

Consolidated Financial Results for the Third Quarter Ended December 31, 2018
(April 1, 2018 to December 31, 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 Nine-Months Period Ended December 31, 2019

a. Consolidated Statements of Income

	Yen (millions)		Change (%)	Yen	U.S.Dollars
	Nine months ended Dec. 31,	Nine months ended Dec. 31,		(millions)	(millions)
	2017	2018		FY2017, ended Mar. 31, 2018	Nine months ended Dec. 31, 2018
Net Sales	59,894	55,348	0.8	73,129	\$499.04
Operating Profit	638	1,037	62.5	666	\$9.35
Ordinary Profit	429	1,299	202.6	78	\$11.71
Profit (Loss) attributable to owner of parent	226	391	73.2	(630)	\$3.53

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	8.07 yen	13.71 yen	(22.53) yen	123.58 cent
Diluted Earnings	- yen	13.56 yen	- yen	122.26 cent

b. Net Sales by Business Segment

	Yen	Yen	Yen	U.S.Dollars
	(millions)	(millions)	(millions)	(millions)
	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018	FY2017, ended Mar. 31, 2018	Nine months ended Dec. 31, 2018
Batteries	36,986	36,688	48,536	\$330.79
Electronic Devices	18,527	18,660	24,592	\$168.24
Total	59,894	55,348	73,129	\$499.04

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2018	As of Dec. 31, 2018
	Total Assets	51,054
Net Assets	4,293	7,403
Owners' Equity	4,289	7,363
Capital Adequacy Ratio	8.4 %	13.9 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2018
	Cash Flows from Operating Activities	740
Cash Flows from Investing Activities	(1,392)	(1,728)
Cash Flows from Financing Activities	1,854	1,372
Cash and Cash Equivalents at End of Period	4,908	4,717

(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 110.91 yen=\$1
3. The percentage in this statement presents rate of change compared with the same period last year.
4. FDK implemented a share consolidation (10 to 1) effective October 1, 2018.

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	3.50 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.
Dec. 31, 2018: 30,297,002 shares March 31, 2018: 280,363,026 shares
- 2) Number of treasury stock at the end of each period
Dec. 31, 2018: 27,583 shares March 31, 2018: 27,143 shares
- 3) Average number of shares in each period.
Dec. 31, 2018: 28,562,304 shares Dec. 31, 2017: 28,009,526 shares

(Notes)

1. FDK implemented a share consolidation (10 to 1) effective October 1, 2018.

Consolidated Balance Sheet

Millions of yen

	FY2017 March 31, 2018	Q3/FY2018 December 31, 2018
Assets		
Current assets		
Cash and deposits	3,720	4,717
Notes and accounts receivable-trade	20,316	20,458
Merchandise and finished goods	2,781	3,429
Work in process	2,694	2,989
Raw materials and supplies	2,760	3,302
Other	1,150	1,005
Allowance for doubtful accounts	(105)	(104)
Total current assets	<u>33,318</u>	<u>35,798</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,153	6,248
Machinery, equipment and vehicles, net	4,952	4,846
Tools, furniture and fixtures, net	984	921
Land	2,535	2,540
Leased assets, net	1,282	1,276
Construction in progress	464	183
Total property, plant and equipment	<u>16,372</u>	<u>16,016</u>
Intangible assets	502	493
Investments and other assets		
Investment securities	204	188
Long-term loans receivable	1	2
Deferred tax assets	106	85
Other	549	495
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	<u>862</u>	<u>772</u>
Total non-current assets	<u>17,736</u>	<u>17,282</u>
Total assets	<u>51,054</u>	<u>53,081</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,230	16,250
Short-term loans payable	19,455	18,490
Lease obligations	468	339
Accounts payable-other	2,018	2,929
Income taxes payable	336	220
Other	3,055	2,020
Total current liabilities	<u>40,564</u>	<u>40,250</u>
Non-current liabilities		
Lease obligations	553	459
Deferred tax liabilities	194	193
Net defined benefit liability	3,847	3,563
Long-term accounts payable - other	1,216	806
Other	383	404
Total non-current liabilities	<u>6,196</u>	<u>5,427</u>
Total liabilities	<u>46,760</u>	<u>45,678</u>
Net assets		
Shareholders' equity		
Capital stock	28,301	29,630
Capital surplus	22,968	24,298
Retained earnings	(45,539)	(45,147)
Treasury shares	(47)	(47)
Total shareholders' equity	<u>5,683</u>	<u>8,733</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	24
Foreign currency translation adjustment	948	679
Remeasurements of defined benefit plans	(2,380)	(2,074)
Total accumulated other comprehensive income	<u>(1,393)</u>	<u>(1,370)</u>
Share acquisition rights	-	36
Non-controlling interests	4	3
Total net assets	<u>4,293</u>	<u>7,403</u>
Total liabilities and net assets	<u>51,054</u>	<u>53,081</u>

Consolidated Statement of Income
Millions of yen

	Q3/FY2017	Q3/FY2018
	April 17 - December 17	April 18 - December 18
Net sales	54,894	55,348
Cost of sales	45,790	46,089
Gross profit	9,104	9,258
Selling, general and administrative expenses	8,466	8,221
Operating profit	638	1,037
Non-operating income		
Interest income	13	18
Foreign exchange gains	-	408
Subsidy income	-	25
Gain on sales of non-current assets	134	13
Rent income	17	28
Other	62	104
Total non-operating income	228	599
Non-operating expenses		
Interest expenses	91	112
Foreign exchange losses	84	-
Share of loss of entities accounted for using equity method	73	19
Loss on retirement of non-current assets	43	96
Other	143	90
Total non-operating expenses	437	337
Ordinary profit	429	1,299
Extraordinary losses		
Loss on liquidation of subsidiaries	-	579
Impairment loss	-	57
Total extraordinary losses	-	637
Profit before income taxes	429	662
Income taxes-current	158	244
Income taxes-deferred	44	27
Total income taxes	203	271
Profit	225	391
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	226	391

Consolidated Statement of Comprehensive Income
Millions of yen

	Q3/FY2017	Q3/FY2018
	<u>April 17 - December 17</u>	<u>April 18 - December 18</u>
Profit	225	391
Other comprehensive income		
Valuation difference on available-for-sale securities	9	(13)
Foreign currency translation adjustment	518	(242)
Remeasurements of defined benefit plans, net of tax	334	305
Share of other comprehensive income of entities accounted for using equity method	31	(26)
Other comprehensive income	895	23
Comprehensive income	<u>1,120</u>	<u>414</u>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,121	414
Comprehensive income attributable to non-controlling interests	(0)	(0)

Consolidated Statement of Cash Flows
Millions of yen

	Q3/FY2017	Q3/FY2018
	April 17 - December 17	April 18 - December 18
Cash flows from operating activities		
Profit before income taxes	429	662
Depreciation and amortization	1,561	1,601
Impairment loss	-	57
Increase (decrease) in net defined benefit liability	(238)	(282)
Increase (decrease) in allowance for doubtful accounts	(10)	(1)
Interest and dividend income	(16)	(31)
Interest expenses	91	112
Foreign exchange losses (gains)	(0)	(0)
Share issuance cost	-	20
Share of loss (profit) of entities accounted for using equity method	73	19
Loss (gain) on sales of property, plant and equipment	(82)	(13)
Loss on retirement of non-current assets	43	114
Subsidy income	-	(25)
Loss on liquidation of subsidiaries	-	579
Decrease (increase) in notes and accounts receivable-trade	(882)	(243)
Decrease (increase) in inventories	(837)	(1,553)
Increase (decrease) in notes and accounts payable-trade	1,241	1,062
Increase (decrease) in accrued expenses	(440)	(578)
Other, net	55	198
Subtotal	988	1,697
Interest and dividend income received	16	31
Proceeds from subsidy income	-	25
Interest expenses paid	(95)	(113)
Income taxes paid	(168)	(234)
Net cash provided by (used in) operating activities	740	1,406
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,685)	(1,715)
Proceeds from sales of property, plant and equipment	376	23
Purchase of intangible assets	(68)	(39)
Purchase of investment securities	(3)	(3)
Other, net	(11)	6
Net cash provided by (used in) investing activities	(1,392)	(1,728)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,650	(965)
Purchase of treasury shares	(0)	(0)
Proceeds from issuance of share acquisition rights	-	55
Proceeds from issuance of shares resulting from exercise of shares acquisition rights	-	2,619
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(385)	-
Repayments of finance lease obligations	(409)	(337)
Net cash provided by (used in) financing activities	1,854	1,372
Effect of exchange rate change on cash and cash equivalents	167	(53)
Net increase (decrease) in cash and cash equivalents	1,369	996
Cash and cash equivalents at beginning of period	3,538	3,720
Cash and cash equivalents at end of period	4,908	4,717

Consolidated Business Segment Information
Millions of yen

Q3/FY2017 April 17 - December 17

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	36,366	18,527	54,894	-	54,894
Intersegment	-	-	-	-	-
Total	36,366	18,527	54,894	-	54,894
Segment profit (loss)	1,424	(785)	638	-	638

Q3/FY2018 April 18 - December 18

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	36,688	18,660	55,348	-	55,348
Intersegment	-	-	-	-	-
Total	36,688	18,660	55,348	-	55,348
Segment profit (loss)	1,882	(844)	1,037	-	1,037

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

The business environment of the FDK Group (“FDK”) during the nine months ended December 31, 2018 remained uncertain condition, such as impacts on the global economy due to intensified trade friction between North America and China, geopolitical risk, increase of material cost though the corporate profit and employment environment of domestic companies improved as well as personal consumption gradually improved in Japan.

Under these circumstances, FDK strived to develop new customers and expand sales in Japan and overseas using 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.

Also FDK started sample shipment of ultra small size all-solid-state battery with capability of high voltage output which received attention from industry market as a next generation battery and promoted its practical application.

Regarding the business results for this period, sales of Battery business increased due to sales of Ni-MH batteries and Alkaline batteries in consumer market remained steady, though sales of Ni-MH batteries and Lithium batteries decreased in the industrial market.

Sales of Electronic Device business also increased due to sales of Coil devices and Signal Processing Modules for LCD increased while Multi-layer power inductors and Toner decreased.

As a result, consolidated sales of this period ended December 31, 2018 was 55,348 million yen, increased by 454 million yen (0.8%) from the same period of last year.

With regard to profit and loss, the operating profit of this period was 1,037 million yen increased by 399 million yen from the same period of last year due to sales increase, material cost reduction and favorable impact of currency exchange ratio, although profit was affected by increase of material cost. The ordinary profit in this period was 1,299 million yen increased by 870 million yen from the same period of last year and it was achieved by non-operating income of 408 million yen as the foreign exchange gains. The profit attributable to owners of parent in this period was 391 million yen increased by 165 million yen although 637 million yen was counted into extraordinary loss, consisting impairment loss of fixed assets related to Electronic Device business and liquidation loss of consolidated subsidiary SUZHOU FDK CO., LTD. as economic compensation to employees caused by discontinuation of its operation.

The divisional sales overview is as follows.

1.2 Battery Business

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

Sales of Ni-MH batteries decreased from the same period of last 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 Power Storage Systems decreased from the same period of last year due to sales decrease of back-up use for telecommunication equipment. Sales of Alkaline batteries increased from the same period of last 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 same period of last year due to the sluggishness of infrastructure market in Japan and overseas, such as smoke detectors and smart meters.

As a result, sales for the Battery business was 36,688 million yen, increased by 321 million yen from the same period last year.

1.3. Electronic Device Business

Sales of Electric Device business increased from the same period of last year due to Coil devices, Ceramic products and Signal processing modules increased though Multi-layer Power Inductor and Toner decreased.

Sales of Coil devices increased from the same period of last year, due to steady sales for automotive use and industrial equipment. Sales of Multi-layer Power Inductors was decreased from the same period of last year, due to

sluggishness of smart phone market and sales decrease for integrated circuit application. Sales of Toner decreased from the same period of last year, due to market inventory adjustment. Sale of Ceramic products increased due to steady sales for high-end digital cameras. Sales of Signal Processing Modules for LCD increased from the same period of last year, due to steady sales for large size LCD display. Sales of Switching Power Supplies decreased from the same period of last year, due to sales decrease for servers.

As a result, sales for the Electronic Device business was 18,660 million yen, increased by 132 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 nine months in FY2018 increased by 2,026 million yen (4.0%) from the end of the previous fiscal year to 53,081 million yen. Current assets increased by 2,480 million yen (7.4%) from the end of the previous fiscal year to 35,798 million yen. Non-current assets decreased by 453 million yen (-2.6%) from the end of the previous fiscal year to 17,282 million yen. The principal causes for increased current assets were a 996 million yen increase in cash and deposits, a 648 million yen increase in merchandise and finished goods and a 541 million yen increase in raw materials and supplies.

Total liabilities at the end of nine months in FY2018 decreased by 1,082 million yen (-2.3%) from the end of the previous fiscal year to 45,678 million yen. Current liabilities decreased by 313 million yen (-0.8%) from the end of the previous fiscal year to 40,250 million yen. Non-current liabilities decreased by 768 million yen (-12.4%) from the end of the previous fiscal year to 5,427 million yen. The principal cause of decreased current liabilities was a 965 million yen decrease in short-term loans payable and a 1,034 million yen decrease in other, though was a 1,019 million yen increase in notes and accounts payable-trade and a 911 million yen increase in accounts payable-other. The principal cause of decreased non-current liabilities was a 409 million yen decrease in long-term accounts payable and a 283 million yen decrease in net defined benefit liability.

The interest-bearing debt decreased by 1,188 million yen from the end of the previous fiscal year to 19,288 million yen.

Total net assets at the end of nine months in FY2018 increased by 3,109 million yen (72.4%) from the end of the previous fiscal year to 7,403 million yen. The main factors for the increase in total net assets were a 391 million yen increase in retained earnings by posting a profit attributable to owners of parent and a 1,329 million yen increase 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 1,406 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting an increase in profit before income taxes, depreciation and amortization and increase in notes and accounts payable-trade, though was a increase in inventories, decrease in accrued expenses (Cash flows from operating activities for the last fiscal year increased by 740 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 1,728 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 1,392 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 1,372 million yen from the beginning of this fiscal year due to an 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 1,854 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on December 31, 2018 was 4,717 million yen, an increase of 996 million yen from the beginning of this fiscal year.

3. Forecast for the Fiscal Year Ending March 31, 2019

The operating profit, the ordinary profit and the profit attributable to owners of parent have already exceeded consolidated forecasts for this fiscal year.

However, FDK has not changed its business forecast which was announced on April 26, 2018, because FDK is investigating the influence of liquidation of consolidated subsidiary SUZHOU FDK CO., LTD. caused by

discontinuation of its operation in addition to the large impact of foreign exchange rates.

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.