

Dec. 1, 2023

FDK CORPORATION
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Announcement of Acquisition of Equity Interests (Conversion to Subsidiary) and Extraordinary Income

FDK CORPORATION (“FDK”) hereby announces that its Board of Directors has resolved at a meeting held today to acquire all of Santoku’s equity interest in Baotou Santoku Battery Materials Co., Ltd. (“BSBM”), a subsidiary of Santoku Corporation (“Santoku”), as described below.

1. Reason for acquisition of equity interests

Under the FDK Group Strategy Framework 10 years’ scheme, FDK has formulated a Mid Term Business Plan “R2 (FY2023-2025)” and has positioned the nickel-metal hydride battery business as one of its three major existing businesses. In order to strengthen the foundation of this business, it is essential to stably secure hydrogen absorbing alloys, its main raw material.

With the acquisition of BSBM’s equity interest, FDK intends to further differentiate ourselves from our competitors and further solidify No.1 global market share ^(*) by combining BSBM’s technology in the production and development of hydrogen absorbing alloys with FDK’s development capabilities and sales network for nickel-metal hydride batteries. In addition, FDK will respond to the hydrogen society of the future and grow into a world-class group in the field of hydrogen storage.

2. Overview of subsidiary to be transferred (BSBM)

(1) Company Name	Baotou Santoku Battery Materials Co., Ltd.	
(2) Location	No.21, Rare-earth Street, Rare-earth Hi-tech Industrial Development Zone Baotou City, Inner Mongolia 014030, China	
(3) Title and name of representative	Yukio Taira, President	
(4) Business description	Production and sales of battery materials and rare earth alloys. Trade in battery materials, rare earth alloys and their raw materials. Trade in tungsten, molybdenum products, corundum products, alumina raw materials and sub-materials for graphite products.	
(5) Capital	RMB 56 million (JPY 1,154 million)	
(6) Date of establishment	February 15, 2001	
(7) Equity ratio	Santoku: 94.4% Inner Mongolia High-tech Holding Co., Ltd.: 5.6%	
(8) Relationship with FDK	Capital relationship	Not applicable
	Personal relationship	Not applicable
	Business relationship	FDK purchases BSBM products through Santoku.
(9) Net Assets	RMB 87 million (JPY 1,801 million) (December 31, 2022)	
(10) Total Assets	RMB 139 million (JPY 2,875 million) (December 31, 2022)	
(11) Net Sales	RMB 166 million (JPY 3,427 million) (December 31, 2022)	

* Reference values converted at RMB 1 = 20.61 yen (rate at the end of November 2023)

3. Overview the counterparty of the equity acquisition

(1) Company Name	Santoku Corporation
(2) Location	4-14-34 Fukaekitamachi, Higashinada-ku, Kobe, Hyogo 658-0013, Japan
(3) Title and name of representative	Tatsuhiko Kakuda, CEO

(4) Business description	Manufacturing and sales of rare earth compounds, rare earth metals, magnet materials and battery materials.	
(5) Capital	JPY 1,500 million	
(6) Date of establishment	1949	
(7) Equity ratio	Proterial, Ltd. 100%	
(8) Relationship with FDK	Capital relationship	Not applicable
	Personal relationship	Not applicable
	Business relationship	FDK purchases Santoku products.
	Applicable item to related party	Not applicable

4. Status of acquisition of equity interest

(1) Equity ratio before acquisition	0%
(2) Acquisition equity	94.4% (Whole equity of Santoku)
(3) Acquisition price	Yen equivalent to RMB 52,866,500 (JPY 1,089 million)
(4) Equity ratio after acquisition	94.4%

* Reference values converted at RMB 1 = 20.61 yen (rate at the end of November 2023)

5. Schedule

(1) Date of resolution in board of directors meeting	December 1, 2023
(2) Date of agreement	December 1, 2023
(3) Effective date of transfer of equity interest	Late February, 2024 (scheduled)

6. Future Prospect

In the financial results for the year ending March 31, 2024, a gain on bargain purchase of approximately JPY 500 million as an extraordinary income will be recorded due to this acquisition of equity interest, but the amount of the accounting are still under scrutiny. FDK will promptly announce the details of the impact amount to the consolidated business result as soon as they are finalized.

*1: Nickel-metal hydride batteries (small size) market in 2020. Source: FUJI KEIZAI CO., LTD. "2022 Comprehensive Survey of Battery-Related Market, Volume 1: Battery Cell Market"