

Summary of Consolidated Financial Results for the First Half ended September 30, 2023 (Japan GAAP)

October 30, 2023

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, 2023	Planned date of beginning payment of dividends December 7, 2023

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

1. Consolidated Business Results and Financial Position for the First Half ended September 30, 2023 (April 1, 2023 through September 30, 2023)

(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, 2023	65,620	0.6	4,566	85.5	6,001	55.9	4,934	57.1
September 30, 2022	65,205	(5.9)	2,461	(60.0)	3,850	(40.1)	3,140	(20.9)

Note: Comprehensive income: September 30, 2023 8,528 millions of yen (1.0%)
September 30, 2022 8,442 millions of yen (79.8%)

	Net profit per share	Net profit per share (Diluted)
	Yen	Yen
September 30, 2023	107.66	—
September 30, 2022	64.62	—

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, 2023	168,989	93,521	53.4
March 31, 2023	168,177	85,940	49.2

References: Shareholders' equity: September 30, 2023 90,283 millions of yen; March 31, 2023 82,816 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, 2023	-	20.00	-	20.00	40.00
March 31, 2024	-	20.00			
March 31, 2024 (Forecast)			-	20.00	40.00

Note: Revision of the latest dividend forecast: None

3. Consolidated Business Forecast for the year ending March 31, 2024 (April 1, 2023 through March 31, 2024)

(% 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	130,000	(2.1)	7,500	33.0	5,800	11.7	126.56

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, 2023 49,695,800 shares

March 31, 2023 49,695,800 shares

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

September 30, 2023 3,852,132 shares

March 31, 2023 3,871,367 shares

3) Average number of shares during the term:

September 30, 2023 45,828,590 shares

September 30, 2022 48,589,932 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” (16,800 shares, for the previous consolidated fiscal year ended March 31, 2023 and 15,700 shares, for the First Half ended September 30, 2023).

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” (18,167 shares, for the First Half ended September 30, 2022 and 16,535 shares, for the First Half ended September 30, 2023).

*** 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, 2022 to September 30, 2022.)

The global economy in this First Half period left concerns about the prolonged economic downturn due to the continued financial tightening measures in the United States and Europe, a real estate crisis in China, sluggish domestic demand resulting from factors such as reduced exports and investments due to the US-China trade friction, while a mild recovery was shown in Japan. In terms of the business environment for the Company, electricity costs remain high while the soaring raw material costs have stabilized. On the demand side, although the automotive market is showing signs of recovery, the semiconductor market continues to struggle, indicating a persistently challenging situation.

Under these circumstances, in this First Half period, total sales increased by 0.6% (415 million yen) to 65,620 million yen, due to higher sales from automotive optical components and licensing revenues that offset the decrease in sales due to the transfer of the domestic consumer products sales business. In terms of profitability, operating profit increased by 85.5% (2,105 million yen) to 4,566 million yen, due to improvement of profit for health & beauty care products in addition to strong sales of automotive optical components and licensing revenues. Ordinary profit increased by 55.9% (2,151 million yen) to 6,001 million yen mainly due to recognition of foreign exchange gains and profit attributable to owners of parent increased by 57.1% (1,794 million yen) to 4,934 million yen.

The average foreign exchange rate over this First Half period under review was US\$1=141 yen.

Operating results by segment were as follows.

Energy

Although sales of rechargeable batteries increased, sales of primary batteries decreased as the products for electronics applications was impacted by the economic stagnation in certain regions, while the sales of automotive products were positive. Due to these reasons, total sales for Energy segment decreased by 0.4% (78 million yen) to 17,965 million yen. In terms of profitability, operating profit decreased by 82.1% (781 million yen) to 170 million yen due to the impact of the sales decrease in primary batteries as well as the inclusion of development costs and the cost of establishing production system for all solid-state batteries.

Functional Materials

Although sales of adhesive tape increased centered on the tapes for semiconductor manufacturing process, overall sales of functional materials decreased by 0.9% (126 million yen) to 14,640 million yen due to the downturn in industrial materials. Operating profit increased by 59.9% (200 million yen) to 534 million yen as the profit of adhesive tape increased due to the stabilization of raw material costs as well as the benefit from selling price reflection, despite the impact of the sales decline in industrial materials.

Optics & Systems

In addition to the sales increase of automotive optical components brought by the automotive market's recovery, there was an early recognition of planned licensing income starting from the third quarter, and overall sales for Optics & Systems segment increased by 21.0% (3,841 million yen) to 22,098 million yen. Operating profit increased by 98.4% (1,748 million yen) to 3,524 million yen to the higher sales of automotive optical components and the recognition of licensing revenue.

Life Solution

As a result of the transfer of the domestic consumer products sales business, sales of consumer products and health & beauty care products decreased, and total sales for Life Solution segment decreased by 22.8% (3,222 million yen) to 10,917 million yen. Operating profit increased by 938 million yen to 338 million yen due to the restructuring of BtoC business and improved productivity at overseas production facilities.

2. Qualitative Information relating to Consolidated Financial Position

Assets

As of September 30, 2023, total assets amounted 168,989 million yen, increased by 0.5% from the previous consolidated fiscal year (as of March 31, 2023). Among this, current assets amounted 93,612 million yen, decreased by 1.3%, mainly by decrease of cash and deposits, and inventories, although notes and accounts receivable - trade increased. And the ratio of current assets among total assets has changed to 55.4% from 56.4% of the previous consolidated fiscal year. On the other hand, non-current assets amounted 75,377 million yen, increased by 2.8%, and the ratio of non-current assets among total assets has changed to 44.6% from 43.6% of the previous consolidated fiscal year.

Liabilities

As of September 30, 2023, total liabilities amounted 75,468 million yen, decreased by 8.2% from the previous consolidated fiscal year. Among this, current liabilities amounted 60,845 million yen, increased by 9.6%, mainly by increase of current portion of long-term borrowings. And the current ratio became 1.5 times, and the cash on hand which is the balance between current liabilities and current assets, became 32,767 million yen. On the other hand, non-current liabilities amounted 14,623 million yen, decreased by 45.3%, mainly by decrease of long-term borrowings.

Net Assets

As of September 30, 2023, total net assets amounted 93,521 million yen, increased by 8.8% from the previous consolidated fiscal year, mainly by record of profit attributable to owners of parent amounted 4,934 million yen and increase of foreign currency translation adjustment amounted 2,793 million yen. And the equity ratio has changed to 53.4% from 49.2% of the previous consolidated fiscal year.

3. Qualitative Information relating to Projections of Consolidated Business Results

The business performance in this first half period was favorable, primarily due to increased sales of automotive optical components and the early recognition of licensing revenue. However, the Company anticipates challenges from the third quarter onwards due to the impact of the early recognition of licensing revenue as mentioned above and the incurrence of temporary expenses in the Life Solution business.

Under these circumstances, the Company has carefully reviewed the performance outlook for each segment from the third quarter onwards and subsequently reevaluated full-year consolidated net sales forecast for the fiscal year ending March 2024 to 130,000 million yen (decreased by 3,000 million yen from the previous announcement on April 27, 2023). No revisions have been made to the total amount of operating profit. However, profit attributable to owners of parent have been changed to 5,800 million yen, an increase of 600 million yen. For details regarding the revisions in each segment, please refer to the "Notice about Revision of Consolidated Financial Forecast for the Fiscal Year ending March 31, 2024" announced today.

Amidst the ongoing uncertainties in the global economy, such as the situation in Russia and Ukraine, the prolonged U.S.-China trade friction, and sudden changes in the Middle East, the Company will continue to work hard from the third quarter onwards in order to achieve the previously announced target of an operating profit of 7,500 million yen.

For full-year performance forecasts by business segment, please refer to the supplementary information on page 5.

Supplementary information

Consolidated Financial Results and Forecast

(Millions of yen)

	First Half ended: September 30, 2022	First Half ended: September 30, 2023	Change* (%)	March 31, 2024 Forecast	Change* (%)
Net sales	65,205	65,620	0.6	130,000	(2.1)
Operating profit	2,461	4,566	85.5	7,500	33.0
Profit attributable to owners of parent	3,140	4,934	57.1	5,800	11.7

* % change from the same term of the previous year

Sales and Operating Profit by Segment

	September 30, 2022	September 30, 2023		Change* (%)	March 31, 2024 Forecast		Change* (%)
	Millions of yen	Millions of Yen	Composition (%)		Millions of yen	Composition (%)	
Net sales	65,205	65,620	100.0	0.6	130,000	100.0	(2.1)
Energy	18,043	17,965	27.4	(0.4)	35,500	27.3	(3.5)
Functional Materials	14,766	14,640	22.3	(0.9)	30,600	23.6	4.5
Optics & Systems	18,257	22,098	33.7	21.0	41,900	32.2	11.8
Life Solution	14,139	10,917	16.6	(22.8)	22,000	16.9	(24.8)
Operating profit	2,461	4,566	100.0	85.5	7,500	100.0	33.0
Energy	951	170	3.7	(82.1)	500	6.7	(78.8)
Functional Materials	334	534	11.7	59.9	1,600	21.3	85.4
Optics & Systems	1,776	3,524	77.2	98.4	5,400	72.0	38.9
Life Solution	(600)	338	7.4	-	0	-	-

* % change from the same term of the previous year

Sales by Regional Segment

	September 30, 2022	September 30, 2023		Change* (%)
	Millions of yen	Millions of yen	Composition (%)	
Overseas sales	27,860	31,434	47.9	12.8
America	6,894	9,565	14.6	38.7
Europe	5,625	7,710	11.7	37.1
Asia and other	15,341	14,159	21.6	(7.7)
Domestic sales	37,345	34,186	52.1	(8.5)
Total	65,205	65,620	100.0	0.6

* % change from the same term of the previous year

Capital investment, Depreciation, R&D expenses

(Millions of yen)

	September 30, 2022	September 30, 2023	Change* (%)	March 31, 2024 Forecast	Change* (%)
Capital investment	1,358	2,915	114.7	8,000	109.2
Depreciation	2,329	2,379	2.1	5,400	14.0
R&D expenses	3,171	2,625	(17.2)	6,500	1.6

* % change from the same term of the previous year

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	38,170	36,025
Notes and accounts receivable - trade	30,439	33,057
Inventories	22,476	21,051
Other	4,678	4,039
Allowance for doubtful accounts	(926)	(560)
Total current assets	94,837	93,612
Non-current assets		
Property, plant and equipment		
Land	28,994	29,033
Other, net	22,550	23,658
Total property, plant and equipment	51,544	52,691
Intangible assets	4,697	4,626
Investments and other assets		
Other	17,190	18,161
Allowance for doubtful accounts	(91)	(101)
Total investments and other assets	17,099	18,060
Total non-current assets	73,340	75,377
Total assets	168,177	168,989
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,421	17,735
Current portion of long-term borrowings	8,123	13,029
Income taxes payable	506	1,272
Other	28,444	28,809
Total current liabilities	55,494	60,845
Non-current liabilities		
Long-term borrowings	17,625	5,937
Net defined benefit liability	5,372	5,255
Asset retirement obligations	434	435
Other	3,312	2,996
Total non-current liabilities	26,743	14,623
Total liabilities	82,237	75,468

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Capital stock	12,203	12,203
Capital surplus	22,951	22,953
Retained earnings	53,011	57,028
Treasury shares	(5,678)	(5,648)
Total shareholders' equity	82,487	86,536
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	334	740
Foreign currency translation adjustment	1,781	4,574
Remeasurements of defined benefit plans	(1,786)	(1,567)
Total accumulated other comprehensive income	329	3,747
Non-controlling interests	3,124	3,238
Total net assets	85,940	93,521
Total liabilities and net assets	168,177	168,989

(2) Consolidated Statements of Income

	(Millions of yen)	
	First half ended September 30, 2022 (April 1, 2022- September 30, 2022)	First half ended September 30, 2023 (April 1, 2023- September 30, 2023)
Net sales	65,205	65,620
Cost of sales	50,495	50,712
Gross profit	14,710	14,908
Selling, general and administrative expenses	12,249	10,342
Operating profit	2,461	4,566
Non-operating income		
Interest income	68	246
Dividend income	65	101
Foreign exchange gains	1,209	1,120
Other	282	275
Total non-operating income	1,624	1,742
Non-operating expenses		
Interest expenses	60	39
Share of loss of entities accounted for using equity method	38	101
Other	137	167
Total non-operating expenses	235	307
Ordinary profit	3,850	6,001
Extraordinary income		
Gain on sale of non-current assets	130	5
Other	9	—
Total extraordinary income	139	5
Extraordinary losses		
Loss on sale and retirement of non-current assets	42	156
Total extraordinary losses	42	156
Profit before income taxes	3,947	5,850
Income taxes	671	935
Profit	3,276	4,915
Profit (loss) attributable to non-controlling interests	136	(19)
Profit attributable to owners of parent	3,140	4,934

(3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First half ended September 30, 2022 (April 1, 2022- September 30, 2022)	First half ended September 30, 2023 (April 1, 2023- September 30, 2023)
Profit	3,276	4,915
Other comprehensive income		
Valuation difference on available-for-sale securities	(158)	408
Foreign currency translation adjustment	5,067	2,986
Remeasurements of defined benefit plans, net of tax	257	219
Total other comprehensive income	<u>5,166</u>	<u>3,613</u>
Comprehensive income	<u>8,442</u>	<u>8,528</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,076	8,352
Comprehensive income attributable to non-controlling interests	366	176