

Consolidated Financial Results for the First Half of FY2016  
(April 1, 2016 to September 30, 2016)

**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 : Public and Investor Relations Dept., General Affairs & Personnel Div.  
E-mail: [hirano@fdk.co.jp](mailto:hirano@fdk.co.jp)  
The Consolidated Financial Results is unaudited/U.S. GAPP is not applied

**1. Consolidated Results for the Six-Months Period Ended September 30, 2016**

**a. Consolidated Statements of Income**

	Yen (millions)		Change (%)	Yen	U.S.Dollars
	Six months ended Sept. 30,	Six months ended Sept. 30,		(millions)	(millions)
	2015	2016		FY2015, ended Mar. 31, 2016	Six months ended Sept. 30, 2016
<b>Net Sales</b>	40,610	37,056	(8.8)	80,745	\$366.46
<b>Operating Income</b>	1,271	(376)	-	1,580	(\$3.72)
<b>Ordinary Income (Loss)</b>	1,174	(689)	-	658	(\$6.81)
<b>Profit attributable to owners of parent</b>	969	(892)	-	167	(\$8.82)

**Amounts Per Share of Common Stock:**

Basic Earnings	3.46 yen	(3.19) yen	0.60 yen	(3.15) cent
Diluted Earnings	- yen	- yen	- yen	- cent

**b. Net Sales by Business Segment**

	Yen	Yen	Yen	U.S.Dollars
	(millions)	(millions)	(millions)	(millions)
	Six months ended Sept. 30, 2015	Six months ended Sept. 30, 2016	FY2015, ended Mar. 31, 2016	Six months ended Sept. 30, 2016
<b>Batteries</b>	25,547	24,550	51,727	\$242.78
<b>Electronic Devices</b>	15,085	12,505	29,017	\$123.66
<b>Total</b>	40,610	37,056	80,745	\$366.46

**c. Consolidated Financial Position**

	Yen (millions)	
	As of March 31, 2016	As of Sept. 30, 2016
	<b>Total Assets</b>	54,217
<b>Total Net Assets</b>	7,754	5,644
<b>Shareholders' Equity</b>	7,070	4,955
<b>Shareholders' Equity Ratio</b>	13.0 %	9.4 %

#### d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Six months ended Sept. 30, 2015	Six months ended Sept. 30, 2016
	<b>Cash Flows from Operating Activities</b>	2,902
<b>Cash Flows from Investing Activities</b>	(911)	(835)
<b>Cash Flows from Financing Activities</b>	(1,833)	(224)
<b>Cash and Cash Equivalents at End of Period</b>	4,821	3,948

(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 101.12 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 2016 ending March. 31, 2017

(Million of yen, except per share data)

	FY2016	Change from FY2015	FY2015
Net Sales	75,000	(7.1) %	80,745
Operating Income (Loss)	200	(87.3)	1,580
Ordinary Income	(200)	-	658
Profit attributable to owners of parent	10	(94.0) %	167
Net Income per Share	0.04 yen	-	0.60 yen

**Note for the use of the above forecasted business results.**

The financial forecast described above is based upon information available as of October 26, 2016.

#### 3. Others

##### (1) Changes in material subsidiaries during the period: No

Consolidated Subsidiaries	14 companies
Unconsolidated Subsidiaries (equity method applied)	3 companies
Affiliates (equity method applied only)	1 companies

##### (2) Adoption of accounting procedures specific to the preparation of quarterly consolidated financial statements: No

##### (3) 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

##### (4) Number of shares outstanding (common stock)

- 1) Number of shares outstanding at the end of periods.  
September 30, 2016: 280,363,026 shares      March 31, 2016: 280,363,026 shares
- 2) Number of treasury shares at the end of each period  
September 30, 2016: 262,779 shares      March 31, 2016: 260,914 shares
- 3) Weighted average number of shares outstanding in each period.  
September 30, 2016: 280,101,276 shares      September 30, 2015: 280,109,185 shares

## Consolidated Balance Sheet

### Millions of yen

	FY2015 Mar 31, 2016	1H/FY2016 Sep 30, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,952	3,948
Notes and accounts receivable-trade	18,731	19,213
Merchandise and finished goods	3,011	3,069
Work in process	3,148	3,228
Raw materials and supplies	1,830	2,054
Deferred tax assets	139	150
Other	1,916	1,310
Allowance for doubtful accounts	(84)	(46)
<b>Total current assets</b>	<b>34,646</b>	<b>32,927</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	7,120	7,051
Machinery, equipment and vehicles, net	4,440	4,666
Tools, furniture and fixtures, net	1,021	1,049
Land	2,700	2,654
Lease assets, net	1,867	1,785
Construction in progress	763	1,252
<b>Total property, plant and equipment</b>	<b>17,913</b>	<b>18,459</b>
Intangible assets	552	532
Investments and other assets		
Investment securities	169	174
Long-term loans receivable	0	1
Net defined benefit asset	272	277
Deferred tax assets	24	49
Other	638	544
Allowance for doubtful accounts	(0)	(0)
<b>Total investments and other assets</b>	<b>1,104</b>	<b>1,046</b>
<b>Total non-current assets</b>	<b>19,571</b>	<b>20,038</b>
<b>Total assets</b>	<b>54,217</b>	<b>52,966</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	14,976	15,185
Short-term loans payable	15,680	15,720
Lease obligations	522	531
Accounts payable-other	2,994	3,167
Income taxes payable	302	301
Other	3,120	4,245
<b>Total current liabilities</b>	<b>37,597</b>	<b>39,151</b>
<b>Non-current liabilities</b>		
Lease obligations	1,135	988
Deferred tax liabilities	99	97
Net defined benefit liability	4,890	4,676
Long-term accounts payable - other	2,472	2,139
Other	269	267
<b>Total non-current liabilities</b>	<b>8,866</b>	<b>8,169</b>
<b>Total liabilities</b>	<b>46,463</b>	<b>47,321</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	28,301	28,301
Capital surplus	22,622	22,622
Retained earnings	(41,742)	(42,634)
Treasury shares	(45)	(45)
<b>Total shareholders' equity</b>	<b>9,135</b>	<b>8,243</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	19	22
Foreign currency translation adjustment	1,205	(240)
Remeasurements of defined benefit plans	(3,290)	(3,068)
<b>Total accumulated other comprehensive income</b>	<b>(2,065)</b>	<b>(3,287)</b>
<b>Non-controlling interests</b>	<b>683</b>	<b>688</b>
<b>Total net assets</b>	<b>7,754</b>	<b>5,644</b>
<b>Total liabilities and net assets</b>	<b>54,217</b>	<b>52,966</b>

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

	<b>1H/FY2015</b>	<b>1H/FY2016</b>
	<b>Apr'15-Sep'15</b>	<b>Apr'16-Sep'16</b>
<b>Net sales</b>	40,610	37,056
Cost of sales	33,557	31,695
<b>Gross profit</b>	7,052	5,361
Selling, general and administrative expenses	5,781	5,738
<b>Operating income (loss)</b>	1,271	(376)
Non-operating income		
Interest income	16	10
Foreign exchange gains	286	-
Rent income	42	11
Refunded gain of capital reduction with compensation	-	65
Other	56	41
<b>Total non-operating income</b>	402	128
Non-operating expenses		
Interest expenses	63	61
Foreign exchange losses	-	237
Share of loss of entities accounted for using equity method	154	58
Loss on retirement of non-current assets	182	39
Other	97	44
<b>Total non-operating expenses</b>	498	441
<b>Ordinary income (loss)</b>	1,174	(689)
<b>Profit (loss) before income taxes</b>	1,174	(689)
Income taxes-current	191	247
Income taxes-deferred	4	(58)
<b>Total income taxes</b>	196	189
<b>Profit (loss)</b>	978	(878)
Profit attributable to non-controlling interests	8	13
<b>Profit (loss) attributable to owners of parent</b>	969	(892)

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

	<b>1H/FY2015</b>	<b>1H/FY2016</b>
	<b>Apr'15-Sep'15</b>	<b>Apr'16-Sep'16</b>
<b>Profit (loss)</b>	978	(878)
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	10	2
Foreign currency translation adjustment	(319)	(1,401)
Remeasurements of defined benefit plans, net of tax	71	222
Share of other comprehensive income of entities accounted for using equity method	(19)	(53)
Other comprehensive income	(257)	(1,230)
<b>Comprehensive income</b>	<b>720</b>	<b>(2,108)</b>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	710	(2,114)
Comprehensive income attributable to non-controlling interests	10	5

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

	<b>1H/FY2015</b>	<b>1H/FY2016</b>
	<b>Apr'15-Sep'15</b>	<b>Apr'16-Sep'16</b>
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	1,174	(689)
Depreciation and amortization	1,219	1,181
Refunded gain of capital reduction with compensation	-	(65)
Increase (decrease) in net defined benefit liability	(128)	(214)
Increase (decrease) in allowance for doubtful accounts	14	(33)
Interest and dividend income	(17)	(11)
Interest expenses	63	61
Foreign exchange losses (gains)	0	3
Share of (profit) loss of entities accounted for using equity method	154	58
Loss (gain) on sales of property, plant and equipment	0	(2)
Loss on retirement of non-current assets	182	39
Decrease (increase) in notes and accounts receivable-trade	(247)	(1,714)
Decrease (increase) in inventories	(920)	(701)
Increase (decrease) in notes and accounts payable-trade	1,208	1,345
Increase (decrease) in accrued expenses	147	35
Other, net	324	694
Subtotal	3,176	(14)
Interest and dividend income received	17	11
Interest expenses paid	(66)	(61)
Income taxes paid	(225)	(281)
Net cash provided by (used in) operating activities	2,902	(344)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,509)	(973)
Proceeds from sales of property, plant and equipment	664	99
Purchase of intangible assets	(46)	(28)
Purchase of investment securities	(2)	(2)
Purchase of shares of subsidiaries and associates	(0)	-
Income by reduction of capital for a fee	-	65
Other, net	(18)	3
Net cash provided by (used in) investing activities	(911)	(835)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(1,580)	40
Purchase of treasury shares	(0)	(0)
Repayments of finance lease obligations	(252)	(264)
Net cash provided by (used in) financing activities	(1,833)	(224)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(93)	(599)
<b>Net increase (decrease) in cash and cash equivalents</b>	63	(2,004)
<b>Cash and cash equivalents at beginning of period</b>	4,758	5,952
<b>Cash and cash equivalents at end of period</b>	4,821	3,948

**Consolidated Business Segment Information**  
**Millions of yen**

**1H/FY2015 Apr'15-Sep'15**

	<b>Business Segments Reported</b>		<b>Total</b>	<b>Adjustments</b>	<b>Consolidated Statements</b>
	<b>Batteries</b>	<b>Electronic Materials</b>			
<b>Net sales</b>					
Unaffiliated customers	25,547	15,063	40,610	-	40,610
Intersegment	-	-	-	-	-
<b>Total</b>	<b>25,547</b>	<b>15,063</b>	<b>40,610</b>	<b>-</b>	<b>40,610</b>
<b>Segment income (loss)</b>	<b>1,570</b>	<b>(299)</b>	<b>1,271</b>	<b>-</b>	<b>1,271</b>

**1H/FY2016 Apr'16-Sep'16**

	<b>Business Segments Reported</b>		<b>Total</b>	<b>Adjustments</b>	<b>Consolidated Statements</b>
	<b>Batteries</b>	<b>Electronic Materials</b>			
<b>Net sales</b>					
Unaffiliated customers	24,550	12,505	37,056	-	37,056
Intersegment	-	-	-	-	-
<b>Total</b>	<b>24,550</b>	<b>12,505</b>	<b>37,056</b>	<b>-</b>	<b>37,056</b>
<b>Segment income (loss)</b>	<b>652</b>	<b>(1,028)</b>	<b>(376)</b>	<b>-</b>	<b>(376)</b>

## **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, 2016 remained uncertain condition, such as the slowing economic growth in China and emerging countries, sluggish economy in resource-rich countries and Europe, in addition to the delay of personal consumptions in Japan, the further appreciation of the Yen due to “Brexit” and higher geopolitical risks, though the U.S domestic demand continued in recovering trend.

Under these circumstances, to achieve the target of “Mid-Term Business Plan 1618” starting from April this year, FDK has strived to enhance its Brand awareness and recognition in global consumer market by releasing the Image sound to domestic and overseas as one of the promotion of FUJITSU Rechargeable batteries highly evaluated as the Environmental Free Products and holding the Live events collaborating with the composer of the Image sound using SNS, etc. And FDK decided the merger of FDK TOTTORI CO., LTD., a consolidated subsidiary of FDK, on October 1, 2016 to further strengthen the business by capitalizing on mutual resources more effectively and speed up of decision making and by proceeding the development of multiple product of Electronic devices and Lithium batteries as FDK’s Lithium battery business is in an expansionary trend due to increasing demand in disaster-related goods, security use and automotive markets.

As for FDK’s business results in the first half, net sales were 37,056 million yen, decreased by 3,554 million yen (-8.8%) from the same period last year. It was by the rapid appreciation of the Yen and sales decrease from the same period last year of almost all Electronic devices, though the battery business almost achieved the plan by the increase of production quantity of Alkaline batteries and Ni-MH batteries.

With regard to profit and loss, operating loss was 376 million yen (it was 1,271 million yen profit in the same period last year) because of further appreciation of the Yen and increase of material cost and large sales decrease in Electronic Device Business, although FDK has strived to proceed cost reduction activity in all FDK group companies for the battery products rapidly increasing the quantity. Ordinary loss was 689 million yen (ordinary income was 1,174 million yen in the same period last year) due to non-operating expense mainly caused by foreign exchange loss 237 million yen, although there was a non-operating profit by Refunded gain of capital reduction with compensation 65 million yen. Loss attributable to owners of parent in the first half was 892 million yen (it was 969 million yen profit attributable to owners of parent in the same period last year).

The divisional sales overview is as follows.

#### **1.2 Battery Business**

Sales of Alkaline batteries decreased from the same period last year due to the delay of personal consumptions, although the sales of OEM products and for internet sales in USA increased and sales for demand by natural disaster, emergency charger for Smart-phone in Japan temporally increased from first quarter. Sales of Ni-MH batteries decreased from the same period last year due to decrease of the products for domestic and overseas industrial use, although sales of OEM products in USA and for automotive use were steady. Sales of Power storage systems was same level as the same period last year because sales of vending machine backup use and communication equipment backup use and were steady. Sales of Lithium batteries decreased from the same period last year, due to the decrease of sales for disaster-related goods in overseas, although the sales for disaster-related goods, security use in Japan and for automotive applications in overseas were steady.

As a result, sales for the Battery business was 24,550 million yen, decreased by 996 million yen from the same period last year.

#### **1.3. Electronic Device Business**

Sales of Ferrite and Coil devices decreased from the same period last year, while the sales for automotive use was steady, the sales for consumer and industrial use has decreased. Sales of Ceramic products decreased from the same period last year due to the sluggish 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 Displays decreased from the same period last year, due to sales decrease for large-sized LCD Televisions use. Sales of Switching Power Supply increased form the same period



last year, due to steady sales for industrial use.

As a result, sales for the Electronic Device business were 12,505 million yen, decreased by 2,557 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 of FY2016 decreased by 1,250 million yen (-2.3%) from the end of the previous fiscal year to 52,966 million yen. Current assets decreased by 1,718 million yen (-5.0%) from the end of the previous fiscal year to 32,927 million yen. Non-current assets increased by 467 million yen (2.4%) from the end of the previous fiscal year to 20,038 million yen. The principal causes for decreased current assets were a 2,004 million yen decrease in cash and deposits. The principal cause for increased non-current assets was a 545 million yen decrease in property, plant and equipment.

Total liabilities at the end of first half of FY2016 decreased by 858 million yen (1.8%) from the end of the previous fiscal year to 47,321 million yen. Current liabilities increased by 1,554 million yen (4.1%) from the end of the previous fiscal year to 39,151 million yen. Non-current liabilities decreased by 696 million yen (-7.9%) from the end of the previous fiscal year to 8,169 million yen. The principal cause of increased current liabilities was a 208 million yen increase in notes and accounts payable-trade and a 172 million yen increase in accounts payable-other. The principal cause for decreased non-current liabilities was a 332 million yen decrease in long-term accounts payable – other, a 214 million yen decrease in net defined benefit liability and a 146 million yen decrease in lease obligations.

The interest-bearing debt decreased by 97 million yen from the end of the previous fiscal year to 17,240 million yen.

Total net assets at the end of first half of FY2016 decreased by 2,109 million yen (-27.2%) from the end of the previous fiscal year to 5,644 million yen. The main factors for the decrease in total net assets were a 1,446 million yen decrease in foreign currency translation adjustment and a 892 million yen decrease in retained earnings by posting a profit attributable to owners of parent.

### **2.2 Cash Flow Condition**

Net cash used in operating activities decreased by 344 million yen from the beginning of this fiscal year due to an decrease in cash and cash equivalents (“cash”) by posting the increase in notes and accounts receivable-trade, increase in inventories and decrease in loss before income taxes, though there was a increase in cash by increase in notes and accounts payable-trade, increase in depreciation and amortization (Net cash used in operating activities for the last fiscal year increased by 292 million yen from the beginning of the last fiscal year).

Net cash used in investment activities decreased by 835 million yen from the beginning of this fiscal year by purchase of property, plant and equipment (Net cash used in investment activities for the last fiscal year decreased by 911 million yen from the beginning of the last fiscal year).

Net cash used in financing activities decreased by 224 million yen from the beginning of this fiscal year due to the repayments of finance lease obligations (Net cash used in financing activities for the last fiscal year decreased by 1,833 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on September 30, 2016 was 3,948 million yen, a decrease of 2,004 million yen from the beginning of this fiscal year.

## **3. Forecast for the Fiscal Year Ending March 31, 2017**

Please refer to the “Announcement of the Revised Financial Forecast” announced on October 26, 2016.