

Consolidated Financial Results for the Third Quarter Ended December 31, 2016  
(April 1, 2016 to December 31, 2016)

FDK CORPORATION

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

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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, 2016

a. Consolidated Statements of Income

	Yen (millions)		Change (%)	Yen	U.S.Dollars
	Nine months ended Dec. 31,	Nine months ended Dec. 31,		(millions)	(millions)
	2015	2016		FY2015, ended Mar. 31, 2016	Nine months ended Dec. 31, 2016
<b>Net Sales</b>	62,413	55,571	(11.0)	80,745	\$476.88
<b>Operating Income (Loss)</b>	2,189	(227)	-	1,580	(\$1.95)
<b>Ordinary Income (Loss)</b>	2,096	(320)	-	658	(\$2.75)
<b>Profit (Loss) attributable to owner of parent</b>	1,755	(641)	-	167	(\$5.50)

Amounts Per Share of Common Stock:

Basic Earnings	6.27 yen	(2.29) yen	0.60 yen	(1.96) cent
Diluted Earnings	- yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen	Yen	Yen	U.S.Dollars
	(millions)	(millions)	(millions)	(millions)
	Nine months ended Dec. 31, 2015	Nine months ended Dec. 31, 2016	FY2015, ended Mar. 31, 2016	Nine months ended Dec. 31 2016
<b>Batteries</b>	39,400	36,986	51,727	\$317.39
<b>Electronic Devices</b>	23,012	18,584	29,017	\$159.48
<b>Total</b>	62,413	55,571	80,745	\$476.88

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2016	As of Dec. 31, 2016
	<b>Total Assets</b>	54,217
<b>Total Net Assets</b>	7,754	7,409
<b>Shareholders' Equity</b>	7,070	6,685
<b>Shareholders' Equity Ratio</b>	13.0 %	11.8 %

#### d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Nine months ended Dec. 31, 2015	Nine months ended Dec. 31, 2016
<b>Cash Flows from Operating Activities</b>	4,112	(562)
<b>Cash Flows from Investing Activities</b>	(1,439)	(1,896)
<b>Cash Flows from Financing Activities</b>	(1,879)	1,499
<b>Cash and Cash Equivalents at End of Period</b>	5,509	4,885

(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 116.53 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: Yes

Consolidated Subsidiaries	13 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.  
December 31, 2016: 280,363,026 shares    March 31, 2016: 280,363,026 shares
- 2) Number of treasury shares at the end of each period  
December 31, 2016: 264,876 shares    March 31, 2016: 260,914 shares
- 3) Weighted average number of shares outstanding in each period.  
December 31, 2016: 280,100,758 shares    December 31, 2015: 280,107,859 shares

## Consolidated Balance Sheet

### Millions of yen

	FY2015	Q3/FY2016
	Mar 31, 2016	Dec 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,952	4,885
Notes and accounts receivable-trade	18,731	20,291
Merchandise and finished goods	3,011	3,466
Work in process	3,148	3,143
Raw materials and supplies	1,830	2,346
Deferred tax assets	139	81
Other	1,916	1,931
Allowance for doubtful accounts	(84)	(41)
<b>Total current assets</b>	<b>34,646</b>	<b>36,105</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	7,120	7,193
Machinery, equipment and vehicles, net	4,440	5,643
Tools, furniture and fixtures, net	1,021	1,069
Land	2,700	2,716
Leased assets, net	1,867	1,871
Construction in progress	763	595
<b>Total property, plant and equipment</b>	<b>17,913</b>	<b>19,089</b>
Intangible assets	552	521
Investments and other assets		
Investment securities	169	177
Long-term loans receivable	0	1
Net defined benefit asset	272	-
Deferred tax assets	24	38
Other	638	552
Allowance for doubtful accounts	(0)	(0)
<b>Total investments and other assets</b>	<b>1,104</b>	<b>770</b>
<b>Total non-current assets</b>	<b>19,571</b>	<b>20,380</b>
<b>Total assets</b>	<b>54,217</b>	<b>56,486</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	14,976	16,532
Short-term loans payable	15,680	17,590
Lease obligations	522	550
Accounts payable-other	2,994	3,181
Income taxes payable	302	328
Other	3,120	3,252
<b>Total current liabilities</b>	<b>37,597</b>	<b>41,434</b>
<b>Non-current liabilities</b>		
Lease obligations	1,135	949
Deferred tax liabilities	99	13
Net defined benefit liability	4,890	4,329
Long-term accounts payable - other	2,472	1,978
Other	269	371
<b>Total non-current liabilities</b>	<b>8,866</b>	<b>7,642</b>
<b>Total liabilities</b>	<b>46,463</b>	<b>49,076</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)	(42,383)
Treasury shares	(45)	(46)
<b>Total shareholders' equity</b>	<b>9,135</b>	<b>8,494</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	19	23
Foreign currency translation adjustment	1,205	1,118
Remeasurements of defined benefit plans	(3,290)	(2,949)
<b>Total accumulated other comprehensive income</b>	<b>(2,065)</b>	<b>1,808</b>
<b>Non-controlling interests</b>	<b>683</b>	<b>723</b>
<b>Total net assets</b>	<b>7,754</b>	<b>7,409</b>
<b>Total liabilities and net assets</b>	<b>54,217</b>	<b>56,486</b>

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

	Q3/FY2015	Q3/FY2016
	Apr'15-Dec'15	Apr'16-Dec'16
<b>Net sales</b>	62,413	55,571
Cost of sales	51,365	47,165
<b>Gross profit</b>	11,047	8,406
Selling, general and administrative expenses	8,857	8,633
<b>Operating income (loss)</b>	2,189	(227)
Non-operating income		
Interest income	25	14
Foreign exchange gains	335	39
Rent income	48	16
Refunded gain of capital reduction with compensation	-	65
Other	130	88
<b>Total non-operating income</b>	540	224
Non-operating expenses		
Interest expenses	96	89
Share of loss of entities accounted for using equity method	227	94
Loss on retirement of non-current assets	187	72
Other	121	60
<b>Total non-operating expenses</b>	633	317
<b>Ordinary income (loss)</b>	2,096	(320)
<b>Profit (loss) before income taxes</b>	2,096	(320)
Income taxes-current	248	326
Income taxes-deferred	58	(42)
Total income taxes	307	284
<b>Profit (loss)</b>	1,789	(605)
Profit attributable to non-controlling interests	33	36
<b>Profit (loss) attributable to owners of parent</b>	1,755	(641)

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

	Q3/FY2015 Apr'15-Dec'15	Q3/FY2016 Apr'16-Dec'16
<b>Profit (loss)</b>	1,789	(605)
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(16)	3
Foreign currency translation adjustment	(533)	(61)
Remeasurements of defined benefit plans, net of tax	183	340
Share of other comprehensive income of entities accounted for using equity method	(50)	(21)
Other comprehensive income	(417)	261
<b>Comprehensive income</b>	1,372	(344)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,340	(384)
Comprehensive income attributable to non-controlling interests	31	40

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

	Q3/FY2015 Apr'15-Dec'15	Q3/FY2016 Apr'16-Dec'16
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	2,096	(320)
Depreciation and amortization	1,816	1,803
Refunded gain of capital reduction with compensation	-	(65)
Increase (decrease) in net defined benefit liability	(198)	(554)
Increase (decrease) in allowance for doubtful accounts	(1)	(41)
Interest and dividend income	(27)	(17)
Interest expenses	96	89
Foreign exchange losses (gains)	(0)	(0)
Share of (profit) loss of entities accounted for using equity method	227	94
Loss (gain) on sales of property, plant and equipment	(0)	(2)
Loss on retirement of non-current assets	187	72
Decrease (increase) in notes and accounts receivable-trade	(846)	(1,478)
Decrease (increase) in inventories	(1,118)	(960)
Increase (decrease) in notes and accounts payable-trade	2,568	1,484
Increase (decrease) in accrued expenses	(390)	(876)
Other, net	26	618
Subtotal	4,436	(155)
Interest and dividend income received	27	17
Interest expenses paid	(97)	(88)
Income taxes paid	(254)	(310)
Net cash provided by (used in) operating activities	4,112	(537)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,112)	(2,030)
Proceeds from sales of property, plant and equipment	724	102
Purchase of intangible assets	(65)	(58)
Purchase of investment securities	(3)	(3)
Proceeds from sales of investment securities	41	-
Purchase of shares of subsidiaries and associates	(0)	-
Income by reduction of capital for a fee	-	65
Other, net	(23)	4
Net cash provided by (used in) investing activities	(1,439)	(1,921)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(1,480)	1,910
Purchase of treasury shares	(1)	(0)
Repayments of finance lease obligations	(398)	(410)
Net cash provided by (used in) financing activities	(1,879)	1,499
<b>Effect of exchange rate change on cash and cash equivalents</b>	(173)	(107)
<b>Net increase (decrease) in cash and cash equivalents</b>	619	(1,067)
<b>Increase in cash equivalents resulting from merger</b>	131	-
<b>Cash and cash equivalents at beginning of period</b>	4,758	5,952
<b>Cash and cash equivalents at end of period</b>	5,509	4,885

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

**Q3/FY2015 Apr'15-Dec'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	39,400	23,012	62,413	-	62,413
Intersegment	-	-	-	-	-
<b>Total</b>	<b>39,400</b>	<b>23,012</b>	<b>62,413</b>	<b>-</b>	<b>62,413</b>
<b>Segment income (loss)</b>	<b>2,493</b>	<b>(303)</b>	<b>2,189</b>	<b>-</b>	<b>2,189</b>

**Q3/FY2016 Apr'16-Dec'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	36,986	18,584	55,571	-	55,571
Intersegment	-	-	-	-	-
<b>Total</b>	<b>36,986</b>	<b>18,584</b>	<b>55,571</b>	<b>-</b>	<b>55,571</b>
<b>Segment income (loss)</b>	<b>1,322</b>	<b>(1,549)</b>	<b>(227)</b>	<b>-</b>	<b>(227)</b>

## 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, 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, “Brexit” and change of government party in U.S, 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 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. And in consumer market, FDK has strived to develop the products to respond to various customers’ concept, enhance its Brand awareness and recognition in global consumer market by strengthening the promotion using Internet and SNS. And FDK also strived to increase sales quantity of Alkaline batteries in peak demand season like Christmas and yeas-end sales and of Ni-MH batteries for consumer market.

As for FDK’s business results during the nine months ended December 31,2016, net sales was 55,571 million yen, decreased by 6,841 million yen (-11.0%) from the same period last year. It was by the sales decrease in Electronic Device business through this semester and by the increase of sales ratio of low price products although the production quantity of Alkaline batteries and Ni-MH batteries increased.

With regard to profit and loss, operating income in Battery business increased comparing with 1st quarter and 2nd quarter due to productivity improvement and cost reduction. It turned to profit in this 3rd quarter from loss while there was a big influence by increase of material cost, large sales decrease in Electronic Device Business and appreciation of the Yen. However the profit in 3rd quarter could not recover the loss in 1st and 2nd quarter, the operating loss was 227 million yen (it was 2,189 million yen profit in the same period last year). Ordinary loss was 320 million yen (ordinary income was 2,096 million yen in the same period last year) although there was 39 million yen non-operating profit by foreign exchange. Loss attributable to owners of parent within the nine months in FY2016 was 641 million yen (it was 1,755 million yen profit attributable to owners of parent in the same period last year).

Ref: Comparison of Consolidated Financial Results

	(Million Yen)			
	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
FY2016 1Q (3 months)	17,805	-317	-634	-713
FY2016 2Q (3 months)	19,251	-58	-54	-179
FY2016 3Q (3 months)	18,514	149	368	251

The divisional sales overview is as follows.

#### 1.2 Battery Business

Sales of Alkaline batteries decreased from the same period last year due to decrease of OEM products in domestic market, although the sales of OEM products and for internet sales in USA was steady. Sales of Ni-MH batteries decreased from the same period last year due to decrease of the products for domestic and overseas industrial and automotive use, although sales and production quantity of OEM products in domestic and USA market increased. 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.

As a result, sales for the Battery business was 36,986 million yen, decreased by 2,413 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 decreased. Sales of Multi-layer Power Inductor products decreased from the same period last year due to the decrease of demand for smart phone and tablet use. Sales of Ceramics 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 decreased from the same period last year, due to sales decrease for TV and PC use. Sales of Switching Power Supply decreased from the same period last year due to decrease of demand for industrial use.

As a result, sales for the Electronic Device business were 18,584 million yen, decreased by 4,428 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 FY2016 increased by 2,268 million yen (4.2%) from the end of the previous fiscal year to 56,486 million yen. Current assets increased by 1,458 million yen (4.2%) from the end of the previous fiscal year to 36,105 million yen. Non-current assets increased by 809 million yen (4.1%) from the end of the previous fiscal year to 20,380 million yen. The principal causes for increased current assets were a 1,560 million yen increase in notes and accounts receivable-trade and a 516 increase in raw materials and supplies, though there was a 1,067 million yen decrease in cash and deposits. The principal cause for increased non-current assets was a 1,175 million yen decrease in property, plant and equipment.

Total liabilities at the end of nine months in FY2016 increased by 2,613 million yen (5.6%) from the end of the previous fiscal year to 49,076 million yen. Current liabilities increased by 3,837 million yen (10.2%) from the end of the previous fiscal year to 41,434 million yen. Non-current liabilities decreased by 1,224 million yen (-13.8%) from the end of the previous fiscal year to 7,642 million yen. The principal cause of increased current liabilities was a 1,910 million yen increase in short-term loans payable and a 1,555 million yen increase in notes and accounts payable-trade. The principal cause for decreased non-current liabilities was a 560 million yen decrease in net defined benefit liability.

The interest-bearing debt increased by 1,752 million yen from the end of the previous fiscal year to 19,090 million yen.

Total net assets at the end of nine months in FY2016 decreased by 344 million yen (-4.4%) from the end of the previous fiscal year to 7,409 million yen. The main factors for the decrease in total net assets were a 641 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 537 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, decrease in accrued expenses and decrease in net defined benefit liability, though there was a increase in cash by depreciation and amortization and increase in notes and accounts payable-trade (Net cash used in operating activities for the last fiscal year increased by 4,112 million yen from the beginning of the last fiscal year).

Net cash used in investment activities decreased by 1,921 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 1,439 million yen from the beginning of the last fiscal year).

Net cash used in financing activities increased by 1,499 million yen from the beginning of this fiscal year due to the net increase in short-term loans payable (Net cash used in financing activities for the last fiscal year decreased by 1,879 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on December 31, 2016 was 4,885 million yen, a decrease of 1,067 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.