

Fiscal Year 2016 Consolidated Financial Results
(April 1, 2016 to March 31, 2017)

FDK CORPORATION

(URL: <http://www.fdk.com>)

Listing Code No. 6955 (Listing Stock Exchange: The Second Section of Tokyo Stock Exchange)

Address: Shinagawa Crystal Square Bldg., 1-6-41 Konan, Minato-ku, Tokyo 108-8212 Japan

Contact: CSR/Public & Investor Relations Dept., General Affairs & Personnel Div.

E-mail: skuma@fdk.co.jp

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The Consolidated Financial Results is unaudited/U.S. GAPP is not applied

1. Consolidated Results for FY2016 ended March 31, 2017

a. Consolidated Statement of Income

	Yen (millions)			U.S.Dollars (millions)
	FY2015 (4/1/15-3/31/16)	FY2016 (4/1/16-3/31/17)	Change (%)	
Net Sales	80,745	73,682	-8.7 %	\$656.70
Operating Income (Loss)	1,580	(330)	-	(\$2.94)
Ordinary Income (Loss)	658	(697)	-	(\$6.21)
Profit (Loss) attributable to owner of parent	167	(3,166)	-	(\$28.22)
Amounts Per Share of Common Stock:				
Basic Earnings (Loss)	0.60 yen	(11.30) yen		(10.07 cent)
Diluted Earnings	- yen	- yen		-

b. Consolidated Financial Position

	Yen (millions)	
	As of Mar. 31, 2016	As of Mar. 31, 2017
Total Assets	54,217	49,132
Total Net Assets	7,754	4,638
Shareholders' Equity	9,135	5,969
Shareholders' Equity Ratio	13.0 %	8.0 %
Shareholders' Equity Per Share	25.24 yen	14.00 yen

c. Consolidated Statement of Cash Flows

	Yen (millions)	
	FY2015 (4/1/15-3/31/16)	FY2016 (4/1/16-3/31/17)
Cash Flows from Operating Activities	5,371	327
Cash Flows from Investing Activities	(1,650)	(3,252)
Cash Flows from Financing Activities	(2,142)	733
Cash and Cash Equivalents at End of Period	5,952	3,538

d. Net Sales by Business Segment

	Yen (millions)		U.S.Dollars (millions)
	FY2015 (4/1/15-3/31/16)	FY2016 (4/1/16-3/31/17)	
Batteries	51,727	49,408	\$440.36
Electronic Devices	29,017	24,273	\$216.34
Total	80,745	73,682	\$656.70

(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 \$1=112.20 yen.
3. The percentage in this statement presents rate of change compared with the previous fiscal year.

2. Consolidated Financial Forecast for the year ending March 31, 2017

(Million of yen, except per share data)

	<u>FY2017</u>	<u>Change from FY2016</u>	<u>FY2016</u>
Net Sales	76,000	3.1 %	73,682
Operating Income	1,400	- %	(330)
Ordinary Income	700	- %	(697)
Profit attributable to owners of parent	400	- %	(3,166)
Net Income per Share	1.43 yen	- yen	-11.30 yen

3. Others

(1) Changes in significant subsidiaries during the period: Yes.

Consolidated Subsidiaries	13 companies
Unconsolidated Subsidiaries (equity method applied)	3 companies
Affiliates (equity method applied only)	1 companies

(2) Changes in accounting policies, changes in accounting estimates, and restatements

- 1) Changes in accounting policies due to the amendment of accounting standards: No
- 2) Other changes in accounting policies: No
- 3) Changes in accounting estimates: No
- 4) Restatement: No

(3) Number of shares outstanding (common stock)

- 1) Number of shares outstanding at the end of fiscal year. (including treasury shares)
March 31, 2017: 280,363,026 shares March 31, 2016: 280,363,026 shares
- 2) Number of treasury shares at the end of fiscal year
March 31, 2017: 266,012 shares March 31, 2016: 260,914 shares
- 3) Weighted average number of shares outstanding during the fiscal year ended March 31 of each year
March 31, 2017: 280,099,987 shares March 31, 2016: 280,106,714 shares

Consolidated Balance Sheet

Millions of yen

	FY2015	FY2016
	Mar 31, 2016	Mar 31, 2017
Assets		
Current assets		
Cash and deposits	5,952	3,538
Notes and accounts receivable-trade	18,731	18,427
Merchandise and finished goods	3,011	3,016
Work in process	3,148	2,662
Raw materials and supplies	1,830	2,186
Deferred tax assets	139	108
Other	1,916	1,576
Allowance for doubtful accounts	(84)	(40)
Total current assets	34,646	31,475
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,120	6,339
Machinery, equipment and vehicles, net	4,440	4,596
Tools, furniture and fixtures, net	1,021	1,059
Land	2,700	2,556
Leased assets, net	1,867	1,366
Construction in progress	763	563
Total property, plant and equipment	17,913	16,481
Intangible assets	552	504
Investments and other assets		
Investment securities	169	178
Long-term loans receivable	0	1
Net defined benefit asset	272	-
Deferred tax assets	24	27
Other	638	463
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,104	670
Total non-current assets	19,571	17,656
Total assets	54,217	49,132
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,976	13,852
Short-term loans payable	15,680	16,970
Lease obligations	522	515
Accounts payable-other	2,994	2,512
Income taxes payable	302	394
Other	3,120	2,732
Total current liabilities	37,597	36,977
Non-current liabilities		
Lease obligations	1,135	809
Deferred tax liabilities	99	227
Net defined benefit liability	4,890	4,291
Long-term accounts payable - other	2,472	1,817
Other	269	369
Total non-current liabilities	8,866	7,515
Total liabilities	46,463	44,493
Net assets		
Shareholders' equity		
Capital stock	28,301	28,301
Capital surplus	22,622	22,622
Retained earnings	(41,742)	(44,908)
Treasury shares	(45)	(46)
Total shareholders' equity	9,135	5,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	23
Foreign currency translation adjustment	1,205	825
Remeasurements of defined benefit plans	(3,290)	(2,896)
Total accumulated other comprehensive income	(2,065)	(2,046)
Non-controlling interests	683	716
Total net assets	7,754	4,638
Total liabilities and net assets	54,217	49,132

Consolidated Statement of Income
Millions of yen

	FY2015	FY2016
	Apr'15-Mar'16	Apr'16-Mar'17
Net sales	80,745	73,682
Cost of sales	67,431	62,602
Gross profit	13,313	11,079
Selling, general and administrative expenses	11,733	11,410
Operating income (loss)	1,580	(330)
Non-operating income		
Interest income	33	18
Foreign exchange gains	48	-
Refunded gain of capital reduction with compensation	-	65
Gain on sales of investment securities	39	-
Rent income	54	20
Other	111	102
Total non-operating income	287	206
Non-operating expenses		
Interest expenses	133	123
Foreign exchange losses	-	154
Share of loss of entities accounted for using equity method	602	141
Loss on retirement of non-current assets	245	81
Other	227	72
Total non-operating expenses	1,208	573
Ordinary income (loss)	658	(697)
Extraordinary income		
Subsidy income	-	477
Total extraordinary income	-	477
Extraordinary loss		
Impairment loss	106	2,403
Total extraordinary loss	106	2,403
Profit (loss) before income taxes	551	(2,622)
Income taxes-current	367	362
Income taxes-deferred	4	147
Total income taxes	372	510
Profit (loss)	179	(3,133)
Profit attributable to non-controlling interests	11	32
Profit (loss) attributable to owners of parent	167	(3,166)

Consolidated Statement of Comprehensive Income
Millions of yen

	FY2015	FY2016
	Apr'15-Mar'16	Apr'16-Mar'17
Profit (loss)	179	(3,133)
Other comprehensive income		
Valuation difference on available-for-sale securities	(17)	3
Foreign currency translation adjustment	(1,224)	(349)
Remeasurements of defined benefit plans, net of tax	335	394
Share of other comprehensive income of entities accounted for using equity method	(95)	(30)
Other comprehensive income	(1,002)	18
Comprehensive income	(822)	(3,114)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(827)	(3,147)
Comprehensive income attributable to non-controlling interests	4	33

Consolidated Statement of Changes in Equity

FY2015 (Apr'15-Mar'16)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive		
Beginning balance	28,301	22,622	(41,910)	(44)	8,969	34	2,521	(3,625)	(1,069)	678	8,578
Changes of items during period											
Profit (loss) attributable to owners of parent			167		167						167
Purchases of treasury shares				(1)	(1)						(1)
Net changes of items other than shareholders' equity						(14)	(1,315)	335	(995)	4	(990)
Total changes of items during period	-	-	167	(1)	166	(14)	(1,315)	335	(995)	4	(824)
Ending balance	28,301	22,622	(41,742)	(45)	9,135	19	1,205	(3,290)	(2,065)	683	7,754

Consolidated Statement of Changes in Equity

FY2016 (Apr'16-Mar'17)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive		
Beginning balance	28,301	22,622	(41,742)	(45)	9,135	19	1,205	(3,290)	(2,065)	683	7,754
Changes of items during period											
Profit (loss) attributable to owners of parent			(3,166)		(3,166)						(3,166)
Purchases of treasury shares				(0)	(0)						(0)
Net changes of items other than shareholders' equity						3	(379)	394	18	33	51
Total changes of items during period	-	-	(3,166)	(0)	(3,166)	3	(379)	394	18	33	(3,115)
Ending balance	28,301	22,622	(44,908)	(46)	5,969	23	825	(2,896)	(2,046)	716	4,638

Consolidated Statement of Cash Flows
Millions of yen

	FY2015 Apr'15-Mar'16	FY2016 Apr'16-Mar'17
Cash flows from operating activities		
Profit (loss) before income taxes	551	(2,622)
Depreciation and amortization	2,390	2,443
Refunded gain of capital reduction with compensation	-	(65)
Impairment loss	106	2,403
Increase (decrease) in net defined benefit liability	(253)	(650)
Increase (decrease) in allowance for doubtful accounts	(12)	(42)
Interest and dividend income	(36)	(21)
Interest expenses	133	123
Foreign exchange losses (gains)	2	0
Share of (profit) loss of entities accounted for using equity method	602	141
Loss (gain) on sales of property, plant and equipment	(12)	(3)
Loss on retirement of non-current assets	245	81
Subsidy income	-	(477)
Decrease (increase) in notes and accounts receivable-trade	1,340	97
Decrease (increase) in inventories	(554)	18
Increase (decrease) in notes and accounts payable-trade	811	(865)
Increase (decrease) in accrued expenses	(91)	(433)
Other, net	678	204
Subtotal	5,903	329
Interest and dividend income received	36	21
Proceeds from subsidy income	-	477
Interest expenses paid	(133)	(119)
Income taxes paid	(435)	(382)
Net cash provided by (used in) operating activities	5,371	327
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,603)	(3,335)
Proceeds from sales of property, plant and equipment	777	120
Purchase of intangible assets	(86)	(93)
Purchase of investment securities	(4)	(4)
Proceeds from sales of investment securities	41	-
Purchase of shares of subsidiaries and associates	(0)	-
Proceeds from capital reduction with compensation	-	65
Other, net	225	(5)
Net cash provided by (used in) investing activities	(1,650)	(3,252)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,600)	1,290
Purchase of treasury shares	(1)	(0)
Repayments of finance lease obligations	(541)	(556)
Net cash provided by (used in) financing activities	(2,142)	733
Effect of exchange rate change on cash and cash equivalents	(515)	(221)
Net increase (decrease) in cash and cash equivalents	1,062	(2,414)
Increase in cash and cash equivalents resulting from merger	131	-
Cash and cash equivalents at beginning of period	4,758	5,952
Cash and cash equivalents at end of period	5,952	3,538

Consolidated Business Segment Information
Millions of yen

FY2015 Apr'15-Mar'16

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	51,727	29,017	80,745	-	80,745
Intersegment	-	-	-	-	-
Total	51,727	29,017	80,745	-	80,745
Segment income (loss)	2,513	(933)	1,580	-	1,580
Segment assets	36,836	16,291	53,128	1,088	54,217
Other Items					
Depreciation	1,826	563	2,390	-	2,390
Investment to entities accounted for using equity method	-	429	429	-	429
Increase in property, plant and equipment and intangible assets	2,010	520	2,531	-	2,531

FY2016 Apr'16-Mar'17

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	49,408	24,273	73,682	-	73,682
Intersegment	-	-	-	-	-
Total	49,408	24,273	73,682	-	73,682
Segment income (loss)	1,787	(2,118)	(330)	-	(330)
Segment assets	34,046	14,222	48,269	863	49,132

Business Results

(1) Analysis of Consolidated Business Results

1.1 Overview

The business environment of the FDK Group (“FDK”) during the fiscal year ending March 31, 2017, remained uncertain condition, such as the slowing economic growth in China and emerging countries, sluggish economy in Europe, in addition to the delay of personal consumptions in Japan, “Brexit” and change of government party in USA, though the USA domestic demand continued in recovering trend.

Under these circumstances, to achieve the target of “Mid-Term Business Plan 1618” starting from April last year, FDK has strived to develop new customers in domestic and overseas such as automotive, housing, environmental energy, telecommunication expected to grow in industrial market. And FDK developed Sensor device in order to response to IoT (Internet of Things) meaning everything connect to the internet, “the MEGA TWICELL” Ni-MH battery offers high capacity, long life and high recyclability, Cathode Material with high energy density for all-solid lithium-ion batteries and high power DC-DC Power Module in eighth brick package, a half size of previous model. Also FDK invested to increase production capacity of Thin Type Primary Lithium Battery since its business expansion is expected. As for consumer market, FDK has strived to develop the products to respond to various customers’ concept, such as Alkaline batteries with improved anti-leakage performance and discharge performance after long term storage, and also strived to enhance its brand awareness and recognition in global consumer market by strengthening the promotion using Internet and SNS.

As for FDK’s business results in FY2016, net sales were 73,682 million yen, decreased by 7,063 million yen (-8.7%) from the last fiscal year. With regard to net sales, the decrease in the conversion due to currency fluctuations in FDK group was about 4,600 million yen. Sales excluding the impact of currency fluctuation in the Battery Business was stable and almost same as the previous fiscal year, due to the steady sales of Alkaline Batteries and Ni-MH Batteries, as well as increased production facility assembly business despite a decrease in Lithium Batteries. Sales excluding the impact of currency fluctuation in the Electronic Device business decreased significantly during the period due to the delay in recovery of the LCD module market and sluggishness in the digital camera market.

With regard to profit and loss in the Battery Business, profit was decreased compared to the last fiscal year due to the currency impact of the appreciation of the yen, though sales quantity increase in Alkaline Batteries and Ni-MH Batteries, improvement of productivity, reduction of cost and expenses reduction. And in the Electronic Device business, the loss increased due to large decrease in sales and material cost increase. As a result, the operating loss was 330 million yen (it was 1,580 million yen operating profit in the last fiscal year). Ordinary loss was 697 million yen (ordinary income was 658 million yen in the same period last year) due to 141 million yen of investment loss which is ruled by the low of equity method. The loss attributable to owners of parent in FY2016 was 3,166 million yen (it was 167 million yen Profit attributable for owners of parent in the last fiscal year) due to the impairment loss of fixed assets for Electronic Device Business although adding 477 million yen of extraordinary income as a subsidy.

The divisional sales overview is as follows.

1.2 Battery Business

With regard to net sales of Battery Business, excluding 2,700 million yen of decrease by currency fluctuation, sales of Alkaline batteries was almost same as the last year due to sales of OEM products in U.S.A. and internet sales was steady. Sales of Ni-MH batteries increased from the same period last year due to increase sales and production volume of OEM products in domestic and U.S.A. market. Sales of Power storage systems decreased from the same period last year due to decrease of the products for office and for factory use, although sales of vending machine backup use and communication equipment backup use were steady. Sales of Lithium batteries decreased from the same period last year, due to the delay of sales for smart meter use in domestic market and decrease of the products for disaster-related goods in overseas. Sales of Production Manufacturing machineries and Equipment business increased due to sales expansion of component assembly equipment for automobile.

As a result, sales for the Battery business was 49,408 million yen, decreased by 2,318 million yen from the same period last year.

1.3. Electronic Device Business

With regard to net sales of Electronics Device Business, the decrease of currency fluctuation was about 1,800

million yen. Excluding this currency impact, the sales of each business are as follows. Sales of Coil devices decreased from the same period last year, the sales for automotive use was steady, while the sales for consumer and industrial use decreased. Sales of Ceramics products decreased from the same period last year due to the sluggishness in digital camera market. Sales of DC-DC Converter decreased from the same period last year due to the sales decrease for server, storage, network equipment and various industrial use. Sales of Signal Processing Modules for LCD decreased from the same period last year, due to sales decrease for TV and PC use though sales for industrial use was steady. Sales of Switching Power Supply increased from the same period last year due to increase of demand for industrial use.

As a result, sales for the Electronic Device business were 24,273 million yen, decreased by 4,744 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 FY2016 decreased by 5,085 million yen (-9.4%) from the end of the previous fiscal year to 49,132 million yen. Current assets decreased by 3,170 million yen (-9.2%) from the end of the previous fiscal year to 31,475 million yen. Non-current assets decreased by 1,914 million yen (-9.8%) from the end of the previous fiscal year to 17,656 million yen. The principal causes for decreased current assets were a 2,414 million yen decrease in cash and deposit, a 486 million yen decrease in work in process and a 303 million yen decrease in notes and accounts receivable-trade, though there was a 355 million yen increase in raw materials and supplies. The principal cause for decreased non-current assets were a 1,432 million yen decrease in property, plant and equipment by posting a impairment loss.

Total liabilities at the end of FY2016 decreased by 1,970 million yen (-4.2%) from the end of the previous fiscal year to 44,493 million yen. Current liabilities decreased by 619 million yen (-1.6%) from the end of the previous fiscal year to 36,977 million yen. Non-current liabilities decreased by 1,350 million yen (-15.2%) from the end of the previous fiscal year to 7,515 million yen. The principal cause of decreased current liabilities were a 1,123 million yen decrease in notes and accounts payable-trade and a 482 million yen decrease in accounts payable-other, though was a 1,290 million yen increase in short-term loans payable. The principal cause of decreased non-current liabilities were a 654 million yen decrease in long-term accounts payable – other, a 598 million yen decrease in net defined benefit liability and a 325 million yen decrease lease obligations.

The interest-bearing debt increased by 957 million yen from the end of the previous fiscal year to 18,238 million yen.

Total net assets at the end of FY2016 decreased by 3,115 million yen (-40.2%) from the end of the previous fiscal year to 4,638 million yen. The main factors for the decrease in total net assets were a 3,166 million yen decrease in retained earnings by posting a loss attributable to owners of parent, a 379 million yen decrease in foreign currency translation adjustment, though there was a 394 million yen increase in remeasurements of defined benefit plans.

2.2 Cash Flow Condition

Cash flows from operating activities increased by 327 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting a depreciation and amortization and impairment loss, though was a decrease in cash by posting a loss before income taxes, a decrease in notes and accounts payable-trade and decrease in net defined benefit liability (Cash flows from operating activities for the last fiscal year increased by 5,371 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 3,252 million yen from the beginning of this fiscal year due to an decrease in cash by posting a purchase of property, plant and equipment (Cash flows from investment activities for the last fiscal year decreased by 1,650 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 733 million yen from the beginning of this fiscal year due to an increase in cash by posting a short-term loans payable, though was a repayments of finance lease obligations (Cash flows from financing activities for the last fiscal year decreased by 2,142 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on March 31, 2017 was 3,538 million yen, a decrease of 2,414 million yen from the beginning of this fiscal year.

Ref: Changes in cash flow indicators

	FY2012	FY2013	FY2014	FY2015	FY2016
Equity ratio (%)	11.1	10.6	13.8	13.0	8.0
Market value equity ratio (%)	28.1	54.6	70.0	48.6	71.3
Debt to cash flow ratio (%)	20.9	4.8	9.9	3.2	55.8
Interest coverage ratio (%)	6.7	29.2	13.4	40.4	2.7

1. Equity ratio = Total shareholders' equity / Total assets
2. Market value equity ratio = Market capitalization / Total assets
3. Debt to cash flow ratio = Interest-bearing debt / Net cash used in operating activities
4. Interest coverage ratio = Net cash used in operating activities / Interest expense

3. Forecast for the Fiscal Year Ending March 31, 2018

The future business environment will still remain an unclear condition as same as in FY2016 due to the weakness of personal consumption with economic slump in Japan and in overseas, and geopolitical risk.

FDK will realize the growth as an Energy Management Manufacturer by building up the basic business with development of raw material and by providing System Batteries using own technology of Battery and Electronic devices to industrial and consumer market, according to the Mid-term Business Plan 1618 starting from April, 2016.

Regarding the Battery business as a FDK core business, FDK strives to proceed with technology development that meets market needs and enhance revenue expansion in each business group as Alkaline batteries, Ni-MH batteries, Lithium Batteries. FDK will change to a company based mainly on battery business. Now we are also investigating to merge subsidiary of Alkaline batteries into FDK, follows to the subsidiaries of Ni-MH Batteries and lithium Batteries which were already merged into FDK to make speedy management decision. As for Electronic Device Business, by impairment loss of fixed assets implemented in the fiscal year ending March 31, 2017 future expected losses will be reduced, and vigorously push forward to proceed choice and concentrate.

FDK focuses on Power Supply Business with FDK's own material technology, High Power and Low Loss Component Business required by expanding automotive market, and Small and High Power Component Business for expanding smart phone market.

As for the business forecast for the FY2017, FDK targets net sales at 76,000 million yen, operating income at 1,400 million yen, ordinary income at 700 million yen, and Profit attributable to owners of the parent at 400 million yen. Regarding the exchange rate for FY2017, FDK sets it at 105 yen per US dollar and at 115 yen per Euro.