

Consolidated Financial Results for the First Half of FY2013
(April 1, 2013 to September 30, 2013)

FDK CORPORATION

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

Listing Code No. 6955 (Listing Stock Exchange: The Second Section of Tokyo Stock Exchange)

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

1. Consolidated Operating Results for the Six-Months Ended September 30, 2013

a. Consolidated Results of Operations

	Yen (millions)		Change (%)	Yen (millions)	U.S.Dollars (millions)
	Six months ended Sept. 30, 2012	Six months ended Sept. 30, 2013		FY2012, ended Mar. 31, 2013	Six months ended Sept. 30, 2013
Net Sales	35,109	39,308	12.0	73,547	\$402.13
Operating Income (Loss)	(1,626)	1,049	-	(526)	\$10.73
Ordinary Income (Loss)	(1,723)	985	-	174	\$10.08
Net Income (Loss)	(1,566)	484	-	453	\$4.95

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	(7.21) yen	2.23 yen	2.09 yen	2.28 cent
Diluted Earnings	-	1.74		

b. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	Six months ended Sept. 30, 2012	Six months ended Sept. 30, 2013	FY2012, ended Mar. 31, 2013	Six months ended Sept. 30, 2013
Batteries	21,845	24,026	45,671	\$245.79
Electronic Devices	13,263	15,281	27,876	\$156.33
Total	35,109	39,308	73,547	\$402.13

c. Consolidated Financial Position

	Yen (millions)	
	As of Mar. 31, 2013	As of Sept. 30, 2013
Total Assets	58,720	57,008
Total Net Assets	8,150	8,122
Shareholders' Equity	7,114	7,598
Shareholders' Equity Ratio	11.1 %	13.2 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Six months ended Sept. 30, 2012	Six months ended Sept. 30, 2013
	Cash Flows from Operating Activities	(461)
Cash Flows from Investing Activities	(351)	(1,981)
Cash Flows from Financing Activities	756	(1,604)
Cash and Cash Equivalent at End of Period	5,607	4,949

(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 97.75 yen=\$1
3. The percentage in this statement presents rate of change compared with the same period last year.

2. Consolidated Financial Forecast for the fiscal year 2013 ending March. 31, 2014

	(Million of yen, except per share data)		
	FY2013	Change from FY2012	FY2012
Net Sales (Loss)	80,000	8.8 %	73547
Operating Income (Loss)	2,200	-	(526)
Ordinary Income	1,900	989.2 %	174
Net Income	1,000	120.6 %	453
Net Income per Share	4.60 yen		2.09 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, 2013.

3. Others

(1) Changes in material subsidiaries during the period: No

Consolidated Subsidiaries	16 companies
Unconsolidated Subsidiaries (equity method applied)	3 companies
Affiliates (equity method applied only)	2 companies

(2) Adoption of accounting procedures specific to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatements

- 1) Changes in accounting policies due to the amendment of accounting standards: No
- 2) Other changes in accounting policies: No
- 3) Changes in accounting estimates: No
- 4) Restatement: No

(4) Number of shares outstanding (common stock)

- 1) Number of shares outstanding at the end of periods.
September 30, 2013: 217,505,884 shares March 31, 2013: 217,505,884 shares
- 2) Number of treasury shares at the end of each period
September 30, 2013: 237,406 shares March 31, 2013: 233,228 shares
- 3) Weighted average number of shares outstanding in each period.
Six months ended Sep. 30, 2013: 217,270,910 shares Six month ended Sep. 30, 2012: 217,275,549 shares

Consolidated Balance Sheets

Millions of yen

	FY2012 Mar 31, 2013	1H/FY2013 Sep 30, 2013
Assets		
Current assets		
Cash and deposits	5,307	4,949
Notes and accounts receivable-trade	20,704	20,423
Merchandise and finished goods	2,386	2,448
Work in process	2,937	2,701
Raw materials and supplies	1,677	1,620
Deferred tax assets	132	193
Other	1,669	1,230
Allowance for doubtful accounts	(55)	(61)
Total current assets	<u>34,761</u>	<u>33,506</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,038	7,621
Machinery, equipment and vehicles, net	6,550	5,408
Tools, furniture and fixtures, net	884	730
Land	3,437	3,411
Lease assets, net	1,238	1,315
Construction in progress	1,226	268
Total property, plant and equipment	<u>21,376</u>	<u>18,754</u>
Intangible assets	<u>778</u>	<u>736</u>
Investments and other assets		
Investment securities	161	1,830
Long-term loans receivable	1	1
Deferred tax assets	218	240
Other	1,422	1,938
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	<u>1,804</u>	<u>4,010</u>
Total non-current assets	<u>23,959</u>	<u>23,502</u>
Total assets	<u>58,720</u>	<u>57,008</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,565	14,959
Short-term loans payable	21,279	19,696
Lease obligations	363	481
Accounts payable-other	1,254	2,373
Income taxes payable	243	249
Provision for loss on desaster	137	-
Other	2,569	2,645
Total current liabilities	<u>41,414</u>	<u>40,405</u>
Non-current liabilities		
Lease obligations	1,091	1,093
Deferred tax liabilities	3	200
Provision for retirement benefits	6,313	1,635
Negative goodwill	1,328	948
Other	419	4,602
Total non-current liabilities	<u>9,156</u>	<u>8,480</u>
Total liabilities	<u>50,570</u>	<u>48,885</u>
Net assets		
Shareholders' equity		
Capital stock	28,301	28,301
Capital surplus	22,622	22,622
Retained earnings	(43,767)	(43,283)
Treasury stock	(42)	(42)
Total shareholders' equity	<u>7,114</u>	<u>7,598</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18	23
Foreign currency translation adjustment	(609)	(93)
Total accumulated other comprehensive income	<u>(591)</u>	<u>(69)</u>
Minority interests	<u>1,628</u>	<u>593</u>
Total net assets	<u>8,150</u>	<u>8,122</u>
Total liabilities and net assets	<u>58,720</u>	<u>57,008</u>

Consolidated Statements of Income
Millions of yen

	1H/FY2012	1H/FY2013
	Apr'12-Sep'12	Apr'13-Sep'13
Net sales	35,109	39,308
Cost of sales	31,384	32,947
Gross profit	3,725	6,360
Selling, general and administrative expenses	5,352	5,311
Operating income (loss)	(1,626)	1,049
Non-operating income		
Interest income	7	9
Amortization of negative goodwill	379	379
Rent income	10	99
Other	55	156
Total non-operating income	453	645
Non-operating expenses		
Interest expenses	83	76
Foreign exchange losses	314	124
Equity in losses of affiliates	33	385
Loss on retirement of non-current assets	51	19
Other	67	102
Total non-operating expenses	550	709
Ordinary income (loss)	(1,723)	985
Extraordinary income		
Subsidy income	-	83
Total extraordinary income	-	83
Extraordinary loss		
Loss on revision of retirement benefit plan	-	304
Settlement package	239	-
Total extraordinary loss	239	304
Income (loss) before income taxes	(1,963)	763
Income taxes-current	79	196
Income taxes-deferred	99	(95)
Total income taxes	(19)	292
Income (loss) before minority interests	(1,943)	471
Minority interests in loss	(376)	(13)
Net income (loss)	(1,566)	484

Consolidated Statements of comprehensive income
Millions of yen

	1H/FY2012	1H/FY2013
	Apr'12-Sep'12	Apr'13-Sep'13
Income (loss) before minority interests	<u>(1,943)</u>	<u>471</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	5
Foreign currency translation adjustment	(495)	450
Share of other comprehensive income of associates accounted for using equity method	(58)	62
Other comprehensive income	<u>(554)</u>	<u>519</u>
Comprehensive income	<u>(2,498)</u>	<u>990</u>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	<u>(2,117)</u>	<u>1,006</u>
Comprehensive income attributable to minority interests	<u>(380)</u>	<u>(16)</u>

Consolidated Statements of Cash Flows
Millions of yen

	1H/FY2012	1H/FY2013
	Apr'12-Sep'12	Apr'13-Sep'13
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	(1,963)	763
Depreciation and amortization	1,460	1,369
Increase (decrease) in provision for retirement benefits	(258)	8
Increase (decrease) in allowance for doubtful accounts	(5)	2
Interest and dividends income	(8)	(10)
Interest expenses	83	76
Foreign exchange losses (gains)	4	(5)
Equity in (earnings) losses of affiliates	33	385
Loss (gain) on sales of property, plant and equipment	(1)	(0)
Loss on retirement of non-current assets	51	19
Amortization of negative goodwill	(379)	(379)
Subsidy income	-	(83)
Settlement package	239	-
Decrease (increase) in notes and accounts receivable-trade	636	894
Decrease (increase) in inventories	164	255
Increase (decrease) in notes and accounts payable-trade	(874)	(1,213)
Increase (decrease) in accrued expenses	591	589
Other, net	(40)	1,192
Subtotal	(267)	3,866
Interest and dividends income received	8	10
Proceeds from subsidy income	-	83
Interest expenses paid	(82)	(77)
Income taxes paid	(120)	(289)
Net cash provided by (used in) operating activities	(461)	3,593
Net cash provided by (used in) investing activities		
Payments into time deposits	(6)	(0)
Proceeds from withdrawal of time deposits	300	10
Purchase of property, plant and equipment	(1,279)	(1,236)
Proceeds from sales of property, plant and equipment	672	172
Purchase of intangible assets	(46)	(33)
Purchase of investment securities	(1)	(1)
Purchase of stocks of subsidiaries and affiliates	-	(888)
Other, net	9	(4)
Net cash provided by (used in) investing activities	(351)	(1,981)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	874	(1,385)
Purchase of treasury stock	(0)	(0)
Proceeds from stock issuance to minority shareholders	-	6
Repayments of finance lease obligations	(117)	(225)
Net cash provided by (used in) financing activities	756	(1,604)
Effect of exchange rate change on cash and cash equivalents	(211)	176
Net increase (decrease) in cash and cash equivalents	(268)	183
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(532)
Cash and cash equivalents at beginning of period	5,875	5,297
Cash and cash equivalents at end of period	5,607	4,949

Consolidated Business Segment Information
Millions of yen

1H/FY2012 Apr'12-Sep'12

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	21,845	13,263	35,109	-	35,109
Intersegment	-	-	-	-	-
Total	21,845	13,263	35,109	-	35,109
Segment income (loss)	(1,857)	231	(1,626)	-	(1,626)

1H/FY2013 Apr'13-Sep'13

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	24,026	15,281	39,308	-	39,308
Intersegment	-	-	-	-	-
Total	24,026	15,281	39,308	-	39,308
Segment income	520	528	1,049	-	1,049

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

The business environment of the FDK Group (hereinafter called “FDK”) during the first half, which ended September 30, 2013, remained under unclear condition due to the anticipation of the slowing economy in emerging countries, growing tension in the Middle East and currency turmoil concerns of Southeast Asian countries, though there were signs of gradual economic recovery from the expectations, for the economic growth through various policies under the new administration.

Under these circumstances, FDK worked on several measures of the new midterm business plan, starting from April 1, 2013 (FY2013 to 2015) and realized to lower the break-even point. Specifically, FDK expanded to apply technological VEs for all product materials, which had focused on expensive metal materials such as rare earths in the last year and it achieved to cut purchasing cost and significant material cost reduction, along with the reduction of fixed costs, such as external costs.

As a result, FDK is able to post a profit for four consecutive quarters, from the last third quarter to this second quarter. Furthermore, FDK carried a revision of retirement benefit and pension plans for the long-term stable operations and cost reductions in the future.

As for sales for the first half, net sales were 39,308 million yen and increased by 4,198 million yen from the same period last year. Sales expansion of Ni-MH batteries in industrial markets and signal processing modules for tablet terminals and large LCD televisions contributed the net sales increase.

With regard to profit and loss, operating income was 1,049 million yen and increased by 2,675 million yen from the same period last year. It is achieved by the above mentioned cost cutting efforts, sales growth and the beneficiaries of cheap yen. Ordinary income was 985 million yen and increased by 2,709 million yen from the same period last year. Net income for the first half was 484 million yen and increased by 2,050 million yen from the same period last year, though extraordinary loss of 304 million yen was posted, which occurred in the revision of the pension plan and retirement allowance.

Ref: Semi-annual (6 months’) Consolidated Financial Results

(Million yen)

	Net Sales	Sales cost ratio (%)	Operating Income	Ordinary Income	Net Income
FY2012 1st Half	35,109	89.4	-1,626	-1,723	-1,566
FY2012 2nd Half	38,438	84.2	1,100	1,898	2,019
FY2013 1st Half	39,308	83.8	1,049	985	484
Compared to the same period last year	+4,198	-5.6	+2,675	+2,709	+2,050

The divisional sales overview is as follows.

1.2 Battery Business

Sales of alkaline batteries increased from the same period last year, due to the efforts to acquire new customers and to develop overseas markets, though consumer markets in Japan became very competitive by the circulation of low price imported batteries from China, etc. and the downturn in market conditions. Sales of Ni-MH batteries fairly increased from the same period last year, due to increase in sales for the industrial market. Sales of lithium batteries increased from the same period last year, due to steady increase in sales for disaster-related goods, security goods and automotive applications.

As a result, sales for the battery business were 24,026 million yen, increased by 2,181 million yen from the same period last year.

1.3. Electronic Device Business

Sales of coil devices decreased from the same period last year, as their sales for home appliances decreased, though their sales for hybrid cars steadily increased with the development of high performance ferrite at the Sanyo Plant. Sales of dc-dc converters increased from the same period last year, due to the steady increase in sales for

servers and storages. Sales of multilayer power inductors and high frequency devices steadily increased from the same period last year, due to this sales expansion for smartphones. Sales of signal processing modules for LCD displays did well especially for tablet terminals and for large LCD televisions in the China market. Thus, they increased from the same period last year.

As a result, sales for the electronic device business were 15,281 million yen, increased by 2,017 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 the first half of FY2013 decreased by 1,712 million yen (-2.9%) from the end of the previous fiscal year to 57,008 million yen. Current assets decreased by 1,255 million yen (-3.6%) from the end of the previous fiscal year to 33,506 million yen. Noncurrent assets decreased by 457 million yen (-1.9%) from the end of the previous fiscal year to 23,502 million yen. The principal causes for decreased current assets were a 358 million yen decrease in cash and deposits, a 280 million yen decrease in notes and accounts receivable-trade and a 236 million yen decrease in work in process. The principal cause for decreased noncurrent assets was a 2,622 million yen decrease in property, plant and equipment, though there was a 1,669 million yen increase in investment securities, resulting from exclusion of Asahi Kasei FDK Energy Device Co., Ltd. from consolidation.

Total liabilities at the end of first half of FY2013 decreased by 1,684 million yen (-3.3%) from the end of the previous fiscal year to 48,885 million yen. Current liabilities decreased by 1,008 million yen (-2.4%) from the end of the previous fiscal year to 40,405 million yen. Noncurrent liabilities decreased by 676 million yen (-7.4%) from the end of the previous fiscal year to 8,480 million yen. The principal cause of decreased current liabilities was a 1,583 million yen decrease in short-term loans payable and a 605 million yen decrease in notes and accounts payable-trade, though there was a 1,118 million yen increase in account payable-other. The principal causes for decreased non-current liabilities were a 379 million yen decrease in negative goodwill.

The interest-bearing debt decreased by 1,464 million yen from the end of the previous fiscal year to 21,270 million yen.

Total net assets at the end of the first half of FY2013 decreased by 28 million yen (-0.3%) from the end of the previous fiscal year to 8,122 million yen. The main factors for the decrease in total net assets were a 1,034 million yen decrease in minority interests resulting from exclusion of Asahi Kasei FDK Energy Device Co., Ltd. from consolidation, etc., though there was a 484 million yen increase in retained earnings by posting a net income of the first half and a 516 million yen increase in foreign currency translation adjustment.

2.2 Cash Flow Condition

Net cash used in operating activities increased by 3,593 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting the income before income taxes, the depreciation and amortization, a decrease in notes and receivable-trade, and an increase in accrued taxes though there was a decrease in cash by a decrease in notes and accounts payable-trade. (Net cash used in operating activities for the same period last year decreased by 461 million yen from the beginning of previous fiscal year).

Net cash used in investment activities decreased by 1,981 million yen from the beginning of this fiscal year by purchasing the property, plant and equipment and the stocks of subsidiaries and affiliates. (Net cash used in investment activities for the same period last year decreased by 351 million yen from the beginning of previous fiscal year).

Net cash used in financing activities decreased by 1,604 million yen from the beginning of this fiscal year due to the decrease in short-term loans payable. (Net cash used in financing activities for the same period last year decreased by 756 million yen from the beginning of previous fiscal year).

As a result, the balance of cash and cash equivalents at September 30, 2013 was 4,949 million yen, by decrease of 348 million yen from the beginning of the fiscal year.

(3) Forecast for the Fiscal Year Ending March 31, 2014

FDK has not changed its business forecast, which was announced on April 26, 2013. We will announce the revision promptly if it will be needed in the future, by doing our best to collect various information including market trends.