkaline dry batteries. However, new products, including the New “Epsialpha,” which uses fine zinc particles, and New “Dynamic,” which achieved a five-year recommended usage expiration (Japan Industrial Standards), performed strongly. Sales of micro batteries were upbeat due to the full-fledged start of shipments of heat-resistant coin-type lithium batteries and to increased sales of environment friendly, zero-mercury, zero-lead silver oxide batteries. Consequently, overall Battery and Electric Appliance sales rose 4.8%, to ¥66,824 million. Operating income was up 15.8%, to ¥2,647 million, because the capacity usage effect accompanying increased sales and endeavors to streamline process costs offset the impact of higher raw materials costs.

## **2) Outlook**

Looking at short-term economic trends, economies worldwide are expected to continue steady growth. However, higher raw materials costs stemming from hikes in crude oil prices, falling product prices due to intensified competition, and fluctuations in exchange rate trends are forecast. In light of such factors, the Group will likely face an operating environment that will require ongoing monitoring.

Against that backdrop, for the full fiscal year ending March 2007, the first year of the our new medium-term management plan, we project net sales of ¥206,000 million, operating income of ¥5,700 million, ordinary income of ¥6,600 million, and net income of ¥3,300 million. We assume an exchange rate of 110 yen to the dollar (actual exchange rate in previous fiscal year: 114 yen to the dollar ).

Further, effective from the current fiscal year, ending March 2007, we have changed our operational segments. The main segmental changes are as follows.

#### **“Material-Device-Electric Appliance” segment newly established**

We will concentrate management resources on “Optical components” and “Functional materials” as medium-term growth drivers.

#### **“Battery” segment established independently**

We will position battery operations as the core of our business and develop new markets

#### **“Audio-Video Tape” segment integrated into the “Information Storage Media” segment**

**(Projected performance based on new segments)**

(Millions of yen)

New Segment	FY 3/ 2006		FY 3/ 2007				Main Products
	Net sales	Operating income	Net sales	Change (%)	Operating income	Increase/ decrease	
<b>Information Storage Media</b>	128,407	5,929	121,800	(5.1)	4,300	(1,629)	Computer tapes, broadcasting video tapes, recordable DVDs, audio-video tape
<b>Battery</b>	39,692	1,216	44,500	12.1	1,400	184	lithium ion rechargeable batteries, micro batteries, alkaline dry batteries
<b>Material-Device-Electric Appliance</b>	36,032	(1,553)	39,700	10.2	0	1,553	optical components, functional materials, RFID systems, small electric appliances, electroforming / precision components, metal / plastic molded products
<b>Total</b>	<b>204,131</b>	<b>5,592</b>	<b>206,000</b>	<b>0.9</b>	<b>5,700</b>	<b>108</b>	

Note: Segment results for the fiscal year ended March 2006 have been calculated using the new segment classifications.

## (2) Financial Position

### Overview

Cash and cash equivalents at end of year (“cash”) amounted to ¥44,676 million, an increase of ¥22,207 million from the previous fiscal year-end that was attributable to net cash provided by operating activities of ¥19,230 million and net cash provided by investment activities of ¥3,859 million, which offset net cash used in financing activities of ¥1,677 million.

### Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥19,230 million at fiscal year-end, which was principally associated with net profit before income taxes and minority interests of ¥5,860 million, depreciation of ¥10,382 million, and decrease in inventories of ¥2,723 million.

### Cash Flows from Investing Activities

Net cash provided by investment activities amounted to ¥3,859 million at fiscal year-end, mainly related to proceeds from sales of marketable securities and proceeds from sales of investment securities of ¥36,902 million, which counteracted purchase of tangible fixed assets of ¥8,483 million and purchase of marketable securities and purchase of investment securities totaling ¥24,853 million.

### Cash Flows from Financing Activities

Net cash used in financing activities stood at ¥1,677 million at fiscal year-end, primarily comprising dividends paid to stockholders of ¥1,824 million.

Trends in the Group’s cash flow indices are as follows:

	FY 3/2002	FY 3/2003	FY 3/2004	FY 3/2005	FY 3/2006
Shareholders’ equity rate (%)	64.7	66.6	65.1	67.9	67.5
Shareholders’ equity rate at market value (%)	57.1	61.0	53.3	49.2	65.3
Years to debt redemption (year)	1.4	1.2	1.3	3.6	1.7
Interest coverage ratio	19.4	25.3	22.1	9.0	19.8

Shareholders' equity rate: shareholders' equity/total assets

Shareholders’ equity rate at market value: market capitalization/total assets

Years to debt redemption: interest-bearing debt/operating cash flow

Interest coverage ratio: operating cash flow/interest payments

Note:

\* All indices are calculated on a consolidated basis.

\* Market capitalization is final share price times number of shares outstanding as of the end of the period.

\* Cash flows from operating activities uses data from the Consolidated Statements of Cash Flows cash flows from operating activities section. Interest-bearing debt is all debt on the Consolidated Balance Sheet that is interest bearing. Interest payments are the payments of interest on the Consolidated Statement of Cash Flows.

### **(3) Risks**

The principal risks that could affect the Group's performance are as follows. The following risk items represent our assessment as at the end of the fiscal year under review.

#### **Impact of Fluctuation in Foreign Exchange Markets**

The Maxell Group conducts operations worldwide, with overseas sales representing a substantial portion of its total sales. Overseas sales account for more than 60% of total consolidated sales, with the U.S. market generating approximately 30% of total sales. The Group hedges against risks associated with foreign currency exchange rate fluctuations through such measures as adjusting the balance of export and import trading denominated in foreign currencies. However, currency exchange rate volatility could affect the Group's performance.

#### **Impact of Market Competition**

The Group manufactures and sells information storage media, audio tapes and video tapes, and batteries as well as electric appliances compatible with those products. The competitive environment in the markets for those products changes constantly. Such factors as falling prices resulting from intensified competition could have an adverse impact on the Group's performance.

#### **Impact of Changes Material Costs**

Many of the Group's products use petrochemicals as raw materials, while certain products use scarce raw materials. The Group takes such measures as the development of products that use raw materials for which stable supplies can be obtained. Nevertheless, increase in raw material costs stemming from such causes as hikes in crude oil prices and speculative trading could affect the Group's performance.

#### **Impact of Disasters**

The Group manufactures and markets products worldwide. Stagnation of Group marketing activities or damage to production and other facilities resulting from natural disasters, such as earthquakes or floods; fires; wars; and terrorist incidents or riots could affect the Group's performance.

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, market demand, rates of exchange, and sociopolitical conditions and circumstances.

## Consolidated Results and Forecast

Millions of yen

	FY 3/ 2007 Forecast	Change (%)	FY 3/ 2006	Change (%)	FY 3/ 2005
Net sales	206,000	0.9	204,131	1.5	201,196
Operating income	5,700	1.9	5,592	16.5	4,798
Ordinary income	6,600	(9.1)	7,264	16.0	6,263
Net income	3,300	2.0	3,235	115.5	1,501
Exchange rate( \$1=)	¥110	-	¥114	-	¥108

## Sales and Operating Income by Segment

	FY 3/ 2006		Change (%)	FY 3/ 2005	
	Millions of yen	(%)		Millions of yen	(%)
Net sales	204,131	100	1.5	201,196	100
Information Storage Media	112,197	55	6.4	105,454	52
Audio-Video Tape	25,110	12	(21.5)	31,973	16
Battery and Electric Appliance	66,824	33	4.8	63,769	32
Operating income	5,592	100	16.5	4,798	100
Information Storage Media	3,214	57	142.7	1,324	27
Audio-Video Tape	(269)	-	-	1,188	25
Battery and Electric Appliance	2,647	47	15.8	2,286	48

## Overseas sales

	FY 3/ 2006		Change (%)	FY 3/ 2005	
	Millions of yen	(%)		Millions of yen	(%)
Overseas sales	130,256	64	4.6	124,539	62
America	65,117	32	6.1	61,397	30
Europe	35,768	18	(4.2)	37,348	19
Asia and other	29,371	14	13.9	25,794	13
Domestic sales	73,875	36	(3.6)	76,657	38
Total	204,131	100	1.5	201,196	100

## Capital Expenditure, Depreciation, R&D cost

	FY 3/ 2007 Forecast	Change (%)	FY 3/ 2006	Change (%)	FY 3/ 2005
Capital expenditure	15,600	73.9	8,971	(41.0)	15,200
Depreciation	11,200	7.9	10,382	(9.8)	11,505
R&D cost	9,100	10.0	8,269	(14.7)	9,690

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

Description	As of March 31, 2006		As of March 31, 2005		Increase/decrease Millions of yen
	Amount Millions of yen	Composition %	Amount Millions of yen	Composition %	
<b>Current assets</b>	133,724	46.7	109,888	39.1	23,836
Cash and time deposits	15,735		11,225		4,510
Trade notes and accounts receivables	39,882		37,040		2,842
Marketable securities	18,635		19,688		(1,053)
Inventories	25,913		27,541		(1,628)
Deferred tax assets	8,263		8,202		61
Cash pooling deposits	22,100		-		22,100
Other current assets	3,790		6,810		(3,020)
Allowance for doubtful accounts	(594)		(618)		24
<b>Fixed assets</b>	152,484	53.3	170,830	60.9	(18,346)
Tangible fixed assets	80,216	28.0	82,744	29.5	(2,528)
Buildings and structures	23,745		24,914		(1,169)
Machinery and equipment	18,709		19,399		(690)
Land	32,009		32,133		(124)
Construction in progress	1,924		2,354		(430)
Other fixed assets	3,829		3,944		(115)
Intangible fixed assets	1,746	0.6	1,771	0.6	(25)
Investments and other assets	70,522	24.7	86,315	30.8	(15,793)
Investment securities	62,713		76,190		(13,477)
Deferred tax assets	9,196		9,410		(214)
Other investments	2,951		5,051		(2,100)
Allowance for doubtful accounts	(4,338)		(4,336)		(2)
<b>Total assets</b>	<b>286,208</b>	<b>100.0</b>	<b>280,718</b>	<b>100.0</b>	<b>5,490</b>

Description	As of March 31, 2006		As of March 31, 2005		Increase/decrease
	Amount	Composition	Amount	Composition	
	Millions of yen	%	Millions of yen	%	Millions of yen
<b>Current liabilities</b>	70,716	24.7	46,628	16.6	24,088
Trade notes and accounts payables	17,697		17,918		(221)
Short-term bank loans	1,896		1,357		539
Current portion of bonds	20,000		-		20,000
Accounts payable	4,684		5,012		(328)
Accrued expenses	21,527		19,447		2,080
Accrued income taxes	2,139		408		1,731
Other current liabilities	2,773		2,486		287
<b>Long-term liabilities</b>	22,284	7.8	43,479	15.5	(21,195)
Bonds	10,000		30,000		(20,000)
Allowance for retirement benefit	9,197		8,910		287
Allowance for directors' retirement bonuses	623		556		67
Other fixed liabilities	2,464		4,013		(1,549)
(Total liabilities)	93,000	32.5	90,107	32.1	2,893
Minority interests	-	-	100	0.0	(100)
Common stock	12,203	4.3	12,203	4.3	-
Capital surplus	22,325	7.8	22,325	8.0	(0)
Retained earnings	168,726	59.0	167,969	59.8	757
Net unrealized holding gain on securities	(1,661)	(0.6)	(1,844)	(0.6)	183
Foreign currency translation adjustments	(3,361)	(1.2)	(5,106)	(1.8)	1,745
Cost of treasury stock	(5,024)	(1.8)	(5,036)	(1.8)	12
(Total stockholders' equity)	193,208	67.5	190,511	67.9	2,697
Total liabilities, minority interests and stockholders' equity	286,208	100.0	280,718	100.0	5,490

## (2) Consolidated Statements of Income

Description	April 1, 2005 through March 31, 2006		April 1, 2004 through March 31, 2005		Increase/ decrease	Change
	Amount	Composition	Amount	Composition		
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	204,131	100.0	201,196	100.0	2,935	101.5
Cost of sales	140,888	69.0	137,391	68.3	3,497	102.5
Gross profit	63,243	31.0	63,805	31.7	(562)	99.1
Selling, general and administrative expenses	57,651	28.3	59,007	29.3	(1,356)	97.7
Operating income	5,592	2.7	4,798	2.4	794	116.5
<b>Non-operating income</b>	4,190	2.1	4,243	2.1	(53)	98.8
Interest and dividend income	2,425		2,332		93	
Equity in earnings of non-consolidated subsidiaries and affiliates	130		183		(53)	
Miscellaneous income	1,635		1,728		(93)	
<b>Non-operating expenses</b>	2,518	1.2	2,778	1.4	(260)	90.6
Interest expenses	998		991		7	
Miscellaneous expenses	1,520		1,787		(267)	
<b>Ordinary income</b>	7,264	3.6	6,263	3.1	1,001	116.0
<b>Extraordinary gains</b>	888	0.4	5,510	2.7	(4,622)	16.1
Gain on sales of fixed assets	269		22		247	
Gain on sales of Investments securities	289		540		(251)	
Gain on liquidations of investments in subsidiaries	7		-		7	
Gain on sales of golf club membership	-		1		(1)	
Gain from reversal of accrued expenses	323		-		323	
Gain from the returns of substituted portion of welfare pension fund	-		4,947		(4,947)	
<b>Extraordinary losses</b>	2,292	1.1	9,323	4.6	(7,031)	24.6
Loss on disposal of fixed assets	1,134		1,772		(638)	
Impairment loss of long-lived assets	554		2,313		(1,759)	
Loss on sales of investment securities	297		12		285	
Loss on revaluation of investment securities	307		528		(221)	
Provision for allowance for doubtful accounts	-		2,661		(2,661)	
Loss on sales of golf club membership	-		1		(1)	
Write-down of golf club membership	-		2		(2)	
Restructuring charges	-		2,034		(2,034)	
Income before income taxes and minority interest	5,860	2.9	2,450	1.2	3,410	239.2
Income taxes - current	2,543	1.3	31	0.0	2,512	-
Income taxes - deferred	77	0.0	903	0.5	(826)	8.5
Minority interests	5	0.0	15	0.0	(10)	33.3
<b>Net income</b>	3,235	1.6	1,501	0.7	1,734	215.5

**(3) Consolidated Statements of Shareholders' Equity**

Description	April 1, 2005 through March 31, 2006	April 1, 2004 through March 31, 2005	Increase/decrease
	Millions of yen	Millions of yen	Millions of yen
(Capital surplus)			
Capital surplus at beginning of period	22,325	22,325	(0)
Increase in capital surplus	-	0	(0)
Gains on sales of treasury stock	-	0	(0)
Decrease in capital surplus	0	-	0
Loss on sales of treasury stock	0	-	0
Capital surplus at end of period	22,325	22,325	(0)
(Retained earnings)			
Consolidated retained earnings at beginning of period	167,969	168,383	(414)
Increase in retained earnings	3,235	1,501	1,734
Net income	3,235	1,501	1,734
Decrease in retained earnings	2,478	1,915	563
Cash dividend	1,824	1,879	(55)
Directors' bonuses	28	36	(8)
Others*	626	-	626
Retained earnings at end of period	168,726	167,969	757

\* 'Others' at 'Decrease in retained earnings' is the cumulative effect of a change in accounting principle by Maxell Europe Ltd.

#### (4) Consolidated Statements of Cash Flows

Description	April 1, 2005 through March 31, 2006	April 1, 2004 through March 31, 2005
	Amount	Amount
<b>I Cash flows from operating activities</b>	Millions of yen	Millions of yen
Income before income taxes and minority interests	5,860	2,450
Depreciation and amortization	10,382	11,505
Impairment loss of long-lived assets	554	2,313
Decrease in allowance for retirement and benefits	(348)	(7,830)
Increase in allowance for directors' retirement bonuses	64	68
Increase (decrease) in allowance for doubtful accounts	(52)	2,126
Interest and dividend income	(2,425)	(2,332)
Interest expenses	998	991
Equity in earnings of non-consolidated subsidiaries and affiliates	(130)	(183)
Gain on sales of investment securities	(289)	(540)
Loss on disposal of fixed assets	1,110	1,772
Decrease (Increase) in trade notes and accounts receivables	(1,067)	1,772
Decrease in inventories	2,723	2,784
Decrease in trade notes and accounts payables	(1,743)	(2,221)
Increase in accrued expenses	1,675	781
Payments of directors' bonuses	(29)	(36)
Other	356	(993)
Subtotal	17,639	12,427
Proceeds from interest and dividend income	2,498	2,246
Payments of interest	(970)	(989)
Refund (Payments) of income taxes	63	(4,805)
<b>Net cash provided by operating activities</b>	<b>19,230</b>	<b>8,879</b>
<b>II Cash flows from investing activities</b>		
Purchase of time deposits	-	(440)
Proceeds from time deposits	300	142
Purchase of marketable securities	(13,000)	(12,000)
Proceeds from sales of marketable securities	17,445	22,600
Purchase of tangible fixed assets	(8,483)	(15,939)
Proceeds from sales of tangible fixed assets	446	1,906
Purchase of investment securities	(11,853)	(11,596)
Proceeds from sales of investment securities	19,457	9,251
Proceeds from liquidation of non-consolidated subsidiary	7	88
Payments for loans receivables	(109)	(22)
Collection for loans receivables	34	26
Other	(385)	(338)
<b>Net cash used in investing activities</b>	<b>3,859</b>	<b>(6,322)</b>
<b>III Cash flows from financing activities</b>		
Increase in short-term debt	135	138
Payments on long-term debt	-	(294)
Dividends paid to shareholders	(1,824)	(1,879)
Purchase of treasury stock	(3)	(3,976)
Reissuance of treasury stock	15	4
<b>Net cash used in financing activities</b>	<b>(1,677)</b>	<b>(6,007)</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>724</b>	<b>206</b>
<b>V Net increase (decrease) in cash and cash equivalents</b>	<b>22,136</b>	<b>(3,244)</b>
<b>VI Cash and cash equivalents at beginning of year</b>	<b>22,469</b>	<b>25,713</b>
<b>VII Cash and cash equivalents of newly consolidated subsidiaries at beginning of year</b>	<b>71</b>	<b>-</b>
<b>VIII Cash and cash equivalents at end of year</b>	<b>44,676</b>	<b>22,469</b>

## 4. Geographic Segment Information

### April 1, 2005 through March 31, 2006

	Japan	America	Europe	Asia and other	Total	Corporate (Elimination)	Consolidated total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
1. Sales and operating expenses sales							
(1) Sales to third parties	83,436	66,968	36,004	17,723	204,131	-	204,131
(2) Intersegment sales	55,919	194	61	8,003	64,177	(64,177)	-
Total sales	139,355	67,162	36,065	25,726	268,308	(64,177)	204,131
Operating expenses	135,251	66,059	35,969	25,245	262,524	(63,985)	198,539
Operating income	4,104	1,103	96	481	5,784	(192)	5,592
2. Total assets	116,602	19,789	19,545	11,338	167,274	(118,934)	286,208

### April 1, 2004 through March 31, 2005

	Japan	America	Europe	Asia and other	Total	Corporate (Elimination)	Consolidated total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
1. Sales and operating expenses sales							
(1) Sales to third parties	86,462	61,171	36,842	16,721	201,196	-	201,196
(2) Intersegment sales	56,650	76	170	8,212	65,108	(65,108)	-
Total sales	143,112	61,247	37,012	24,933	266,304	(65,108)	201,196
Operating expenses	140,348	60,855	36,775	24,443	262,421	(66,023)	196,398
Operating income	2,764	392	237	490	3,883	915	4,798
2. Total assets	122,904	19,360	17,623	10,967	170,854	109,864	280,718

### Overseas sales

	America		Europe		Asia and other		Total		Consolidated total
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen
April 1, 2005 through March 31, 2006	65,117	31.9	35,768	17.5	29,371	14.4	130,256	63.8	204,131
April 1, 2004 through March 31, 2005	61,397	30.5	37,348	18.6	25,794	12.8	124,539	61.9	201,196

Note: Overseas sales are the consolidated sales to other than Japan.