

Consolidated Financial Results for the First Quarter Ended June 30, 2016  
(April 1, 2016 to June 30, 2016)

**FDK CORPORATION**

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

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

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

**1. Consolidated Results for the Three-Months Period Ended June 30, 2016**

**a. Consolidated Statements of Income**

	Yen (millions)		Change (%)	Yen (millions)	U.S.Dollars (millions)
	Three months ended June 30, 2015	Three months ended June 30, 2016		FY2015, ended Mar. 31, 2016	Three months ended June 30, 2016
<b>Net Sales</b>	19,355	17,805	(8.0)	80,745	\$172.93
<b>Operating Income</b>	390	(317)	-	1,580	(\$3.08)
<b>Ordinary Income (Loss)</b>	452	(634)	-	658	(\$6.16)
<b>Profit attributable to owners of parent</b>	441	(713)	-	167	(\$6.93)

**Amounts Per Share of Common Stock:**

Basic Earnings	1.58 yen	(2.55) yen	0.60 yen	(2.47) cent
Diluted Earnings	- yen	- yen	- yen	- cent

**b. Net Sales by Business Segment**

	Yen (millions)	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	Three months ended June 30, 2015	Three months ended June 30, 2016	FY2015, ended Mar. 31, 2016	Three months ended June 30 2016
<b>Batteries</b>	12,220	11,507	51,727	\$111.76
<b>Electronic Devices</b>	7,135	6,298	29,017	\$61.17
<b>Total</b>	19,355	17,805	80,745	\$172.93

**c. Consolidated Financial Position**

	Yen (millions)	
	As of March 31, 2016	As of June 30, 2015
<b>Total Assets</b>	54,217	52,736
<b>Total Net Assets</b>	7,754	5,867
<b>Shareholders' Equity</b>	7,070	5,188
<b>Shareholders' Equity Ratio</b>	13.0 %	9.8 %

**d. Consolidated Statements of Cash Flows**

	Yen (millions)	
	Three months ended June 30, 2015	Three months ended June 30, 2016
	<b>Cash Flows from Operating Activities</b>	985
<b>Cash Flows from Investing Activities</b>	(705)	(241)
<b>Cash Flows from Financing Activities</b>	(425)	447
<b>Cash and Cash Equivalents at End of Period</b>	4,724	4,480

(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 102.96 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	82,000	1.6 %	80,745
Operating Income (Loss)	1,500	(5.1)	1,580
Ordinary Income	1,000	51.8 %	658
Profit attributable to owners of parent	500	198.1 %	167
Net Income per Share	1.79 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 April 27, 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.  
June 30, 2016: 280,363,026 shares    March 31, 2016: 280,363,026 shares
- 2) Number of treasury shares at the end of each period  
June 30, 2016: 261,622 shares    March 31, 2016: 260,914 shares
- 3) Weighted average number of shares outstanding in each period.  
June 30, 2016: 280,101,755 shares    June 30, 2015: 280,110,692 shares

## Consolidated Balance Sheet

### Millions of yen

	FY2015 March 31, 2016	1Q/FY2016 June 30, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,952	4,480
Notes and accounts receivable-trade	18,731	18,199
Merchandise and finished goods	3,011	3,258
Work in process	3,148	3,119
Raw materials and supplies	1,830	2,165
Deferred tax assets	139	160
Other	1,916	1,999
Allowance for doubtful accounts	(84)	(77)
Total current assets	34,646	33,305
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	7,120	7,116
Machinery, equipment and vehicles, net	4,440	4,559
Tools, furniture and fixtures, net	1,021	1,009
Land	2,700	2,659
Lease assets, net	1,867	1,716
Construction in progress	763	769
Total property, plant and equipment	17,913	17,830
Intangible assets	552	525
Investments and other assets		
Investment securities	169	168
Long-term loans receivable	0	1
Net defined benefit asset	272	276
Deferred tax assets	24	38
Other	638	590
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,104	1,074
Total non-current assets	19,571	19,430
<b>Total assets</b>	54,217	52,736
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	14,976	14,872
Short-term loans payable	15,680	16,260
Lease obligations	522	507
Accounts payable-other	2,994	3,393
Income taxes payable	302	154
Other	3,120	3,234
Total current liabilities	37,597	38,422
<b>Non-current liabilities</b>		
Lease obligations	1,135	981
Deferred tax liabilities	99	94
Net defined benefit liability	4,890	4,808
Long-term accounts payable - other	2,472	2,297
Other	269	265
Total non-current liabilities	8,866	8,446
<b>Total liabilities</b>	46,463	46,868
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	28,301	28,301
Capital surplus	22,622	22,622
Retained earnings	(41,742)	(42,455)
Treasury share	(45)	(45)
Total shareholders' equity	9,135	8,422
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	19	18
Foreign currency translation adjustment	1,205	(73)
Remeasurements of defined benefit plans	(3,290)	(3,179)
Total accumulated other comprehensive income	(2,065)	(3,233)
<b>Non-controlling Interests</b>	683	678
<b>Total net assets</b>	7,754	5,867
<b>Total liabilities and net assets</b>	54,217	52,736

## Consolidated Statement of Income

Millions of yen

	1Q/FY2015	1Q/FY2016
	April 15 - June 15	April 16 - June 16
<b>Net sales</b>	19,355	17,805
Cost of sales	16,053	15,271
<b>Gross profit</b>	3,302	2,533
Selling, general and administrative expenses	2,911	2,851
<b>Operating income (loss)</b>	390	(317)
Non-operating income		
Interest income	5	5
Foreign exchange gains	106	-
Rent income	21	5
Share of profit of entities accounted for using equity method	2	-
Other	33	29
Total non-operating income	169	40
Non-operating expenses		
Interest expenses	30	29
Foreign exchange losses	-	244
Share of loss of entities accounted for using equity method	-	26
Loss on retirement of non-current assets	18	25
Other	59	32
Total non-operating expenses	108	357
<b>Ordinary income (loss)</b>	452	(634)
<b>Income (loss) before income taxes</b>	452	(634)
Income taxes-current	26	132
Income taxes-deferred	(22)	(56)
Total income taxes	3	76
Profit (loss)	448	(710)
Profit attributable to non-controlling interests	6	2
<b>Profit (loss) attributable to owners of parent</b>	441	(713)

**Consolidated Statement of comprehensive income**  
**Millions of yen**

	<b>1Q/FY2015</b>	<b>1Q/FY2016</b>
	<b>April 15 - June 15</b>	<b>April 16 - June 16</b>
<b>Profit (loss)</b>	448	(710)
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	6	(0)
Foreign currency translation adjustment	282	(1,239)
Remeasurements of defined benefit plans, net of tax	26	111
Share of other comprehensive income of entities accounted for using equity method	19	(46)
Other comprehensive income	334	(1,175)
<b>Comprehensive income</b>	<b>783</b>	<b>(1,886)</b>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	774	(1,881)
Comprehensive income attributable to non-controlling interests	8	(4)

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

	1Q/FY2015 April 15 - June 15	1Q/FY2016 April 16 - June 16
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	452	(634)
Depreciation and amortization	600	578
Increase (decrease) in net defined benefit liability	(85)	(82)
Increase (decrease) in allowance for doubtful accounts	10	(2)
Interest and dividend income	(6)	(6)
Interest expenses	30	29
Foreign exchange losses (gains)	(2)	1
Share of (profit) loss of entities accounted for using equity method	(2)	26
Loss (gain) on sales of property, plant and equipment	0	(2)
Loss on retirement of non-current assets	18	25
Decrease (increase) in notes and accounts receivable-trade	1,180	(538)
Decrease (increase) in inventories	(1,053)	(862)
Increase (decrease) in notes and accounts payable-trade	247	904
Increase (decrease) in accrued expenses	(662)	(694)
Other, net	387	332
Subtotal	1,114	(926)
Interest and dividend income received	6	6
Interest expenses paid	(29)	(27)
Income taxes paid	(105)	(199)
Net cash provided by (used in) operating activities	985	(1,146)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(718)	(259)
Proceeds from sales of property, plant and equipment	10	17
Purchase of intangible assets	(8)	(2)
Purchase of investment securities	(0)	(1)
Purchase of shares of subsidiaries and associates	(0)	(0)
Other, net	11	-
Net cash provided by (used in) investing activities	705	(241)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(300)	580
Purchase of treasury shares	(0)	(0)
Repayments of finance lease obligations	(124)	(132)
Net cash provided by (used in) financing activities	(425)	447
<b>Effect of exchange rate change on cash and cash equivalents</b>	112	(532)
<b>Net increase (decrease) in cash and cash equivalents</b>	(33)	(1,472)
<b>Cash and cash equivalents at beginning of period</b>	4,758	5,952
<b>Cash and cash equivalents at end of period</b>	4,724	4,480

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

**1Q/FY2015 April 15 - June 15**

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
<b>Net sales</b>					
Unaffiliated customers	12,220	7,135	19,355	-	19,355
Intersegment	-	-	-	-	-
Total	12,220	7,135	19,355	-	19,355
<b>Segment income (loss)</b>	639	(248)	390	-	390

**1Q/FY2016 April 16 - June 16**

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
<b>Net sales</b>					
Unaffiliated customers	11,507	6,298	17,805	-	17,805
Intersegment	-	-	-	-	-
Total	11,507	6,298	17,805	-	17,805
<b>Segment income (loss)</b>	91	(408)	(317)	-	(317)

## **Business Results**

### **(1) Analysis of Consolidated Business Results**

#### **1.1 Overview**

The business environment of the FDK Group (“FDK”) during the first quarter ended June 30, 2016 remained uncertain condition continuously from the 2<sup>nd</sup> half period in the previous fiscal year, such as the delay of personal consumptions, the concern about downturn of company earnings by the appreciation of the Yen after the news of “Brexit” in Japan, in addition to the slowing economic growth in China and emerging countries, the instability of European market 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 extend the sales to the global industrial market expected for the potential growing like Automotive, Housing, Environmental Energy, ICT and also has strived to develop new products to these market. For the consumer market, FDK has strived to reorganize to the appropriate marketing organization for diversification of customers and develop the products which satisfy the concept of each customers. And FDK also strived to enhance its Brand awareness and recognition in global market by strengthening marketing performance and the sales promotion using internet and SNS.

As for FDK’s business results in the first quarter, net sales were 17,805 million yen, decreased by 1,550 million yen (-8.0%) 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 Alkaline batteries and Ni-MH batteries due to the change to the low price new products affected by low demand in global consumer market, although the sales quantity was in increase trend. And also it was by sales quantity decrease from the same period last year of many products in industrial market such as Signal Processing Modules for LCD Displays for LCD Televisions and Lithium batteries for disaster-related goods.

With regard to profit and loss, operating loss was 317 million yen (it was 390 million yen profit in the same period last year). Although FDK has strived to proceed cost reduction activity in all FDK group companies for the battery products rapidly increasing the quantity to cope against the loss caused by above mentioned sales decrease and rapid appreciation of the Yen, the effect of cost reduction activity need time to contribute to profit. Ordinary loss was 634 million yen (ordinary income was 452 million yen in the same period last year). Loss attributable to owners of parent in the first quarter was 713 million yen (it was 441 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 sales decrease in domestic market and of decrease of OEM products in Europe, although the sales of OEM products in USA and for internet sales increased. Sales of Ni-MH batteries was same level as the same period last year due to the increase in sales of OEM products in USA and for automotive use, although the sales for consumer market and industrial market decreased due to low demand in domestic and overseas market. Sales of Power storage systems decreased from the same period last year due to the decrease of communication equipment backup use, although the sales of vending machine backup use was steady. Sales of Lithium batteries decreased from the same period last year, due to the decrease in sales for disaster-related goods in overseas, although the sales for automotive applications steadily increased.

As a result, sales for the Battery business were 11,507 million yen, decreased by 712 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 steadily increased, their sales for consumer and industrial use has decreased. Sales of Multi-layer Power Inductor decreased from the same period last year, due to the sluggish smartphone market. Sales of Signal Processing Modules for LCD Displays decreased from the same period last year, due to sales decrease for 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 6,298 million yen, decreased by 837 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 quarter of FY2016 decreased by 1,481 million yen (-2.7%) from the end of the previous fiscal year to 52,736 million yen. Current assets decreased by 1,340 million yen (-3.9%) from the end of the previous fiscal year to 33,305 million yen. Non-current assets decreased by 140 million yen (-0.7%) from the end of the previous fiscal year to 19,430 million yen. The principal causes for decreased current assets were a 1,472 million yen decrease in cash and deposits. The principal cause for decreased non-current assets was a 83 million yen decrease in property, plant and equipment.

Total liabilities at the end of first quarter of FY2016 increased by 405 million yen (0.9%) from the end of the previous fiscal year to 46,868 million yen. Current liabilities increased by 825 million yen (2.2%) from the end of the previous fiscal year to 38,422 million yen. Non-current liabilities decreased by 419 million yen (-4.7%) from the end of the previous fiscal year to 8,446 million yen. The principal cause of increased current liabilities was a 580 million yen increase in short-term loans payable and a 399 million yen increase in accounts payable-other. The principal cause for decreased non-current liabilities was a 174 million yen decrease in long-term accounts payable – other and a 154 million yen decrease in lease obligations.

The interest-bearing debt increased by 410 million yen from the end of the previous fiscal year to 17,748 million yen.

Total net assets at the end of first quarter of FY2016 decreased by 1,886 million yen (-24.3%) from the end of the previous fiscal year to 5,867 million yen. The main factors for the decrease in total net assets were a 1,279 million yen decrease in foreign currency translation adjustment and a 713 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 1,146 million yen from the beginning of this fiscal year due to an decrease in cash and cash equivalents (“cash”) by posting the increase in loss before income taxes, increase in inventories, decrease in accrued expenses and increase in notes and accounts receivable-trade, though there was a increase in cash by increase in notes and accounts payable-trade and depreciation and amortization (Net cash used in operating activities for the last fiscal year increased by 985 million yen from the beginning of the last fiscal year).

Net cash used in investment activities decreased by 241 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 705 million yen from the beginning of the last fiscal year).

Net cash used in financing activities increased by 447 million yen from the beginning of this fiscal year due to the increase in short-term loans payable (Net cash used in financing activities for the last fiscal year decreased by 425 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on June 30, 2016 was 4,480 million yen, a decrease of 1,472 million yen from the beginning of this fiscal year.

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

FDK has not changed its business forecast, which was announced on April 27, 2016. 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.