

Summary of Consolidated Financial Results for the Third Quarter ended December 31, 2018 (Japan GAAP)

January 30, 2019

Listed company: Maxell Holdings, Ltd. Stock exchange: Tokyo (first section)
 Code number: 6810 URL: <http://www2.maxell.co.jp/ir/>
 Representative: Yoshiharu Katsuta (President)
 Contact person: Hiroshi Obara (General Manager)
 Planned date of submittal of financial statement report: February 8, 2019 Planned date of beginning payment of dividends: —

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

1. Consolidated Business Results and Financial Position for the Third Quarter ended December 31, 2018 (April 1, 2018 through December 31, 2018)

(1) Consolidated Operating Results (% change compared with the same term of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2018	108,161	(3.3)	3,844	(50.3)	4,891	(36.5)	2,999	(53.9)
December 31, 2017	111,893	10.7	7,736	46.5	7,703	49.1	6,504	102.7

Note: Comprehensive income: December 31, 2018 1,762 millions of yen (decreased by 80.5 %)
 December 31, 2017 9,032 millions of yen (increased by 155.7 %)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
December 31, 2018	56.76	—
December 31, 2017	123.09	—

Note: At the end of the year ended March 31, 2018, the Company has finalized provisional accounting treatment related to the business combination. The Consolidated Financial Results for the Third Quarter ended December 31, 2017 reflect the finalized provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
December 31, 2018	170,576	122,276	70.6
March 31, 2018	168,230	122,794	71.9

References: Shareholders' equity: December 31, 2018 120,413 millions of yen; March 31, 2018 121,017 millions of yen

Note: The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" from the beginning of the First Quarter ended June 30, 2018. Accordingly, for the year ended March 31, 2018, the figures have been revised retroactively based on the Accounting Standard and presented in this report.

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
March 31, 2018	—	18.00	—	26.00	44.00
March 31, 2019	—	18.00	—	—	—
March 31, 2019 (Forecast)	—	—	—	18.00	36.00

Note: Revision of the latest dividend forecast: None

3. Consolidated Business Forecast for the year ending March 31, 2019 (April 1, 2018 through March 31, 2019) (% change from the previous year)

(No change from the previous year)						
	Net sales		Operating income		Profit attributable to owners of parent	Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
Full year	152,000	2.6	6,000	(32.2)	4,900	92.73

Note: Revision of the latest consolidated financial forecast: None

Notes

- (1) Changes in significant subsidiaries during the period: Yes
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
Additions: 1 company (Name) Izumi Products Company
The Company agreed with shareholders of Izumi Products Company (hereinafter “Izumi Products”), TMCAP2011 Limited Partnership managed by Tokyo Marine Capital Co., Ltd. and Mercuria Japan Industrial Growth Fund managed by Mercuria Investment Co., Ltd. regarding acquisition of the shares of Izumi Products. And the Company acquired the shares of Izumi Products through Maxell Special Purpose Co., Ltd. and included Izumi Products as its consolidated subsidiary as of October 1, 2018.
Izumi Products is classified as a specified subsidiary of the Company.
For the details, please refer to the announcements “Announcement on acquisition of shares of Izumi Products Company (new subsidiary) by joint investment” on August 6, 2018 and “Announcement about completion of acquisition of shares of Izumi Products Company and change of corporate name” on October 1, 2018.
- (2) Application of special accounting method: Yes
Standard used to calculate income taxes
Tax expenses are calculated by making a reasonable estimation of the effective tax rate on income before income taxes for the fiscal year including the third quarter after the application of deferred tax accounting and applying the estimated effective tax rate to the quarterly income before income taxes. However, when an estimated effective tax rate is unreasonable, the effective statutory tax rate shall be applied.
- (3) Changes in accounting policies, accounting estimates and restatement
1) Changes as a result of revision of accounting standards: None
2) Changes other than 1): None
3) Changes in accounting estimates: None
4) Restatement: None
Note: The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” from the beginning of the First Quarter ended June 30, 2018. Accordingly, deferred tax assets are presented in the Investments and other assets and deferred tax liabilities are presented in the Non-current liabilities.
- (4) Number of shares issued (common stock)
1) Number of shares issued at end of period (including treasury share):
December 31, 2018 53,341,500 shares
March 31, 2018 53,341,500 shares
2) Number of shares of treasury share at end of period:
December 31, 2018 500,666 shares
March 31, 2018 500,664 shares
3) Average number of shares during the term:
December 31, 2018 52,840,836 shares
December 31, 2017 52,841,429 shares

*** 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 above-mentioned forecast preconditions and other related matters, please see page 4, “3. Qualitative Information relating to Projections of Consolidated Business Results”.

[Qualitative Information / Financial Statements]

1. Qualitative Information relating to Consolidated Business Results

(Unless otherwise stated, all comparisons are with operating results in the Third Quarter of the previous fiscal year, from April 1, 2017 to December 31, 2017.)

The global economy in this Third Quarter period, there were gradual increase of concerns on slowdown trend. Although the economy kept firm growth in the U.S., in the Europe, unstable political and economic elements have been expanded, such as turmoil relating to Brexit, and concerns on economic slowdown have been increased. In China and emerging countries, although the economy kept higher growth than the developed countries, there were signs of economic slowdown, shown as decrease of sales of cars in China in comparison with previous year, etc. Also for Japan, although the economy kept its gradual growth trend, due to slowdown trend in overseas economy, situation became unpredictable. Also, the U.S.-China trade issue is bringing concerns such as effect to global economy and business strategies of enterprises.

Under these circumstances, in this Third Quarter period, although there were sales increase by the hydraulic tool and electric home appliance businesses of Izumi Products Company, etc., due to decrease in sales of lithium ion batteries for consumer market, sales of this Third Quarter period decreased by 3.3% (3,732 million yen) to 108,161 million yen. In terms of profitability, mainly affected by decrease in profit of lithium ion batteries for consumer market, operating income decreased by 50.3% (3,892 million yen) to 3,844 million yen. Ordinary income decreased by 36.5% (2,812 million yen) to 4,891 million, although there were share of profit of entities accounted for using equity method and foreign exchange gain, etc. And profit attributable to owners of parent decreased by 53.9% (3,505 million yen) to 2,999 million yen including repair cost at Kyoto Business Unit due to influence of the Osaka earthquake and the typhoon, etc.

The average foreign exchange rate over this Third Quarter period under review was US\$1=111 yen.
Operating results by segment were follows.

Energy

Although sales of cylindrical lithium batteries for smart meters, electrodes, Specialty Business relating to chargers and packed batteries were increased, due to decrease in sales of lithium ion batteries for consumer market, sales for Energy segment decreased by 13.4% (4,644 million yen) to 29,906 million yen. Operating income decreased by 56.3% (2,784 million yen) to 2,159 million yen, affected by decrease in sales of lithium ion batteries for consumer market.

Industrial Materials

Due to increase of sales of adhesive tapes, LED headlamp lenses and embedded systems relating to semiconductors, etc., sales for Industrial Materials segment increased by 0.9% (343 million yen) to 37,555 million yen. Operating income decreased by 4.4% (102 million yen) to 2,212 million yen, due to investments relating to in-car camera lens units for new project and development costs for new products such as masks for organic EL panels.

Electronic Appliances and Consumer Products

Decrease in sales of consumer products, etc. were compensated by inclusion of hydraulic tool and electric home appliance businesses of Izumi Products Company, sales for Electronic Appliances and Consumer Products segment increased by 1.4% (569 million yen) to 40,700 million yen. Although profitability of projector bottomed out, operating income decreased by 1,006 million yen to loss of 527 million yen due to delay in recovery of profitability of beauty care products.

Further, for information for the period under review on sales by region, capital expenditure, depreciation, and research and development expenses, please see the supplementary information on page 5 and 6.

2. Qualitative Information relating to Consolidated Financial Position

Assets

As of December 31, 2018, total assets amounted 170,576 million yen, an increase of 2,346 million yen from the previous consolidated fiscal year (as of March 31, 2018) mainly by increase of notes and accounts receivable-trade, inventories and goodwill, although cash and deposits decreased due to acquisition of shares of Izumi Products Company.

Liabilities

As of December 31, 2018, total liabilities amounted 48,300 million yen, an increase of 2,864 million yen from the previous consolidated fiscal year mainly by increase of long-term loans payable and provision for disaster related expenses relating to the Osaka earthquake, etc.

Net Assets

As of December 31, 2018, total net assets amounted 122,276 million yen, a decrease of 518 million yen from the previous consolidated fiscal year. The decrease is mainly coming from profit attributable to owners of parent amounted 2,999 million yen and total dividend paid amounted 2,325 million yen.

3. Qualitative Information relating to Projections of Consolidated Business Results

Regarding sales, for Energy segment, although there are significant effect coming from decrease in sales of lithium ion batteries for consumer market, firm sales of cylindrical lithium batteries for smart meters and coin type lithium batteries including automotive use are expected. For Industrial Materials segment, firm sales of adhesive tapes and optical components for automotive market and January 2019 onwards, sales increase by coated separator business of Ube Maxell Kyoto Co., Ltd. are expected. And for Electric Appliances and Consumer Products segment, the Company promotes sales increase by new products including Maxell brand products for projector and beauty care products struggled to recover their sales, and expecting effect of inclusion of Izumi Products Company to the Company group. On the other hand, in terms of profitability, the Company will take measures to improve profitability by cost reduction in all segments. Under the situation, the consolidated financial forecast for fiscal year ending March 31, 2019 has not been changed from the forecast announced on October 30, 2018.

For projections of business performance by segment, please refer to the supplementary information on page 5.

Supplementary information

Consolidated Financial Results and Forecast

(Millions of yen)

	Third Quarter ended: December 31, 2017	Third Quarter ended: December 31, 2018	Change* (%)	March 31, 2019 Forecast	Change* (%)
Net sales	111,893	108,161	(3.3)	152,000	2.6
Operating income	7,736	3,844	(50.3)	6,000	(32.2)
Profit attributable to owners of parent	6,504	2,999	(53.9)	4,900	(31.2)

* % change from the same term of the previous year

Note: At the end of the year ended March 31, 2018, the Company has finalized provisional accounting treatment related to the business combination. The Operating income and Profit attributable to owners of parent for the Third Quarter ended December 31, 2017 reflect the finalized provisional accounting treatment.

Sales and Operating Income by Segment

	December 31, 2017	December 31, 2018		Change* (%)	March 31, 2019 Forecast		Change* (%)
	Millions of yen	Millions of yen	Composition (%)		Millions of yen	Composition (%)	
Net sales	111,893	108,161	100.0	(3.3)	152,000	100.0	2.6
Energy	34,550	29,906	27.7	(13.4)	39,300	25.8	(12.6)
Industrial Materials	37,212	37,555	34.7	0.9	51,500	33.9	3.1
Electronic Appliances & Consumer Products	40,131	40,700	37.6	1.4	61,200	40.3	14.8
Operating income	7,736	3,844	100.0	(50.3)	6,000	100.0	(32.2)
Energy	4,943	2,159	56.2	(56.3)	2,400	40.0	(56.8)
Industrial Materials	2,314	2,212	57.5	(4.4)	2,400	40.0	(16.9)
Electronic Appliances & Consumer Products	479	(527)	(13.7)	—	1,200	20.0	200.0

* % change from the same term of the previous year

Note: At the end of the year ended March 31, 2018, the Company has finalized provisional accounting treatment related to the business combination. The Operating income for the Industrial Materials for the Third Quarter ended December 31, 2017 reflects the finalized provisional accounting treatment.

Sales by Regional Segment

	December 31, 2017	December 31, 2018		Change* (%)
	Millions of yen	Millions of yen	Composition (%)	
Overseas sales	51,749	50,702	46.9	(2.0)
America	9,581	11,170	10.3	16.6
Europe	9,096	9,190	8.5	1.0
Asia and other	33,072	30,342	28.1	(8.3)
Domestic sales	60,144	57,459	53.1	(4.5)
Total	111,893	108,161	100.0	(3.3)

* % change from the same term of the previous year

Capital investment, Depreciation, R&D expenses

(Millions of yen)

	December 31, 2017	December 31, 2018	Change* (%)	March 31, 2019 Forecast	Change* (%)
Capital investment	3,196	5,174	61.9	6,500	41.5
Depreciation	2,667	3,077	15.4	4,200	16.8
R&D expenses	7,659	7,178	(6.3)	10,000	(5.6)

* % change from the same term of the previous year

Note: At the end of the year ended March 31, 2018, the Company has finalized provisional accounting treatment related to the business combination. The Depreciation for the Third Quarter ended December 31, 2017 reflects the finalized provisional accounting treatment.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	45,920	21,095
Notes and accounts receivable - trade	29,175	33,088
Inventories	17,553	23,228
Other	5,886	10,252
Allowance for doubtful accounts	(646)	(603)
Total current assets	97,888	87,060
Non-current assets		
Property, plant and equipment		
Land	33,473	33,529
Other, net	19,574	22,695
Total property, plant and equipment	53,047	56,224
Intangible assets		
Goodwill	2,408	11,548
Other	1,925	3,579
Total intangible assets	4,333	15,127
Investments and other assets		
Investments and other assets, gross	13,163	12,375
Allowance for doubtful accounts	(201)	(210)
Total investments and other assets	12,962	12,165
Total non-current assets	70,342	83,516
Total assets	168,230	170,576
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,672	19,274
Current portion of long-term loans payable	35	35
Income taxes payable	1,483	686
Provision for litigation and related expenses	276	278
Provision for disaster related expenses	—	444
Other	13,885	15,388
Total current liabilities	36,351	36,105
Non-current liabilities		
Long-term loans payable	386	3,834
Provision for directors' retirement benefits	60	60
Net defined benefit liability	6,740	6,632
Other	1,899	1,669
Total non-current liabilities	9,085	12,195
Total liabilities	45,436	48,300

	(Millions of yen)	
	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	12,203	12,203
Capital surplus	33,527	33,527
Retained earnings	86,360	87,034
Treasury shares	(997)	(997)
Total shareholders' equity	131,093	131,767
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,402	28
Foreign currency translation adjustment	(6,609)	(6,821)
Remeasurements of defined benefit plans	(4,869)	(4,561)
Total accumulated other comprehensive income	(10,076)	(11,354)
Non-controlling interests	1,777	1,863
Total net assets	122,794	122,276
Total liabilities and net assets	168,230	170,576

(2) Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2017 (April 1, 2017- December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018- December 31, 2018)
Net sales	111,893	108,161
Cost of sales	85,559	85,257
Gross profit	26,334	22,904
Selling, general and administrative expenses	18,598	19,060
Operating income	7,736	3,844
Non-operating income		
Interest income	161	206
Dividend income	57	109
Share of profit of entities accounted for using equity method	205	475
Foreign exchange gains	—	344
Other	143	257
Total non-operating income	566	1,391
Non-operating expenses		
Interest expenses	29	39
Sales discounts	155	127
Foreign exchange losses	306	—
Other	109	178
Total non-operating expenses	599	344
Ordinary income	7,703	4,891
Extraordinary income		
Gain on sales of non-current assets	464	14
Gain on sales of investment securities	0	156
Insurance income	—	250
Licence related income	950	—
Gain on reversal of foreign currency translation	—	74
Total extraordinary income	1,414	494
Extraordinary losses		
Loss on sales and retirement of non-current assets	450	187
Impairment loss	117	—
Disaster related expenses	—	637
Expenses for change of the company's name	199	—
Total extraordinary losses	766	824
Profit before income taxes	8,351	4,561
Income taxes	1,791	1,438
Profit	6,560	3,123
Profit attributable to non-controlling interests	56	124
Profit attributable to owners of parent	6,504	2,999

(3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2017 (April 1, 2017- December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018- December 31, 2018)
Profit	6,560	3,123
Other comprehensive income		
Valuation difference on available-for-sale securities	706	(1,374)
Foreign currency translation adjustment	1,506	(295)
Remeasurements of defined benefit plans, net of tax	260	308
Total other comprehensive income	2,472	(1,361)
Comprehensive income	9,032	1,762
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,894	1,721
Comprehensive income attributable to non-controlling interests	138	41