

(6810) Hitachi Maxell – ‘Outperform’ (maintain)

Share price (2016/6/6): 1,558
Mkt cap (JPY bn): 8.31 bn
FY2017/3 P/E (CE): 21.1x
FY2016/3 P/B (act): 0.73x
FY2017/3 DY (CE): 2.3%

Structure reform finally begins

SUMMARY

- Automotive 3 growth products remain solid growth
- Earnings are expected to bounce back in FY2018/8 after reshuffling businesses
- Share price will react to the process on structure reform

① **FY2016/3 full year Results: +0% Sales but +40% OP**

Sales remained flat at JPY156,216 million but OP gained 40% YoY to JPY7,306 million. Strong growth of TPMS battery, car view camera lenses and car LED head lamp lenses was offset by decline in legacy products such as lithium-ion batteries for consumer electronics and magnetic tapes. For growth products, TPMS battery increased sales by 10% YoY, view camera lenses accelerated by 50% YoY and LED head lamp lenses maintained at 20% YoY growth. Due to higher demand from Europe, the production capacity of TPMS battery was increased again. Conversely, Lithium-ion battery for smartphones remained under break-even and magnetic tapes expanded loss from a year ago.

② **FY2017/3 full year Forecast: In line with Company outlook**

Hitachi Maxell posted FY2017/3 outlook of declining sales of 10% YoY to JPY140,000 million and OP of 18% to JPY6,000 million. The decrease of sales of Lithium-ion for smartphones, magnetic tapes and consumer products of appliance puts downward pressure on profits for this year. In addition, higher appreciation of JPY decreases OP by JPY800 million, assuming USD/JPY weakening to 110 from 120 for the previous year. Titlis forecast is in line with the guidance, slightly higher sales of JPY141,405 million and OP of JPY6,046 million. The table below or ‘PL’ sheet of the attached spreadsheet shows detail.

FY2016/3	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	EBT	Tax	Minority	Net Profit		
1Q (act)	37,335	-29,486	-79.0%	7,849	-6,573	-17.6%	1,276	3.4%	1,486	-292	-61	1,133		
2Q (act)	41,231	-32,237	-78.2%	8,994	-6,613	-16.0%	2,381	5.8%	2,310	-452	-130	1,728		
3Q (act)	40,598	-32,017	-78.9%	8,581	-6,396	-15.8%	2,185	5.4%	1,903	-1,158	145	890		
4Q (act)	37,052	-29,283	-79.0%	7,769	-6,305	-17.0%	1,464	4.0%	-476	673	-17	180		
Full Year (act)	156,216	-123,023	-78.8%	33,193	-25,887	-16.6%	7,306	4.7%	5,223	-1,798	-63	3,931	74.4	20.9
Full Year (CE)	157,000						6,500	4.1%	6,100			4,000	122.1	
FY2017/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	EBT	Tax	Minority	Net Profit		
1Q (E)	33,565	-26,383	-78.6%	7,182	-5,909	-17.6%	1,272	3.8%	1,273	-334	-52	886		
2Q (E)	36,640	-29,236	-79.8%	7,403	-5,877	-16.0%	1,527	4.2%	1,527	-401	-63	1,063		
3Q (E)	36,855	-29,466	-79.9%	7,390	-5,806	-15.8%	1,583	4.3%	1,584	-416	-65	1,103		
4Q (E)	34,345	-26,837	-78.1%	7,508	-5,844	-17.0%	1,663	4.8%	1,663	-437	-68	1,159		
Full Year (E)	141,405	-111,923	-79.2%	29,482	-23,437	-16.6%	6,046	4.3%	6,047	-1,587	-248	4,211	79.7	19.6
Full Year (CE)	140,000						6,000		5,600			3,900	73.8	21.1
FY2018/3 (E)	Sales	COGS	COGS/S	Gross Profit	SGA	SGA/S	OP	OPM	EBT	Tax	Minority	Net Profit		
1Q (E)	33,763	-25,637	-75.9%	8,126	-5,944	-17.6%	2,182	6.5%	2,182	-573	-90	1,520		
2Q (E)	37,009	-28,615	-77.3%	8,394	-5,936	-16.0%	2,458	6.6%	2,458	-645	-101	1,712		
3Q (E)	37,279	-28,899	-77.5%	8,380	-5,873	-15.8%	2,507	6.7%	2,507	-658	-103	1,746		
4Q (E)	35,046	-26,654	-76.1%	8,393	-5,964	-17.0%	2,429	6.9%	2,429	-638	-100	1,692		
Full Year (E)	143,098	-109,806	-76.7%	33,292	-23,717	-16.6%	9,575	6.7%	9,576	-2,514	-393	6,669	126.2	12.3
Full Year (CE)	170,000						12,000							

(Source) Hitachi Maxell, TIRS

By Segment (JPY million)	Energy		Industrial Material		Electronic Appliance/		Total	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP
FY2016/3								
1Q (act)	10,070	364	11,521	404	15,744	508	37,335	1,276
2Q (act)	11,203	631	11,609	534	18,419	1,216	41,231	2,381
3Q (act)	10,132	485	11,612	498	18,854	1,202	40,598	2,185
4Q (act)	9,377	480	11,577	92	16,098	892	37,052	1,464
Full Year (act)	40,782	1,960	46,319	1,528	69,115	3,818	156,216	7,306
Full Year (CE)	38,000	1,700	50,000	2,200	69,000	2,600	157,000	6,500
FY2017/3 (E)								
1Q (E)	8,701	308	10,289	309	14,576	655	33,565	1,272
2Q (E)	9,649	341	9,918	422	17,073	764	36,640	1,527
3Q (E)	8,762	369	10,739	470	17,355	745	36,855	1,583
4Q (E)	8,283	400	11,104	581	14,958	681	34,345	1,663
Full Year (E)	35,394	1,418	42,049	1,782	63,962	2,845	141,405	6,046
Full Year (CE)	34,500	1,300	41,000	1,900	64,500	2,800	140,000	6,000
FY2018/3 (E)								
1Q (E)	8,345	489	10,071	695	15,347	998	33,763	2,182
2Q (E)	9,240	521	9,679	758	18,091	1,179	37,009	2,458
3Q (E)	8,390	535	10,784	844	18,106	1,129	37,279	2,507
4Q (E)	8,004	548	11,358	875	15,685	1,006	35,046	2,429
Full Year (E)	33,979	2,092	41,892	3,172	67,228	4,311	143,098	9,575
Full Year (CE)	40,700	2,900	52,800	4,200	76,500	4,900	170,000	12,000

③ Restructure plan

Regarding profitability of automotive 3 products, that of TPMS battery will dip into 15% for FY2017/3 from 20% temporarily due to stronger JPY rates and higher personnel cost shifted from Lithium-ion battery but improve for FY2018/3 led by incremental cost reduction. That for car view camera lens is likely to maintain due to the increase in volume and the decrease in COGS. That of car LED lamp lens is also expected maintain at the same level due to fewer competitors.

Product Groups Detailed Growth products	Estimated Q4 FY2024		Estimated Q4 FY2023		YoY Growth	Estimated FY2024		Estimated FY2023		YoY Growth	FY2024/25												FY2025/26												Full Year
	Q4 FY2024		Q4 FY2023			FY2024		FY2023			H1 FY2024						H2 FY2024						H1 FY2025						H2 FY2025						
	Sales	OP	Sales	OP		Sales	OP	Sales	OP		Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP			
Revenue	15,000	4,500	14,000	4,200	10.7%	55,000	16,500	50,000	15,000	10.0%	25,000	7,500	24,000	7,200	4.2%	50,000	15,000	48,000	14,400	4.2%	50,000	15,000	25,000	7,500	24,000	7,200	4.2%	50,000	15,000	48,000	14,400	10.0%			
Operating Profit	4,500	1,350	4,200	1,260	7.1%	16,500	4,950	15,000	4,500	10.0%	8,250	2,475	7,800	2,340	5.6%	16,500	4,950	15,000	4,500	10.0%	16,500	4,950	8,250	2,475	7,800	2,340	5.6%	16,500	4,950	15,000	4,500	10.0%			
Net Income	3,000	900	2,800	840	7.1%	11,000	3,300	10,000	3,000	10.0%	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%	11,000	3,300	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%			
EBITDA	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	17,500	5,250	16,000	4,800	9.4%	17,500	5,250	8,750	2,625	8,000	2,400	9.4%	17,500	5,250	16,000	4,800	9.4%			
Capex	1,000	300	900	270	11.1%	3,500	1,050	3,000	900	16.7%	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%	3,500	1,050	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%			
Debt Repayment	500	150	450	135	11.1%	1,500	450	1,350	405	10.4%	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%	1,500	450	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%			
Dividend	200	60	180	54	11.1%	600	180	540	162	3.3%	300	90	270	81	11.1%	600	180	540	162	3.3%	600	180	300	90	270	81	11.1%	600	180	540	162	3.3%			
Free Cash Flow	3,500	1,050	3,000	900	16.7%	11,000	3,300	10,000	3,000	10.0%	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%	11,000	3,300	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%			
EBIT	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
EBITDA	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
Capex	1,000	300	900	270	11.1%	3,500	1,050	3,000	900	16.7%	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%	3,500	1,050	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%			
Debt Repayment	500	150	450	135	11.1%	1,500	450	1,350	405	10.4%	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%	1,500	450	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%			
Dividend	200	60	180	54	11.1%	600	180	540	162	3.3%	300	90	270	81	11.1%	600	180	540	162	3.3%	600	180	300	90	270	81	11.1%	600	180	540	162	3.3%			
Free Cash Flow	3,500	1,050	3,000	900	16.7%	11,000	3,300	10,000	3,000	10.0%	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%	11,000	3,300	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%			
EBIT	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
EBITDA	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
Capex	1,000	300	900	270	11.1%	3,500	1,050	3,000	900	16.7%	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%	3,500	1,050	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%			
Debt Repayment	500	150	450	135	11.1%	1,500	450	1,350	405	10.4%	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%	1,500	450	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%			
Dividend	200	60	180	54	11.1%	600	180	540	162	3.3%	300	90	270	81	11.1%	600	180	540	162	3.3%	600	180	300	90	270	81	11.1%	600	180	540	162	3.3%			
Free Cash Flow	3,500	1,050	3,000	900	16.7%	11,000	3,300	10,000	3,000	10.0%	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%	11,000	3,300	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%			
EBIT	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
EBITDA	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
Capex	1,000	300	900	270	11.1%	3,500	1,050	3,000	900	16.7%	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%	3,500	1,050	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%			
Debt Repayment	500	150	450	135	11.1%	1,500	450	1,350	405	10.4%	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%	1,500	450	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%			
Dividend	200	60	180	54	11.1%	600	180	540	162	3.3%	300	90	270	81	11.1%	600	180	540	162	3.3%	600	180	300	90	270	81	11.1%	600	180	540	162	3.3%			
Free Cash Flow	3,500	1,050	3,000	900	16.7%	11,000	3,300	10,000	3,000	10.0%	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%	11,000	3,300	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%			
EBIT	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
EBITDA	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
Capex	1,000	300	900	270	11.1%	3,500	1,050	3,000	900	16.7%	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%	3,500	1,050	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%			
Debt Repayment	500	150	450	135	11.1%	1,500	450	1,350	405	10.4%	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%	1,500	450	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%			
Dividend	200	60	180	54	11.1%	600	180	540	162	3.3%	300	90	270	81	11.1%	600	180	540	162	3.3%	600	180	300	90	270	81	11.1%	600	180	540	162	3.3%			
Free Cash Flow	3,500	1,050	3,000	900	16.7%	11,000	3,300	10,000	3,000	10.0%	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%	11,000	3,300	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%			
EBIT	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
EBITDA	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%			
Capex	1,000	300	900	270	11.1%	3,500	1,050	3,000	900	16.7%	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%	3,500	1,050	1,750	525	1,600	480	9.4%	3,500	1,050	3,000	900	16.7%			
Debt Repayment	500	150	450	135	11.1%	1,500	450	1,350	405	10.4%	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%	1,500	450	750	225	700	210	7.1%	1,500	450	1,350	405	10.4%			
Dividend	200	60	180	54	11.1%	600	180	540	162	3.3%	300	90	270	81	11.1%	600	180	540	162	3.3%	600	180	300	90	270	81	11.1%	600	180	540	162	3.3%			
Free Cash Flow	3,500	1,050	3,000	900	16.7%	11,000	3,300	10,000	3,000	10.0%	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%	11,000	3,300	5,500	1,650	5,100	1,530	7.8%	11,000	3,300	10,000	3,000	10.0%			
EBIT	5,000	1,500	4,800	1,440	4.2%	17,500	5,250	16,000	4,800	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	9.4%	8,750	2,625	8,000	2,400	8,000	2,400	9.4%	8,750	2,625	8,000					

(Note) *actual growth rate is based on sales growth of FY2015/3 1-4Q Vs. FY2016/3 3Q-4Q. Estimated OPM, growth rate and OP for each product are estimated by Trill

70% of consumer use Lithium-ion battery is produced for smartphone (of 70% is for Samsung), and the sale is expected to decrease 20% a year. But HM plans to maintain investment in Lithium-ion battery that leads to developing future technology for overall micro batteries, trying to making slightly above break-even profit, as the company will cut further cost of consolidating production facilities of Kyoto and Wuxi and shifting head count to other micro batteries.

(b) Magnetic tapes

HM plans to transfer magnetic tapes to Ube Maxell that is a JV with Ube Industries of, producing separators of battery used for electric vehicles. A technology of process of applying magnetic materials to a tape is able to transfer to a technology for the separator, using manufacturing facility in Kyoto plant. The transfer is scheduled within this fiscal year.

(c) Consumer electric appliance

HM plans to reduce sale of consumer products to JPY10 billion from JPY24 billion in the previous year when commodity type products such as earphones deteriorated profitability of the segment.

④ **After restructuring plan: +58% YoY OP for FY2018/3**

Although earnings are unlikely to reach goals in MTP, TIRS expects sales to inch up 1.2% YoY to JPY143,098 and OP to jump 58% YoY to JPY9,575 million for FY2018/3 (please see tables above). Due to solid growth in automotive 3 products, profits are expected to expand, whereas negative effect by legacy products is likely to recede. Automotive 3 products will maintain higher profit margins, as the sale prices have been fixed on long-term contracts with customers and HM closely discuss them on production plan including production cost reduction. A risk will remain in projector business if China's economy slows down further.

⑤ **Valuation: Share price remains at a discount**

On an EV/EBITDA, the multiple is declining from 2.09x in FY2016/3 to 1.09x in FY2016/3 (E) and 0.67x in FY2018/3 (E). From FY2016/3 to FY2017/3 (E), OP is likely to decrease from JPY7,306 million to JPY6,046 million, but EBITDA is expected to be more stable from JPY11,985 million to JPY11,046 million as depreciation increase from JPY4,679 million to JPY5,000 million. Share price plunged on concern over lower earnings outlook for FY2017/3, but more stable cash flow should be focused. Lower EV/EBITDA multiple seems to show the share price has fully discounted weak outlook for this year. Therefore, it is more likely to respond to positive information if the process is on track.

	Mar-14	Mar-15	Mar-16	Mar-17(E)	Mar-18(E)
Avg. Mkt. Cap	JPY 114,811	JPY 99,818	JPY 96,779	JPY 86,686	JPY 86,686
EV	JPY 61,885	JPY 32,770	JPY 25,102	JPY 12,049	JPY 9,879
EV/EBITDA	5.15	3.19	2.09	1.09	0.67
EV/EBIT	8.41	6.31	3.44	1.99	1.03
EV/FCF	71.88	93.36	2.38	2.48	1.97

The following table shows cash flow forecast.

Cash Flow Analysis:	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17(E)	Mar-18(E)
Net Income	490	7,432	6,820	3,931	4,211	6,669
Dep.	2,374	4,661	5,073	4,679	5,000	5,100
Amortization	0	0	0	0	0	0
Other non-cash charges	-2,328	-7,788	-7,592	-2,524	0	0
Changes in WC	-45	2,523	1,625	8,267	2,152	-246
Op. Cash Flow	491	6,828	5,926	14,353	11,363	11,523
Per share	JPY 11.18	JPY 108.59	JPY 112.15	JPY 271.62	JPY 215.04	JPY 218.07
Capex	-5,575	-5,967	-5,575	-3,796	-6,500	-6,500
Free Cash Flow	-5,084	861	351	10,557	4,863	5,023
Per share	(JPY 115.72)	JPY 13.69	JPY 6.64	JPY 199.79	JPY 92.03	JPY 95.06
Beginning Cash	21,304	26,683	28,808	38,187	34,113	44,978
Net cash used	5,379	2,125	9,379	3,830	10,865	2,170
Ending cash	26,683	28,808	38,187	42,017	44,978	47,147

Using sum-of-the-parts (SOTP) model, NAV on TIRS estimates for FY2017/3 is JPY2,719, putting the June 6th closing price of JPY1,558 on a **42% discount** (our model normalizes (averages) for each

segment sales, OP, EBITDA and FCF from FY2014/3 through FY2017/3 (E), adding net cash and equivalents). The calculation of future NAV that incorporates medium-term growth through FY2018/3 (E) yields a value of JPY2,932, which puts the current share price on a **46% discount**.

NAVs:			NAVs:		
Sum of the parts NAV FY2017/3 (E):			Future NAV 2018/3 (E):		
Energy	362	5x EBITDA	Energy	371	5x EBITDA
Industrial Material	455	15x FCF	Industrial Material	510	15x FCF
Electronic Appliance/ Consum	683	15x FCF	Electronic Appliance/ Consumer Pr	727	15x FCF
Cash	843	1x Book	Cash	884	1x Book
Investment	64	0.75x Book	Investment	128	0.75x Book
Land	474	0.75x Book	Land	474	0.75x Book
Debt	(128)	1x Book	Debt	(128)	1x Book
Minority Interest	(32)	1x Book	Minority Interest	(32)	1x Book
Total SOTP NAV	JPY 2,719	57.3%	Total Future NAV	JPY 2,932	53.1%

⑥ CONCLUSION: Maintain 'Outperform'

Rating of "Outperform" has been kept on hold at this time due to limited downside risk and possible recovery in FY2018/3 after structure reform. Automotive 3 products are very likely to continue growing at solid pace. Recovery for FY2018/3 would mostly rely on whether structure reform successfully completes on schedule, although consumer use Lithium-ion battery and magnetic tape will hardly eliminate risk perfectly but it will be marginal. Share price has already fully discounted weak earnings outlook, and from now it will react positively on a positive outcome of the structure reform. In addition, I believe share price should be more appreciated, as cash flows are more stable than OP and net-net or cash position shows undervalued. Hitachi Maxell should show the result of structure reform, restoring confidence of investors.



	2013/3	2014/3	2015/3	2016/3	2017/3 (E)	2018/3 (E)	2018/9 (E)
Assets							
Current Assets							
Cash and Cash Equivalents	5,163	15,297	38,770	42,017	44,978	47,147	44,083
Short-Term Investments	1,375	1,004	-	-	-	-	-
Notes and Accounts Receivable,	23,644	30,804	32,587	29,543	26,742	27,062	-
Allowance for Doubtful Receivables	(377)	(408)	(339)	(458)	(415)	(420)	-
Inventories	19,112	21,285	18,657	13,900	12,582	12,733	-
Deferred Income Taxes	869	1,057	1,714	1,702	1,541	1,559	-
Other Current Assets	35,201	10,415	5,310	5,617	5,084	5,145	-
Total Current Assets	84,987	79,454	96,699	92,321	90,512	93,227	44,083
Property, Plant and Equipment							
Land	40,616	40,908	34,146	33,678	33,678	33,678	33,678
Buildings	10,132	11,485	8,127	7,665	9,984	12,304	12,304
Machinery and Equipment	9,161	14,429	13,221	12,302	16,025	19,747	19,747
Construction in Progress	1,506	1,697	1,977	1,513	1,971	2,429	2,429
Total	61,415	68,519	57,471	55,158	61,658	68,158	68,158
Accumulated Depreciation	-	-	-	-	-	-	1
Net Property, Plant and Equipment	61,415	68,519	57,471	55,158	61,658	68,158	68,159
Software & Other intangible assts	570	1,288	1,025	1,047	1,047	1,047	1,047
Goodwill	-	-	-	-	-	-	-
	570	1,288	1,025	1,047	1,047	1,047	1,047
Other Assets							
Investments in and Advances to	-	-	-	-	-	-	-
Investment Securities	7,458	4,301	2,286	4,550	4,550	4,550	4,550
Software & Others	(10)	(209)	(241)	(225)	(225)	(225)	(225)
Deferred Income Taxes	443	534	535	477	477	477	477
Other	2,336	1,328	2,677	1,028	1,028	1,028	1,028
Total Other Assets	10,227	5,954	5,257	5,830	5,830	5,830	5,830
Total	157,199	155,215	160,452	154,356	159,047	168,262	119,119
Liabilities and Stockholders' Equity							
Current Liabilities							
Bank Loans	1,633	1,694	-	-	-	-	-
Notes and Accounts Payable, Trade	14,498	20,386	20,822	20,288	18,364	18,584	-
Accrued Expenses	6,750	6,701	6,234	6,946	6,287	6,363	-
Income Taxes	173	408	865	201	182	184	-
Other Current Liabilities	1,752	3,574	3,195	2,252	2,038	2,063	-
Current Portion of Long-Term Debt	-	-	-	35	35	35	35
Total Current Liabilities	24,806	32,763	31,116	29,722	26,907	27,229	35
Long-Term Debt							
Deferred Income Taxes	3,642	3,693	4,299	3,735	3,735	3,735	3,735
Termination and Retirement Benefits	3,733	5,429	5,934	6,350	6,350	6,350	6,350
Other Long-Term Liabilities	1,226	1,050	35	266	266	266	266
	1,633	1,700	325	492	492	492	492
Total Liabilities	33,407	42,941	41,709	40,530	37,715	38,037	10,843
Stockholders' Equity							
Common Stock	12,203	12,203	12,203	12,203	12,203	12,203	12,203
Additional Paid-in Capital	55,679	33,578	33,578	33,527	33,527	33,527	33,527
Legal Reserve	62,484	74,172	75,998	77,313	77,313	77,313	77,313
Retained Earnings	-	-	-	-	-	-	-
Treasury Stock	-	(996)	(996)	(996)	(996)	(996)	(996)
Total Stockholders' Equity	130,366	118,957	120,783	122,047	122,047	122,047	122,047
Accumulated other Comprehensive							
Income	1,512	954	529	303			
Cumulative Translation Adjustments	(8,367)	(6,006)	(2,139)	(5,297)			
Minimum Pension Liability							
Adjustments	-	(3,086)	(2,325)	(4,953)			
Net Unrealized Gain on Securities	-	-	-				
Unrealized Gains (Losses) on							
Derivative Instruments	-	-	-				
Warrant	0	0	0	0	0	0	0
Minority Interests in Subsidiaries	281	1,455	1,895	1,726	1,726	1,726	1,726
Total Stockholders' Equity	123,792	112,274	118,743	113,826	123,773	123,773	123,773
Total	157,199	155,215	160,452	154,356	161,488	161,810	134,616