

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

a. Consolidated Statements of Income

	Yen (millions)			Yen (millions)	U.S.Dollars (millions)
	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019	Change (%)	FY2018, ended Mar. 31, 2019	Nine months ended Dec. 31, 2019
Net Sales	55,348	47,573	(14.0)	72,113	\$434.26
Operating Profit	1,037	811	(21.8)	823	\$7.40
Ordinary Profit	1,299	684	(47.3)	718	\$6.24
Profit (Loss) attributable to owners of parent	391	(933)	-	(290)	(\$8.52)

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	13.71 yen	(27.06) yen	(9.91) yen	(24.70) cent
Diluted Earnings	13.56 yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019	FY2018, ended Mar. 31, 2019	Nine months ended Dec. 31, 2019
Batteries	36,688	34,327	47,763	\$313.35
Electronic Devices	18,660	13,245	24,350	\$120.90
Total	55,348	47,573	72,113	\$434.26

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2019	As of Dec. 31, 2018
Total Assets	54,145	50,553
Net Assets	10,280	9,041
Owners' Equity	10,276	9,036
Capital Adequacy Ratio	19.0 %	17.9 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Nine months ended Dec. 31, 2018	Nine months ended Dec. 31, 2019
Cash Flows from Operating Activities	1,406	2,993
Cash Flows from Investing Activities	(1,728)	(2,143)
Cash Flows from Financing Activities	1,372	(180)
Cash and Cash Equivalents at End of Period	4,717	9,322

(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 109.55 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 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 operating profit and the ordinary profit during the nine months ended December 31, 2019 have already reached the forecasted amount in the third quarter, and extraordinary loss as career change support program was lower than expected. However, since we under examination of the impact by relocation of domestic resources and the risk of business in overseas subsidiaries, business forecast which was announced on October 25, 2019 remains unchanged at this moment.

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.
December 31, 2019: 34,536,302 shares March 31, 2019: 34,536,302 shares
- 2) Number of treasury stock at the end of each period
December 31, 2019: 28,424 shares March 31, 2019: 27,765 shares
- 3) Average number of shares in each period.
December 31, 2019: 34,508,270 shares December 31, 2018: 28,562,304 shares

(Notes)

1. 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	Q3/FY2019 December 31, 2019
Assets		
Current assets		
Cash and deposits	8,734	9,322
Notes and accounts receivable-trade	18,476	16,281
Merchandise and finished goods	2,790	2,715
Work in process	3,067	2,446
Raw materials and supplies	3,035	2,859
Other	1,082	1,210
Allowance for doubtful accounts	(101)	(27)
Total current assets	37,085	34,808
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,146	5,788
Machinery, equipment and vehicles, net	4,526	4,412
Tools, furniture and fixtures, net	984	854
Land	2,540	2,536
Leased assets, net	1,341	971
Construction in progress	263	126
Total property, plant and equipment	15,803	14,691
Intangible assets	481	483
Investments and other assets		
Investment securities	193	190
Long-term loans receivable	2	1
Deferred tax assets	65	25
Other	513	352
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	775	570
Total non-current assets	17,059	15,745
Total assets	54,145	50,553
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,092	13,243
Short-term loans payable	18,400	18,450
Lease obligations	344	228
Accounts payable-other	1,894	2,317
Income taxes payable	326	220
Provision for business restructuring	-	868
Other	2,816	1,529
Total current liabilities	37,875	36,858
Non-current liabilities		
Lease obligations	469	226
Deferred tax liabilities	198	210
Net defined benefit liability	4,263	3,514
Long-term accounts payable - other	675	282
Other	382	419
Total non-current liabilities	5,989	4,653
Total liabilities	43,864	41,511
Net assets		
Shareholders' equity		
Capital stock	31,709	31,709
Capital surplus	26,376	26,376
Retained earnings	(45,829)	(46,769)
Treasury shares	(48)	(48)
Total shareholders' equity	12,207	11,267
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27	22
Foreign currency translation adjustment	806	76
Remeasurements of defined benefit plans	(2,765)	(2,330)
Total accumulated other comprehensive income	(1,931)	(2,230)
Non-controlling interests	4	5
Total net assets	10,280	9,041
Total liabilities and net assets	54,145	50,553

Consolidated Statement of Income
Millions of yen

	Q3/FY2018	Q3/FY2019
	April 18 - December 18	April 19 - December 19
Net sales	55,348	47,573
Cost of sales	46,089	38,906
Gross profit	9,258	8,666
Selling, general and administrative expenses	8,221	7,855
Operating profit	1,037	811
Non-operating income		
Interest income	18	24
Dividend income	13	13
Foreign exchange gains	408	-
Subsidy income	25	-
Gain on sales of non-current assets	13	3
Rent income	28	22
Other	91	62
Total non-operating income	599	126
Non-operating expenses		
Interest expenses	112	103
Foreign exchange losses	-	13
Share of loss of entities accounted for using equity method	19	15
Loss on retirement of non-current assets	114	64
Other	90	55
Total non-operating expenses	337	253
Ordinary profit	1,299	684
Extraordinary income		
Gain on sales of investments in capital of subsidiaries and associates	-	331
Total extraordinary income	-	331
Extraordinary loss		
Provision for business restructuring	-	868
Loss on sales of businesses	-	745
Loss on liquidation of subsidiaries	579	-
Impairment loss	57	61
Total extraordinary loss	637	1,675
Profit (loss) before income taxes	662	(659)
Income taxes-current	244	219
Income taxes-deferred	27	53
Total income taxes	271	273
Profit (loss)	391	(932)
Profit (Loss) attributable to non-controlling interests	(0)	1
Profit (loss) attributable to owners of parent	391	(933)

Consolidated Statement of Comprehensive Income

Millions of yen

	Q3/FY2018	Q3/FY2019
	April 18 - December 18	April 19 - December 19
Profit (loss)	391	(932)
Other comprehensive income		
Valuation difference on available-for-sale securities	(13)	(4)
Foreign currency translation adjustment	(242)	(310)
Remeasurements of defined benefit plans, net of tax	305	435
Share of other comprehensive income of entities accounted for using equity method	(26)	(419)
Other comprehensive income	23	(299)
Comprehensive income	414	(1,232)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	414	(1,233)
Comprehensive income attributable to non-controlling interests	(0)	1

Consolidated Statement of Cash Flows

Millions of yen

	Q3/FY2018	Q3/FY2019
	April 18 - December 18	April 19 - December 19
Cash flows from operating activities		
Profit (loss) before income taxes	662	(659)
Depreciation and amortization	1,601	1,601
Impairment loss	57	61
Increase (decrease) in provision for business restructuring	-	868
Loss (gain) on sales of businesses	-	745
Loss (gain) on sales of investments in capital of subsidiaries and associates	-	(331)
Loss on liquidation of subsidiaries	579	-
Increase (decrease) in net defined benefit liability	(282)	(325)
Increase (decrease) in allowance for doubtful accounts	(1)	(73)
Interest and dividend income	(31)	(37)
Interest expenses	112	103
Foreign exchange losses (gains)	(0)	2
Share issuance cost	20	-
Share of (profit) loss of entities accounted for using equity method	19	15
Loss (gain) on sales of property, plant and equipment	(13)	(3)
Loss on retirement of non-current assets	114	64
Subsidy income	(25)	-
Decrease (increase) in notes and accounts receivable-trade	(243)	1,966
Decrease (increase) in inventories	(1,553)	598
Increase (decrease) in notes and accounts payable-trade	1,062	(663)
Increase (decrease) in accrued expenses	(578)	(939)
Other, net	198	244
Subtotal	1,697	3,238
Interest and dividend income received	31	37
Proceeds from subsidy income	25	-
Interest expenses paid	(113)	(104)
Income taxes paid	(234)	(177)
Net cash provided by (used in) operating activities	1,406	2,993
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,715)	(914)
Proceeds from sales of property, plant and equipment	23	26
Purchase of intangible assets	(39)	(59)
Purchase of investment securities	(3)	(3)
Proceeds from sales of investments in capital of subsidiaries and associates	-	7
Payments for transer of business	-	(1,205)
Other, net	6	5
Net cash provided by (used in) investing activities	(1,728)	(2,143)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(965)	50
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	2,619	-
Repayments of finance lease obligations	(337)	(229)
Net cash provided by (used in) financing activities	1,372	(180)
Effect of exchange rate change on cash and cash equivalents	(53)	(81)
Net increase (decrease) in cash and cash equivalents	996	588
Cash and cash equivalents at beginning of period	3,720	8,734
Cash and cash equivalents at end of period	4,717	9,322

Consolidated Business Segment Information
Millions of yen

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

Q3/FY2019 April 19 - December 19

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	34,327	13,245	47,573	-	47,573
Intersegment	-	-	-	-	-
Total	34,327	13,245	47,573	-	47,573
Segment profit (loss)	1,273	(461)	811	-	811

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, 2019 remained uncertain condition due to stagnation in demand in the electronic industry to which FDK belongs, national policies and continuation of trade friction such as U.S. and China, and economic trend of Europe, regardless the economic trend of Japan was steady from improving employment, and impact on the consumption tax increase limited under the government measures such as the introduction of reduced tax rates and the redemption of cashless settlement points.

Under these circumstances, FDK have formulated a vision that “FDK group, as a Smart Energy Partner, assemble advanced technologies, would like our customers to best utilize electric energy in a safe and efficient manner, and contribute to materialization and development of sustainable society.” and a Mid Term Business Plan “R1” starting from FY2020 in order to accomplish “10 years’ scheme” as FDK’s “Status-to-be-in-10-years”. In an effort to achieve them, during the nine months in FY2019, FDK executed some of these measures such as a transfer of part of the Electronic Device business, the optimization of personnel under career change support program, and reorganization of the business portfolio, and has strived to develop next generation batteries such as small all-solid-state SMD battery, metal-hydride air rechargeable battery and rechargeable nickel zinc battery, and expanded sales of batteries for industrial use in current business. Furthermore FDK released FUJITSU Alkaline Battery “Premium S”, which was improved for the performance of long life, long storage and leakage prevention, and strived to increase sales volume of alkaline battery together with Ni-MH battery for consumer market in the peak demand season such as Christmas and yeas-end sales.

Regarding the business result for the third quarter ended December 31, 2019, the sales of Battery business decreased in Japanese and overseas consumer market due to intensifying competition with Chinese companies and that of Electronic Device business also decreased due to discontinuing operations of an overseas subsidiary in last fiscal year and transferring part of the Electronic Device business. As a result, sales was 47,573 million yen, decreased by 7,775 million yen (14.0%) from the same period of last year.

With regard to the profit and loss, the Battery business decreased its profit 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. On the other hand, Electronic Device business decreased its loss amount from the same period of last year because of the 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 811 million yen, decreased by 226 million yen from the same period of last year. The ordinary profit was 684 million yen, decreased by 615 million yen from the same period of last year. The loss attributable to owners of parent in this period was 933 million yen (it was 391 million yen profit attributable for owners of parent in the same period last year) due to a 745 million yen of extraordinary loss as provision for loss on sales of businesses of part of Electronic Device business, a 331 million yen of extraordinary income as gain on sales of investments in capital of subsidiaries and associates on the transfer of the whole equity interest in equity method affiliate for the 2nd quarter in FY2019 and a 868 million yen of extraordinary loss as career change support program in this quarter.

The divisional sales overview is as follows.

1.2 Battery Business

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

Sales of Ni-MH batteries was same level as the period last year due to decrease in Japanese and overseas consumer market, though business opportunity and order for the industrial-use increased. Sales of Alkaline batteries decreased from the same period of last year due to decrease in Japanese and overseas consumer market, though the 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, though sales for security and smart meters in Japan and overseas was steady. Equipment business was steady, supported by stable demand.

As a result, sales for the Battery business was 34,327 million yen, decreased by 2,360 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 discontinuing its operations of an 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 decrease of sales for server and storage system, though sales for automotive-use was steady. Sales of Signal processing modules for LCD dropped as a total from the same period of last year due to sales decrease by discontinuing its operations of an overseas subsidiary and decrease for industrial-use, though sales for automotive, PC and tablet-use expanded. Sales of Switching power supply decreased from the same period of last year due to decrease of sales for semiconductor manufacturing equipment and LCD manufacturing equipment. Sales of Toner increased from the same period of last year.

As a result, sales for the Electronic Device business was 13,245 million yen, decreased by 5,415 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 FY2019 decreased by 3,592 million yen (-6.6%) from the end of the previous fiscal year to 50,553 million yen. Current assets decreased by 2,277 million yen (-6.1%) from the end of the previous fiscal year to 34,808 million yen. Non-current assets decreased by 1,314 million yen (-7.7%) from the end of the previous fiscal year to 15,745 million yen. The principal causes for decreased current assets were a 2,195 million yen decrease in note and accounts receivable-trade and a 621 million yen decrease in work in process, though was a 588 million yen increase in cash and deposits. The principal causes for decreased non-current assets were a 1,111 million yen decrease in property, plant and equipment.

Total liabilities at the end of nine months in FY2019 decreased by 2,353 million yen (-5.4%) from the end of the previous fiscal year to 41,511 million yen. Current liabilities decreased by 1,016 million yen (-2.7%) from the end of the previous fiscal year to 36,858 million yen. Non-current liabilities decreased by 1,336 million yen (-22.3%) from the end of the previous fiscal year to 4,653 million yen. The principal cause of decreased current liabilities was a 848 million yen decrease in notes and accounts payable-trade. The principal cause of decreased non-current liabilities was a 748 million yen decrease in net defined benefit liability.

The interest-bearing debt decreased by 309 million yen from the end of the previous fiscal year to 18,904 million yen.

Total net assets at the end of nine months in FY2019 decreased by 1,238 million yen (-12.0%) from the end of the previous fiscal year to 9,041 million yen. The main factors for the decrease in total net assets were a 939 million yen decrease retained earnings by posting a loss attributable to owners of parent and a 730 million yen decrease in foreign currency translation adjustment, though was a 435 million yen increase in remeasurements of defined benefit plans.

2.2 Cash Flow Condition

Cash flows from operating activities increased by 2,993 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting an increase in depreciation and amortization, decrease in notes and accounts receivable-trade, increase in provision for business restructuring and a decrease in inventories, though was a decrease in accrued expenses, decrease in notes and accounts payable-trade and loss before income taxes (Cash flows from operating activities for the last fiscal year increased by 1,406 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 2,143 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 1,728 million yen from the beginning of the last fiscal year).

Cash flows from financing activities decreased by 180 million yen from the beginning of this fiscal year due to an decrease in cash by posting a repayments of finance lease obligations (Cash flows from financing activities for the

last fiscal year decreased by 1,372 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on December 31, 2019 was 9,322 million yen, an increase of 588 million yen from the beginning of this fiscal year.

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

The operating profit and the ordinary profit during the nine months ended December 31, 2019 have already reached the forecasted amount in the third quarter, and extraordinary loss as career change support program was lower than expected. However, since we under examination of the impact by relocation of domestic resources and the risk of business in overseas subsidiaries, business forecast which was announced on October 25, 2019 remains unchanged at this moment.

FDK will promptly announce it if the revision be necessary upon collecting various information including market trends from now on.