

Summary of Consolidated Financial Results for the Third Quarter ended December 31, 2019

(Japan GAAP)

January 30, 2020

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 10, 2020 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, 2019 (April 1, 2019 through December 31, 2019)

(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, 2019	111,389	3.0	1,410	(63.1)	1,454	(70.1)	1,251	(58.5)
December 31, 2018	108,161	(3.3)	3,823	(50.6)	4,870	(36.8)	3,011	(53.7)

Note: Comprehensive income: December 31, 2019 1,595 millions of yen (decreased by 10.1%)
 December 31, 2018 1,774 millions of yen (decreased by 80.4%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
December 31, 2019	24.22	—
December 31, 2018	56.98	—

Note 1: At the end of the year ended March 31, 2019, the Company has finalized provisional accounting treatment related to the business combination. The Consolidated Financial Results for the Third Quarter ended December 31, 2018 reflect the finalized provisional accounting treatment.

2: In the First Quarter ended June 30, 2019, the Company has acquired the shares of the Company through the trust relating to “performance-linked share-based remuneration system”. And the shares of the Company held by the trust are included in the treasury shares deducted in the calculation of the average number of the shares during the term used in the calculation of “Net income per share” of the quarter.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
December 31, 2019	195,871	106,843	53.2
March 31, 2019	199,385	125,505	61.7

References: Shareholders' equity: December 31, 2019 104,272 millions of yen; March 31, 2019 123,035 millions of yen

Note: In the First Quarter ended June 30, 2019, the Company has acquired the shares of the Company through the trust relating to “performance-linked share-based remuneration system”. And the shares of the Company held by the trust are recorded as Treasury shares in the Consolidated Balance Sheets of the quarter.

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
March 31, 2019	—	18.00	—	18.00	36.00
March 31, 2020	250.00	18.00	—		
March 31, 2020 (Forecast)				18.00	286.00

Note: Revision of the latest dividend forecast: None

3. Consolidated Business Forecast for the year ending March 31, 2020 (April 1, 2019 through March 31, 2020)

(% 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	149,000	(1.1)	2,000	(63.1)	1,700	(68.0)
						32.92

Note 1: Revision of the latest consolidated financial forecast:

Yes

- 2: In the First Quarter ended June 30, 2019, the Company has acquired the shares of the Company through the trust relating to “performance-linked share-based remuneration system”. And the shares of the Company held by the trust are included in the treasury shares deducted in the calculation of the average number of the shares during the term used in the calculation of “Net income per share” of the year.

Notes

(1) Changes in significant subsidiaries during the period: None

(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

(4) Number of shares issued (common stock)

1) Number of shares issued at end of period (including treasury share):

December 31, 2019 53,341,500 shares

March 31, 2019 53,341,500 shares

2) Number of shares of treasury share at end of period:

December 31, 2019 3,882,966 shares

March 31, 2019 500,666 shares

3) Average number of shares during the term:

December 31, 2019 51,641,962 shares

December 31, 2018 52,840,836 shares

Note 1: The number of shares of treasury share at end of period includes the shares of the Company held by the trust relating to “performance-linked share-based remuneration system” (19,400 shares, for the Third Quarter ended December 31, 2019).

- 2: The average number of shares during the term is calculated by deducting the treasury shares and the shares of the Company held by the trust relating to “performance-linked share-based remuneration system” (16,869 shares, for the Third Quarter ended December 31, 2019).

*** 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, 2018 to December 31, 2018.)

The global economy in this third quarter period continued its slow down trend, due to worsening economies of the U.S. and China by prolonged trade friction between the countries, and in Japan, its economic growth was almost flat due to slow down trend of overseas economy. In particular, the prolonged downturn of the car and semiconductor markets greatly affected the financial results of the Company.

Under these circumstances, in this third quarter period, although sales of projector, embedded system relating to semiconductors and camera lenses, etc. were decreased, by sales increase coming from electric home appliance and hydraulic tool business of Maxell Izumi Co., Ltd., coated separator of Ube Maxell Kyoto Co., Ltd. and industrial rubber products of Maxell Kureha Co., Ltd., etc. newly joined in the previous fiscal year, sales of this third quarter period increased by 3.0% (3,228 million yen) to 111,389 million yen. In terms of profitability, due to decrease in profit of embedded system relating to semiconductors, optical components for automotive market and projector, etc., operating income decreased by 63.1% (2,413 million yen) to 1,410 million yen. Ordinary income decreased by 70.1% (3,416 million yen) to 1,454 million yen and profit attributable to owners of parent decreased by 58.5% (1,760 million yen) to 1,251 million yen.

The average foreign exchange rate over this Third Quarter period under review was US\$1=109 yen.

Operating results by segment were follows.

Energy

Although sales of lithium ion batteries for consumer were decreased, by increase of sales of coin type lithium rechargeable batteries for hearing aids, etc., sales for Energy segment increased by 0.3% (97 million yen) to 30,003 million yen. Operating income decreased by 2.8% (61 million yen) to 2,098 million yen, affected by decrease in profit of heat resistant coin type lithium batteries, etc.

Industrial Materials

Although sales of embedded systems affected by downturn of semiconductor market, camera lenses and optical components for automotive market were decreased, by increase of sales of coated separator and industrial rubber products, sales for Industrial Materials segment increased by 8.1% (3,032 million yen) to 40,587 million yen. Operating income decreased by 76.5% (1,692 million yen) to 520 million yen, due to decrease in profit of embedded system relating to semiconductor and optical components for automotive market.

Electronic Appliances and Consumer Products

Although sales of projector were decreased due to delay in switch of brand, by increase of sales of electric home appliance and hydraulic tool business, sales for Electronic Appliances and Consumer Products segment increased by 0.2% (99 million yen) to 40,799 million yen. Operating income decreased by 660 million yen to loss of 1,208 million yen affected by decrease in sales of projector and increased development costs for head up display towards commercial base production.

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, 2019, total assets amounted 195,871 million yen, decreased by 1.8% from the previous consolidated fiscal year (as of March 31, 2019). Among this, current assets amounted 90,126 million yen, decreased by 5.2%, mainly by decrease of notes and accounts receivable - trade, although inventories increased. And the ratio of current assets among total assets has changed to 46.0% from 47.7% of the previous consolidated fiscal year. On the other hand, non-current assets amounted 105,745 million yen, increased by 1.4%, and the ratio of non-current assets among total assets has changed to 54.0% from 52.3% of the previous consolidated fiscal year.

Liabilities

As of December 31, 2019, total liabilities amounted 89,028 million yen, increased by 20.5% from the previous consolidated fiscal year. Among this, current liabilities amounted 42,531 million yen, decreased by 20.9%, mainly by decrease of short-term loans payable. And the current ratio became 2.1 times, and the cash on hand which is the balance between current liabilities and current assets, became 47,595 million yen. On the other hand, non-current liabilities amounted 46,497 million yen, increased by 131.0%, mainly by increase of long-term loans payable.

Net Assets

As of December 31, 2019, total net assets amounted 106,843 million yen, decreased by 14.9% from the previous consolidated fiscal year. The decrease is mainly coming from total dividend paid amounted 15,081 million yen and buyback of the shares of the Company, etc. amounted 5,038 million yen, although there was record of profit attributable to owners of parent amounted 1,251 million yen. And the equity ratio has changed to 53.2% from 61.7% of the previous consolidated fiscal year.

3. Qualitative Information relating to Projections of Consolidated Business Results

In the slowing down global economy, market trends specially for cars, semiconductors and consumer electronics, are bringing significant effects to the business of the Company. And for the businesses with issues, such as projector and beauty care products, recovery of their sales and profitability is not proceeding as planned, and further measures must be taken. Therefore, the progress of sales and profit in the third quarter period is behind the consolidated business forecast announced on April 26, 2019.

Under these circumstances, as separately announced today in “Notice about Revision of Consolidated Financial Forecast for the Fiscal Year ending March 31, 2020”, the Company revised the consolidated business forecasts. Net sales have been revised to 149,000 million yen (decreased by 18,000 million yen compared to previous forecast announced on April 26, 2019), Operating income has been revised to 2,000 million yen (decreased by 3,000 million yen) and Profit attributable to owners of parent has been revised to 1,700 million yen (decreased by 1,300 million yen). (For the details of Net sales and Operating income by segment, please refer to supplementary information on page 5.)

Towards the fiscal year ending March 31, 2021, the Company will firmly take measures for the businesses with issues. For lithium ion batteries for consumer, the Company will promote further resource shift to automotive area. And for projector and beauty care products, the Company will implement structural reform to realize financially independent businesses. By these measures, the Company will concentrate management resources to the businesses which must be grown and realize drastic reform of the business portfolio.

For projections of business performance by segment, please refer to the supplementary information on page 5 and 6.

Supplementary information

Consolidated Financial Results and Forecast

(Millions of yen)

	Third Quarter ended: December 31, 2018	Third Quarter ended: December 31, 2019	Change* (%)	March 31, 2020 Forecast	Change* (%)
Net sales	108,161	111,389	3.0	149,000	(1.1)
Operating income	3,823	1,410	(63.1)	2,000	(63.1)
Profit attributable to owners of parent	3,011	1,251	(58.5)	1,700	(68.0)

* % change from the same term of the previous year

Note: At the end of the year ended March 31, 2019, 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, 2018 reflect the finalized provisional accounting treatment.

Sales and Operating Income by Segment

	December 31, 2018	December 31, 2019		Change* (%)	March 31, 2020 Forecast		Change* (%)
	Millions of yen	Millions of yen	Composition (%)		Millions of yen	Composition (%)	
Net sales	108,161	111,389	100.0	3.0	149,000	100.0	(1.1)
Energy	29,906	30,003	26.9	0.3	39,400	26.5	3.0
Industrial Materials	37,555	40,587	36.5	8.1	55,300	37.1	5.5
Electronic Appliances & Consumer Products	40,700	40,799	36.6	0.2	54,300	36.4	(9.4)
Operating income	3,823	1,410	100.0	(63.1)	2,000	100.0	(63.1)
Energy	2,159	2,098	148.8	(2.8)	2,800	140.0	21.8
Industrial Materials	2,212	520	36.9	(76.5)	1,100	55.0	(58.5)
Electronic Appliances & Consumer Products	(548)	(1,208)	(85.7)	—	(1,900)	(95.0)	—

* % change from the same term of the previous year

Note: At the end of the year ended March 31, 2019, the Company has finalized provisional accounting treatment related to the business combination. The Operating income of Electronic Appliances & Consumer Products segment for the Third Quarter ended December 31, 2018 reflects the finalized provisional accounting treatment.

Sales by Regional Segment

	December 31, 2018	December 31, 2019		Change* (%)
	Millions of yen	Millions of yen	Composition (%)	
Overseas sales	50,702	44,319	39.8	(12.6)
America	11,170	8,893	8.0	(20.4)
Europe	9,190	9,021	8.1	(1.8)
Asia and other	30,342	26,405	23.7	(13.0)
Domestic sales	57,459	67,070	60.2	16.7
Total	108,161	111,389	100.0	3.0

* % change from the same term of the previous year

Capital investment, Depreciation, R&D expenses

(Millions of yen)

	December 31, 2018	December 31, 2019	Change* (%)	March 31, 2020 Forecast	Change* (%)
Capital investment	5,174	3,918	(24.3)	6,000	(24.7)
Depreciation	3,185	4,340	36.3	6,000	29.1
R&D expenses	7,178	6,665	(7.1)	9,000	(7.5)

* % change from the same term of the previous year

Note: At the end of the year ended March 31, 2019, the Company has finalized provisional accounting treatment related to the business combination. The Depreciation for the Third Quarter ended December 31, 2018 reflects the finalized provisional accounting treatment. Also, the Company has revised forecasts of Capital investment and R&D expenses for the year ending March 31, 2020.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	22,907	22,130
Notes and accounts receivable - trade	39,658	32,563
Inventories	22,848	24,426
Other	10,289	11,552
Allowance for doubtful accounts	(586)	(545)
Total current assets	95,116	90,126
Non-current assets		
Property, plant and equipment		
Land	35,509	35,503
Other, net	25,704	27,657
Total property, plant and equipment	61,213	63,160
Intangible assets		
Goodwill	7,905	6,987
Other	7,891	7,411
Total intangible assets	15,796	14,398
Investments and other assets		
Investment securities	23,194	23,712
Other	4,276	4,681
Allowance for doubtful accounts	(210)	(206)
Total investments and other assets	27,260	28,187
Total non-current assets	104,269	105,745
Total assets	199,385	195,871
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,982	17,540
Short-term loans payable	17,000	7,000
Current portion of long-term loans payable	598	1,725
Income taxes payable	542	315
Provision for litigation and related expenses	33	—
Other	15,595	15,951
Total current liabilities	53,750	42,531
Non-current liabilities		
Long-term loans payable	7,762	34,175
Provision for directors' retirement benefits	71	73
Net defined benefit liability	7,914	7,823
Asset retirement obligations	75	75
Other	4,308	4,351
Total non-current liabilities	20,130	46,497
Total liabilities	73,880	89,028

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Capital stock	12,203	12,203
Capital surplus	33,527	33,625
Retained earnings	89,346	75,516
Treasury shares	(997)	(6,035)
Total shareholders' equity	134,079	115,309
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	328	687
Foreign currency translation adjustment	(6,526)	(7,458)
Remeasurements of defined benefit plans	(4,846)	(4,266)
Total accumulated other comprehensive income	(11,044)	(11,037)
Non-controlling interests	2,470	2,571
Total net assets	125,505	106,843
Total liabilities and net assets	199,385	195,871

(2) Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended December 31, 2018 (April 1, 2018 - December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 - December 31, 2019)
Net sales	108,161	111,389
Cost of sales	85,257	89,169
Gross profit	22,904	22,220
Selling, general and administrative expenses	19,081	20,810
Operating income	3,823	1,410
Non-operating income		
Interest income	206	113
Dividend income	109	134
Share of profit of entities accounted for using equity method	475	104
Foreign exchange gains	344	9
Other	257	192
Total non-operating income	1,391	552
Non-operating expenses		
Interest expenses	39	61
Sales discounts	127	164
Other	178	283
Total non-operating expenses	344	508
Ordinary income	4,870	1,454
Extraordinary income		
Gain on sales of non-current assets	14	5
Gain on sales of investment securities	156	3
Insurance income	250	—
Gain on reversal of foreign currency translation	74	—
Total extraordinary income	494	8
Extraordinary losses		
Loss on sales and retirement of non-current assets	187	79
Disaster related expenses	637	—
Total extraordinary losses	824	79
Profit before income taxes	4,540	1,383
Income taxes	1,405	489
Income taxes for prior periods	—	(743)
Profit	3,135	1,637
Profit attributable to non-controlling interests	124	386
Profit attributable to owners of parent	3,011	1,251

(3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2018 (April 1, 2018 - December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 - December 31, 2019)
Profit	3,135	1,637
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,374)	360
Foreign currency translation adjustment	(295)	(982)
Remeasurements of defined benefit plans, net of tax	308	580
Total other comprehensive income	(1,361)	(42)
Comprehensive income	1,774	1,595
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,733	1,258
Comprehensive income attributable to non-controlling interests	41	337