

Consolidated Financial Results for the First Half of FY2019  
(April 1, 2019 to September 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 Six-Months Period Ended September 30, 2019

a. Consolidated Statements of Income

	Yen (millions)			Yen (millions)	U.S.Dollars (millions)
	Six months ended Sept. 30, 2018	Six months ended Sept. 30, 2019	Change (%)	FY2018, ended Mar. 31, 2019	Six months ended Sept. 30, 2019
Net Sales	36,362	31,986	(12.0)	72,113	\$296.28
Operating Profit	220	36	(83.4)	823	\$0.33
Ordinary Profit (Loss)	631	(37)	-	718	(\$0.34)
Profit (Loss) attributable to owners of parent	390	(685)	-	(290)	(\$6.34)

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	13.90 yen	(19.87) yen	(9.91) yen	(18.41) cent
Diluted Earnings	13.81 yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	Six months ended Sept. 30, 2018	Six months ended Sept. 30, 2019	FY2018, ended Mar. 31, 2019	Six months ended Sept. 30, 2019
Batteries	23,824	22,697	47,763	\$210.24
Electronic Devices	12,538	9,288	24,350	\$86.03
Total	36,362	31,986	72,113	\$296.28

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2019	As of Sept. 30, 2018
Total Assets	54,145	50,827
Net Assets	10,280	8,819
Owners' Equity	10,276	8,814
Capital Adequacy Ratio	19.0 %	17.3 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Six months ended Sept. 30, 2018	Six months ended Sept. 30, 2019
Cash Flows from Operating Activities	1,470	2,038
Cash Flows from Investing Activities	(1,311)	(1,944)
Cash Flows from Financing Activities	561	630
Cash and Cash Equivalents at End of Period	4,504	9,208

(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 107.96 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 2019 ending March 31, 2020

	(Million of yen, except per share data)		
	FY2019	Change from FY2018	FY2018
Net Sales	60,000	(16.8) %	72,113
Operating Profit	700	(15.0)	823
Ordinary Profit	500	(30.4) %	718
Profit (Loss) attributable to owners of parent	(2,000)	- %	(290)
Basic Earnings per Share	(57.96) 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 October 25, 2019.**

## 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)	0 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.  
September 30, 2019: 34,536,302 shares      March 31, 2019: 34,536,302 shares
- 2) Number of treasury stock at the end of each period  
September 30, 2019: 28,058 shares      March 31, 2019: 27,765 shares
- 3) Average number of shares in each period.  
September 30, 2019: 34,508,407 shares      September 30, 2018: 28,098,156 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	1H/FY2019 September 30, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	8,734	9,208
Notes and accounts receivable-trade	18,476	16,595
Merchandise and finished goods	2,790	2,764
Work in process	3,067	2,539
Raw materials and supplies	3,035	2,622
Other	1,082	1,086
Allowance for doubtful accounts	(101)	(25)
Total current assets	37,085	34,792
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	6,146	5,883
Machinery, equipment and vehicles, net	4,526	4,519
Tools, furniture and fixtures, net	984	855
Land	2,540	2,526
Leased assets, net	1,341	998
Construction in progress	263	175
Total property, plant and equipment	15,803	14,959
Intangible assets	481	499
Investments and other assets		
Investment securities	193	183
Long-term loans receivable	2	1
Deferred tax assets	65	36
Other	513	355
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	775	576
Total non-current assets	17,059	16,035
<b>Total assets</b>	54,145	50,827
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	14,092	12,783
Short-term loans payable	18,400	19,190
Lease obligations	344	266
Accounts payable-other	1,894	1,740
Income taxes payable	326	316
Other	2,816	2,860
Total current liabilities	37,875	37,157
<b>Non-current liabilities</b>		
Lease obligations	469	254
Deferred tax liabilities	198	191
Net defined benefit liability	4,263	3,602
Long-term accounts payable - other	675	399
Other	382	402
Total non-current liabilities	5,989	4,850
<b>Total liabilities</b>	43,864	42,008
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	31,709	31,709
Capital surplus	26,376	26,376
Retained earnings	(45,829)	(46,521)
Treasury shares	(48)	(48)
Total shareholders' equity	12,207	11,515
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	27	18
Foreign currency translation adjustment	806	(293)
Remeasurements of defined benefit plans	(2,765)	(2,426)
Total accumulated other comprehensive income	(1,931)	(2,701)
<b>Non-controlling interests</b>	4	4
<b>Total net assets</b>	10,280	8,819
<b>Total liabilities and net assets</b>	54,145	50,827

**Consolidated Statement of Income**  
**Millions of yen**

	1H/FY2018	1H/FY2019
	April 18 - September 18	April 19 - September 19
<b>Net sales</b>	36,362	31,986
Cost of sales	30,709	26,554
<b>Gross profit</b>	5,652	5,431
Selling, general and administrative expenses	5,432	5,395
<b>Operating profit</b>	220	36
Non-operating income		
Interest income	10	18
Dividend income	11	11
Foreign exchange gains	578	13
Gain on sales of non-current assets	13	0
Rent income	19	10
Other	57	36
Total non-operating income	690	90
Non-operating expenses		
Interest expenses	69	70
Share of loss of entities accounted for using equity method	57	15
Loss on retirement of non-current assets	96	46
Other	54	31
Total non-operating expenses	278	164
<b>Ordinary profit (loss)</b>	631	(37)
Extraordinary income		
Gain on sales of investments in capital of subsidiaries and associates	-	331
Total extraordinary income	-	331
Extraordinary loss		
Loss on sales of businesses	-	745
Impairment loss	42	60
Total extraordinary loss	42	805
<b>Profit (loss) before income taxes</b>	588	(512)
Income taxes-current	171	148
Income taxes-deferred	26	24
Total income taxes	198	173
Profit (loss)	390	(685)
Profit (Loss) attributable to non-controlling interests	(0)	0
<b>Profit (loss) attributable to owners of parent</b>	390	(685)

## Consolidated Statement of Comprehensive Income

Millions of yen

	1H/FY2018	1H/FY2019
	April 18 - September 18	April 19 - September 19
<b>Profit (loss)</b>	390	(685)
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(0)	(8)
Foreign currency translation adjustment	37	(680)
Remeasurements of defined benefit plans, net of tax	203	339
Share of other comprehensive income of entities accounted for using equity method	(4)	(419)
Other comprehensive income	236	(770)
<b>Comprehensive income</b>	626	(1,455)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	626	(1,455)
Comprehensive income attributable to non-controlling interests	(0)	0

**Consolidated Statement of Cash Flows**  
**Millions of yen**

	1H/FY2018	1H/FY2019
	April 18 - September 18	April 19 - September 19
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	588	(512)
Depreciation and amortization	1,067	1,060
Impairment loss	42	60
Loss (gain) on sales of businesses	-	745
Loss (gain) on sales of investments in capital of subsidiaries and associates	-	(331)
Increase (decrease) in net defined benefit liability	(196)	(237)
Increase (decrease) in allowance for doubtful accounts	1	(75)
Interest and dividend income	(22)	(30)
Interest expenses	69	70
Foreign exchange losses (gains)	(0)	0
Share issuance cost	12	-
Share of (profit) loss of entities accounted for using equity method	57	15
Loss (gain) on sales of property, plant and equipment	(13)	(0)
Loss on retirement of non-current assets	96	46
Decrease (increase) in notes and accounts receivable-trade	(279)	1,396
Decrease (increase) in inventories	(894)	600
Increase (decrease) in notes and accounts payable-trade	865	(877)
Increase (decrease) in accrued expenses	(27)	422
Other, net	308	(154)
Subtotal	1,676	2,199
Interest and dividend income received	22	30
Interest expenses paid	(67)	(75)
Income taxes paid	(160)	(116)
Net cash provided by (used in) operating activities	1,470	2,038
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,322)	(708)
Proceeds from sales of property, plant and equipment	22	24
Purchase of intangible assets	(13)	(55)
Purchase of investment securities	(2)	(2)
Payments for transer of business	-	(1,205)
Other, net	4	2
Net cash provided by (used in) investing activities	(1,311)	(1,944)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(55)	790
Purchase of treasury shares	(0)	(0)
Proceeds from issuance of shares acquisition rights	55	-
Proceeds from issuance of shares resulting from exercise of shares acquisition rights	800	-
Repayments of finance lease obligations	(239)	(159)
Net cash provided by (used in) financing activities	561	630
<b>Effect of exchange rate change on cash and cash equivalents</b>	63	(249)
<b>Net increase (decrease) in cash and cash equivalents</b>	783	473
<b>Cash and cash equivalents at beginning of period</b>	3,720	8,734
<b>Cash and cash equivalents at end of period</b>	4,504	9,208

Consolidated Business Segment Information  
Millions of yen

1H/FY2018 April 18 - September 18

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	23,824	12,538	36,362	-	36,362
Intersegment	-	-	-	-	-
Total	23,824	12,538	36,362	-	36,362
Segment profit (loss)	910	(690)	220	-	220

1H/FY2019 April 19 - September 19

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	22,697	9,288	31,986	-	31,986
Intersegment	-	-	-	-	-
Total	22,697	9,288	31,986	-	31,986
Segment profit (loss)	423	(386)	36	-	36

## **Business Results**

### **(1) Analysis of Consolidated Business Results**

#### **1.1 Overview**

The business environment of the FDK Group (“FDK”) during the first half ended September 30, 2019 remained uncertain condition due to stagnation in demand in electronic industry FDK belongs to, including policy of each country such as U.S. and China, expansion of trade friction, economic trend of Europe, though the environment such as for employment continuously improved in Japan.

Under these circumstances, FDK strived to develop new customers and expand sales in Japan and overseas integrating the strengths of battery technology, electrical circuit technology and power electronic technology for the offering on the basis of batteries with electronic technology 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 released FUJITSU Alkaline Battery “Premium S” in this September improved for the performance of long life, long storage and leakage prevention.

Also, FDK implemented the measures to proceed structural reform of the Electronic Device business such as the transfer of part of the Electronic Device business, the liquidation of consolidated subsidiary, and the transfer of the whole equity interest in equity method affiliate.

FDK has developed a Mid Term Business Plan “R1” starting from FY2020 heading towards implement of the measures for more concentration of management resource and accomplishment of Status-to-be-10-years as a Smart Energy Partner, to provide offerings that enable customers to best utilize clean and safe electric energy such as the development and provision of next generation batteries including small all-solid-state SMD battery, metal-hydride air rechargeable battery, and rechargeable nickel zinc battery in addition to existing batteries.

The sales of Battery business decreased in Japan and overseas consumer market due to intensifying competition with Chinese companies. The sales of Electronic Device business decreased due to sales decrease by discontinue operations of overseas subsidiary in last fiscal year and transfer of part of the Electronic Device business. As a result, consolidated sales of this period ended Sept 30, 2019 was 31,986 million yen, decreased by 4,376 million yen (12.0%) 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 and Alkaline batteries in consumer market in spite of effort for cost reduction. Regarding Electronic Device business, loss amount decreased from the same period of last year because of effect by selection and concentration such as switching to high value-added products and reduction of fixed expenses. As a result, the operating profit was 36 million yen decreased by 183 million yen from the same period of last year. The ordinary loss in this period was 37 million yen (it was 631 million yen ordinary profit in the same period last year). The loss attributable to owners of parent in this period was 685 million yen (it was 390 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 sales of businesses of part of Electronic Device business.

The divisional sales overview is as follows.

#### **1.2 Battery Business**

Sales of Battery business decreased from the same period of last year due to decrease in consumer market, though sales in industrial market was steady and equipment business increased.

Sales of Ni-MH batteries was same level as the period 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 was same level as the period 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.

As a result, sales for the Battery business was 22,697 million yen, decreased by 1,126 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 decrease by business transfer of part of Electronic Device business, in addition to decrease of Signal processing module for LCD by discontinue operations of overseas subsidiary in last fiscal year, DC-DC power modules and Switching power supply.

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 by discontinue operations of overseas subsidiary and decrease for large size LCD, though sales for tablet type device was steady. Sales of Switching power supply decreased from the same period of last year due to sales decrease for semiconductor manufacturing equipment and LCD manufacturing equipment. Sales of Toner decreased from the same period of last year due to the influence of market inventory and delivery extension.

As a result, sales for the Electronic Device business was 9,288 million yen, decreased by 3,250 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 half in FY2019 decreased by 3,317 million yen (-6.1%) from the end of the previous fiscal year to 50,827 million yen. Current assets decreased by 2,293 million yen (-6.2%) from the end of the previous fiscal year to 34,792 million yen. Non-current assets decreased by 1,024 million yen (-6.0%) from the end of the previous fiscal year to 16,035 million yen. The principal causes for decreased current assets were a 1,880 million yen decrease in note and accounts receivable-trade, a 528 million yen decrease in work in process, and a 413 million yen decrease in raw materials and supplies, though was a 473 million yen increase in cash and deposits. The principal causes for decreased non-current assets were a 843 million yen decrease in property, plant and equipment.

Total liabilities at the end of first half in FY2019 decreased by 1,856 million yen (-4.2%) from the end of the previous fiscal year to 42,008 million yen. Current liabilities decreased by 717 million yen (-1.9%) from the end of the previous fiscal year to 37,157 million yen. Non-current liabilities decreased by 1,139 million yen (-19.0%) from the end of the previous fiscal year to 4,850 million yen. The principal cause of decreased current liabilities was a 1,308 million yen decrease in notes and accounts payable-trade, though was a 790 million yen increase in short-term loans payable. The principal cause of decreased non-current liabilities was a 660 million yen decrease in net defined benefit liability, a 276 million yen decrease in long-term accounts payable – other and a 215 million yen decrease in lease obligations.

The interest-bearing debt increased by 496 million yen from the end of the previous fiscal year to 19,711 million yen.

Total net assets at the end of first half in FY2019 decreased by 1,461 million yen (-14.2%) from the end of the previous fiscal year to 8,819 million yen. The main factors for the decrease in total net assets were a 1100 million yen decrease in foreign currency translation adjustment, a 691 million yen decrease retained earnings by posting a loss attributable to owners of parent, though was a 339 million yen increase in remeasurements of defined benefit plans.

### **2.2 Cash Flow Condition**

Cash flows from operating activities increased by 2,038 million yen from the beginning of this fiscal year due to a increase in cash and cash equivalents (“cash”) by posting an increase in depreciation and amortization, decrease in notes and accounts receivable-trade and a decrease in inventories, though was a decrease in loss before income taxes and increase in notes and accounts payable-trade (Cash flows from operating activities for the last fiscal year increased by 1,470 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 1,944 million yen from the beginning of this fiscal year due to a decrease in cash by posting a payments for transfer of business and purchase of property, plant and equipment (Cash flows from investment activities for the last fiscal year decreased by 1,311 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 630 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 increased by 561 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on September 30, 2019 was 9,208 million yen, an increase of 473 million yen from the beginning of this fiscal year.

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

Please refer to the “Announcement of career change support program, Extraordinary loss and Revised Financial Forecast” released on October 25, 2019.

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.