

Consolidated Financial Results for the First Half of FY2018
(April 1, 2018 to September 30, 2018)

FDK CORPORATION

(URL: <http://www.fdk.com>)

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The Consolidated Financial Results is unaudited/U.S. GAPP is not applied

1. Consolidated Results for the Six-Months Period Ended September 30, 2018

a. Consolidated Statements of Income

	Yen (millions)		Change (%)	Yen	U.S.Dollars
	Six months ended Sept. 30, 2017	Six months ended Sept. 30, 2018		(millions) FY2017, ended Mar. 31, 2018	(millions) Six months ended Sept. 30, 2018
Net Sales	35,977	36,362	1.1	73,129	\$320.14
Operating Profit	134	220	63.9	666	\$1.94
Ordinary Profit	4	631	-	78	\$5.56
Profit (Loss) attributable to owner of parent	(175)	390	-	(630)	\$3.43

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	(6.26) yen	13.90 yen	(22.53) yen	12.24 cent
Diluted Earnings	- yen	13.81 yen	- yen	12.16 cent

b. Net Sales by Business Segment

	Yen	Yen	Yen	U.S.Dollars
	(millions) Six months ended Sept. 30, 2017	(millions) Six months ended Sept. 30, 2018	(millions) FY2017, ended Mar. 31, 2018	(millions) Six months ended Sept. 30, 2018
Batteries	23,720	23,824	48,536	\$209.76
Electronic Devices	12,256	12,538	24,592	\$110.39
Total	35,977	36,362	73,129	\$320.14

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2018	As of Sept. 30, 2018
Total Assets	51,054	52,936
Net Assets	4,293	5,788
Owners' Equity	4,289	5,784
Capital Adequacy Ratio	8.4 %	10.9 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Six months ended Sept. 30, 2017	Six months ended Sept. 30, 2018
	Cash Flows from Operating Activities	1,432
Cash Flows from Investing Activities	(1,030)	(1,311)
Cash Flows from Financing Activities	402	561
Cash and Cash Equivalents at End of Period	4,463	4,504

(Notes for the Consolidated Operating Results (from 1.a to 1.d))

1. All amounts less than one million yen have been disregarded.
2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of 113.58 yen=\$1
3. The percentage in this statement presents rate of change compared with the same period last year.
4. FDK implemented a share consolidation (10 to 1) effective October 1, 2018.

2. Consolidated Financial Forecast for the fiscal year 2018 ending March 31, 2019

(Million of yen, except per share data)

	FY2018	Change from FY2017	FY2017
Net Sales	74,000	1.2 %	73,129
Operating Profit	700	5.0	666
Ordinary Profit	200	156.1 %	78
Profit (Loss) attributable to owners of parent	100	-	(630)
Basic Earnings (Loss) per Share	3.50 yen	-	(2.25) yen

Note for the use of the above forecasted business results.

The financial forecast described above is based upon information available as of April 26, 2018.

3. Others

(1) Material changes in significant subsidiaries during the period: No

Consolidated Subsidiaries	12 companies
Unconsolidated Subsidiaries (equity method applied)	3 companies
Affiliates (equity method applied only)	1 companies

(2) Applying of specific accounting of the consolidated quarterly financial statements: No

(3) Changes in accounting policies, accounting estimates, and retrospective restatement

- 1) Changes in accounting policies based on revisions of accounting standard: No
- 2) Changes in accounting policies other than ones based on revisions of accounting standard: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(4) Number of issued and outstanding shares (common stock)

- 1) Number of issued and outstanding shares at the end of fiscal year.
Sept. 30, 2018: 28,555,802 shares March 31, 2018: 280,363,026 shares
- 2) Number of treasury stock at the end of each period
Sept. 30, 2018: 27,318 shares March 31, 2018: 27,143 shares
- 3) Average number of shares in each period.
Sept. 30, 2018: 28,098,156 shares Sept. 30, 2017: 28,009,609 shares

(Notes)

1. FDK implemented a share consolidation (10 to 1) effective October 1, 2018.

Consolidated Balance Sheet

Millions of yen

	FY2017 March 31, 2018	1H/FY2018 September 30, 2018
Assets		
Current assets		
Cash and deposits	3,720	4,504
Notes and accounts receivable-trade	20,316	20,792
Merchandise and finished goods	2,781	3,154
Work in process	2,694	3,104
Raw materials and supplies	2,760	2,916
Other	1,150	980
Allowance for doubtful accounts	(105)	(107)
Total current assets	33,318	35,344
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,153	6,392
Machinery, equipment and vehicles, net	4,952	4,885
Tools, furniture and fixtures, net	984	956
Land	2,535	2,553
Leased assets, net	1,282	1,353
Construction in progress	464	177
Total property, plant and equipment	16,372	16,317
Intangible assets	502	484
Investments and other assets		
Investment securities	204	206
Long-term loans receivable	1	2
Deferred tax assets	106	95
Other	549	486
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	862	790
Total non-current assets	17,736	17,592
Total assets	51,054	52,936
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,230	16,367
Short-term loans payable	19,455	19,400
Lease obligations	468	361
Accounts payable-other	2,018	2,315
Income taxes payable	336	321
Other	3,055	2,644
Total current liabilities	40,564	41,410
Non-current liabilities		
Lease obligations	553	541
Deferred tax liabilities	194	206
Net defined benefit liability	3,847	3,650
Long-term accounts payable - other	1,216	939
Other	383	400
Total non-current liabilities	6,196	5,737
Total liabilities	46,760	47,148
Net assets		
Shareholders' equity		
Capital stock	28,301	28,709
Capital surplus	22,968	23,377
Retained earnings	(45,539)	(45,148)
Treasury shares	(47)	(47)
Total shareholders' equity	5,683	6,890
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	37
Foreign currency translation adjustment	948	981
Remeasurements of defined benefit plans	(2,380)	(2,176)
Total accumulated other comprehensive income	(1,393)	(1,157)
Share acquisition rights	-	51
Non-controlling interests	4	3
Total net assets	4,293	5,788
Total liabilities and net assets	51,054	52,936

Consolidated Statement of Income

Millions of yen

	1H/FY2017	1H/FY2018
	April 17 - September 17	April 18 - September 18
Net sales	35,977	36,362
Cost of sales	30,240	30,709
Gross profit	5,737	5,652
Selling, general and administrative expenses	5,603	5,432
Operating profit	134	220
Non-operating income		
Interest income	8	10
Foreign exchange gains	9	578
Gain on sales of non-current assets	7	13
Rent income	9	19
Other	34	68
Total non-operating income	68	690
Non-operating expenses		
Interest expenses	60	69
Share of loss of entities accounted for using equity method	31	57
Loss on sales of non-current assets	38	-
Loss on retirement of non-current assets	36	96
Other	32	54
Total non-operating expenses	198	278
Ordinary profit	4	631
Extraordinary losses		
Impairment loss	-	42
Total extraordinary losses	-	42
Profit before income taxes	4	588
Income taxes-current	135	171
Income taxes-deferred	44	26
Total income taxes	180	198
Profit (loss)	(175)	390
Loss attributable to non-controlling interests	(0)	(0)
Profit (loss) attributable to owners of parent	(175)	390

Consolidated Statement of Comprehensive Income
Millions of yen

	1H/FY2017	1H/FY2018
	April 17 - September 17	April 18 - September 18
Profit (loss)	(175)	390
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(0)
Foreign currency translation adjustment	315	37
Remeasurements of defined benefit plans, net of tax	219	203
Share of other comprehensive income of entities accounted for using equity method	9	(4)
Other comprehensive income	550	236
Comprehensive income	375	626
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	375	626
Comprehensive income attributable to non-controlling interests	(0)	(0)

Consolidated Statement of Cash Flows
Millions of yen

	1H/FY2017	1H/FY2018
	April 17 - September 17	April 18 - September 18
Cash flows from operating activities		
Profit before income taxes	4	588
Depreciation and amortization	1,036	1,067
Impairment loss	-	42
Increase (decrease) in net defined benefit liability	(161)	(196)
Increase (decrease) in allowance for doubtful accounts	(10)	1
Interest and dividend income	(9)	(22)
Interest expenses	60	69
Foreign exchange losses (gains)	(0)	(0)
Share issuance cost	-	12
Share of loss (profit) loss of entities accounted for using equity method	31	57
Loss (gain) on sales of property, plant and equipment	30	(13)
Loss on retirement of non-current assets	36	96
Decrease (increase) in notes and accounts receivable-trade	(376)	(279)
Decrease (increase) in inventories	(929)	(894)
Increase (decrease) in notes and accounts payable-trade	1,661	865
Increase (decrease) in accrued expenses	73	(27)
Other, net	201	308
Subtotal	1,647	1,676
Interest and dividend income received	9	22
Interest expenses paid	(67)	(67)
Income taxes paid	(156)	(160)
Net cash provided by (used in) operating activities	1,432	1,470
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,214)	(1,322)
Proceeds from sales of property, plant and equipment	241	22
Purchase of intangible assets	(62)	(13)
Purchase of investment securities	(2)	(2)
Other, net	6	4
Net cash provided by (used in) investing activities	(1,030)	(1,311)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,060	(55)
Purchase of treasury shares	(0)	(0)
Proceeds from issuance of shares acquisition rights	-	55
Proceeds from issuance of shares resulting from exercise of shares acquisition rights	-	800
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(385)	-
Repayments of finance lease obligations	(272)	(239)
Net cash provided by (used in) financing activities	402	561
Effect of exchange rate change on cash and cash equivalents	120	63
Net increase (decrease) in cash and cash equivalents	924	783
Cash and cash equivalents at beginning of period	3,538	3,720
Cash and cash equivalents at end of period	4,463	4,504

Consolidated Business Segment Information
Millions of yen

1H/FY2017 April 17 - September 17

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	23,720	12,256	35,977	-	35,977
Intersegment	-	-	-	-	-
Total	23,720	12,256	35,977	-	35,977
Segment profit (loss)	757	(623)	134	-	134

1H/FY2018 April 18 - September 18

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	23,824	12,538	36,362	-	36,362
Intersegment	-	-	-	-	-
Total	23,824	12,538	36,362	-	36,362
Segment profit (loss)	910	(690)	220	-	220

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

The business environment of the FDK Group (“FDK”) during the first half ended September 30, 2018 remained uncertain condition, such as impacts on the global economy due to intensified trade friction between North America and China, geopolitical risk, increase of material cost though the corporate profit and employment environment of domestic companies improved as well as personal consumption gradually improved in Japan.

Under these circumstances, FDK strived to develop new customers and expand sales in Japan and overseas using the strengths of battery technology, electrical circuit technology and power electronic technology to integrate battery solutions with electronic technology on the basis of batteries into new markets such as IoT, mobility and social infrastructure, which are expected to grow greatly in the future in addition to conventional markets such as home appliances, power supply back-up application and automotive accessories. And FDK continuously promoted development of practical application technology of a small type All-Solid batteries for early sample shipment as well as accelerated characteristic improvement of cathode material. On the other hand, in order to raise the funds for the implementation of the growth strategy, FDK started capital increase by issuing share acquisition rights by third-party allotment.

Regarding the business results for this period, sales of Battery business increased due to sales of Ni-MH batteries and Alkaline batteries in consumer market remained steady as the first quarter, though sales of Ni-MH batteries and Lithium batteries decreased in the industrial market.

Sales of Electronic Device business also increased due to sales of Coil devices and Signal Processing Modules for LCD increased while Multi-layer power inductor decreased.

As a result, consolidated sales of this period ended September 30, 2018 was 36,362 million yen, increased by 384 million yen (1.1%) from the same period of last year.

With regard to profit and loss, the operating profit of this period was 220 million yen increased by 85million yen from the same period of last year due to sales increase, material cost reduction and favorable impact of currency exchange ratio, although profit was affected by increase of material cost. The ordinary profit in this period was 631 million yen increased by 627 million yen from the same period of last year and it was achieved by non-operating income of 578 million yen as the foreign exchange gains. The profit attributable to owners of parent in this period was 390 million yen (it was 175 million yen loss attributable for owners of parent in the same period last year).

The divisional sales overview is as follows.

1.2 Battery Business

Sales of Ni-MH batteries decreased from the same period of last year, due to sales decrease of some of OEM products in overseas market and products for industrial use, although sales of domestic and overseas retail market were steady. Sales of Power Storage Systems was decreased from the same period of last year due to sales decrease of back-up use for telecommunication equipment. Sales of Alkaline batteries increased from the same period of last year due to steady sales for internet and domestic retail market. Sales of Lithium batteries decreased from the same period of last year due to the sluggishness of infrastructure market in Japan and overseas, although domestic sales of smoke detectors was steady.

As a result, sales for the Battery business was 23,824 million yen, increased by 103 million yen from the same period last year.

1.3. Electronic Device Business

Sales of Coil devices increased from the same period of last year, due to steady sales for automotive use and industrial equipment. Sales of Multi-layer Power Inductor products was decreased from the same period of last year, due to sales decrease for smart phone and integrated circuit application. Sales of Signal Processing Modules for LCD increased from the same period of last year, due to steady sales for industrial equipment, touch panel, and large size LCD display. Sales of Switching Power Supply decreased from the same period of last year, due to sales decrease of equipment for land-based digital television broadcasting facilities.

As a result, sales for the Electronic Device business was 12,538 million yen, increased by 281 million yen from the same period last year.

(2) Analysis of Financial Condition

2.1 Status of Assets, Liabilities and Net Assets

Total assets at the end of first half in FY2018 increased by 1,882 million yen (3.7%) from the end of the previous fiscal year to 52,936 million yen. Current assets increased by 2,026 million yen (6.1%) from the end of the previous fiscal year to 35,344 million yen. Non-current assets decreased by 144 million yen (-0.8%) from the end of the previous fiscal year to 17,592 million yen. The principal causes for increased current assets were a 783 million yen increase in cash and deposits, a 476 million yen increase in notes and accounts receivable-trade, a 372 million yen increase in merchandise and finished goods and a 410 million yen increase in work in process.

Total liabilities at the end of first half in FY2018 increased by 387 million yen (0.8%) from the end of the previous fiscal year to 47,148 million yen. Current liabilities increased by 846 million yen (2.1%) from the end of the previous fiscal year to 41,410 million yen. Non-current liabilities decreased by 458 million yen (-7.4%) from the end of the previous fiscal year to 5,737 million yen. The principal cause of increased current liabilities was a 1,136 million yen increase in notes and accounts payable-trade. The principal cause of decreased non-current liabilities was a 277 million yen decrease in long-term accounts payable and a 197 million yen decrease in net defined benefit liability.

The interest-bearing debt decreased by 174 million yen from the end of the previous fiscal year to 20,302 million yen.

Total net assets at the end of first half in FY2018 increased by 1,494 million yen (34.8%) from the end of the previous fiscal year to 5,788 million yen. The main factors for the increase in total net assets were a 390 million yen increase in retained earnings by posting a profit attributable to owners of parent and a 408 million yen increase in capital stock and capital surplus by posting a resulting from exercise of share acquisition rights.

2.2 Cash Flow Condition

Cash flows from operating activities increased by 1,470 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting an increase in profit before income taxes, impairment loss and increase in notes and accounts payable-trade, though was a decrease in cash by posting an increase in increase in inventories (Cash flows from operating activities for the last fiscal year increased by 1,432 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 1,311 million yen from the beginning of this fiscal year due to a decrease in cash by posting a purchase of property, plant and equipment (Cash flows from investment activities for the last fiscal year decreased by 1,030 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 561 million yen from the beginning of this fiscal year due to an increase in cash by posting a proceeds from issuance of shares resulting from exercise of share acquisition rights (Cash flows from financing activities for the last fiscal year decreased by 402 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on September 30, 2018 was 4,504 million yen, an increase of 783 million yen from the beginning of this fiscal year.

3. Forecast for the Fiscal Year Ending March 31, 2019

The ordinary profit and the profit attributable to owners of parent have already exceeded consolidated forecasts for this fiscal year.

However, FDK has not changed its business forecast which was announced on April 26, 2018, because it is necessary to make sure of the trend of battery sales in the third quarter which will reach the peak demand phase in the consumer market in addition to the large impact of foreign exchange rates.

We will announce the revision promptly if it will be necessary in the future, by doing our best to collect various information including market trends.