



## Summary of Consolidated Financial Results for the Year ended March 31, 2007

April 26, 2007

Hitachi Maxell, Ltd.

Stock Code:	6810	URL <a href="http://www.maxell.com/">http://www.maxell.com/</a>
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Planned date of the Ordinary General Meeting of Shareholders	June 21, 2007	Planned date of beginning payment of dividends
		May 31, 2007
Planned date of submittal of financial statement report	June 21, 2007	

(Figures are rounded off to the nearest 1 million yen)

### 1. Business Results and Financial Position for the period ended March 31, 2007 (April 1, 2006 through March 31, 2007)

#### (1) Operating Results (% change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2007	202,240	(0.9)	7,940	42.0	9,062	24.8	2,896	(10.5)
March 31, 2006	204,131	1.5	5,592	16.5	7,264	16.0	3,235	115.5

	Net income per share	Net income per share (Diluted)	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
March 31, 2007	30.16	-	1.5	3.3	3.9
March 31, 2006	33.34	-	1.7	2.6	2.7

Note: Equity in earnings of affiliates: March 31, 2007 ¥136 million; March 31, 2006 ¥130 million

#### (2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2007	262,640	195,862	74.6	2,039.77
March 31, 2006	286,208	193,208	67.5	2,012.22

Note: Shareholders' equity: March 31, 2007 ¥195,862 million; March 31, 2006 ¥193,208 million

#### (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, 2007	12,854	2,273	(23,346)	36,683
March 31, 2006	19,230	3,859	(1,677)	44,676

### 2. Dividend

Period	Dividend per share			Total dividend paid (full year)	Consolidated dividend payout ratio	Dividends to net assets (consolidated)
	Interim	Year-end	Full year			
	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2006	9.50	9.50	19.00	1,824	57.0	1.0
March 31, 2007	10.00	10.00	20.00	1,920	66.3	1.0
March 31, 2008 (Forecast)	10.00	10.00	20.00		147.7	

### 3. Business Forecast for the year ending March 31, 2008 (April 1, 2007 through March 31, 2008)

(% change from the previous year)

	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
1 <sup>st</sup> Half of FY 2007	100,500	1.4	1,000	(75.5)	1,300	(70.6)	250	(81.8)	2.60
Full year	208,000	2.8	4,000	(49.6)	4,500	(50.3)	1,300	(55.1)	13.54

**4.Other**

- (1) Transfer of significant subsidiary during the period (the transfer of a certain subsidiary resulting in a change in the scope of consolidation) : None
  
- (2) Changes in accounting principles/procedures, representation methods in the preparation of consolidated financial statements (changes in significant items that form the basis for the preparation of consolidated financial statements)
  - 1) Changes as a result of revision of accounting standards : Yes
  - 2) Changes other than 1) : Yes
  
- (3) Number of shares issued and outstanding (common stock)
  - 1) Number of shares issued and outstanding at end of period (including treasury stock) :  

March 31, 2007	99,532,133 shares ;	March 31, 2006	99,532,133 shares
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  - 2) Number of shares of treasury stock at end of period :  

March 31, 2007	3,510,623 shares ;	March 31, 2006	3,531,490 shares
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**\* Explanation regarding the appropriate use of forecasts of business results and other special instructions**

Forecasts of business results and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable. Actual business results may differ significantly due to a variety of factors. For further information on the abovementioned forecast preconditions and other related matters, please see page 3, “1. Business Performance (1) Analysis of Business Performance” and page 7, “1. Business Performance (4) Risks.”

# 1. Business Performance

## (1) Analysis of Business Performance

### 1) Overview

(Unless otherwise stated, all comparisons are with operating results in the previous year, from April 1, 2005 to March 31, 2006.)

Looking at economies worldwide in the year under review, from April 1, 2006 to March 31, 2007, the U.S. business climate held firm as solid capital investment and consumer spending offset a slowdown in housing investment. In Europe, the business climate trended steadily with increase in capital investment. Asia performed favorably due to continuing high growth rates in China. Japan's economy expanded modestly, driven by exports and capital investment.

The Maxell Group faced challenging business conditions, characterized by falling product prices and rising raw material costs that counteracted expansion of the market for digital consumer electronics and depreciation of the yen.

Amid those conditions, net sales edged down 0.9%, to ¥202,240 million. In earnings, thanks to the effect of foreign exchange rates, product mix improvements, and cost reductions, operating income increased 42.0%, to ¥7,940 million, and ordinary income was up 24.8%, to ¥9,062 million. However, net income decreased 10.5%, to ¥2,896 million, and net income per share was ¥30.16 due to an increase in income taxes stemming from a reversal of deferred tax assets in accordance with tax effect accounting.

The average foreign exchange rates over the year under review were US\$1=¥117 and €1=¥151. Operating results by segment were as follows.

#### **Information Storage Media**

In optical discs, CD-R disc sales were solid due to sales exploiting strong brand. In recordable DVDs, although favorable demand spurred shipment volume growth, sales were flat due to the effect of falling product prices. In optical discs as a whole, sales were flat. In computer tapes, overall sales declined because the effect of falling product prices cancelled an increase in shipment volumes of high-storage-capacity products centered on LTO Ultrium2 and LTO Ultrium3 data cartridges. In audio tapes and video tapes, sales decreased due to a shrinking market. As a result, the Information Storage Media segment's net sales decreased 9.1%, to ¥116,681 million. Meanwhile, cost reductions and product mix improvements resulted in a ¥644 million increase in operating income, to ¥6,573 million.

\* Linear Tape-Open, LTO, and Ultrium are the trademarks of Hewlett Packard, IBM, and Quantum Corporation in the United States and other countries.

#### **Battery**

In rechargeable batteries, sales rose on the back of a significant increase in the shipment volumes of high-capacity prismatic lithium ion rechargeable batteries for cellular telephones. In primary batteries, sale rose due to brisk sales of alkaline dry batteries, which claimed further domestic market share, and to a favorable performance by micro batteries, which saw increased shipments of high-value-added products such as heat resistant, coin-type lithium manganese dioxide batteries. As a result, Battery segment net sales were up 18.5%, to ¥47,051 million. Operating income rose ¥1,088 million, to ¥2,304 million, due to higher sales from rechargeable batteries.

### **Material-Device-Electronic Appliance**

In materials and devices, sales grew due to strong performances by such optical components as pickup lenses for optical discs and mini camera lens units with high-resolution picture quality and advanced functionality. Also contributing to higher sales were favorable results from RFID systems, centered on products for the amusement industry, and solid performances in functional materials by multifunctional optical films for flat panel displays. Electronic appliance sales declined. As a result, the Material-Device-Electronic Appliance segment saw a 6.9% increase in sales, to ¥38,508 million. Due to progress in improving profitability mainly for optical components, operating loss improved ¥616 million, to ¥937 million.

Further, for information for the year under review on sales by region, capital expenditure, depreciation, and research and development expenses, please see the supplementary information on page 5.

### **2) Outlook**

Economies worldwide will likely continue performing solidly. However, the Maxell Group faces business conditions that require careful ongoing monitoring given expected increases in raw material costs, falling product prices due to intensified competition that is centered on information storage media, and fluctuations in foreign exchange rates.

Against that backdrop, for the full year ending March 2008 the Maxell Group projects net sales of ¥208,000 million, operating income of ¥4,000 million, ordinary income of ¥4,500 million, and net income of ¥1,300 million. These projections are based on average foreign exchange rates of US\$1=¥110 and €1=¥140. For projections of business results by segment, please refer to the supplementary information on page 5.

### 3) Supplementary information

#### Consolidated Results and Forecast

(Millions of yen)

	3/ 2007	Change* (%)	3/ 2006	3/ 2008 Forecast	Change* (%)
Net sales	202,240	(0.9)	204,131	208,000	2.8
Operating income	7,940	42.0	5,592	4,000	(49.6)
Ordinary income	9,062	24.8	7,264	4,500	(50.3)
Net income	2,896	(10.5)	3,235	1,300	(55.1)
Exchange rate (\$1=)	¥117		¥114	¥110	
(€1=)	¥151		¥138	¥140	

\* % change from the previous year

#### Sales and Operating Income by Segment

	3/ 2007		Change* (%)	3/ 2006		3/ 2008 Forecast		Change* (%)
	Millions of yen	Composition (%)		Millions of yen	Composition (%)	Millions of yen	Composition (%)	
Net sales	202,240	100	(0.9)	204,131	100	208,000	100	2.8
Information Storage Media	116,681	58	(9.1)	128,407	63	110,000	53	(5.7)
Battery	47,051	23	18.5	39,692	19	52,300	25	11.2
Material-Device- Electronic Appliance	38,508	19	6.9	36,032	18	45,700	22	18.7
Operating income	7,940	100	42.0	5,592	100	4,000	100	(49.6)
Information Storage Media	6,573	83	10.9	5,929	106	2,400	60	(63.5)
Battery	2,304	29	89.5	1,216	22	1,500	38	(34.9)
Material-Device- Electronic Appliance	(937)	-	-	(1,553)	-	100	2	-

\* % change from the previous year

#### Overseas sales

	3/ 2007		Change* (%)	3/ 2006	
	Millions of yen	Composition (%)		Millions of yen	Composition (%)
Overseas sales	129,936	64	(0.2)	130,256	64
America	61,688	30	(5.3)	65,117	32
Europe	35,778	18	0.0	35,768	18
Asia and other	32,470	16	10.6	29,371	14
Domestic sales	72,304	36	(2.1)	73,875	36
Total	202,240	100	(0.9)	204,131	100

\* % change from the previous year

#### Capital expenditure, Depreciation, R&D expenses

(Millions of yen)

	3/ 2007	Change* (%)	3/ 2006	3/ 2008 Forecast	Change* (%)
Capital expenditure	11,378	26.8	8,971	18,000	58.2
Depreciation	9,792	(5.7)	10,382	12,000	22.5
R&D expenses	8,600	4.0	8,269	10,000	16.3

\* % change from the previous year

## (2) Analysis of Financial Position

### Overview

Cash and cash equivalents at the end of the year under review stood at ¥36,683 million, down ¥7,993 million from the end of the previous fiscal year. That decrease was attributable to net cash used in financing activities of ¥23,346 million, which offset net cash provided by operating activities of ¥12,854 million and net cash provided by investing activities of ¥2,273 million. Respective cash flows were as follows.

### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥12,854 million, which was mainly associated with capital inflows from income before income taxes of ¥9,085 million and depreciation of ¥9,792 million that absorbed capital outflows resulting from a ¥4,500 million decrease in accrued expenses.

### Cash Flows from Investing Activities

Net cash provided by investing activities amounted to ¥2,273 million, which was primarily the result of capital inflows of ¥17,987 million associated with proceeds from sales of marketable securities and proceeds from sales of investment securities that counteracted capital outflows related to purchase of tangible fixed assets of ¥10,566 million.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥23,346 million, which was mainly due to capital outflows associated with redemption of bonds of ¥20,000 million and dividends paid to shareholders of ¥1,872 million.

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

	3/2003	3/2004	3/2005	3/2006	3/2007
Shareholders' equity rate (%)	66.6	65.1	67.9	67.5	74.6
Shareholders' equity rate at market value (%)	61.0	53.3	49.2	65.3	59.0
Cash flow versus interest-bearing debt rate (year)	1.2	1.3	3.6	1.7	1.0
Interest coverage ratio	25.3	22.1	9.0	19.8	20.7

Shareholders' equity ratio: shareholders' equity/total assets

Shareholders' equity ratio at market value: market capitalization/total assets

Cash flow versus interest-bearing debt rate: interest-bearing debt/operating cash flow

Interest coverage ratio: operating cash flow/interest payment

Note:

\* All indices are calculated on a consolidated basis.

\* Market capitalization is the final share price multiplied by the number of shares issued and outstanding at the end of the period.

\* Operating cash flow is cash flows from operating activities in consolidated statements of cash flows. Interest-bearing debt is all interest-bearing debt in consolidated balance sheets. Interest payments are payments of interest in consolidated statements of cash flows.

## (3) Basic Policy on Profit Distribution and Dividends for the Year under Review and the Coming Fiscal Year

The Company's basic aim is to return profits to shareholders on an ongoing basis and in a stable and appropriate manner. Specifically, the Company's basic dividend policy is to pay dividends that reflect business results, in light of a comprehensive consideration of various factors including financial position and forward-looking investment.

For the year under review, the Company increased the full-year dividend by ¥1.00, comprising dividend increases of ¥0.50 at the interim period and at the end of the year under review respectively. Specifically, the Company set a dividend of ¥10.00 for the interim period and for the end of the year under review respectively, giving a planned full-year dividend of ¥20.00 (payment of the interim dividend has been completed). For the coming fiscal year, the Company plans an interim dividend and a year-end dividend of ¥10.00, giving a full-year dividend of ¥20.00.

The Company regards the purchase of treasury stock as an effective means of returning profits to its shareholders and will respond appropriately in light of share price trends and financial position.

#### **(4) Risks**

The principal risks that could affect the Maxell 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 Maxell 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 Maxell Group's performance.

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

The Maxell Group's operations principally comprise the manufacturing and sale of information storage media, batteries, materials, devices, and electronic appliances. 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 Maxell Group's performance.

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

Many of the Maxell Group's products use petrochemicals as raw materials, while certain products use scarce raw materials. The Maxell 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 Maxell Group's performance.

##### **Impact of Disasters**

The Maxell Group manufactures and markets products worldwide. Stagnation of Maxell 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 Maxell Group's performance.

##### **Effect of Environmental Regulations**

The Maxell Group is subject to environmental laws and regulations in Japan and overseas with respect to waste products or emissions into the atmosphere or water arising from production processes and toxic chemicals included in products. The Maxell Group actively pursues environmental management. The Maxell Group could incur expenses in complying with current environmental regulations with respect to the events resulting from past operational activities, and its expenses could affect the Maxell Group's performance.

## **2. Management Policies**

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

At Hitachi Maxell Group, our overriding management philosophy is to further the realization of a founding spirit that calls for promoting harmony and concord, working with heart and soul, and being of service to society. Accordingly, we encourage pride in our achievements as a Maxell Group and develop outstanding original technologies and products to benefit society. Because we are fully aware that companies are members of society, we aim to be a good corporate citizen. Therefore, we rigorously ensure our conduct is equitable and transparent. Moreover, we work hard to create a truly rich society by seeking harmony with the environment and contributing actively to society. Also, we strive to increase corporate value through management that reflects the standpoints of our shareholders, investors, customers, employees, and other stakeholders.

### **(2) Management Targets and Medium-to-Long-Term Company Strategies**

In April 2006, the Maxell Group prepared a medium-term business plan, based on the themes of Innovation and Speed, Selection and Concentration, and Revolutionizing Our Mind-Set, which sets out as business targets 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. In the year under review, the Maxell Group advanced selection and concentration through investment for increased production of strategic products with high growth potential, such as optical components and functional materials. At the same time, the Company rigorously sought cost reductions through original Maxell Process Innovation initiatives. However, the Company faces increasingly severe business conditions due to intensified price competition for mainstay products, hikes in raw material costs, and changes in supply and demand. Recently, therefore, the Company has reviewed its medium-term business plan with a view to establishing a high-earning operational structure and drastically improving business results from a medium-to-long-term perspective.

Changes to the medium-term business plan released in April 2006 are as follows.

#### **Management Vision: Breakthrough to New Horizons Added as a Long-Term Vision**

In addition to the existing medium-term mission of Change for Growth, the Company added a new long-term vision: Breakthrough to New Horizons. This long-term vision refers to taking on the challenges of seeking fresh possibilities in new technologies, product areas and corporate structures. Mindful of this vision, the Company will accelerate reforming its business portfolio for enhancing profitability and new growth as a medium – term mission.

#### **Management Targets: Reform Business Portfolio by the Fiscal Year Ending March 2011, Aim for 6% Operating Income Margin**

Going forward, the Company will concentrate the deployment of management resources on three businesses chosen for priority strengthening as areas that promise high growth potential and profitability: batteries, optical components, and functional materials. Using original technologies, the Company will further differentiate itself from other companies and realize products that are even more high-value-added. In mainstay Information Storage Media operations, the Company will enhance profitability by restructuring operations through the marketing of new products and cost reduction initiatives.

The Maxell Group has designated the coming three years ending March 2010 as a period of aggressive investment in which it will undertake prior development of next-generation products and invest to increase

production of strategic products. Also, keeping in mind corporate acquisitions, the Company will accelerate the reweighting of its business portfolio to establish a highly profitable operational structure.

By the fiscal year ending March 2011, the Company aims to expand the Battery and Material-Device-Electronic Appliance segments as businesses for priority strengthening so that each accounts for 30% of net sales. By then, the Maxell Group aims to achieve an operating income margin of 6%.

### **(3) Issues the Company Should Address**

Other issues that the Maxell Group should address in order to implement its medium-to-long-term strategies are as follows.

#### **Strengthening the Cultivation of Personnel**

The Company regards the effective utilization of personnel within the organization as one of the highest priority issues in corporate management. In response to changes in the management environment, the Company will deploy personnel efficiently and use them effectively. At the same time, the Company will establish an equitable and transparent personnel evaluation system, globalize the Company's organization and personnel, and aim to create an energetic, lively company.

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

The Company regards enhancing corporate value through awareness of corporate social responsibility to be one of the highest priority issues in corporate management. The Maxell Group aims to earn the trust of all stakeholders. To that end, the Company will pursue environmental management that seeks to preserve the environment and construct a sustainable resource-recycling society as well as actively benefiting society with a view to existing in harmony with local communities. At the same time, the Company will strengthen risk management systems and develop internal control systems through strict compliance management.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

Description	As of March 31, 2007		As of March 31, 2006		Increase/decrease
	Amount	Composition	Amount	Composition	
	Millions of yen	%	Millions of yen	%	Millions of yen
Current assets	116,300	44.3	133,724	46.7	(17,424)
Cash and deposits	11,086		15,735		(4,649)
Trade notes and accounts receivables	40,109		39,882		227
Marketable securities	6,847		18,635		(11,788)
Inventories	26,762		25,913		849
Deferred tax assets	4,377		8,263		(3,886)
Cash pooling deposits	21,890		22,100		(210)
Other current assets	5,592		3,790		1,802
Allowance for doubtful accounts	(363)		(594)		231
Fixed assets	146,340	55.7	152,484	53.3	(6,144)
Tangible fixed assets	81,647	31.1	80,216	28.0	1,431
Buildings and structures	23,307		23,745		(438)
Machinery and equipment	19,865		18,709		1,156
Land	32,004		32,009		(5)
Construction in progress	2,993		1,924		1,069
Other fixed assets	3,478		3,829		(351)
Intangible fixed assets	1,568	0.6	1,746	0.6	(178)
Investments and other fixed assets	63,125	24.0	70,522	24.7	(7,397)
Investment securities	53,709		62,713		(9,004)
Deferred tax assets	7,645		9,196		(1,551)
Other investments	1,786		2,951		(1,165)
Allowance for doubtful accounts	(15)		(4,338)		4,323
Total assets	262,640	100.0	286,208	100.0	(23,568)

Description	As of March 31, 2007		As of March 31, 2006		Increase/decrease Millions of yen
	Amount Millions of yen	Composition %	Amount Millions of yen	Composition %	
Current liabilities	46,260	17.6	70,716	24.7	(24,456)
Trade notes and accounts payables	19,322		17,697		1,625
Short-term bank loans	1,571		1,896		(325)
Current portion of bonds	—		20,000		(20,000)
Accounts payable	5,338		4,684		654
Accrued expenses	17,003		21,527		(4,524)
Accrued income taxes	851		2,139		(1,288)
Other current liabilities	2,175		2,773		(598)
Long-term liabilities	20,518	7.8	22,284	7.8	(1,766)
Bonds	10,000		10,000		—
Allowance for retirement benefits	9,251		9,197		54
Allowance for directors' retirement bonus	599		623		(24)
Other long-term liabilities	668		2,464		(1,796)
Total liabilities	66,778	25.4	93,000	32.5	(26,222)
Common stock	—	—	12,203	4.3	—
Capital surplus	—	—	22,325	7.8	—
Retained earnings	—	—	168,726	59.0	—
Net unrealized holding gain on securities	—	—	(1,661)	(0.6)	—
Foreign currency translation adjustments	—	—	(3,361)	(1.2)	—
Cost of treasury stock	—	—	(5,024)	(1.8)	—
Total shareholders' equity	—	—	193,208	67.5	—
Total liabilities and shareholders' equity	—	—	286,208	100.0	—
Shareholders' equity	199,251	75.9	—	—	—
Common stock	12,203	4.7	—	—	—
Capital surplus	22,327	8.5	—	—	—
Retained earnings	169,716	64.6	—	—	—
Cost of treasury stock	(4,995)	(1.9)	—	—	—
Total valuation and translation adjustments	(3,389)	(1.3)	—	—	—
Net unrealized holding gain on securities	(1,396)	(0.5)	—	—	—
Gain (loss) on deferred hedge transactions	(139)	(0.1)	—	—	—
Foreign currency translation adjustments	(1,854)	(0.7)	—	—	—
Total net assets	195,862	74.6	—	—	—
Total liabilities and net assets	262,640	100.0	—	—	—

## (2) Consolidated Statements of Income

Description	April 1, 2006 through March 31, 2007		April 1, 2005 through March 31, 2006		Increase/ decrease	Change
	Amount	Composition	Amount	Composition		
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	202,240	100.0	204,131	100.0	(1,891)	99.1
Cost of sales	139,664	69.1	140,888	69.0	(1,224)	99.1
Gross profit	62,576	30.9	63,243	31.0	(667)	98.9
Selling, general and administrative expenses	54,636	27.0	57,651	28.3	(3,015)	94.8
Operating income	7,940	3.9	5,592	2.7	2,348	142.0
Non-operating income	3,654	1.8	4,190	2.1	(536)	87.2
Interest and dividend income	1,882		2,425		(543)	
Equity in earnings of non-consolidated subsidiaries and affiliates	136		130		6	
Miscellaneous income	1,636		1,635		1	
Non-operating expenses	2,532	1.2	2,518	1.2	14	100.6
Interest expenses	597		998		(401)	
Miscellaneous expenses	1,935		1,520		415	
Ordinary income	9,062	4.5	7,264	3.6	1,798	124.8
Extraordinary gains	1,942	1.0	888	0.4	1,054	218.7
Gain on sales of fixed assets	290		269		21	
Gain on sales of investment securities	—		289		(289)	
Gain on liquidation of Subsidiaries	—		7		(7)	
Gain on sales of golf club membership	15		—		15	
Gain from reversal of accrued expenses	1,477		323		1,154	
Gain from reversal of allowance for doubtful accounts	160		—		160	
Extraordinary losses	1,919	1.0	2,292	1.1	(373)	83.7
Loss on disposal of fixed assets	731		1,134		(403)	
Impairment loss of long-lived assets	15		554		(539)	
Loss on sales of investment securities	—		297		(297)	
Loss on revaluation of investment securities	1,148		307		841	
Loss on liquidation of Subsidiaries	25		—		25	
Income before income taxes and minority interests	9,085	4.5	5,860	2.9	3,225	155.0
Income taxes - current	831	0.4	2,543	1.3	(1,712)	32.7
Income taxes - deferred	5,358	2.7	77	0.0	5,281	—
Minority interests	—	—	5	0.0	(5)	—
Net income	2,896	1.4	3,235	1.6	(339)	89.5

**(3) Consolidated Statements of Changes in Shareholders' Equity****April 1, 2006 through March 31, 2007**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Cost of treasury stock	Total shareholders' equity
Balance at March 31, 2006	12,203	22,325	168,726	(5,024)	198,230
Changes during the fiscal 2006					
Decrease in retained earnings	—	—	(1,872)	—	(1,872)
Directors' bonus by appropriation of retained earnings	—	—	(34)	—	(34)
Net income	—	—	2,896	—	2,896
Acquisition of treasury stock	—	—	—	(4)	(4)
Retirement of treasury stock	—	2	—	33	35
Total increase (decrease) during the fiscal 2006	—	2	990	29	1,021
Balance at March 31, 2007	12,203	22,327	169,716	(4,995)	199,251

	Valuation and translation adjustments				Total net assets
	Net unrealized holding gain on securities	Gain (loss) on deferred hedge transactions	Foreign currency translation adjustments	Total valuation and translation adjustments	
Balance at March 31, 2006	(1,661)	—	(3,361)	(5,022)	193,208
Changes during the fiscal 2006					
Decrease in retained earnings	—	—	—	—	(1,872)
Directors' bonus by appropriation of retained earnings	—	—	—	—	(34)
Net income	—	—	—	—	2,896
Acquisition of treasury stock	—	—	—	—	(4)
Retirement of treasury stock	—	—	—	—	35
Net increase (decrease) during the fiscal 2006 of non-shareholders' equity items	265	(139)	1,507	1,633	1,633
Total increase (decrease) during the fiscal 2006	265	(139)	1,507	1,633	2,654
Balance at March 31, 2007	(1,396)	(139)	(1,854)	(3,389)	195,862

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

Description	April 1, 2005 through March 31, 2006
	Millions of yen
(Capital surplus)	
Capital surplus at beginning of Period	22,325
Increase in capital surplus	—
Gain on sales of treasury stock	—
Decrease in capital surplus	0
Loss on sales of treasury stock	0
Capital surplus at end of fiscal 2005	22,325
(Retained earnings)	
Retained earnings at beginning of period	167,969
Increase in retained earnings	3,235
Net income for the fiscal 2005	3,235
Decrease in retained earnings	2,478
Cash dividend	1,824
Directors' bonus	28
Others*	626
Retained earnings at end of fiscal 2005	168,726

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

## (5) Consolidated Statements of Cash Flows

	April 1, 2006 through March 31, 2007	April 1, 2005 through March 31, 2006
	Amount	Amount
<b>I Cash flows from operating activities</b>	Millions of yen	Millions of yen
Net profit before income taxes and minority interests	9,085	5,860
Depreciation	9,792	10,382
Impairment loss of long-lived assets	15	554
Increase (decrease) in allowance for retirement benefits	(29)	(348)
Increase (decrease) in allowance for directors' retirement bonus	(24)	64
Increase (decrease) in allowance for doubtful accounts	(249)	(52)
Interest and dividend income	(1,882)	(2,425)
Interest expenses	597	998
Equity in earnings of non-consolidated subsidiaries and affiliates	(136)	(130)
Loss on revaluation of investment securities	1,148	—
Gain on sales of investment securities	—	(289)
Loss on disposal of fixed assets	731	1,134
Decrease (increase) in trade notes and accounts receivables	863	(1,067)
Decrease (increase) in inventories	(84)	2,723
Increase (decrease) in trade notes and accounts payables	1,454	(1,743)
Increase (decrease) in accrued expenses	(4,500)	1,675
Decrease (increase) in accrued revenue	(1,841)	—
Payments of directors' bonus	(34)	(29)
Other	(1,265)	332
Subtotal	13,641	17,639
Proceeds from interest and dividend income	1,956	2,498
Payments of interest	(622)	(970)
Refund (payments) of income taxes	(2,121)	63
Net cash provided by (used in) operating activities	12,854	19,230
<b>II Cash flows from investing activities</b>		
Proceeds from refund of time deposits	—	300
Purchase of marketable securities	—	(13,000)
Proceeds from sales of marketable securities	11,800	17,445
Purchase of tangible fixed assets	(10,566)	(8,483)
Proceeds from sales of tangible fixed assets	511	446
Purchase of investment securities	(5,568)	(11,853)
Proceeds from sales of investment securities	6,187	19,457
Proceeds from liquidation of non-consolidated subsidiary	83	7
Payments of loan receivables	(474)	(109)
Collections of loan receivables	454	34
Other	(154)	(385)
Net cash provided by (used in) investing activities	2,273	3,859
<b>III Cash flows from financing activities</b>		
Increase (decrease) in short-term debt	(418)	135
Expenditures for redemption of bonds	(20,000)	—
Dividends paid to shareholders	(1,872)	(1,824)
Expenditures of currency swap expiration	(1,087)	—
Purchase of treasury stock	(4)	(3)
Proceeds from sales of treasury stock	35	15
Net cash provided by (used in) financing activities	(23,346)	(1,677)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	226	724
<b>V Net increase (decrease) in cash and cash equivalents</b>	(7,993)	22,136
<b>VI Cash and cash equivalents at beginning of year</b>	44,676	22,469
<b>VII Increase in cash and cash equivalents in merger of non-consolidated subsidiary</b>	—	71
<b>VIII Cash and cash equivalents at end of period</b>	36,683	44,676

## 4. Geographic Segment Information

April 1, 2006 through March 31, 2007

(Millions of yen)

	Japan	America	Europe	Asia and other	Total	Corporate (Elimination)	Consolidated total
1. Sales and operating expenses							
Sales							
(1) Outside customers	78,908	66,742	36,107	20,483	202,240	—	202,240
(2) Intersegment transactions	62,351	380	11	11,099	73,841	(73,841)	—
Total sales	141,259	67,122	36,118	31,582	276,081	(73,841)	202,240
Operating expenses	134,534	66,110	36,427	31,024	268,095	(73,795)	194,300
Operating income	6,725	1,012	(309)	558	7,986	(46)	7,940
2. Total assets	123,146	19,186	20,838	9,636	172,806	89,834	262,640

April 1, 2005 through March 31, 2006

(Millions of yen)

	Japan	America	Europe	Asia and other	Total	Corporate (Elimination)	Consolidated total
1. Sales and operating expenses							
Sales							
(1) Outside customers	83,436	66,968	36,004	17,723	204,131	—	204,131
(2) Intersegment transactions	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

### Overseas sales

	America		Europe		Asia and other		Subtotal		Consolidated total
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen
April 1, 2006 through March 31, 2007	61,688	30.5	35,778	17.7	32,470	16.0	129,936	64.2	202,240
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

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