

Fiscal Year 2018 Consolidated Operating Results
(April 1, 2018 to March 31, 2019)

FDK CORPORATION

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

Listing Code No. 6955 (Listing Stock Exchange: 2nd 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 FY2018 ended March 31, 2019

a. Consolidated Income statements

	Yen (millions)		Change (%)	U.S.Dollars (millions)
	FY2017 (4/1/17-3/31/18)	FY2018 (4/1/18-3/31/19)		FY2018 (4/1/18-3/31/19)
Net Sales	73,129	72,113	-1.4 %	\$651.60
Operating Profit	666	823	23.6	\$7.44
Ordinary Profit	78	718	819.6	\$6.49
Profit (Loss) attributable to owners of parent	(630)	(290)	-	(\$2.62)

Amounts Per Share of Common Stock:

Basic Earnings (Loss) per share	(22.53) yen	(9.91) yen	(8.96 cent)
Diluted Earnings per share	- yen	- yen	-
Rate of Return on Equity	(15.4) %	(4.0) %	
Ordinary Profit to Total Assets Ratio	0.2 %	1.4 %	
Operating Profit to Net Sales Ratio	0.9 %	1.1 %	

b. Consolidated Financial Positions

	Yen (millions)	
	As of Mar. 31, 2018	As of Mar. 31, 2019
Total Assets	51,054	54,145
Net Assets	4,293	10,280
Owner's Equity	4,289	10,276
Capital Adequacy Ratio	8.4 %	19.0 %
Net Assets Per Share	153.15 yen	297.79 yen

c. Consolidated Cash Flows

	Yen (millions)	
	FY2017 (4/1/17-3/31/18)	FY2018 (4/1/18-3/31/19)
Cash Flows from Operating Activities	567	1,602
Cash Flows from Investing Activities	(1,959)	(1,860)
Cash Flows from Financing Activities	1,559	5,282
Cash and Cash Equivalents at End of Period	3,720	8,734

d. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	FY2017 (4/1/17-3/31/18)	FY2018 (4/1/18-3/31/19)	FY2018 (4/1/18-3/31/19)
Batteries	48,536	47,763	\$431.58
Electronic Devices	24,592	24,350	\$220.02
Total	73,129	72,113	\$651.60

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

- All amounts less than one million yen have been disregarded.
- U.S. dollar amounts are translated from yen, for convenience only, at the rate of \$1=110.67 yen.
- The percentage in this statement presents rate of change compared with the previous fiscal year.
- FDK implemented a share consolidation (10 to 1) effective October 1, 2018.

2. Consolidated Forecast for the year ending March 31, 2020

(Million of yen, except per share data)

	<u>FY2019</u>	<u>Change from FY2018</u>	<u>FY2019</u>
Net Sales	65,000	(9.9) %	72,113
Operating Profit	800	(2.9) %	823
Ordinary Profit	500	(30.4) %	718
Profit (loss) attributable to owners of parent	(700)	- %	(290)
Basic Earnings Per Share	(23.88) yen	- yen	-9.91 yen

3. Others

(1) Material changes in significant subsidiaries during the period: Yes.

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

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

- 1) Changes in accounting policies based on revisions of accounting standards: 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

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

- 1) Number of issued and outstanding shares at the end of fiscal year. (including treasury stock)
March 31, 2019: 34,536,302 shares March 31, 2018: 28,036,302 shares
- 2) Number of treasury stock at the end of fiscal year
March 31, 2019: 27,765 shares March 31, 2018: 27,143 shares
- 3) Average number of shares
March 31, 2019: 29,309,351 shares March 31, 2018: 28,009,451 shares

(Notes)

1. FDK implemented a share consolidation (10 to 1) effective October 1, 2018.
2. This information is a summary of the earnings report. It does not contain all details included in the earnings report disclosed in Japanese.

Consolidated Balance Sheet

Millions of yen

	FY2017	FY2018
	Mar 31, 2018	Mar 31, 2019
Assets		
Current assets		
Cash and deposits	3,720	8,734
Notes and accounts receivable-trade	20,316	18,476
Merchandise and finished goods	2,781	2,790
Work in process	2,694	3,067
Raw materials and supplies	2,760	3,035
Other	1,150	1,082
Allowance for doubtful accounts	(105)	(101)
Total current assets	33,318	37,085
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,153	6,146
Machinery, equipment and vehicles, net	4,952	4,526
Tools, furniture and fixtures, net	984	984
Land	2,535	2,540
Leased assets, net	1,282	1,341
Construction in progress	464	263
Total property, plant and equipment	16,372	15,803
Intangible assets	502	481
Investments and other assets		
Investment securities	204	193
Long-term loans receivable	1	2
Deferred tax assets	106	65
Other	549	513
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	862	775
Total non-current assets	17,736	17,059
Total assets	51,054	54,145
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,230	14,092
Short-term loans payable	19,455	18,400
Lease obligations	468	344
Accounts payable-other	2,018	1,894
Income taxes payable	336	326
Other	3,055	2,816
Total current liabilities	40,564	37,875
Non-current liabilities		
Lease obligations	553	469
Deferred tax liabilities	194	198
Net defined benefit liability	3,847	4,263
Long-term accounts payable - other	1,216	675
Other	383	382
Total non-current liabilities	6,196	5,989
Total liabilities	46,760	43,864
Net assets		
Shareholders' equity		
Capital stock	28,301	31,709
Capital surplus	22,968	26,376
Retained earnings	(45,539)	(45,829)
Treasury shares	(47)	(48)
Total shareholders' equity	5,683	12,207
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	27
Foreign currency translation adjustment	948	806
Remeasurements of defined benefit plans	(2,380)	(2,765)
Total accumulated other comprehensive income	(1,393)	(1,931)
Non-controlling interests	4	4
Total net assets	4,293	10,280
Total liabilities and net assets	51,054	54,145

Consolidated Statement of Income
Millions of yen

	FY2017	FY2018
	Apr'17-Mar'18	Apr'18-Mar'19
Net sales	73,129	72,113
Cost of sales	61,152	60,317
Gross profit	11,977	11,795
Selling, general and administrative expenses	11,311	10,971
Operating profit	666	823
Non-operating income		
Interest income	18	24
Foreign exchange gains	-	324
Gain on sales of non-current assets	136	21
Rent income	26	34
Other	82	189
Total non-operating income	263	594
Non-operating expenses		
Interest expenses	123	151
Foreign exchange losses	434	-
Share of loss of entities accounted for using equity method	85	60
Loss on sales of non-current assets	52	118
Loss on retirement of non-current assets	50	189
Other	105	180
Total non-operating expenses	851	700
Ordinary profit	78	718
Extraordinary losses		
Loss on liquidation of subsidiaries	-	621
Impairment loss	527	71
Total extraordinary losses	527	692
Profit (loss) before income taxes	(449)	26
Income taxes-current	187	270
Income taxes-deferred	(6)	45
Total income taxes	181	316
Loss	(630)	(290)
Profit attributable to non-controlling interests	0	0
Loss attributable to owners of parent	(630)	(290)

Consolidated Statement of Comprehensive Income
Millions of yen

	FY2018	FY2018
	Apr'17-Mar'18	Apr'18-Mar'19
Loss	(630)	(290)
Other comprehensive income		
Valuation difference on available-for-sale securities	15	(10)
Foreign currency translation adjustment	97	(116)
Remeasurements of defined benefit plans, net of tax	516	(385)
Share of other comprehensive income of entities accounted for using equity method	24	(24)
Other comprehensive income	653	(537)
Comprehensive income	22	(827)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	22	(828)
Comprehensive income attributable to non-controlling interests	0	0

Consolidated Statement of Changes in Equity

FY2017 (Apr'17-Mar'18)

	Shareholders' equity				Total shareholders' equity	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Net assets	Yen (millions)
	Capital stock	Capital surplus	Retained earnings	Treasury shares		Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans				Total Accumulated other comprehensive
Beginning balance	28,301	22,622	(44,908)	(46)	5,969	23	825	(2,896)	(2,046)	-	716	4,638
Changes of items during period												
Issuance of new shares - exercise of share acquisition rights					-							-
Loss attributable to owners of parent			(630)		(630)							(630)
Issuance of share acquisition rights					-							-
Exercise of share acquisition rights					-							-
Purchases of treasury shares				(1)	(1)							(1)
Change in ownership interest of parent due to transactions with non-controlling interests		346			346							346
Net changes of items other than shareholders' equity						15	122	516	653	(712)	(712)	(59)
Total changes of items during period	-	346	(630)	(1)	(285)	15	122	516	653	(712)	(712)	(345)
Ending balance	28,301	22,968	(45,539)	(47)	5,683	38	948	(2,380)	(1,393)	4	4	4,293

Consolidated Statement of Changes in Equity

FY2018 (Apr'18-Mar'19)

	Shareholders' equity				Total shareholders' equity	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Net assets	Yen (millions)
	Capital stock	Capital surplus	Retained earnings	Treasury shares		Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans				Total Accumulated other comprehensive
Beginning balance	28,301	22,968	45,539	(47)	5,683	38	948	(2,380)	(1,393)	-	4	4,293
Changes of items during period												
Issuance of new shares - exercise of share acquisition rights	3,379	3,379			6,759							6,759
Loss attributable to owners of parent			(290)		(290)							(290)
Issuance of share acquisition rights					-					55		55
Exercise of share acquisition rights	27	27			55					(55)		-
Purchases of treasury shares				(0)	(0)							(0)
Change in ownership interest of parent due to transactions with non-controlling interests					-							-
Net changes of items other than shareholders' equity					-	(10)	(141)	(385)	(537)		0	(537)
Total changes of items during period	3,407	3,407	(290)	(0)	6,524	(10)	(141)	(385)	(537)	-	0	5,986
Ending balance	31,709	26,376	(45,829)	(48)	12,207	27	806	(2,765)	(1,931)	-	4	10,280

Consolidated Statement of Cash Flows
Millions of yen

	FY2017 Apr'17-Mar'18	FY2018 Apr'18-Mar'19
Cash flows from operating activities		
Loss before income taxes	(449)	26
Depreciation and amortization	2,092	2,136
Impairment loss	527	71
Increase (decrease) in net defined benefit liability	(366)	(375)
Increase (decrease) in allowance for doubtful accounts	64	(3)
Interest and dividend income	(20)	(37)
Interest expenses	123	151
Foreign exchange losses (gains)	0	(0)
Share issuance cost	-	46
Share of loss (profit) of entities accounted for using equity method	85	60
Loss (gain) on sales of property, plant and equipment	(84)	96
Loss on retirement of non-current assets	50	189
Subsidy income	-	(25)
Loss on liquidation of subsidiaries	-	621
Decrease (increase) in notes and accounts receivable-trade	(1,847)	1,820
Decrease (increase) in inventories	(335)	(685)
Increase (decrease) in notes and accounts payable-trade	1,347	(1,149)
Increase (decrease) in accrued expenses	133	(37)
Other, net	(457)	(929)
Subtotal	863	1,974
Interest and dividend income received	20	37
Proceeds from subsidy income	-	25
Interest expenses paid	(122)	(152)
Income taxes paid	(194)	(283)
Net cash provided by (used in) operating activities	567	1,602
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,280)	(1,922)
Proceeds from sales of property, plant and equipment	391	103
Purchase of intangible assets	(69)	(40)
Purchase of investment securities	(4)	(4)
Other, net	4	3
Net cash provided by (used in) investing activities	(1,959)	(1,860)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,485	(1,055)
Purchase of treasury shares	(1)	(0)
Proceeds from issuance of share acquisition rights	-	55
Proceeds from issuance of shares resulting from exercise of shares acquisition rights	-	6,716
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(385)	-
Repayments of finance lease obligations	(539)	(434)
Net cash provided by (used in) financing activities	1,559	5,282
Effect of exchange rate change on cash and cash equivalents	14	(10)
Net increase (decrease) in cash and cash equivalents	181	5,013
Cash and cash equivalents at beginning of period	3,538	3,720
Cash and cash equivalents at end of period	3,720	8,734

Consolidated Business Segment Information
Millions of yen

FY2017 Apr'17-Mar'18

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	48,536	24,592	73,129	-	73,129
Intersegment	-	-	-	-	-
Total	48,536	24,592	73,129	-	73,129
Segment profit (loss)	1,814	(1,147)	666	-	666
Segment assets	34,577	15,799	50,376	677	51,054
Other items					
Depreciation	1,798	294	2,092	-	2,092
Investment to entities accounted for using equity method	-	197	197	-	197
Increase in property, plant and equipment and intangible assets	2,283	389	2,672	-	2,672

FY2018 Apr'18-Mar'19

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	47,763	24,350	72,113	-	72,113
Intersegment	-	-	-	-	-
Total	47,763	24,350	72,113	-	72,113
Segment profit (loss)	2,041	(1,217)	823	-	823
Segment assets	34,374	14,358	48,733	5,412	54,145
Other items					
Depreciation	1,864	272	2,136	-	2,136
Investment to entities accounted for using equity method	-	111	111	-	111
Increase in property, plant and equipment and intangible assets	1,790	143	1,934	-	1,934

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

The business environment of the FDK Group (“FDK”) during the fiscal year ending March 31, 2019, remained uncertain condition, such as impacts on the global economy due to intensified trade friction between North America and China, Brexit, Protective trade policy and increase of material cost though the corporate profit, capital investment and employment environment of domestic companies improved as well as personal consumption gradually improved in Japan.

Under these circumstances, FDK strived to expand sales of battery solutions integrating the strengths of battery technology, electrical circuit technology and power electronic technology into new markets and customers in Japan and overseas such as IoT, mobility and social infrastructure, which are expected to grow greatly in future in addition to conventional markets such as home appliances, power supply back-up application and automotive accessories. As the result, FDK developed new customers of Lithium batteries such as for remote meter reading applications for gas and other smart meters that are expected to expand in the future.

Also FDK started sample shipment of SMD type small size all-solid-state battery which received attention from industry market as a next generation battery and promoted its practical application in addition to the development of high-capacity model.

Regarding the business results for this fiscal year, sales of Battery business decreased due to sales of Ni-MH batteries and Lithium batteries decreased in the industrial market, though sales of Ni-MH batteries and Alkaline batteries in consumer market remained steady. Sales of Electronic Device business also decreased due to sales of Multi-layer power inductors and Switching Power Supply decreased, though sales of Signal Processing Modules for LCD increased.

As a result, business result in FY2018, net sales were 72,113 million yen, decreased by 1,016 million yen (-1.4%) from the last fiscal year.

With regard to profit and loss, the operating profit of this fiscal year was 823 million yen increased by 157 million yen from the last fiscal year due to company-wide cost and expenses reduction and favorable impact of currency exchange ratio, although profit was affected by sales decrease and increase of material cost.

The ordinary profit in this fiscal year was 718 million yen increased by 640 million yen from the last fiscal year. It was achieved due to non-operating income of 594 million yen including 324 million yen of foreign exchange gains, though 700 million yen was counted as non-operating expenses including loss on sales and retirement of non-current assets caused by discontinuation of consolidated subsidiary SUZHOU FDK CO., LTD. operation and interest expense.

On the other hand, the loss attributable to owners of parent in this fiscal year was 290 million yen (it was 630 million yen loss attributable for owners of parent in the last fiscal year) due to 692 million yen was counted into extraordinary loss, consisting liquidation loss of consolidated subsidiary caused by discontinuation of its operation above and increase of income tax, although the loss amount decreased from the last fiscal year.

The divisional sales overview is as follows.

1.2 Battery Business

Sales of Battery business decreased from the last fiscal year, due to Ni-MH batteries and Lithium batteries decreased, though Alkaline batteries increased.

Sales of Ni-MH batteries decreased from the last fiscal 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 Alkaline batteries increased from the last fiscal year due to increase of internet sales, steady sales for domestic retail market and industrial use while sales at the stores were hard to grow because the buying style of consumer were changing. Sales of Lithium batteries decreased from the last fiscal year due to delay of demand to replace smoke detectors in Japan and overseas and delay of start-up of smart meters market.

As a result, sales for the Battery business was 47,763 million yen, decreased by 773 million yen from the last fiscal year.

1.3. Electronic Device Business

Sales of Electric Device business decreased from the last fiscal year due to Multi-layer Power Inductor and

Switching Power Supply decreased, though Signal processing modules for LCD increased.

Sales of Coil devices increased from the last fiscal year, due to steady sales for automotive use. Sales of Multi-layer Power Inductors was decreased from the last fiscal year, due to sluggishness of smart phone market and sales decrease for integrated circuit application. Sale of Ceramic products increased from the last fiscal year, due to steady sales for high-end digital cameras. Sales of Toner decreased from the last fiscal year, due to market inventory adjustment. Sales of Signal Processing Modules for LCD increased from the last fiscal year, due to steady sales for LCD display. Sales of Switching Power Supplies decreased from the last fiscal year, due to sales decrease for servers, though the sales for semiconductor manufacturing equipment were steady.

As a result, sales for the Electronic Device business were 24,350 million yen, decreased by 242 million yen from the last fiscal year.

(2) Analysis of Financial Condition

2.1 Status of Assets, Liabilities and Net Assets

Total assets at the end of FY2018 increased by 3,090 million yen (6.1%) from the end of the previous fiscal year to 54,145 million yen. Current assets increased by 3,767 million yen (11.3%) from the end of the previous fiscal year to 37,085 million yen. Non-current assets decreased by 676 million yen (-3.8%) from the end of the previous fiscal year to 17,059 million yen. The principal causes for increased current assets were a 5,013 million yen increase in cash and deposits, though a 1,839 million yen decrease in notes and accounts receivable-trade.

Total liabilities at the end of FY2018 decreased by 2,895 million yen (-6.2%) from the end of the previous fiscal year to 43,864 million yen. Current liabilities decreased by 2,689 million yen (-6.6%) from the end of the previous fiscal year to 37,875 million yen. Non-current liabilities decreased by 206 million yen (-3.3%) from the end of the previous fiscal year to 5,989 million yen. The principal cause of decreased current liabilities were a 1,138 million yen decrease in notes and accounts payable-trade and a 1,055 million yen decrease in short-term loans payable. The principal cause of decreased non-current liabilities were a 541 million yen decrease in long-term accounts payable – other, though a 416 million yen increase in net defined benefit liability.

The interest-bearing debt decreased by 1,262 million yen from the end of the previous fiscal year to 19,214 million yen.

Total net assets at the end of FY2018 increased by 5,986 million yen (139.4%) from the end of the previous fiscal year to 10,280 million yen. The main factors for the increase in total net assets were a 3,407 million yen increase in 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 1,602 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting a depreciation and amortization and decrease in notes and accounts receivable-trade, though was a decrease in cash by posting a decrease in notes and accounts payable-trade (Cash flows from operating activities for the last fiscal year increased by 567 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 1,860 million yen from the beginning of this fiscal year due to an decrease in cash by posting a purchase of property, plant and equipment (Cash flows from investment activities for the last fiscal year decreased by 1,959 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 5,282 million yen from the beginning of this fiscal year due to a increase in cash by posting a proceeds from issuance of shares resulting from exercise of share acquisition rights, though was a decrease in decrease in short-term loans payable (Cash flows from financing activities for the last fiscal year increased by 1,559 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on March 31, 2019 was 8,734 million yen, an increase of 5,013 million yen from the beginning of this fiscal year.

Ref: Changes in cash flow indicators

	FY2014	FY2015	FY2016	FY2017	FY2018
Equity ratio (%)	13.8	13.0	8.0	8.4	19.0
Market value equity ratio (%)	70.0	48.6	71.3	106.4	51.5

Debt to cash flow ratio (%)	9.9	3.2	55.8	36.1	12.0
Interest coverage ratio (%)	13.4	40.4	2.7	4.6	10.6

1. Equity ratio = Total shareholders' equity / Total assets
2. Market value equity ratio = Market capitalization / Total assets
3. Debt to cash flow ratio = Interest-bearing debt / Net cash used in operating activities
4. Interest coverage ratio = Net cash used in operating activities / Interest expense

3. Forecast for the Fiscal Year Ending March 31, 2020

In the future business environment, although personal consumption is on a moderate recovery trend, still uncertainties such as impacts on the global economy due to intensified trade friction between North America and China, Protective trade policy, and consumption tax increase in Japan are prospected.

As a “Smart Energy Manager” that combines battery technology, circuit technology and power electronics technology “globally to contribute to society with technology that efficiently uses electric energy”, FDK group provides service and value to meet the expectations of shareholders, customers and other stakeholders by “One FDK”.

FDK group strives to develop new customers and expand sales in Japan and overseas into new markets such as IoT, mobility and social infrastructure, providing battery solution based on battery technology of Ni-MH batteries, Alkaline batteries and Lithium batteries with electronic technology in addition to conventional markets such as home appliances, power supply back-up application and automotive accessories. In addition, FDK will strategically invest in newly developed batteries such as SMD type small size all-solid-state battery, metal-hydride air secondary battery and plan to launch them onto the market at an early stage in future.

As for the business forecast for the FY2019, FDK targets net sales at 65,000 million yen, operating profit at 800 million yen, ordinary profit at 500 million yen, and loss attributable to owners of the parent at 700 million yen. Regarding the exchange rate for FY2019, FDK sets it at 105 yen per US dollar and at 130 yen per Euro.