

Consolidated Financial Results for the First Quarter Ended June 30, 2014
(April 1, 2014 to June 30, 2014)

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 Results for the Three-Months Period Ended June 30, 2014

a. Consolidated Statements of Income

	Yen (millions)		Change (%)	Yen (millions)	U.S.Dollars (millions)
	Three months ended June 30,	Three months ended June 30,		FY2013, ended Mar. 31,	Three months ended June 30,
	2013	2014		2014	2014
Net Sales	18,894	16,614	(12.1)	76,624	\$164.01
Operating Income	320	24	(92.4)	1,448	\$0.24
Ordinary Income (Loss)	420	(127)	-	1,471	(\$1.25)
Net Income	451	23	(94.9)	1,060	\$0.23

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	2.08 yen	0.08 yen	4.48 yen	0.08 cent
Diluted Earnings	1.62 yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	Three months ended June 30,	Three months ended June 30,	FY2013, ended Mar. 31,	Three months ended June 30
	2013	2014	2014	2014
Batteries	10,852	10,936	45,671	\$107.96
Electronic Devices	8,042	5,678	27,876	\$56.05
Total	18,894	16,614	73,547	\$164.01

c. Consolidated Financial Position

	Yen (millions)	
	As of June 30,	As of June 30,
	2013	2014
Total Assets	59,317	54,440
Total Net Assets	8,225	6,548
Shareholders' Equity	7,565	8,032
Shareholders' Equity Ratio	12.8 %	10.9 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Three months ended June 30, 2013	Three months ended June 30, 2014
	Cash Flows from Operating Activities	1,032
Cash Flows from Investing Activities	(1,645)	(197)
Cash Flows from Financing Activities	719	(125)
Cash and Cash Equivalent: at End of Period	5,132	5,157

(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 101.30 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 2014 ending March. 31, 2015

(Million of yen, except per share data)

	FY2014	Change from FY2013	FY2013
Net Sales (Loss)	82,000	7.0 %	76,624
Operating Income (Loss)	2,500	72.6	1,448
Ordinary Income	1,600	8.8 %	1,471
Net Income	1,200	13.1 %	1,060
Net Income per Share	4.28 yen		4.88 yen

Note for the use of the above forecasted business results.

The financial forecast described above is based upon information available as of April 25, 2014.

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: Yes
- 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.
June 30, 2014: 280,363,026 shares March 31, 2014: 280,363,026 shares
- 2) Number of treasury shares at the end of each period
June 30, 2014: 243,679 shares March 31, 2014: 241,366 shares
- 3) Weighted average number of shares outstanding in each period.
June 30, 2014: 280,120,546 shares June 30, 2013: 217,271,917 shares

Consolidated Balance Sheets

Millions of yen

	FY2013 Mar 31, 2014	Q1/FY2014 Jun 30, 2014
Assets		
Current assets		
Cash and deposits	5,029	5,157
Notes and accounts receivable-trade	18,726	16,470
Merchandise and finished goods	2,226	2,892
Work in process	2,952	2,957
Raw materials and supplies	1,906	2,119
Deferred tax assets	244	251
Other	1,627	2,191
Allowance for doubtful accounts	(61)	(99)
Total current assets	32,651	31,939
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,486	7,550
Machinery, equipment and vehicles, net	4,994	4,901
Tools, furniture and fixtures, net	855	859
Land	2,557	2,660
Lease assets, net	1,225	1,491
Construction in progress	568	366
Total property, plant and equipment	17,687	17,828
Intangible assets	677	638
Investments and other assets		
Investment securities	1,910	1,701
Long-term loans receivable	1	1
Net defined benefit asset	785	774
Deferred tax assets	224	251
Other	1,356	1,305
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	4,278	4,034
Total non-current assets	22,642	22,500
Total assets	55,294	54,440
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,224	13,108
Short-term loans payable	19,510	19,500
Lease obligations	386	368
Accounts payable-other	2,156	2,211
Income taxes payable	252	72
Other	2,875	2,269
Total current liabilities	38,405	37,530
Non-current liabilities		
Lease obligations	1,002	1,219
Deferred tax liabilities	289	293
Net defined benefit liability	4,274	4,417
Negative goodwill	569	379
Long-term accounts payable - other	3,929	3,748
Other	316	304
Total non-current liabilities	10,380	10,362
Total liabilities	48,786	47,892
Net assets		
Shareholders' equity		
Capital stock	28,301	28,301
Capital surplus	22,622	22,622
Retained earnings	(42,706)	(42,848)
Treasury stock	(42)	(43)
Total shareholders' equity	8,174	8,032
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26	32
Foreign currency translation adjustment	341	500
Remeasurements of defined benefit plans	(2,658)	(2,657)
Total accumulated other comprehensive income	(2,290)	(2,125)
Minority interests	624	641
Total net assets	6,508	6,548
Total liabilities and net assets	55,294	54,440

Consolidated Statements of Income
Millions of yen

	Q1/FY2013	Q1/FY2014
	Apr'13-Jun'13	Apr'14-Jun'14
Net sales	18,894	16,614
Cost of sales	15,941	13,909
Gross profit	<u>2,953</u>	<u>2,705</u>
Selling, general and administrative expenses	<u>2,633</u>	<u>2,680</u>
Operating income (loss)	<u>320</u>	<u>24</u>
Non-operating income		
Interest income	2	8
Foreign exchange gains	170	-
Amortization of negative goodwill	189	189
Rent income	49	49
Other	23	36
Total non-operating income	<u>435</u>	<u>285</u>
Non-operating expenses		
Interest expenses	35	31
Foreign exchange losses	-	99
Equity in losses of affiliates	242	251
Loss on retirement of non-current assets	8	7
Other	49	46
Total non-operating expenses	<u>335</u>	<u>437</u>
Ordinary income (loss)	<u>420</u>	<u>(127)</u>
Extraordinary income		
Subsidy income	83	147
Total extraordinary income	<u>83</u>	<u>147</u>
Income (loss) before income taxes	<u>503</u>	<u>19</u>
Income taxes-current	66	34
Income taxes-deferred	(9)	(33)
Total income taxes	<u>57</u>	<u>0</u>
Income (loss) before minority interests	<u>445</u>	<u>18</u>
Minority interests in income (loss)	<u>(5)</u>	<u>(4)</u>
Net income	<u><u>451</u></u>	<u><u>23</u></u>

Consolidated Statements of comprehensive income
Total accumulated other comprehensive income

	Q1/FY2013	Q1/FY2014
	Apr'13-Jun'13	Apr'14-Jun'14
	<u> </u>	<u> </u>
Income (loss) before minority interests	445	18
Other comprehensive income		
Valuation difference on available-for-sale securities	4	6
Remeasurements of defined benefit plans, net of tax	-	0
Foreign currency translation adjustment	574	196
Share of other comprehensive income of associates accounted for using equity method	68	(16)
Other comprehensive income	<u>647</u>	<u>186</u>
Comprehensive income	<u>1,093</u>	<u>205</u>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	<u>1,097</u>	<u>188</u>
Comprehensive income attributable to minority interests	<u>(3)</u>	<u>16</u>

Consolidated Statements of Cash Flows
Millions of yen

	Q1/FY2013 Apr'13-Jun'13	Q1/FY2014 Apr'14-Jun'14
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	503	19
Depreciation and amortization	680	679
Increase (decrease) in provision for retirement benefits	(202)	-
Increase (decrease) in net defined benefit liability	-	(24)
Increase (decrease) in allowance for doubtful accounts	0	39
Interest and dividends income	(3)	(10)
Interest expenses	35	31
Foreign exchange losses (gains)	(6)	1
Equity in (earnings) losses of affiliates	242	251
Loss (gain) on sales of property, plant and equipment	(1)	(0)
Loss on retirement of non-current assets	8	7
Amortization of negative goodwill	(189)	(189)
Subsidy income	(83)	(147)
Decrease (increase) in notes and accounts receivable-trade	469	2,103
Decrease (increase) in inventories	(701)	(949)
Increase (decrease) in notes and accounts payable-trade	(340)	41
Increase (decrease) in accrued expenses	69	(758)
Other, net	739	(457)
Subtotal	1,219	638
Interest and dividends income received	3	10
Proceeds from subsidy income	83	147
Interest expenses paid	(35)	(31)
Income taxes paid	(238)	(251)
Net cash provided by (used in) operating activities	1,032	512
Net cash provided by (used in) investing activities		
Payments into time deposits	(0)	-
Proceeds from withdrawal of time deposits	10	-
Purchase of property, plant and equipment	(838)	(425)
Proceeds from sales of property, plant and equipment	92	226
Purchase of intangible assets	(21)	(3)
Purchase of investment securities	(0)	(0)
Purchase of shares of subsidiaries and associates	(888)	-
Other, net	1	4
Net cash provided by (used in) investing activities	(1,645)	(197)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	807	(10)
Purchase of treasury stock	(0)	(0)
Proceeds from stock issuance to minority shareholders	6	-
Repayments of finance lease obligations	(94)	(114)
Net cash provided by (used in) financing activities	719	(125)
Effect of exchange rate change on cash and cash equivalents	260	(61)
Net increase (decrease) in cash and cash equivalents	367	127
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(532)	-
Cash and cash equivalents at beginning of period	5,297	5,029
Cash and cash equivalents at end of period	5,132	5,157

Consolidated Business Segment Information
Millions of yen

'Q1/FY2013 Apr'13-Mar'13

	Business Segments Reported		Total	Ajustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	10,852	8,042	18,894	-	18,894
Intersegment	-	-	-	-	-
Total	10,852	8,042	18,894	-	18,894
Segment income	5	314	320	-	320

'Q1/FY2014 Apr'14-Mar'14

	Business Segments Reported		Total	Ajustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	10,936	5,678	16,614	-	16,614
Intersegment	-	-	-	-	-
Total	10,936	5,678	16,614	-	16,614
Segment income (loss)	124	(100)	24	-	24

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

As for the business environment of the FDK Group (hereinafter called “FDK”) during the first quarter ended June 30, 2014, there were some negative factors such as slowing economic growth in emerging countries which were driving force of the world economy, instability of the Ukrainian and the Middle East, and high prices of raw materials and fuels due to the depreciation of the yen. Although downturn in sales has been a concern due to the reaction of the last-minute demand by the consumption tax hike from this April in Japan, the domestic economy became a moderately recovery trend. Since consumer confidence of individuals has revived by the expansion of corporate earnings due to weaker yen, reactionary decline of the consumption tax increase was less than expected.

Under these circumstances, as the business expansion measures, FDK released reliable new alkaline batteries (Premium, HighPower, and LongLife) and nickel-metal hydride batteries (High-Capacity Type and Standard Type) in June, which were matched for users’ diversified life activities and which reflected the market trends. FDK also focused on developing and mass production of the high-power inductors, the low profile DC-DC conductors, and the DC-DC power modules in the electronic device business.

As for FDK’s business results in the first quarter, net sales were 16,614 million yen, down by 2,279 million yen from the same period last year. While sales of the battery business division unchanged, the sales of signal processing modules for LCD displays for large LCD TVs of electronic device business division decreased largely.

With regard to profit and loss, operating income of battery business was 124 million yen, up by 118 million yen from the same period last year. It was achieved by the continuous application of technological VEs for product materials, the reduction of purchasing and fixed costs such as external costs. However, the sales of above-mentioned signal processing module for LCD displays for large LCD TVs of electronic device business division decreased largely and total operating income was 24 million yen, down by 295 million yen from the same period last year.

Ordinary loss was 127 million yen (420 million yen in the same period last year) and Net income was 23 million yen, down by 428 million yen from the same period last fiscal year.

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 in domestic and global market in the last fiscal year, and to tackle about possibilities of extending sales with existing customers, though sales in consumer market in Japan decreased due to the reaction of the last-minute demand by the consumption tax hike. Sales of Ni-MH batteries declined in domestic and global consumer markets from the same period last year, but rose in the industrial market such as automotive use. Sales of lithium batteries went up from the same period last year, due to the increase in sales for disaster-related goods in domestic and global market, security goods, and automotive applications.

As a result, sales for the battery business were 10,936 million yen, up by 84 million yen from the same period last year.

1.3. Electronic Device Business

Sales of coil devices increased from the same period last year, due to the steady increase in sales for consumer equipment, industrial equipment and hybrid cars. Sales of dc-dc converters unchanged from the same period last year, though the sales for servers and storages were steadily increased. Sales of switching power supplies and signal processing modules for LCD displays significantly decreased from the same period last year as these products had not sold well for large LCD televisions and for the netbooks.

As a result, sales for the electronic device business were 5,678 million yen, down by 2,364 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 quarter of FY2014 decreased by 854 million yen (-1.5%) from the end of the previous fiscal year to 54,440 million yen. Current assets decreased by 712 million yen (-2.2%) from the end of the previous fiscal year to 31,939 million yen. Noncurrent assets decreased by 142 million yen (-0.6%) from the end of the previous fiscal year to 225 million yen. The principal causes for decreased current assets was a 2,255 million yen decrease in notes and accounts receivable-trade, though there was a 665 million yen increase in merchandise and finished goods and a 212 million yen increase in raw materials and supplies. The principal cause for decreased noncurrent assets was a 209 million yen decrease in investment securities, though there was a 140 million yen decrease in property, plant and equipment.

Total liabilities at the end of first quarter of FY2014 decreased by 894 million yen (-1.8%) from the end of the previous fiscal year to 47,892 million yen. Current liabilities decreased by 875 million yen (-2.3%) from the end of the previous fiscal year to 37,530 million yen. Noncurrent liabilities decreased by 18 million yen (-0.2%) from the end of the previous fiscal year to 10,362 million yen. The principal causes of decreased current liabilities were a 180 million yen decrease in income taxes payable and a 115 million yen decrease in notes and accounts payable-trade. The principal cause for decreased non-current liabilities were a 189 million yen decrease in negative goodwill and a 180 million yen decrease in long-term accounts payable-other, though there were a 217 million yen increase in lease obligations and a 142 million yen increase in not defined benefit liability.

The interest-bearing debt increased by 189 million yen from the end of the previous fiscal year to 21,088 million yen.

Total net assets at the end of first quarter of FY2014 increased by 40 million yen (0.6%) from the end of the previous fiscal year to 6,548 million yen. The main factor for the increase in total net assets was a 158 million yen increase in foreign currency translation adjustment, though there was a 141 million yen decrease in retained earnings by the application of new accounting standard on retirement benefit.

2.2 Cash Flow Condition

Net cash used in operating activities increased by 512 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by a decrease in notes and accounts receivable-trade and the depreciation and amortization, though there was a decrease in cash by an increase in inventories and a decrease in notes and accounts payable-trade. (Net cash used in operating activities for the last fiscal year increased by 1,032 million yen from the beginning of the last fiscal year).

Net cash used in investment activities decreased by 197 million yen from the beginning of this fiscal year by purchasing the property, plant and equipment. (Net cash used in investment activities for the last fiscal year decreased by 1,645 million yen from the beginning of the last fiscal year).

Net cash used in financing activities decreased by 125 million yen from the beginning of this fiscal year due to the repayments of finance lease obligations. (Net cash used in financing activities for the last fiscal year decreased by 719 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on June 30, 2014 was 5,157 million yen, an increase of 127 million yen from the beginning of this fiscal year.

3. Forecast for the Fiscal Year Ending March 31, 2015

FDK has not changed its business forecast, which was announced on April 25, 2014. 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.