

Consolidated Financial Results for the First Quarter Ended June 30, 2019
(April 1, 2019 to June 30, 2019)

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, 2019

a. Consolidated Statements of Income

	Yen (millions)		Change (%)	Yen (millions)	U.S.Dollars (millions)
	Three months ended June 30, 2018	Three months ended June 30, 2019		FY2018, ended Mar. 31, 2019	Three months ended June 30, 2019
Net Sales	17,477	16,430	(6.0)	72,113	\$152.48
Operating Profit (Loss)	(123)	(209)	-	823	(\$1.94)
Ordinary Profit (Loss)	193	(298)	-	718	(\$2.77)
Profit (Loss) attributable to owners of parent	83	(1,194)	-	(290)	(\$11.08)

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	2.99 yen	(34.62) yen	(9.91) yen	(32.13) cent
Diluted Earnings	- yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	Three months ended June 30, 2018	Three months ended June 30, 2019	FY2018, ended Mar. 31, 2019	Three months ended June 30, 2019
Batteries	11,134	11,242	47,763	\$104.33
Electronic Devices	6,342	5,187	24,350	\$48.14
Total	17,477	16,430	72,113	\$152.48

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2019	As of June 30, 2018
Total Assets	54,145	52,668
Net Assets	10,280	8,586
Owners' Equity	10,276	8,582
Capital Adequacy Ratio	19.0 %	16.3 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Cash Flows from Operating Activities	1,402	(499)
Cash Flows from Investing Activities	(720)	(474)
Cash Flows from Financing Activities	(660)	1,420
Cash and Cash Equivalents at End of Period	3,757	9,029

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

2. Consolidated Financial Forecast for the fiscal year 2019 ending March 31, 2020

(Million of yen, except per share data)

	<u>FY2019</u>	<u>Change from FY2018</u>	<u>FY2018</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	-	(9.91) 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, 2019.

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: Yes
- 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, 2019: 34,536,302 shares March 31, 2019: 34,536,302 shares
- 2) Number of treasury stock at the end of each period
June 30, 2019: 27,810 shares March 31, 2019: 27,765 shares
- 3) Average number of shares in each period.
June 30, 2019: 34,508,503 shares June 30, 2018: 28,009,113 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

	FY2018 March 31, 2019	1Q/FY2019 June 30, 2019
Assets		
Current assets		
Cash and deposits	8,734	9,029
Notes and accounts receivable-trade	18,476	18,155
Merchandise and finished goods	2,790	3,115
Work in process	3,067	2,625
Raw materials and supplies	3,035	2,729
Other	1,082	740
Allowance for doubtful accounts	(101)	(97)
Total current assets	37,085	36,298
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,146	5,978
Machinery, equipment and vehicles, net	4,526	4,674
Tools, furniture and fixtures, net	984	911
Land	2,540	2,526
Leased assets, net	1,341	1,033
Construction in progress	263	81
Total property, plant and equipment	15,803	15,206
Intangible assets	481	464
Investments and other assets		
Investment securities	193	188
Long-term loans receivable	2	2
Deferred tax assets	65	40
Other	513	468
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	775	699
Total non-current assets	17,059	16,370
Total assets	54,145	52,668
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,092	12,839
Short-term loans payable	18,400	19,910
Lease obligations	344	333
Accounts payable-other	1,894	2,149
Income taxes payable	326	206
Provision for loss on business transfer	-	745
Other	2,816	2,174
Total current liabilities	37,875	38,358
Non-current liabilities		
Lease obligations	469	380
Deferred tax liabilities	198	317
Net defined benefit liability	4,263	4,133
Long-term accounts payable - other	675	504
Other	382	388
Total non-current liabilities	5,989	5,723
Total liabilities	43,864	44,082
Net assets		
Shareholders' equity		
Capital stock	31,709	31,709
Capital surplus	26,376	26,376
Retained earnings	(45,829)	(47,030)
Treasury shares	(48)	(48)
Total shareholders' equity	12,207	11,007
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27	23
Foreign currency translation adjustment	806	215
Remeasurements of defined benefit plans	(2,765)	(2,664)
Total accumulated other comprehensive income	(1,931)	(2,424)
Non-controlling interests	4	4
Total net assets	10,280	8,586
Total liabilities and net assets	54,145	52,668

Consolidated Statement of Income
Millions of yen

	1Q/FY2018	1Q/FY2019
	April 18 - June 18	April 19 - June 19
Net sales	17,477	16,430
Cost of sales	14,907	13,881
Gross profit	2,569	2,548
Selling, general and administrative expenses	2,693	2,758
Operating loss	(123)	(209)
Non-operating income		
Interest income	5	8
Dividend income	11	11
Foreign exchange gains	335	-
Gain on sales of non-current assets	12	0
Rent income	9	3
Other	26	16
Total non-operating income	401	39
Non-operating expenses		
Interest expenses	30	33
Foreign exchange losses	-	30
Share of loss of entities accounted for using equity method	33	15
Loss on retirement of non-current assets	0	37
Other	19	9
Total non-operating expenses	83	127
Ordinary profit (loss)	193	(298)
Extraordinary loss		
Provision for loss on business transfer	-	745
Impairment loss	22	57
Total extraordinary loss	22	802
Profit (loss) before income taxes	170	(1,100)
Income taxes-current	90	77
Income taxes-deferred	(3)	16
Total income taxes	87	94
Profit (loss)	83	(1,194)
Profit (Loss) attributable to non-controlling interests	(0)	0
Profit (loss) attributable to owners of parent	83	(1,194)

Consolidated Statement of Comprehensive Income
Millions of yen

	1Q/FY2018	1Q/FY2019
	April 18 - June 18	April 19 - June 19
Profit (loss)	83	(1,194)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(4)
Foreign currency translation adjustment	(26)	(458)
Remeasurements of defined benefit plans, net of tax	101	101
Share of other comprehensive income of entities accounted for using equity method	(2)	(132)
Other comprehensive income	73	(493)
Comprehensive income	156	(1,688)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	156	(1,688)
Comprehensive income attributable to non-controlling interests	(0)	0

Consolidated Statement of Cash Flows
Millions of yen

	1Q/FY2018	1Q/FY2019
	April 18 - June 18	April 19 - June 19
Cash flows from operating activities		
Profit (loss) before income taxes	170	(1,100)
Depreciation and amortization	529	531
Impairment loss	22	57
Increase (decrease) in provision for loss on business transfer	-	745
Increase (decrease) in net defined benefit liability	(91)	(130)
Increase (decrease) in allowance for doubtful accounts	0	(3)
Interest and dividend income	(17)	(19)
Interest expenses	30	33
Foreign exchange losses (gains)	(0)	0
Share of (profit) loss of entities accounted for using equity method	33	15
Loss (gain) on sales of property, plant and equipment	(12)	(0)
Loss on retirement of non-current assets	0	37
Decrease (increase) in notes and accounts receivable-trade	805	(22)
Decrease (increase) in inventories	(870)	303
Increase (decrease) in notes and accounts payable-trade	1,034	(948)
Increase (decrease) in accrued expenses	(631)	(445)
Other, net	543	524
Subtotal	<u>1,547</u>	<u>(420)</u>
Interest and dividend income received	17	19
Interest expenses paid	(24)	(30)
Income taxes paid	(138)	(68)
Net cash provided by (used in) operating activities	<u>1,402</u>	<u>(499)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(742)	(475)
Proceeds from sales of property, plant and equipment	21	5
Purchase of intangible assets	-	(1)
Purchase of investment securities	(1)	(1)
Other, net	1	(1)
Net cash provided by (used in) investing activities	<u>(720)</u>	<u>(474)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(535)	1,510
Purchase of treasury shares	(0)	(0)
Repayments of finance lease obligations	(125)	(89)
Net cash provided by (used in) financing activities	<u>(660)</u>	<u>1,420</u>
Effect of exchange rate change on cash and cash equivalents	<u>15</u>	<u>(151)</u>
Net increase (decrease) in cash and cash equivalents	<u>36</u>	<u>294</u>
Cash and cash equivalents at beginning of period	<u>3,720</u>	<u>8,734</u>
Cash and cash equivalents at end of period	<u>3,757</u>	<u>9,029</u>

Consolidated Business Segment Information
Millions of yen

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)

1Q/FY2019 April 19 - June 19

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	11,242	5,187	16,430	-	16,430
Intersegment	-	-	-	-	-
Total	11,242	5,187	16,430	-	16,430
Segment profit (loss)	25	(235)	(209)	-	(209)

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

The business environment of the FDK Group (“FDK”) during the first quarter ended June 30, 2019 remained uncertain condition including policy of each country such as U.S. and China, expansion of trade friction, economic trend of Europe, though it 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. FDK promoted its practical application in addition to the start of sample shipment of high capacity model of small all-solid-state SMD battery and also proceeded the development of FUJITSU Alkaline Battery “Premium S” improved for the performance of long life, long storage and leakage prevention which is scheduled to be released in September this year.

Also, FDK implemented the transfer of part of the Electronic Device business, liquidation of consolidated subsidiary, decision of transfer the whole equity interest in equity method affiliate as the measures to proceed structural reform of the Electronic Device business. FDK implemented the measures for more concentration of management resource of FDK to battery solution such as development of next generation batteries including small all-solid-state SMD battery and metal-hydride air secondary battery in addition to existing batteries.

The sales of Battery business increased due to steady sales of Ni-MH batteries and Alkaline batteries in industrial market and equipment business, though sales of Ni-MH batteries and Alkaline batteries in overseas consumer market decreased. The sales of Electronic Device business decreased due to sales decrease by discontinue operations of overseas subsidiary in last fiscal year, decrease of Signal processing modules for large size LCD, DC-DC power module and Switching power supply in industrial use such as for server and storage system, while sales of Signal processing module for tablet type device and for automotive use increased. As a result, consolidated sales of this period ended June 30, 2019 was 16,430 million yen, decreased by 1,046 million yen (6.0%) 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 in overseas consumer market in spite of effort for cost reduction. Regarding Electronic Device business, loss amount decreased because of effect by selection and concentration and less impact of increased material price comparing with the same period of last year. As a result, the operating loss was 209 million yen (it was 123 million yen operating loss in the same period of last year). The ordinary loss in this period was 298 million yen (it was 193 million yen ordinary profit in the same period last year). The loss attributable to owners of parent in this period was 1,194 million yen (it was 83 million yen profit attributable for owners of parent in the same period last year) due to 745 million Yen of extraordinary loss as provision for loss on transfer of part of Electronic Device business.

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 equipment business increased, though Ni-MH batteries, Alkaline batteries and Lithium batteries decreased.

Sales of Ni-MH batteries decreased from the same period of last year, due to sales decrease in Japan and overseas consumer market though sales for industrial use was steady. Sales of Alkaline batteries decreased from the same period of last year due to sales decrease in Japan and overseas consumer market, though sales for industrial use was steady. Sales of Lithium batteries decreased from the same period of last year due to decrease of sales for smoke detectors in Japan and overseas though sales for security and smart meters in Japan was steady. Equipment business was steady due to steady demand of equipment such as for automobile parts.

As a result, sales for the Battery business was 11,242 million yen, increased by 108 million yen from the same period of last year.

1.3 Electric Device business

Sales of Electric Device business decreased from the same period of last year due to sales of DC-DC power modules, Signal processing module for LCD and Switching power supply decreased though sales of Toner increased.

Sales of DC-DC power module decreased from the same period of last year due to sales for server and storage system decreased. Sales of Signal processing modules for LCD decreased from the same period of last year due to sales decrease for large size LCD, though sales for tablet type device and automotive use was steady. Sales of Switching power supply decreased from the same period of last year due to sales decrease for LCD manufacturing equipment though sales for semiconductor manufacturing equipment was steady. Sales of Toner was steady due to increase for overseas market.

As a result, sales for the Electronic Device business was 5,187 million yen, decreased by 1,155 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 FY2019 decreased by 1,476 million yen (-2.7%) from the end of the previous fiscal year to 52,668 million yen. Current assets decreased by 786 million yen (-2.1%) from the end of the previous fiscal year to 36,298 million yen. Non-current assets decreased by 689 million yen (-4.0%) from the end of the previous fiscal year to 16,370 million yen. The principal causes for decreased current assets were a 442 million yen decrease in work in process, a 321 million yen decrease in note and accounts receivable-trade and a 305 million yen decrease in raw materials and supplies, though was a 325 million yen increase in merchandise and finished goods.

Total liabilities at the end of first quarter in FY2019 increased by 217 million yen (0.5%) from the end of the previous fiscal year to 44,082 million yen. Current liabilities increased by 483 million yen (1.3%) from the end of the previous fiscal year to 38,358 million yen. Non-current liabilities decreased by 265 million yen (-4.4%) from the end of the previous fiscal year to 5,723 million yen. The principal cause of increased current liabilities was a 1,510 million yen increase in short-term loans payable and a 745 million yen increase in provision for loss on business transfer, though was a 1,252 million yen decrease in notes and accounts payable-trade. The principal cause of decreased non-current liabilities was a 170 million yen decrease in long-term accounts payable – other and a 130 million yen decrease in net defined benefit liability.

The interest-bearing debt increased by 1,409 million yen from the end of the previous fiscal year to 20,623 million yen.

Total net assets at the end of first quarter in FY2019 decreased by 1,693 million yen (-16.5%) from the end of the previous fiscal year to 8,586 million yen. The main factors for the decrease in total net assets were a 1,200 million yen decrease in retained earnings by posting a loss attributable to owners of parent and a 590 million yen decrease in foreign currency translation adjustment.

2.2 Cash Flow Condition

Cash flows from operating activities decreased by 499 million yen from the beginning of this fiscal year due to a decrease in cash and cash equivalents (“cash”) by posting a decrease in loss before income taxes and a decrease in notes and accounts payable-trade, though was a decrease in inventories (Cash flows from operating activities for the last fiscal year increased by 1,402 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 474 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 720 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 1,420 million yen from the beginning of this fiscal year due to an increase in cash by posting a net increase in short-term loans payable (Cash flows from financing activities for the last fiscal year decreased by 660 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on June 30, 2019 was 9,029 million yen, an increase of 294 million yen from the beginning of this fiscal year.

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

FDK has not changed its business forecast which was announced on April 26, 2019.

There is a risk of sales decrease from the second quarter as the business environment of FDK is now in a severe situation such as harder competition in overseas consumer market for Battery business and trade friction between U.S and China. FDK is considering measures to respond to such changes of business environment and investigating the business forecast thoroughly.

FDK will announce the revision promptly if it will be necessary in the future, by doing our best to collect various information including market trends.