

Consolidated Financial Results for the First Half of FY2014
(April 1, 2014 to September 30, 2014)

FDK CORPORATION

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

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

Address : Hamagomu Bldg. 5-36-11 Shimbashi, Minato-ku, Tokyo 105-8677

Contact : Corporate Communication Office, General Affairs Dept.

E-mail: hirano@fdk.co.jp

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

1. Consolidated Results for the Six-Months Period Ended September 30, 2014

a. Consolidated Results of Operations

	Yen (millions)		Change (%)	Yen (millions)	U.S.Dollars (millions)
	Six months ended Sept. 30, 2013	Six months ended Sept 30, 2014		FY2013, ended Mar. 31, 2014	Six months ended Sept. 30, 2014
	Net Sales	39,308		35,572	(9.5)
Operating Income	1,049	455	(56.6)	1,448	\$4.16
Ordinary Income	985	419	(57.4)	1,471	\$3.83
Net Income	484	451	(6.8)	1,060	\$4.12

Amounts Per Share of Common Stock:

Basic Earnings	2.23 yen	1.61 yen	4.48 yen	1.47 cent
Diluted Earnings	1.74 yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen (millions)		Yen (millions)	U.S.Dollars (millions)	
	Six months ended Sept. 30, 2013	Six months ended Sept. 30, 2014			FY2013, ended Mar. 31, 2014
	Batteries	24,026			23,595
Electronic Devices	15,281	11,977	27,876	\$109.43	
Total	39,308	35,572	73,547	\$325.01	

c. Consolidated Financial Position

	Yen (millions)	
	As of Mar. 31, 2014	As of Sept. 30, 2014
	Total Assets	55,294
Total Net Assets	6,508	8,003
Shareholders' Equity	8,174	8,459
Shareholders' Equity Ratio	10.6 %	13.0 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Six months ended Sept. 30, 2013	Six months ended Sept. 30, 2014
	Cash Flows from Operating Activities	3,593
Cash Flows from Investing Activities	(1,981)	(810)
Cash Flows from Financing Activities	(1,604)	(650)
Cash and Cash Equivalent: at End of Period	4,949	5,256

(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 109.45 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	82,000	7.0 %	76,624
Operating Income	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.
September 30, 2014: 280,363,026 shares March 31, 2014: 280,363,026 shares
- 2) Number of treasury shares at the end of each period
September 30, 2014: 246,204 shares March 31, 2014: 241,366 shares
- 3) Weighted average number of shares outstanding in each period.
September 30, 2014: 280,119,060 shares September 30, 2013: 217,270,910 shares

Consolidated Balance Sheets

Millions of yen

	FY2013 Mar 31, 2014	1H/FY2014 Sep 30, 2014
Assets		
Current assets		
Cash and deposits	5,029	5,256
Notes and accounts receivable-trade	18,726	18,577
Merchandise and finished goods	2,226	2,910
Work in process	2,952	3,139
Raw materials and supplies	1,906	2,126
Deferred tax assets	244	237
Other	1,627	1,809
Allowance for doubtful accounts	(61)	(105)
Total current assets	32,651	33,952
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,486	7,581
Machinery, equipment and vehicles, net	4,994	4,718
Tools, furniture and fixtures, net	855	857
Land	2,557	2,692
Lease assets, net	1,225	1,503
Construction in progress	568	719
Total property, plant and equipment	17,687	18,073
Intangible assets	677	614
Investments and other assets		
Investment securities	1,910	1,478
Long-term loans receivable	1	1
Net defined benefit asset	785	771
Deferred tax assets	224	198
Other	1,356	1,384
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	4,278	3,833
Total non-current assets	22,642	22,521
Total assets	55,294	56,473
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,224	13,859
Short-term loans payable	19,510	19,100
Lease obligations	386	373
Accounts payable-other	2,156	2,017
Income taxes payable	252	202
Other	2,875	2,987
Total current liabilities	38,405	38,541
Non-current liabilities		
Lease obligations	1,002	1,193
Deferred tax liabilities	289	289
Net defined benefit liability	4,274	4,394
Negative goodwill	569	189
Long-term accounts payable - other	3,929	3,578
Other	316	281
Total non-current liabilities	10,380	9,928
Total liabilities	48,786	48,469
Net assets		
Shareholders' equity		
Capital stock	28,301	28,301
Capital surplus	22,622	22,622
Retained earnings	(42,706)	(42,420)
Treasury stock	(42)	(43)
Total shareholders' equity	8,174	8,459
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26	30
Foreign currency translation adjustment	341	1,507
Remeasurements of defined benefit plans	(2,658)	(2,655)
Total accumulated other comprehensive income	(2,290)	(1,117)
Minority interests	624	661
Total net assets	6,508	8,003
Total liabilities and net assets	55,294	56,473

Consolidated Statements of Income
Millions of yen

	1H/FY2013	1H/FY2014
	Apr'13-Sep'13	Apr'14-Sep'14
Net sales	39,308	35,572
Cost of sales	32,947	29,484
Gross profit	6,360	6,088
Selling, general and administrative expenses	5,311	5,633
Operating income	1,049	455
Non-operating income		
Interest income	9	20
Foreign exchange gains	-	114
Amortization of negative goodwill	379	379
Rent income	99	99
Other	156	87
Total non-operating income	645	701
Non-operating expenses		
Interest expenses	76	71
Foreign exchange losses	124	-
Equity in losses of affiliates	385	509
Loss on retirement of non-current assets	19	36
Other	102	119
Total non-operating expenses	709	737
Ordinary income	985	419
Extraordinary income		
Subsidy income	83	147
Gain on transfer of business	-	70
Total extraordinary income	83	217
Extraordinary loss		
Loss on revision of retirement benefit plan	304	-
Total extraordinary loss	304	-
Income before income taxes	763	637
Income taxes-current	196	129
Income taxes-deferred	(95)	(46)
Total income taxes	292	175
Income before minority interests	471	462
Minority interests in income (loss)	(13)	11
Net income	484	451

Consolidated Statements of comprehensive income
Total accumulated other comprehensive income

	1H/FY2013	1H/FY2014
	Apr'13-Sep'13	Apr'14-Sep'14
Income before minority interests	471	462
Other comprehensive income		
Valuation difference on available-for-sale securities	5	4
Foreign currency translation adjustment	450	1,122
Remeasurements of defined benefit plans, net of tax	-	2
Share of other comprehensive income of associates accounted for using equity method	62	69
Other comprehensive income	519	1,198
Comprehensive income	990	1,661
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,006	1,624
Comprehensive income attributable to minority interests	(16)	36

Consolidated Statements of Cash Flows
Millions of yen

	1H/FY2013	1H/FY2014
	Apr'13-Sep'13	Apr'14-Sep'14
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	763	637
Depreciation and amortization	1,369	1,479
Increase (decrease) in provision for retirement benefits	8	-
Increase (decrease) in net defined benefit liability	-	(63)
Increase (decrease) in allowance for doubtful accounts	2	41
Interest and dividends income	(10)	(21)
Interest expenses	76	71
Foreign exchange losses (gains)	(5)	(5)
Equity in (earnings) losses of affiliates	385	509
Loss (gain) on sales of property, plant and equipment	(0)	(1)
Loss on retirement of non-current assets	19	36
Amortization of negative goodwill	(379)	(379)
Subsidy income	(83)	(147)
Loss (gain) on transfer of business	-	(70)
Decrease (increase) in notes and accounts receivable-trade	894	797
Decrease (increase) in inventories	255	(990)
Increase (decrease) in notes and accounts payable-trade	(1,213)	200
Increase (decrease) in accrued expenses	589	16
Other, net	1,192	(529)
Subtotal	<u>3,866</u>	<u>1,580</u>
Interest and dividends income received	10	21
Proceeds from subsidy income	83	147
Interest expenses paid	(77)	(71)
Income taxes paid	(289)	(265)
Net cash provided by (used in) operating activities	<u>3,593</u>	<u>1,413</u>
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	(1,236)	(1,113)
Proceeds from sales of property, plant and equipment	172	231
Purchase of intangible assets	(33)	(7)
Purchase of investment securities	(1)	(1)
Proceeds from sales of stocks of subsidiaries and affiliates	(888)	-
Proceeds from transfer of business	-	100
Other, net	(4)	(19)
Net cash provided by (used in) investing activities	<u>(1,981)</u>	<u>(810)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,385)	(410)
Purchase of treasury stock	(0)	(0)
Proceeds from stock issuance to minority shareholders	6	-
Repayments of finance lease obligations	(225)	(240)
Net cash provided by (used in) financing activities	<u>(1,604)</u>	<u>(650)</u>
Effect of exchange rate change on cash and cash equivalents	<u>176</u>	<u>275</u>
Net increase (decrease) in cash and cash equivalents	<u>183</u>	<u>227</u>
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	<u>(532)</u>	<u>-</u>
Cash and cash equivalents at beginning of period	<u>5,297</u>	<u>5,029</u>
Cash and cash equivalents at end of period	<u>4,949</u>	<u>5,256</u>

Consolidated Business Segment Information
Millions of yen

'1H/FY2013 Apr'13-Sep'13

	Business Segments Reported		Total	Ajustments	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

'1H/FY2014 Apr'14-Sep'14

	Business Segments Reported		Total	Ajustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	23,595	11,977	35,572	-	35,572
Intersegment	-	-	-	-	-
Total	23,595	11,977	35,572	-	35,572
Segment income (loss)	700	(244)	455	-	455

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

As for the business environment of the FDK Group (“FDK”) during the first half ended September 30, 2014, some unclear condition still remained due to the anticipation of the slowing economic growth in emerging countries which were driving force of the world economy, instability of the political situation in Ukrainian and the Middle East, and high prices of raw materials and fuels due to the depreciation of the yen. In addition, a sense of recovery on the economy has appeared to be pausing from the instability of the European market and downturn in sales due to the reaction of the last-minute demand by the consumption tax hike from this April in Japan, and the decline in consumer spending due to inclement weather, etc. in the latter half of the period.

Under these circumstances, as the business expansion measures, FDK released FUJITSU alkaline battery series and FUJITSU Ni-MH rechargeable battery series that were redesigned in accordance with upgrading performance in June. Switching of the old models are progressing smoothly. Sales of lithium batteries have expanded due to the increase in sales for disaster-related goods, security goods, and automotive applications in North American and European markets.

As for FDK’s business results in the first half, net sales were 35,572 million yen, down by 3,735 million yen from the same period last year since sales of signal processing modules for LCD displays used for large LCD TVs and Ni-MH batteries for consumer markets decreased.

With regard to profit and loss, operating income of battery business segment was 700 million yen, up by 179 million yen from the same period last year. It was achieved by the continuous application of technological VEs for product materials and the reduction of purchasing costs. However, the sales of above-mentioned signal processing module for LCD displays for large LCD TVs of electronic device business decreased largely and operating income was 455 million yen, down by 593 million yen from the same period last year.

Ordinary income was 419 million yen, down by 565 million yen from the same period last year and net income was 451 million yen, down by 33 million yen from the same period last 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 current customers. Sales of Ni-MH batteries decreased from the same period last year due to the decline in domestic and global consumer markets, though there was an increase 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, security goods, and automotive applications in North American and European markets.

As a result, sales for the battery business were 23,595 million yen, down by 431 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 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 netbooks. Sales of piezoelectric products decrease from the same period last year, due to the sluggish digital camera market.

As a result, sales for the electronic device business were 11,977 million yen, down by 3,304 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 of FY2014 increased by 1,178 million yen (2.1%) from the end of the previous fiscal year to 56,473 million yen. Current assets increased by 1,300 million yen (4.0%) from the end of the previous fiscal year to 33,952 million yen. Noncurrent assets decreased by 121 million yen (-0.5%) from the end

of the previous fiscal year to 22,521 million yen. The main causes for increase current assets were a 683 million yen increase in merchandise and finished goods, a 227 million yen increase in cash and deposit and a 220 million yen in notes and accounts receivable-trade. The principal cause for decrease noncurrent assets was a 432 million yen decrease in investment securities, though there was a 386 increase in property, plant and equipment.

Total liabilities at the end of first half of FY2014 decreased by 316 million yen (-0.6%) from the end of the previous fiscal year to 48,469 million yen. Current liabilities increased by 135 million yen (0.4%) from the end of the previous fiscal year to 38,541 million yen. Noncurrent liabilities decreased by 452 million yen (-4.4%) from the end of the previous fiscal year to 9,928 million yen. The principal cause for increase current liabilities was a 635 million yen increase in notes and accounts payable-trade, though there was a 410 million yen decrease in short-term loans payable. The main causes of decrease non-current assets were a 379 million yen decrease in negative goodwill and a 350 million yen decrease in long-term accounts payable-other.

The interest-bearing debt decreased by 231 million yen from the end of the previous fiscal year to 20,667 million yen.

Total net assets at the end of first half of FY2014 increased by 1,495 million yen (23.0%) from the end of the previous fiscal year to 8,003 million yen. The main causes for the increase in total net assets were a 286 million yen increase in retained earnings by posting a net income of first half of HY2014 and a 1,165 million yen in foreign currency translation adjustment.

2.2 Cash Flow Condition

Net cash used in operating activities increased by 1,413 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by an increase in income before income taxes, the depreciation and amortization and a decrease in notes and accounts payable-trade, though there was a decrease in cash by an increase in inventories. (Net cash used in operating activities for the same period last fiscal year increased by 3,593 million yen from the beginning of the last fiscal year)

Net cash used in investment activities decreased by 810 million yen from the beginning of this fiscal year by purchasing the property, plant and equipment, though there was an income by transfer of business. (Net cash used in investment activities for the same period last fiscal year decreased by 1,981 million yen from the beginning of the last fiscal year).

Net cash used in financing activities decreased by 650 million yen from the beginning of this fiscal year due to a decrease in short-term loans payable and the repayments of finance lease obligations. (Net cash used in financing activities for the same period last fiscal year decreased by 164 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on September 30, 2014 was 5,256 million yen, an increase of 227 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.