

Summary of Consolidated Financial Results for the First Half ended September 30, 2022 (Japan GAAP)

October 28, 2022

Listed company: Maxell, Ltd. Stock exchange: Tokyo (Prime Market)
 Code number: 6810 URL: <https://www2.maxell.co.jp/ir/>
 Representative: Keiji Nakamura (President)
 Contact person: Seiji Takahashi (General Manager)
 Planned date of submittal of financial statement report: November 10, 2022 Planned date of beginning payment of dividends: December 8, 2022

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

1. Consolidated Business Results and Financial Position for the First Half ended September 30, 2022 (April 1, 2022 through September 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	65,205	(5.9)	2,461	(60.0)	3,850	(40.1)	3,140	(20.9)
September 30, 2021	69,261	8.8	6,146	643.2	6,425	687.4	3,972	-

Note: Comprehensive income: September 30, 2022 8,442 millions of yen (79.8%)
 September 30, 2021 4,696 millions of yen (813.6%)

	Net profit per share	Net profit per share (Diluted)
	Yen	Yen
September 30, 2022	64.62	—
September 30, 2021	80.31	—

Note: The Company has introduced “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 profit per share” of the quarter.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
September 30, 2022	176,447	89,173	48.6
March 31, 2022	177,535	84,616	45.9

References: Shareholders' equity: September 30, 2022 85,817 millions of yen; March 31, 2022 81,498 millions of yen

Note: The Company has introduced “performance-linked share-based remuneration system”. And the shares of the Company held by the trust are recorded as treasury shares.

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	Year end	Full year
	Yen	Yen	Yen	Yen	Yen
March 31, 2022	-	20.00	-	20.00	40.00
March 31, 2023	-	20.00	-	-	-
March 31, 2023 (Forecast)	-	-	-	20.00	40.00

Note: Revision of the latest dividend forecast: None

3. Consolidated Business Forecast for the year ending March 31, 2023 (April 1, 2022 through March 31, 2023)

(% change from the previous year)

	Net sales		Operating profit		Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	135,000	(2.3)	5,500	(41.1)	5,000	-	102.90

Note 1: Revision of the latest consolidated financial forecast: Yes

- 2: The Company has introduced “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 profit 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 second 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):

September 30, 2022 53,341,500 shares

March 31, 2022 53,341,500 shares

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

September 30, 2022 5,919,220 shares

March 31, 2022 3,882,195 shares

3) Average number of shares during the term:

September 30, 2022 48,589,932 shares

September 30, 2021 49,459,334 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” (18,600 shares, for the previous consolidated fiscal year ended March 31, 2022 and 16,800 shares, for the First Half ended September 30, 2022).

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” (18,600 shares, for the First Half ended September 30, 2021 and 18,167 shares, for the First Half ended September 30, 2022).

*** 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 First Half of the previous fiscal year, from April 1, 2021 to September 30, 2021.)

The global economy in this first half period was heading toward recovery from the Novel Coronavirus (COVID-19) infections disease worldwide. However, inflationary pressures are rising as resource prices remain high due to the prolonged Russian-Ukrainian situation, making the situation unpredictable. In terms of the business environment for the Company, it was a challenging situation in which soaring raw material costs derived from metals and crude oil advanced at a faster pace than the effort of reflection in sales prices, and sluggish growth in production volumes of some products due to the shortage of semiconductors at customers.

Under these circumstances, in this first half period, total sales decreased by 5.9% (4,056 million yen) to 65,205 million yen, due to significant sales decrease of projectors caused by business downsizing and sales decrease of rechargeable batteries and BtoC products, although sales for automotive and semiconductor related markets increased. In terms of profitability, operating profit decreased by 60.0% (3,685 million yen) to 2,461 million yen, due to sales decrease of rechargeable batteries, BtoC products and projectors, as well as further advancement in rise in material prices. Ordinary profit decreased by 40.1% (2,575 million yen) to 3,850 million yen and profit attributable to owners of parent decreased by 20.9% (832 million yen) to 3,140 million yen.

The average foreign exchange rate over this First Half period under review was US\$1=134 yen.

Operating results by segment were as follows.

Energy

Although sales of primary batteries increased mainly for medical and automotive use, sales of rechargeable batteries decreased significantly due to reduction of production at customer caused by shortage of semiconductors. Due to these reasons, total sales for Energy segment decreased by 10.1% (2,016 million yen) to 18,043 million yen. In terms of profitability, operating profit decreased by 62.2% (1,564 million yen) to 951 million yen due to the impact of lower sales of rechargeable batteries and the impact of soaring raw material costs such as lithium and cobalt.

Functional Materials

Sales of adhesive tapes increased, mainly for construction use and for industrial materials, and industrial rubber products. Total sales for Functional Materials segment increased by 9.0% (1,215 million yen) to 14,766 million yen. On the other hand, operating profit declined by 68.2% (715 million yen) to 334 million yen due to the impact of soaring raw material costs such as naphtha and rubber.

Optics & Systems

Although sales of both automotive optical components and semiconductor related products increased due to order recoveries from automotive and semiconductor related customers, the downsizing of the projector business had a significant impact, and total sales for Optics & Systems segment decreased by 8.0% (1,591 million yen) to 18,257 million yen. Operating profit decreased by 19.4% (427 million yen) to 1,776 million yen due to a decrease in sales of projectors, despite the increase in profits from automotive optical components and semiconductors related products.

Life Solution

Sales of BtoC products decreased due to factors such as decline of health and hygiene related demand. As a result, total sales for Life Solution segment decreased by 10.5% (1,664 million yen) to 14,139 million yen. Operating profit decreased by 979 million yen to loss of 600 million yen due to decrease in sales of BtoC products and the impact of cost increase of imported products caused by sharp depreciation of yen.

2. Qualitative Information relating to Consolidated Financial Position

Assets

As of September 30, 2022, total assets amounted 176,447 million yen, decreased by 0.6% from the previous consolidated fiscal year (as of March 31, 2022). Among this, current assets amounted 98,025 million yen, decreased by 1.5%, mainly by decrease of cash and deposits, although inventories increased. And the ratio of current assets among total assets has changed to 55.6% from 56.0% of the previous consolidated fiscal year. On the other hand, non-current assets amounted 78,422 million yen, increased by 0.5%, and the ratio of non-current assets among total assets has changed to 44.4% from 44.0% of the previous consolidated fiscal year.

Liabilities

As of September 30, 2022, total liabilities amounted 87,274 million yen, decreased by 6.1% from the previous consolidated fiscal year. Among this, current liabilities amounted 59,057 million yen, increased by 2.3%, mainly by increase of notes and accounts payable - trade. And the current ratio became 1.7 times, and the cash on hand which is the balance between current liabilities and current assets, became 38,968 million yen. On the other hand, non-current liabilities amounted 28,217 million yen, decreased by 19.8%, mainly by decrease of long-term borrowings.

Net Assets

As of September 30, 2022, total net assets amounted 89,173 million yen, increased by 5.4% from the previous consolidated fiscal year, mainly by record of profit attributable to owners of parent amounted 3,140 million yen and increase of foreign currency translation adjustment amounted 4,836 million yen. And the equity ratio has changed to 48.6% from 45.9% of the previous consolidated fiscal year.

3. Qualitative Information relating to Projections of Consolidated Business Results

Regarding the business performance in this first half period, total sales were decreased in comparison with the previous fiscal year due to downsizing of projector business, reduction of production at the customer for rechargeable batteries and sales decrease of BtoC products, despite strong sales of automotive and semiconductor related products. However, from the third quarter onwards, the Company is planning to increase sales of products mainly for automotive and semiconductor related markets. On the other hand, in terms of profitability, there are negative factors such as production decrease at the customer for rechargeable batteries due to a shortage of semiconductors, prolonged rising raw material prices that continue to exceed the Company's effort of reflecting to sales prices, and the sharp depreciation of yen impacting on the profits in sales of BtoC products for domestic market. The Company expects these trends to continue during this fiscal year.

Under these circumstances, the Company revised the consolidated financial forecasts for the fiscal year ending March 2023, net sales to 135,000 million yen (increased by 5,000 million yen from the previous announcement on May 13, 2022), operating profit to 5,500 million yen (decreased by 4,000 million yen) and profit attributable to owners of parent to 5,000 million yen (decreased by 1,000 million yen), as stated in the " Notice about Revision of Consolidated Financial Forecast for the Fiscal Year ending March 31, 2023" announced today.

There is no change in dividend forecast announced on May 13, 2022 (20.00 yen per share for the interim period, 20.00 yen per share for the year-end and total 40.00 yen per share).

The Company aims to return to profit growth in the mid-term management plan MEX23. For this fiscal year, the Company revised the forecasts downward due to unexpected factors, but will strive to achieve our MEX23 targets for the fiscal year ending March 2024 (12.5 billion yen in operating profit, over 10% operating profit margin, ROIC of over 7%) by reforming our business portfolio, including reform of BtoC business, which is struggling in particular, and strengthening our business foundation for the future, such as accelerating the commercialization of all-solid-state battery.

Supplementary information

Consolidated Financial Results and Forecast

(Millions of yen)

	First Half ended: September 30, 2021	First Half ended: September 30, 2022	Change* (%)	March 31, 2023 Forecast	Change* (%)
Net sales	69,261	65,205	(5.9)	135,000	(2.3)
Operating profit	6,146	2,461	(60.0)	5,500	(41.1)
Profit attributable to owners of parent	3,972	3,140	(20.9)	5,000	-

* % change from the same term of the previous year

Sales and Operating Profit by Segment

	September 30, 2021	September 30, 2022		Change* (%)	March 31, 2023 Forecast		Change* (%)
	Millions of yen	Millions of Yen	Composition (%)		Millions of yen	Composition (%)	
Net sales	69,261	65,205	100.0	(5.9)	135,000	100.0	(2.3)
Energy	20,059	18,043	27.7	(10.1)	37,300	27.6	(3.4)
Functional Materials	13,551	14,766	22.6	9.0	29,900	22.2	6.7
Optics & Systems	19,848	18,257	28.0	(8.0)	38,900	28.8	(1.6)
Life Solution	15,803	14,139	21.7	(10.5)	28,900	21.4	(9.8)
Operating profit	6,146	2,461	100.0	(60.0)	5,500	100.0	(41.1)
Energy	2,515	951	38.6	(62.2)	2,000	36.4	(50.6)
Functional Materials	1,049	334	13.6	(68.2)	1,400	25.5	(24.8)
Optics & Systems	2,023	1,776	72.2	(19.4)	3,300	60.0	(1.1)
Life Solution	379	(600)	-	-	(1,200)	-	-

* % change from the same term of the previous year

Sales by Regional Segment

	September 30, 2021	September 30, 2022		Change* (%)
	Millions of yen	Millions of yen	Composition (%)	
Overseas sales	28,988	27,860	42.7	(3.9)
America	7,107	6,894	10.6	(3.0)
Europe	5,387	5,625	8.6	4.4
Asia and other	16,494	15,341	23.5	(7.0)
Domestic sales	40,273	37,345	57.3	(7.3)
Total	69,261	65,205	100.0	(5.9)

* % change from the same term of the previous year

Capital investment, Depreciation, R&D expenses

(Millions of yen)

	September 30, 2021	September 30, 2022	Change* (%)	March 31, 2023 Forecast	Change* (%)
Capital investment	1,513	1,358	(10.2)	7,000	76.8
Depreciation	2,199	2,329	5.9	5,000	10.1
R&D expenses	3,026	3,171	4.8	7,000	9.7

* % change from the same term of the previous year

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	45,552	40,440
Notes and accounts receivable - trade	30,160	29,214
Inventories	18,378	23,606
Other	6,225	5,723
Allowance for doubtful accounts	(846)	(958)
Total current assets	99,469	98,025
Non-current assets		
Property, plant and equipment		
Land	32,609	32,661
Other, net	22,898	23,055
Total property, plant and equipment	55,507	55,716
Intangible assets		
Goodwill	48	—
Other	4,983	5,032
Total intangible assets	5,031	5,032
Investments and other assets		
Other	17,750	17,772
Allowance for doubtful accounts	(222)	(98)
Total investments and other assets	17,528	17,674
Total non-current assets	78,066	78,422
Total assets	177,535	176,447
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,606	21,788
Current portion of long-term borrowings	6,598	7,598
Income taxes payable	829	996
Other	30,686	28,675
Total current liabilities	57,719	59,057
Non-current liabilities		
Long-term borrowings	25,994	19,194
Net defined benefit liability	5,705	5,751
Asset retirement obligations	425	426
Other	3,076	2,846
Total non-current liabilities	35,200	28,217
Total liabilities	92,919	87,274

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Capital stock	12,203	12,203
Capital surplus	28,290	28,290
Retained earnings	49,756	51,907
Treasury shares	(6,034)	(8,802)
Total shareholders' equity	84,215	83,598
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	233	76
Foreign currency translation adjustment	(1,212)	3,624
Remeasurements of defined benefit plans	(1,738)	(1,481)
Total accumulated other comprehensive income	(2,717)	2,219
Non-controlling interests	3,118	3,356
Total net assets	84,616	89,173
Total liabilities and net assets	177,535	176,447

(2) Consolidated Statements of Income

	(Millions of yen)	
	First half ended September 30, 2021 (April 1, 2021 - September 30, 2021)	First half ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Net sales	69,261	65,205
Cost of sales	50,534	50,495
Gross profit	18,727	14,710
Selling, general and administrative expenses	12,581	12,249
Operating profit	6,146	2,461
Non-operating income		
Interest income	59	68
Dividend income	77	65
Share of profit of entities accounted for using equity method	99	—
Foreign exchange gains	56	1,209
Other	153	282
Total non-operating income	444	1,624
Non-operating expenses		
Interest expenses	54	60
Share of loss of entities accounted for using equity method	—	38
Other	111	137
Total non-operating expenses	165	235
Ordinary profit	6,425	3,850
Extraordinary income		
Gain on sale of non-current assets	5	130
Other	50	9
Total extraordinary income	55	139
Extraordinary losses		
Loss on sale and retirement of non-current assets	59	42
Impairment losses	25	—
Total extraordinary losses	84	42
Profit before income taxes	6,396	3,947
Income taxes	2,255	671
Profit	4,141	3,276
Profit attributable to non-controlling interests	169	136
Profit attributable to owners of parent	3,972	3,140

(3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First half ended September 30, 2021 (April 1, 2021 - September 30, 2021)	First half ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Profit	4,141	3,276
Other comprehensive income		
Valuation difference on available-for-sale securities	(482)	(158)
Foreign currency translation adjustment	709	5,067
Remeasurements of defined benefit plans, net of tax	328	257
Total other comprehensive income	555	5,166
Comprehensive income	4,696	8,442
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,480	8,076
Comprehensive income attributable to non-controlling interests	216	366