

Consolidated Financial Results for the Third Quarter Ended December 31, 2014
(April 1, 2014 to December 31, 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 Nine-Months Period Ended December 31, 2014

a. Consolidated Results of Operations

	Yen (millions)		Change (%)	Yen (millions)	U.S.Dollars (millions)
	Nine months ended Dec. 31,	Nine months ended Dec. 31,		FY2013, ended Mar. 31,	Nine months ended Dec. 31,
	2013	2014		2014	2014
Net Sales	58,729	56,689	(3.5)	76,624	\$470.33
Operating Income	1,290	1,397	8.2	1,448	\$11.59
Ordinary Income	1,312	1,616	23.1	1,471	\$13.41
Net Income	902	1,261	39.8	1,060	\$10.46

Amounts Per Share of Common Stock:

Basic Earnings	4.15 yen	4.50 yen	4.48 yen	3.74 cent
Diluted Earnings	3.24 yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	Nine months ended Dec. 31,	Nine months ended Dec. 31,	FY2013, ended Mar. 31,	Nine months ended Dec. 30
	2013	2014	2014	2014
Batteries	36,548	37,959	45,671	\$314.93
Electronic Devices	22,181	18,730	27,876	\$155.40
Total	58,729	56,689	73,547	\$470.33

c. Consolidated Financial Position

	Yen (millions)	
	As of Mar. 31,	As of Dec. 31,
	2014	2014
Total Assets	55,294	60,424
Total Net Assets	6,508	9,936
Shareholders' Equity	8,174	9,269
Shareholders' Equity Ratio	10.6 %	15.3 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Nine months ended Dec. 31, 2013	Nine months ended Dec. 31, 2014
	Cash Flows from Operating Activities	4,095
Cash Flows from Investing Activities	(1,373)	(1,419)
Cash Flows from Financing Activities	(1,891)	(972)
Cash and Cash Equivalent: at End of Period	6,130	6,053

(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 120.53 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	77,000	0.5 %	76,624
Operating Income	2,000	38.1 %	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 January 29, 2015.

3. Others

(1) Changes in material subsidiaries during the period: Yes

Consolidated Subsidiaries	15 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.
December 31, 2014: 280,363,026 shares March 31, 2014: 280,363,026 shares
- 2) Number of treasury shares at the end of each period
December 31, 2014: 248,040 shares March 31, 2014: 241,366 shares
- 3) Weighted average number of shares outstanding in each period.
December 31, 2014: 280,118,159 shares December 31, 2013: 217,269,954 shares

Consolidated Balance Sheets

Millions of yen

	FY2013 Mar 31, 2014	Q3/FY2014 Dec 31, 2014
Assets		
Current assets		
Cash and deposits	5,029	6,053
Notes and accounts receivable-trade	18,726	20,679
Merchandise and finished goods	2,226	3,391
Work in process	2,952	2,650
Raw materials and supplies	1,906	2,177
Deferred tax assets	244	167
Other	1,627	2,978
Allowance for doubtful accounts	(61)	(104)
Total current assets	<u>32,651</u>	<u>37,995</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,486	7,588
Machinery, equipment and vehicles, net	4,994	4,686
Tools, furniture and fixtures, net	855	842
Land	2,557	2,734
Lease assets, net	1,225	1,580
Construction in progress	568	654
Total property, plant and equipment	<u>17,687</u>	<u>18,087</u>
Intangible assets	<u>677</u>	<u>593</u>
Investments and other assets		
Investment securities	1,910	1,559
Long-term loans receivable	1	1
Net defined benefit asset	785	592
Deferred tax assets	224	99
Other	1,356	1,497
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	<u>4,278</u>	<u>3,749</u>
Total non-current assets	<u>22,642</u>	<u>22,429</u>
Total assets	<u>55,294</u>	<u>60,424</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,224	16,081
Short-term loans payable	19,510	18,900
Lease obligations	386	484
Accounts payable-other	2,156	3,067
Income taxes payable	252	270
Other	2,875	2,596
Total current liabilities	<u>38,405</u>	<u>41,398</u>
Non-current liabilities		
Lease obligations	1,002	1,104
Deferred tax liabilities	289	238
Net defined benefit liability	4,274	4,219
Negative goodwill	569	-
Long-term accounts payable - other	3,929	3,348
Other	316	178
Total non-current liabilities	<u>10,380</u>	<u>9,089</u>
Total liabilities	<u>48,786</u>	<u>50,488</u>
Net assets		
Shareholders' equity		
Capital stock	28,301	28,301
Capital surplus	22,622	22,622
Retained earnings	(42,706)	(41,610)
Treasury stock	(42)	(44)
Total shareholders' equity	<u>8,174</u>	<u>9,269</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26	32
Foreign currency translation adjustment	341	2,538
Remeasurements of defined benefit plans	(2,658)	(2,596)
Total accumulated other comprehensive income	<u>(2,290)</u>	<u>(24)</u>
Minority interests	<u>624</u>	<u>691</u>
Total net assets	<u>6,508</u>	<u>9,936</u>
Total liabilities and net assets	<u>55,294</u>	<u>60,424</u>

Consolidated Statements of Income
Millions of yen

	Q3/FY2013	Q3/FY2014
	Apr'13-Dec'13	Apr'14-Dec'14
Net sales	58,729	56,689
Cost of sales	49,268	46,770
Gross profit	9,460	9,919
Selling, general and administrative expenses	8,169	8,521
Operating income	1,290	1,397
Non-operating income		
Interest income	17	30
Foreign exchange gains	89	491
Amortization of negative goodwill	569	569
Rent income	149	149
Other	205	107
Total non-operating income	1,030	1,348
Non-operating expenses		
Interest expenses	109	106
Equity in losses of affiliates	649	772
Loss on retirement of non-current assets	59	45
Other	190	205
Total non-operating expenses	1,008	1,130
Ordinary income	1,312	1,616
Extraordinary income		
Subsidy income	83	147
Gain on transfer of business	-	70
Gain on sales of noncurrent assets	209	-
Total extraordinary income	292	217
Extraordinary loss		
Loss on revision of retirement benefit plan	304	-
Total extraordinary loss	304	-
Income before income taxes	1,300	1,834
Income taxes-current	251	312
Income taxes-deferred	140	217
Total income taxes	391	529
Income before minority interests	908	1,304
Minority interests in income	6	42
Net income	902	1,261

Consolidated Statements of comprehensive income
Total accumulated other comprehensive income

	Q3/FY2013	Q3/FY2014
	Apr'13-Dec'13	Apr'14-Dec'14
	<u> </u>	<u> </u>
Income before minority interests	908	1,304
Other comprehensive income		
Valuation difference on available-for-sale securities	11	6
Foreign currency translation adjustment	1,247	2,060
Remeasurements of defined benefit plans, net of tax	-	62
Share of other comprehensive income of associates accounted for using equity method	154	160
Other comprehensive income	<u>1,414</u>	<u>2,289</u>
Comprehensive income	<u>2,322</u>	<u>3,594</u>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	<u>2,319</u>	<u>3,526</u>
Comprehensive income attributable to minority interests	<u>3</u>	<u>67</u>

Consolidated Statements of Cash Flows
Millions of yen

	Q3/FY2013 Apr'13-Dec'13	Q3/FY2014 Apr'14-Dec'14
Net cash provided by (used in) operating activities		
Income before income taxes	1,300	1,834
Depreciation and amortization	2,052	2,014
Increase (decrease) in provision for retirement benefits	(98)	-
Increase (decrease) in net defined benefit liability	-	(179)
Increase (decrease) in allowance for doubtful accounts	(5)	35
Interest and dividends income	(19)	(33)
Interest expenses	109	106
Foreign exchange losses (gains)	(11)	(19)
Equity in (earnings) losses of affiliates	649	772
Loss (gain) on sales of property, plant and equipment	(213)	(1)
Loss on retirement of non-current assets	59	45
Amortization of negative goodwill	(569)	(569)
Subsidy income	(83)	(147)
Loss (gain) on transfer of business	-	(70)
Decrease (increase) in notes and accounts receivable-trade	2,047	(251)
Decrease (increase) in inventories	(223)	(669)
Increase (decrease) in notes and accounts payable-trade	(1,185)	1,307
Increase (decrease) in accrued expenses	713	(337)
Other, net	(97)	(936)
Subtotal	4,424	2,898
Interest and dividends income received	19	33
Proceeds from subsidy income	83	147
Interest expenses paid	(110)	(104)
Income taxes paid	(320)	(298)
Net cash provided by (used in) operating activities	4,095	2,675
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	(1,490)	(1,519)
Proceeds from sales of property, plant and equipment	1,255	357
Purchase of intangible assets	(42)	(11)
Purchase of investment securities	(3)	(3)
Purchase of stocks of subsidiaries and affiliates	(888)	(299)
Proceeds from transfer of business	-	100
Other, net	(213)	(43)
Net cash provided by (used in) investing activities	(1,373)	(1,419)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,583)	(610)
Purchase of treasury stock	(0)	(1)
Proceeds from stock issuance to minority shareholders	6	-
Repayments of finance lease obligations	(314)	(361)
Net cash provided by (used in) financing activities	(1,891)	(972)
Effect of exchange rate change on cash and cash equivalents	534	742
Net increase (decrease) in cash and cash equivalents	1,365	1,024
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	6,130	6,053

Consolidated Business Segment Information
Millions of yen

'Q3/FY2013 Apr'13-Dec'13

	Business Segments Reported		Total	Ajustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	36,548	22,181	58,729	-	58,729
Intersegment	-	-	-	-	-
Total	36,548	22,181	58,729	-	58,729
Segment income	897	393	1,290	-	1,290

'Q3/FY2014 Apr'14-Dec'14

	Business Segments Reported		Total	Ajustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	37,959	18,730	56,689	-	56,689
Intersegment	-	-	-	-	-
Total	37,959	18,730	56,689	-	56,689
Segment income (loss)	1,735	(338)	1,397	-	1,397

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

As for the business environment of the FDK Group (“FDK”) during the nine months ended December 31, 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 European market, 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 lengthening of downturn in sales due to the reaction of the last-minute demand by the consumption tax hike from last April in Japan, etc.

Under these circumstances, as the business expansion measures, FDK also focused to expand sales and switch from old models to new FUJITSU alkaline battery series and FUJITSU Ni-MH rechargeable battery series that were redesigned in accordance with upgrading performance in last June in the market. FDK also focused to expand sales of lithium batteries due to the increase in sales for disaster-related goods, security goods, and automotive applications in North American and European markets with productivity improvement, and development of applications of thin lithium battery.

In addition, as it strengthens the business measures, FDK merge with the FDK TWICELL Co., Ltd. (Takasaki, Gunma) which is the developer and manufacturer of Ni-MH batteries for the purpose of the operation, through the merger to manage more efficiently by using mutual resources and to further strengthen the business of multiple products of electronic components and Ni-MH batteries.

As for FDK’s business results within the nine months in FY2014, net sales were 56,689 million yen and decreased by 2,039 million yen from the same period last year. Although net sales have recovered rapidly, it could not cover the decreasing sales of signal processing modules for LCD displays and Ni-MH batteries in the first quarter.

With regard to profit and loss, ordinary income was 1,397 million yen, increased by 106 million yen. Although the divisional loss in the Electronic Device Business accrued by the huge sales down in the signal processing modules for LCD displays, FDK’s Battery Business could bear 1,735 million yen as the divisional income, which is increased by 838 million yen from the same period last year, which is achieved by the continuous application of technological VEs, the reduction of purchasing costs for product materials, and increased sales in lithium batteries by increased production. In addition to the above, effects from several measures to tackle together on the reform of whole corporate structures to respond to the changes in the business environment, net sales’ rapid recovery from the 2nd quarter to 3rd quarter, as well as the benefit of weaker yen from the latter period of the 3rd quarter were contributed to this result.

Ordinary income was 1,616 million yen, decreased by 303 million yen from the same period last year. The post of 491 million yen as foreign exchange gains contributed to the increase in ordinary income. Net income was 1,261 million yen, increased by 359 million yen.

Ref: Comparison of Consolidated Financial Results

(Million yen)

	Net Sales	Sales cost ratio (%)	Operating Income	Ordinary Income	Net Income
FY2013 1-3Q (9 months)	58,729	83.9	1,290	1,312	902
FY2014 1-3Q (9 months)	56,689	82.5	1,397	1,616	1,261
Compared to the same period last year	-2,039	-1.4	+106	+303	+359

Ref: Quarterly Consolidated Financial Results

(Million yen)

	Net Sales	Sales cost ratio (%)	Operating Income	Ordinary Income	Net Income
FY2014 1Q	16,614	83.7	24	-127	23
FY2014 2Q	18,957	82.2	430	547	428
FY2014 3Q	21,117	81.9	941	1,196	810

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 markets 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 37,959 million yen, up by 1,411 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 toner decreased from the same period last year, due to the overstock on the market. 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 decreased from the same period last year, due to the sluggish digital camera market.

As a result, sales for the electronic device business were 18,730 million yen, down by 3,451 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 nine months in FY2014 increased by 5,129 million yen (9.3%) from the end of the previous fiscal year to 60,424 million yen. Current assets increased by 5,343 million yen (16.4%) from the end of the previous fiscal year to 37,995 million yen. Noncurrent assets decreased by 213 million yen (-0.9%) from the end of the previous fiscal year to 22,429 million yen. The main causes for the increase in current assets were a 1,953 million yen increase in note and accounts receivable-trade, a 1,164 million yen increase in merchandise and finished goods and a 1,024 million yen increase in cash and deposit. The principal cause for the decrease in noncurrent assets was a 351 million yen decrease in investment securities, a 192 million yen decrease in net defined benefit asset, and a 125 million yen decrease in deferred tax assets, though there was a 399 million yen increase in property, plant and equipment.

Total liabilities at the end of the nine months in FY2014 increased by 1,702 million yen (3.5%) from the end of the previous fiscal year to 50,488 million yen. Current liabilities increased by 2,993 million yen (7.8%) from the end of the previous fiscal year to 41,398 million yen. Noncurrent liabilities decreased by 1,291 million yen (-12.4%) from the end of the previous fiscal year to 9,089 million yen. The principal cause for the increase in current liabilities was a 2,856 million yen increase in notes and accounts payable-trade and a 910 million yen increase accounts payable-other, though there was a 610 million yen decrease in short-term loans payable. The main causes of decrease non-current assets were a 580 million yen decrease in long-term accounts payable-other and a 569 million yen decrease in negative goodwill.

The interest-bearing debt decreased by 410 million yen from the end of the previous fiscal year to 20,488 million yen.

Total net assets at the end of the nine months in FY2014 increased by 3,427 million yen (52.7%) from the end of the previous fiscal year to 9,936 million yen. The main causes for the increase in total net assets were a 1,096 million yen increase in retained earnings by posting a net income of the nine months in FY2014 and a 2,197 million yen in foreign currency translation adjustment.

2.2 Cash Flow Condition

Net cash used in operating activities increased by 2,675 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 an increase in notes and accounts payable-trade, though there was a decrease in cash by an increase in inventories and the post of. allowance of negative goodwill. (Net cash used in operating activities for the

same period last fiscal year increased by 4,095 million yen from the beginning of the last fiscal year.)

Net cash used in investment activities decreased by 1,419 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 1,373 million yen from the beginning of the last fiscal year).

Net cash used in financing activities decreased by 972 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 1,891 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on December 31, 2014 was 6,053 million yen, an increase of 1,024 million yen from the beginning of this fiscal year.

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

Please refer to the “Announcement of the Revised Financial Forecast” announced on January 29, 2015.