

Consolidated Financial Results for the First Half of FY2017
(April 1, 2017 to September 30, 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

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

1. Consolidated Results for the Six-Months Period Ended September 30, 2017

a. Consolidated Statements of Income

	Yen (millions)		Change (%)	Yen (millions)	U.S.Dollars (millions)
	Six months ended Sept. 30, 2016	Six months ended Sept. 30, 2017		FY2016, ended Mar. 31, 2017	Six months ended Sept. 30, 2017
Net Sales	37,056	35,977	(2.9)	73,682	\$319.11
Operating Profit (Loss)	(376)	134	-	(330)	\$1.19
Ordinary Profit (Loss)	(689)	4	-	(697)	\$0.04
Loss attributable to owners of parent	(892)	(175)	-	(3,166)	(\$1.55)

Amounts Per Share of Common Stock:

Basic Earnings	(3.19) yen	(0.63) yen	(11.30) yen	(0.56) cent
Diluted Earnings	- yen	- yen	- yen	- cent

b. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	Six months ended Sept. 30, 2016	Six months ended Sept. 30, 2017	FY2016, ended Mar. 31, 2017	Six months ended Sept. 30 2017
Batteries	24,550	23,720	49,408	\$210.40
Electronic Devices	12,505	12,256	24,273	\$108.71
Total	37,056	35,977	73,682	\$319.11

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2017	As of Sept. 30, 2017
Total Assets	49,132	51,885
Total Net Assets	4,638	4,647
Shareholders' Equity	5,969	6,139
Shareholders' Equity Ratio	8.0 %	9.0 %

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Six months ended Sept. 30, 2016	Six months ended Sept. 30, 2017
	Cash Flows from Operating Activities	(344)
Cash Flows from Investing Activities	(835)	(1,030)
Cash Flows from Financing Activities	(224)	402
Cash and Cash Equivalents at End of Period	3,948	4,463

(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 112.74 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 2017 ending March. 31, 2018

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

Note for the use of the above forecasted business results.

The financial forecast described above is based upon information available as of April 27, 2017.

3. Others

(1) Changes in material subsidiaries during the period: Yes

Consolidated Subsidiaries	12 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, 2017: 280,363,026 shares March 31, 2017: 280,363,026 shares
- 2) Number of treasury shares at the end of each period
September 30, 2017: 268,274 shares March 31, 2017: 266,012 shares
- 3) Weighted average number of shares outstanding in each period.
September 30, 2017: 280,096,092 shares September 30, 2016: 280,101,276 shares

Consolidated Balance Sheet

Millions of yen

	FY2016 March 31, 2017	1H/FY2017 September 30, 2017
Assets		
Current assets		
Cash and deposits	3,538	4,463
Notes and accounts receivable-trade	18,427	19,141
Merchandise and finished goods	3,016	3,160
Work in process	2,662	3,311
Raw materials and supplies	2,186	2,436
Deferred tax assets	108	33
Other	1,576	1,112
Allowance for doubtful accounts	(40)	(30)
Total current assets	31,475	33,629
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,339	6,258
Machinery, equipment and vehicles, net	4,596	4,780
Tools, furniture and fixtures, net	1,059	1,059
Land	2,556	2,558
Leased assets, net	1,366	1,465
Construction in progress	563	779
Total property, plant and equipment	16,481	16,901
Intangible assets	504	536
Investments and other assets		
Investment securities	178	189
Long-term loans receivable	1	1
Deferred tax assets	27	32
Other	463	594
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	670	818
Total non-current assets	17,656	18,256
Total assets	49,132	51,885
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,852	15,860
Short-term loans payable	16,970	18,030
Lease obligations	515	517
Accounts payable-other	2,512	2,655
Income taxes payable	394	302
Other	2,732	2,869
Total current liabilities	36,977	40,236
Non-current liabilities		
Lease obligations	809	787
Deferred tax liabilities	227	203
Net defined benefit liability	4,291	4,129
Long-term accounts payable - other	1,817	1,504
Other	369	377
Total non-current liabilities	7,515	7,002
Total liabilities	44,493	47,238
Net assets		
Shareholders' equity		
Capital stock	28,301	28,301
Capital surplus	22,622	22,968
Retained earnings	(44,908)	(45,083)
Treasury shares	(46)	(46)
Total shareholders' equity	5,969	6,139
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	29
Foreign currency translation adjustment	825	1,151
Remeasurements of defined benefit plans	(2,896)	(2,676)
Total accumulated other comprehensive income	(2,046)	(1,496)
Non-controlling Interests	716	3
Total net assets	4,638	4,647
Total liabilities and net assets	49,132	51,885

Consolidated Statement of Income

Millions of yen

	1H/FY2016	1H/FY2017
	April 16 - September 16	April 17 - September 17
Net sales	37,056	35,977
Cost of sales	31,695	30,240
Gross profit	5,361	5,737
Selling, general and administrative expenses	5,738	5,603
Operating profit (loss)	(376)	134
Non-operating income		
Interest income	10	8
Foreign exchange gains	-	9
Rent income	11	9
Refunded gain of capital reduction with compensation	65	-
Other	41	42
Total non-operating income	128	68
Non-operating expenses		
Interest expenses	61	60
Foreign exchange losses	237	-
Share of loss of entities accounted for using equity method	58	31
Loss on sales of non-current assets	0	38
Loss on retirement of non-current assets	39	36
Other	44	32
Total non-operating expenses	441	198
Ordinary profit (loss)	(689)	4
Profit (loss) before income taxes	(689)	4
Income taxes-current	247	135
Income taxes-deferred	(58)	44
Total income taxes	189	180
Loss	(878)	(175)
Profit (Loss) attributable to non-controlling interests	13	(0)
Loss attributable to owners of parent	(892)	(175)

Consolidated Statement of Comprehensive Income
Millions of yen

	1H/FY2016	1H/FY2017
	April 16 - September 16	April 17 - September 17
Loss	(878)	(175)
Other comprehensive income		
Valuation difference on available-for-sale securities	2	6
Foreign currency translation adjustment	(1,401)	315
Remeasurements of defined benefit plans, net of tax	222	219
Share of other comprehensive income of entities accounted for using equity method	(53)	9
Other comprehensive income	(1,230)	550
Comprehensive income	(2,108)	375
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(2,114)	375
Comprehensive income attributable to non-controlling interests	5	(0)

Consolidated Statement of Cash Flows
Millions of yen

	1H/FY2016	1H/FY2017
	April 16 - September 16	April 17 - September 17
Cash flows from operating activities		
Profit (loss) before income taxes	(689)	4
Depreciation and amortization	1,181	1,036
Refunded gain of capital reduction with compensation	(65)	-
Increase (decrease) in net defined benefit liability	(214)	(161)
Increase (decrease) in allowance for doubtful accounts	(33)	(10)
Interest and dividend income	(11)	(9)
Interest expenses	61	60
Foreign exchange losses (gains)	3	(0)
Share of (profit) loss of entities accounted for using equity method	58	31
Loss (gain) on sales of property, plant and equipment	(2)	30
Loss on retirement of non-current assets	39	36
Decrease (increase) in notes and accounts receivable-trade	(1,714)	(376)
Decrease (increase) in inventories	(701)	(929)
Increase (decrease) in notes and accounts payable-trade	1,345	1,661
Increase (decrease) in accrued expenses	35	73
Other, net	694	201
Subtotal	(14)	1,647
Interest and dividend income received	11	9
Interest expenses paid	(61)	(67)
Income taxes paid	(281)	(156)
Net cash provided by (used in) operating activities	(344)	1,432
Cash flows from investing activities		
Purchase of property, plant and equipment	(973)	(1,214)
Proceeds from sales of property, plant and equipment	99	241
Purchase of intangible assets	(28)	(62)
Purchase of investment securities	(2)	(2)
Income by reduction of capital for a fee	65	-
Other, net	3	6
Net cash provided by (used in) investing activities	(835)	(1,030)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	40	1,060
Purchase of treasury shares	(0)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(385)
Repayments of finance lease obligations	(264)	(272)
Net cash provided by (used in) financing activities	(224)	402
Effect of exchange rate change on cash and cash equivalents	(599)	120
Net increase (decrease) in cash and cash equivalents	(2,004)	924
Cash and cash equivalents at beginning of period	5,952	3,538
Cash and cash equivalents at end of period	3,948	4,463

Consolidated Business Segment Information
Millions of yen

1H/FY2016 April 16 - September 16

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	24,550	12,505	37,056	-	37,056
Intersegment	-	-	-	-	-
Total	24,550	12,505	37,056	-	37,056
Segment profit (loss)	652	(1,028)	(376)	-	(376)

1H/FY2017 April 17 - September 17

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
Net sales					
Unaffiliated customers	23,720	12,256	35,977	-	35,977
Intersegment	-	-	-	-	-
Total	23,720	12,256	35,977	-	35,977
Segment profit (loss)	757	(623)	134	-	134

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, 2017, remained uncertain condition, such as the increasing uncertainty in overseas economics by geopolitical risks especially in North America, Europe and East Asia though the corporate profit and employment environment of domestic companies improved as well as personal consumption gradually improved in Japan.

Under these circumstances, FDK has strived to develop the business in the industrial market for the potential glowing with expanding of IoT and mobility like automotive, housing, ICT and also strived to develop new customers in the global market, expand the sales volume of Ni-MH batteries for industrial use, Lithium batteries for smoke detector in domestic market and Multi-layer power inductors for smart phones. And FDK accelerated the development of Cathode Material with High Energy Density for All-Solid Lithium-Ion Batteries which was developed in the previous term and FDK promoted development of practical technology for early sample shipment. For consumer business, FDK strived to expand sales of FUJITSU Brand Alkaline batteries which was improved its performance in previous term, and also strived to expand sales volume of Alkaline batteries and Ni-MH batteries for OEM and private brand products.

To accelerate the development of business models with batteries as the core for growth, FDK merged FDK Energy Co., Ltd. a subsidiary of alkaline batteries manufacturer in this period in order to expand battery business with speedy judgment of management and mutual utilization of management resources of each business unit as Alkaline batteries, Ni-MH batteries and Lithium batteries.

As for Battery business result in the first half, sales was decreased because of the decrease of Alkaline batteries for OEM and for consumer business in North America market though the sales of Lithium batteries increased for smart meter and smoke detector, also Ni-MH batteries business in the industrial market were stable and sales was almost same as the same period of last year. As for Electronic Device business result, sales of Signal Processing Modules for LCD and DC-DC Power Module decreased from the same period last year, though sales of Coil devices, Multi-layer Power Inductor were stable and almost same as the same period of last year. As a result, consolidated sales of the first half ended September 30, 2017 was 35,977 million yen, decreased by 1,078 million yen (-2.9%) from the same period last year.

With regard to profit and loss in the Battery Business, profit was increased by sales increase of Ni-MH batteries and Lithium batteries, as well as favorable impact of currency exchange ratio although profit was affected by sudden increase of material cost in this period. And in the Electronic Device business, loss decreased due to sales increasing of Multi-layer Power Inductor and Toner as well as the fixed cost reduction by impairment treatment of fixed assets implemented in the previous term. As a result, the operating profit was 134 million yen (it was 376 million yen operating loss in the same period of last year). The ordinary profit was 4 million yen (ordinary loss was 689 million yen in the same period last year). The loss attributable to owners of parent in the first half ended September 30, 2017 was 175 million yen (it was 892 million yen loss attributable for owners of parent in the same period last year).

The divisional sales overview is as follows.

1.2 Battery Business

Sales of Alkaline batteries was decreased from the same period last year due to sales decrease of OEM products and taking time of sales contribution of newly released product though the batteries for internet sales and private brand business sales increased. Sales of Ni-MH batteries were stable and almost same as the same period of last year due to steady sales of industrial use such as backup application of emergency light, although sales of consumer use decreased in overseas market. Sales of Power Storage Systems was almost same as the same period of last year due to steady sales of communication equipment backup use. Sales of Lithium batteries increased from the same period last year, due to steady sales for next generation smart meters and smoke detectors in domestic market. Sales of Production Manufacturing Machineries and Equipment business was almost same as the same period of last year due to steady sales of component assembly equipment for automobile.

As a result, sales for the Battery business was 23,720 million yen, decreased by 829 million yen from the same period last year.

1.3. Electronic Device Business

Sales of Coil devices increased from the same period last year, due to steady sales for automotive use and LED lighting. Sales of Multi-layer Power Inductor products was increased from the same period last year, due to steady sales for smart phone and integrated circuit application for industrial equipment. Sales of Ceramic products decreased from the same period last year due to the sluggishness in digital camera market. Sales of DC-DC Power Module decreased from the same period last year due to the sales decrease for server, storage, network equipment. Sales of Signal Processing Modules for LCD decreased from the same period last year, due to sales decrease for Large size LCD display although sales for touch panel was steady. Sales of Switching Power Supply was almost same as the same period of last year due to steady sales for semiconductor manufacturing equipment.

As a result, sales for the Electronic Device business were 12,256 million yen, decreased by 249 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 FY2017 increased by 2,753 million yen (5.6%) from the end of the previous fiscal year to 51,885 million yen. Current assets increased by 2,153 million yen (6.8%) from the end of the previous fiscal year to 33,629 million yen. Non-current assets increased by 599 million yen (3.4%) from the end of the previous fiscal year to 18,256 million yen. The principal causes for increased current assets were a 924 million yen increase in cash and deposit, a 713 million yen increase in notes and accounts receivable-trade and a 649 million yen increase in work in process. The principal cause for increased non-current assets were a 420 million yen increase in property, plant and equipment.

Total liabilities at the end of first half of FY2017 increased by 2,744 million yen (6.2%) from the end of the previous fiscal year to 47,238 million yen. Current liabilities increased by 3,258 million yen (8.8%) from the end of the previous fiscal year to 40,236 million yen. Non-current liabilities decreased by 513 million yen (-6.8%) from the end of the previous fiscal year to 7,002 million yen. The principal cause of increased current liabilities were a 2,007 million yen increase in notes and accounts payable-trade and a 1,060 million yen increase in short-term loans payable. The principal cause of decreased non-current liabilities were a 313 million yen decrease in long-term accounts payable – other.

The interest-bearing debt increased by 1,039 million yen from the end of the previous fiscal year to 19,334 million yen.

Total net assets at the end of first half of FY2017 increased by 8 million yen (0.2%) from the end of the previous fiscal year to 4,647 million yen. The main factors for the increase in total net assets were a 713 million yen decrease in non-controlling interests by posting a payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation, a 346 million yen increase in capital surplus and a 325 million yen increase in foreign currency translation adjustment.

2.2 Cash Flow Condition

Cash flows from operating activities increased by 1,432 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting an increase in notes and accounts payable-trade, increase in depreciation and amortization, though was a decrease in cash by posting an increase in inventories (Cash flows from operating activities for the last fiscal year decreased by 344 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 1,030 million yen from the beginning of this fiscal year due to a decrease in cash by posting a purchase of property, plant and equipment (Cash flows from investment activities for the last fiscal year decreased by 835 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 402 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 payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (Cash flows from financing activities for the last fiscal year decreased by 224 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on September 30, 2017 was 4,463 million yen, an increase of 924 million yen from the beginning of this fiscal year.

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

Regarding the consolidated business forecast for fiscal year 2017, FDK is necessary to investigate the consumer market trend of the third quarter as the most demand period for battery business as well as the extension of purchase orders from the first half to the second half of fiscal year 2017 for both batteries and electronic products in the industrial market. Therefore FDK has not changed its business forecast, which was announced on April 27, 2017.

We will announce the revision promptly if it will be necessary in the future, by doing our best to collect various information including market trends.