

Consolidated Financial Results for the First Quarter Ended June 30, 2018
(April 1, 2018 to June 30, 2018)

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, 2018

a. Consolidated Statements of Income

	Yen (millions)		Change (%)	Yen	U.S.Dollars
	Three months ended June 30,	Three months ended June 30,		(millions)	(millions)
	2017	2018		FY2017, ended Mar. 31, 2018	Three months ended June 30, 2018
Net Sales	17,372	17,477	(1.2)	73,129	\$158.11
Operating Profit (Loss)	(157)	(123)	-	666	(\$1.11)
Ordinary Profit (Loss)	(161)	193	-	78	\$1.75
Profit (Loss) attributable to owner of parent	(281)	83	-	(630)	\$0.75

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	(1.01) yen	0.30 yen	(2.25) yen	0.27 cent
Diluted Earnings	- yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen	Yen	Yen	U.S.Dollars
	(millions)	(millions)	(millions)	(millions)
	Three months ended June 30, 2017	Three months ended June 30, 2018	FY2017, ended Mar. 31, 2018	Three months ended June 30, 2018
Batteries	11,711	11,134	48,536	\$100.72
Electronic Devices	5,660	6,342	24,592	\$57.37
Total	17,372	17,477	73,129	\$158.11

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2018	As of June 30, 2018
	Total Assets	51,054
Net Assets	4,293	4,450
Owners' Equity	4,289	4,446
Capital Adequacy Ratio	8.4 %	8.7 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
	Cash Flows from Operating Activities	744
Cash Flows from Investing Activities	(599)	(720)
Cash Flows from Financing Activities	1,019	(660)
Cash and Cash Equivalents at End of Period	4,761	3,757

(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 110.54 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 2018 ending March 31, 2019

(Million of yen, except per share data)

	FY2018	Change from FY2017	FY2017
Net Sales	74,000	1.2 %	73,129
Operating Profit	700	5.0	666
Ordinary Profit	200	156.1 %	78
Profit (Loss) attributable to owners of parent	100	-	(630)
Basic Earnings (Loss) per Share	0.36 yen	-	(2.25) 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, 2018.

3. Others

(1) Material changes in significant subsidiaries during the period: No

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

(2) Applying of specific accounting of the consolidated quarterly financial statements: No

(3) Changes in accounting policies, accounting estimates, and retrospective restatement

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

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

- 1) Number of issued and outstanding shares at the end of fiscal year.
June 30, 2018: 280,363,026 shares March 31, 2018: 280,363,026 shares
- 2) Number of treasury stock at the end of each period
June 30, 2018: 272,369 shares March 31, 2018: 271,437 shares
- 3) Average number of shares in each period.
June 30, 2018: 280,091,134 shares June 30, 2017: 280,096,788 shares

Consolidated Balance Sheet

Millions of yen

	FY2017 March 31, 2018	1Q/FY2018 June 30, 2018
Assets		
Current assets		
Cash and deposits	3,720	3,757
Notes and accounts receivable-trade	20,316	19,531
Merchandise and finished goods	2,781	2,940
Work in process	2,694	3,186
Raw materials and supplies	2,760	2,980
Other	1,150	943
Allowance for doubtful accounts	(105)	(106)
Total current assets	33,318	33,233
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,153	6,524
Machinery, equipment and vehicles, net	4,952	4,834
Tools, furniture and fixtures, net	984	953
Land	2,535	2,539
Leased assets, net	1,282	1,308
Construction in progress	464	283
Total property, plant and equipment	16,372	16,444
Intangible assets	502	485
Investments and other assets		
Investment securities	204	207
Long-term loans receivable	1	1
Deferred tax assets	106	107
Other	549	497
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	862	813
Total non-current assets	17,736	17,743
Total assets	51,054	50,976
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,230	16,321
Short-term loans payable	19,455	18,920
Lease obligations	468	378
Accounts payable-other	2,018	2,414
Income taxes payable	336	144
Other	3,055	2,393
Total current liabilities	40,564	40,571
Non-current liabilities		
Lease obligations	553	543
Deferred tax liabilities	194	191
Net defined benefit liability	3,847	3,755
Long-term accounts payable - other	1,216	1,072
Other	383	391
Total non-current liabilities	6,196	5,955
Total liabilities	46,760	46,526
Net assets		
Shareholders' equity		
Capital stock	28,301	28,301
Capital surplus	22,968	22,968
Retained earnings	(45,539)	(45,455)
Treasury shares	(47)	(47)
Total shareholders' equity	5,638	5,766
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	39
Foreign currency translation adjustment	948	919
Remeasurements of defined benefit plans	(2,380)	(2,278)
Total accumulated other comprehensive income	(1,393)	(1,320)
Non-controlling interests	4	3
Total net assets	4,293	4,450
Total liabilities and net assets	51,054	50,976

Consolidated Statement of Income

Millions of yen

	1Q/FY2017	1Q/FY2018
	April 17 - June 17	April 18 - June 18
Net sales	17,372	17,477
Cost of sales	14,737	14,907
Gross profit	2,634	2,569
Selling, general and administrative expenses	2,792	2,693
Operating profit (loss)	(157)	(123)
Non-operating income		
Interest income	4	5
Foreign exchange gains	20	335
Gain on sales of non-current assets	7	12
Rent income	4	9
Other	20	37
Total non-operating income	58	401
Non-operating expenses		
Interest expenses	29	30
Share of loss of entities accounted for using equity method	3	33
Loss on retirement of non-current assets	16	0
Other	12	19
Total non-operating expenses	62	83
Ordinary profit (loss)	(161)	193
Extraordinary loss		
Impairment loss	-	22
Total extraordinary loss	-	22
Profit (loss) before income taxes	(161)	170
Income taxes-current	92	90
Income taxes-deferred	29	(3)
Total income taxes	121	87
Profit (loss)	(282)	83
Profit (Loss) attributable to non-controlling interests	(0)	(0)
Profit (loss) attributable to owners of parent	(281)	83

Consolidated Statement of Comprehensive Income
Millions of yen

	1Q/FY2017	1Q/FY2018
	April 17 - June 17	April 18 - June 18
	<hr/>	<hr/>
Profit (loss)	(282)	83
Other comprehensive income		
Valuation difference on available-for-sale securities	1	0
Foreign currency translation adjustment	68	(26)
Remeasurements of defined benefit plans, net of tax	109	101
Share of other comprehensive income of entities accounted for using equity method	3	(2)
Other comprehensive income	<hr/> 183	<hr/> 73
Comprehensive income	<hr/> (99) <hr/>	<hr/> 156 <hr/>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	<hr/> (98)	<hr/> 156
Comprehensive income attributable to non-controlling interests	<hr/> (0)	<hr/> (0)

Consolidated Statement of Cash Flows
Millions of yen

	1Q/FY2017 April 17 - June 17	1Q/FY2018 April 18 - June 18
Cash flows from operating activities		
Profit (loss) before income taxes	(161)	170
Depreciation and amortization	515	529
Impairment loss	-	22
Increase (decrease) in net defined benefit liability	(86)	(91)
Increase (decrease) in allowance for doubtful accounts	(9)	0
Interest and dividend income	(5)	(17)
Interest expenses	29	30
Foreign exchange losses (gains)	(0)	(0)
Share of (profit) loss of entities accounted for using equity method	3	33
Loss (gain) on sales of property, plant and equipment	(7)	(12)
Loss on retirement of non-current assets	16	0
Decrease (increase) in notes and accounts receivable-trade	528	805
Decrease (increase) in inventories	(978)	(870)
Increase (decrease) in notes and accounts payable-trade	1,169	1,034
Increase (decrease) in accrued expenses	(538)	(631)
Other, net	414	543
Subtotal	890	1,547
Interest and dividend income received	5	17
Interest expenses paid	(30)	(24)
Income taxes paid	(121)	(138)
Net cash provided by (used in) operating activities	744	1,402
Cash flows from investing activities		
Purchase of property, plant and equipment	(664)	(742)
Proceeds from sales of property, plant and equipment	78	21
Purchase of intangible assets	(11)	-
Purchase of investment securities	(1)	(1)
Other, net	(0)	1
Net cash provided by (used in) investing activities	(599)	(720)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,540	(535)
Purchase of treasury shares	(0)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(385)	-
Repayments of finance lease obligations	(135)	(125)
Net cash provided by (used in) financing activities	1,019	(660)
Effect of exchange rate change on cash and cash equivalents	58	15
Net increase (decrease) in cash and cash equivalents	1,222	36
Cash and cash equivalents at beginning of period	3,538	3,720
Cash and cash equivalents at end of period	4,761	3,757

Consolidated Business Segment Information
Millions of yen

1Q/FY2017 April 17 - June 17

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	11,711	5,660	17,372	-	17,372
Intersegment	-	-	-	-	-
Total	11,711	5,660	17,372	-	17,372
Segment profit (loss)	325	(483)	(157)	-	(157)

1Q/FY2018 April 18 - June 18

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	11,134	6,342	17,477	-	17,477
Intersegment	-	-	-	-	-
Total	11,134	6,342	17,477	-	17,477
Segment profit (loss)	218	(342)	(123)	-	(123)

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

The business environment of the FDK Group (“FDK”) during the nine months ended June 30, 2018 remained uncertain condition, such as the concern about the adverse effect on the global economy due to protectionist movements on trading of each country though the corporate profit and employment environment of domestic companies improved as well as personal consumption gradually improved in Japan.

Under these circumstances, FDK has brought together the strengths of battery technology, electrical circuit technology and power electronic technology to integrate battery solutions with electronic technology on the basis of batteries into new markets such as IoT, mobility and social infrastructure, which are expected to grow greatly in the future in addition to conventional markets such as home appliances, power supply back-up application and automotive accessories FDK strived to develop new customers and expand sales in Japan and overseas.

Regarding the business results in the first quarter of Battery business, Sales of Ni-MH batteries and Lithium batteries decreased in the industrial market, while the sales of consumer market was steady such as Alkaline batteries for internet sales and Ni-MH batteries in domestic and overseas retail market. As a result, consolidated sales of this period ended June 30, 2018 was 17,477 million yen, increased by 104 million yen (0.6%) from the same period of last year.

With regard to profit and loss in the Battery business, profit was decreased from the same period of last year due to sales decrease of Ni-MH batteries and Lithium batteries, and increase of material cost of Alkaline batteries and Lithium batteries. And in the Electronic Device business, loss decreased from same period of last year due to sales increase. As a result, the operating loss was 123 million yen (it was 157 million yen operating loss in the same period of last year). The ordinary profit in this period was 193 million yen (ordinary loss was 161 million yen in the same period last year). The profit attributable to owners of parent in this period was 83 million yen (it was 281 million yen loss attributable for owners of parent in the same period last year). It was achieved by non-operating income of 335 million yen as the foreign exchange gains.

The divisional sales overview is as follows.

1.2 Battery Business

Sales of Power Storage Systems was decreased from the same period of last year due to sales decrease of Back-up use for telecommunication equipment. Sales of Ni-MH batteries decreased from the same period last year, due to sales decrease of industrial use, although sales of domestic and overseas retail market were steady. Sales of Alkaline batteries was stable and almost same as the same period of last year due to steady sales for internet sales, although sales of OEM products decreased in domestic and overseas market. Sales of Lithium batteries decreased from the same period of last year due to the sluggishness of infrastructure market in Japan and overseas, although sales of smoke detectors in overseas market was steady.

As a result, sales for the Battery business was 11,134 million yen, decreased by 577 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 steady sales for automotive use and industrial equipment. Sales of Multi-layer Power Inductor products was decreased from the same period last year, due to sales decrease for smart phone and integrated circuit application. Sales of DC-DC Power Module increased from the same period last year due to the steady sales for industrial equipment. Sales of Signal Processing Modules for LCD increased from the same period last year, due to steady sales for industrial equipment, touch panel, automotive use and large size LCD display.

As a result, sales for the Electronic Device business was 6,333 million yen, increased by 682 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 in FY2018 decreased by 77 million yen (-0.2%) from the end of the previous fiscal year to 50,976 million yen. Current assets decreased by 85 million yen (-0.3%) from the end of the previous fiscal year to 33,233 million yen. Non-current assets increased by 7 million yen (0.0%) from the end of the previous fiscal year to 17,743 million yen. The principal causes for decreased current assets were a 784 million yen decrease in notes and accounts receivable-trade, though was a 491 million yen increase in work in process.

Total liabilities at the end of first quarter in FY2018 decreased by 233 million yen (-0.5%) from the end of the previous fiscal year to 46,526 million yen. Current liabilities increased by 7 million yen (0.0%) from the end of the previous fiscal year to 40,571 million yen. Non-current liabilities decreased by 241 million yen (-3.9%) from the end of the previous fiscal year to 5,955 million yen. The principal cause of increased current liabilities was a 1,090 million yen increase in notes and accounts payable-trade, though was a 535 million yen decrease in short-term loans payable. The principal cause of decreased non-current liabilities was a 144 million yen decrease in long-term accounts payable – other.

The interest-bearing debt decreased by 635 million yen from the end of the previous fiscal year to 19,841 million yen.

Total net assets at the end of first quarter in FY2018 increased by 156 million yen (3.6%) from the end of the previous fiscal year to 4,450 million yen. The main factors for the increase in total net assets were a 83 million yen increase in retained earnings by posting a 101 million yen increase in remeasurements of defined benefit plans and a profit attributable to owners of parent.

2.2 Cash Flow Condition

Cash flows from operating activities increased by 1,402 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting an increase in notes and accounts payable-trade, decrease in notes and accounts receivable-trade and depreciation and amortization, though was a decrease in cash by posting an increase in inventories and decrease in accrued expenses (Cash flows from operating activities for the last fiscal year increased by 744 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 720 million yen from the beginning of this fiscal year due to a decrease in cash by posting a purchase of property, plant and equipment (Cash flows from investment activities for the last fiscal year decreased by 599 million yen from the beginning of the last fiscal year).

Cash flows from financing activities decreased by 660 million yen from the beginning of this fiscal year due to a decrease in cash by posting a short-term loans payable (Cash flows from financing activities for the last fiscal year decreased by 1,019 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on June 30, 2018 was 3,757 million yen, an increase of 36 million yen from the beginning of this fiscal year.

3. Forecast for the Fiscal Year Ending March 31, 2018

FDK has not changed its business forecast which was announced on April 26, 2018.

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.