

Fiscal Year 2017 Consolidated Operating Results
(April 1, 2017 to March 31, 2018)

FDK CORPORATION

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

Listing Code No. 6955 (Listing Stock Exchange: 2nd Section of Tokyo Stock Exchange)
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The Consolidated Financial Results is unaudited/U.S. GAPP is not applied

1. Consolidated Operating Results for FY2017 ended March 31, 2018

a. Consolidated Income statements

	Yen (millions)		Change (%)	U.S.Dollars
	FY2016 (4/1/16-3/31/17)	FY2017 (4/1/17-3/31/18)		(millions) FY2017 (4/1/17-3/31/18)
Net Sales	73,682	73,129	-0.7 %	\$688.14
Operating Profit (Loss)	(330)	666	-	\$6.27
Ordinary Profit (Loss)	(697)	78	-	\$0.73
Profit (Loss) attributable to owner of parent	(3,166)	(630)	-	(\$5.93)

Amounts Per Share of Common Stock:

Basic Earnings (Loss) per share	(11.30) yen	(2.25) yen	(2.12 cent)
Diluted Earnings per share	- yen	- yen	-
Rate of Return on Equity	(57.6) %	(15.4) %	
Ordinary Profit to Total Assets Ratio	(1.4) %	0.2 %	
Operating Profit to Net Sales Ratio	(0.4) %	0.9 %	

b. Consolidated Financial Positions

	Yen (millions)	
	As of Mar. 31, 2017	As of Mar. 31, 2018
Total Assets	49,132	51,054
Net Assets	4,638	4,293
Owner's Equity	3,922	4,289
Capital Adequacy Ratio	8.0 %	8.4 %
Net Assets Per Share	14.00 yen	15.31 yen

c. Consolidated Cash Flows

	Yen (millions)	
	FY2016 (4/1/16-3/31/17)	FY2017 (4/1/17-3/31/18)
Cash Flows from Operating Activities	327	567
Cash Flows from Investing Activities	(3,252)	(1,959)
Cash Flows from Financing Activities	733	1,559
Cash and Cash Equivalents at End of Period	3,538	3,720

d. Net Sales by Business Segment

	Yen (millions)	Yen (millions)	U.S.Dollars (millions)
	FY2016 (4/1/16-3/31/17)	FY2017 (4/1/17-3/31/18)	FY2017 (4/1/17-3/31/18)
Batteries	49,408	48,536	\$456.72
Electronic Devices	24,273	24,592	\$231.41
Total	73,682	73,129	\$688.14

(Notes for the Consolidated Operating Results (from 1.a to 1.d))

- All amounts less than one million yen have been disregarded.
- U.S. dollar amounts are translated from yen, for convenience only, at the rate of \$1=106.27 yen.
- The percentage in this statement presents rate of change compared with the previous fiscal year.

2. Consolidated Forecast for the year ending March 31, 2019

(Million of yen, except per share data)

	<u>FY2018</u>	<u>Change from FY2017</u>	<u>FY2017</u>
Net Sales	74,000	1.2 %	73,129
Operating Profit	700	5.0 %	666
Ordinary Profit	200	156.1 %	78
Profit attributable to owners of parent	100	- %	(630)
Basic Earnings Per Share	0.36 yen	- yen	-2.25 yen

3. Others

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

Consolidated Subsidiaries	12 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 retrospective restatements

- 1) Changes in accounting policies based on revisions of accounting standards: No
- 2) Changes in accounting policies other than ones based on revisions of accounting standard: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(3) Number of issued and outstanding shares (common stock)

- 1) Number of issued and outstanding shares at the end of fiscal year. (including treasury stock)
March 31, 2018: 280,363,026 shares March 31, 2017: 280,363,026 shares
- 2) Number of treasury stock at the end of fiscal year
March 31, 2018: 271,437 shares March 31, 2017: 266,012 shares
- 3) Average number of shares
March 31, 2018: 280,094,513 shares March 31, 2017: 280,099,987 shares

Note: This information is a summary of the earnings report. It does not contain all details included in the earnings report disclosed in Japanese.

Consolidated Balance Sheet

Millions of yen

	FY2016	FY2017
	Mar 31, 2017	Mar 31, 2018
Assets		
Current assets		
Cash and deposits	3,538	3,720
Notes and accounts receivable-trade	18,427	20,316
Merchandise and finished goods	3,016	2,781
Work in process	2,662	2,694
Raw materials and supplies	2,186	2,760
Deferred tax assets	108	5
Other	1,576	1,150
Allowance for doubtful accounts	(40)	(105)
Total current assets	31,475	33,323
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,339	6,153
Machinery, equipment and vehicles, net	4,596	4,952
Tools, furniture and fixtures, net	1,059	984
Land	2,556	2,535
Leased assets, net	1,366	1,282
Construction in progress	563	464
Total property, plant and equipment	16,481	16,372
Intangible assets	504	502
Investments and other assets		
Investment securities	178	204
Long-term loans receivable	1	1
Deferred tax assets	27	100
Other	463	549
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	670	856
Total non-current assets	17,656	17,730
Total assets	49,132	51,054
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,852	15,230
Short-term loans payable	16,970	19,455
Lease obligations	515	468
Accounts payable-other	2,512	2,018
Income taxes payable	394	336
Other	2,732	3,055
Total current liabilities	36,977	40,564
Non-current liabilities		
Lease obligations	809	553
Deferred tax liabilities	227	194
Net defined benefit liability	4,291	3,847
Long-term accounts payable - other	1,817	1,216
Other	369	383
Total non-current liabilities	7,515	6,196
Total liabilities	44,493	46,760
Net assets		
Shareholders' equity		
Capital stock	28,301	28,301
Capital surplus	22,622	22,968
Retained earnings	(44,908)	(45,539)
Treasury shares	(46)	(47)
Total shareholders' equity	5,969	5,683
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	38
Foreign currency translation adjustment	825	948
Remeasurements of defined benefit plans	(2,896)	(2,380)
Total accumulated other comprehensive income	(2,046)	(1,393)
Non-controlling interests	716	4
Total net assets	4,638	4,293
Total liabilities and net assets	49,132	51,054

Consolidated Statement of Income
Millions of yen

	FY2016	FY2017
	Apr'16-Mar'17	Apr'17-Mar'18
Net sales	73,682	73,129
Cost of sales	62,602	61,152
Gross profit	11,079	11,977
Selling, general and administrative expenses	11,410	11,311
Operating profit (loss)	(330)	666
Non-operating income		
Interest income	18	18
Gain on sales of non-current assets	3	136
Refunded gain of capital reduction with compensation	65	-
Rent income	20	26
Other	98	82
Total non-operating income	206	263
Non-operating expenses		
Interest expenses	123	123
Foreign exchange losses	154	434
Share of loss of entities accounted for using equity method	141	85
Loss on retirement of non-current assets	81	50
Other	72	157
Total non-operating expenses	573	851
Ordinary profit (loss)	(697)	78
Extraordinary income		
Subsidy income	477	-
Total extraordinary income	477	-
Extraordinary loss		
Impairment loss	2,403	527
Total extraordinary loss	2,403	527
Profit (loss) before income taxes	(2,622)	(449)
Income taxes-current	362	187
Income taxes-deferred	147	(6)
Total income taxes	510	181
Loss	(3,133)	(630)
Profit attributable to non-controlling interests	32	0
Loss attributable to owners of parent	(3,166)	(630)

Consolidated Statement of Comprehensive Income
Millions of yen

	FY2016	FY2017
	Apr'16-Mar'17	Apr'17-Mar'18
Loss	(3,133)	(630)
Other comprehensive income		
Valuation difference on available-for-sale securities	3	15
Foreign currency translation adjustment	(349)	97
Remeasurements of defined benefit plans, net of tax	394	516
Share of other comprehensive income of entities accounted for using equity method	(30)	24
Other comprehensive income	18	653
Comprehensive income	(3,144)	22
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(3,147)	22
Comprehensive income attributable to non-controlling interests	33	0

Consolidated Statement of Changes in Equity

FY2016 (Apr'16-Mar'17)

	Shareholders' equity					Accumulated other comprehensive income				Yen (millions)	
	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	Non-controlling interests	Net assets
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											
Loss attributable to owners of parent			(3,166)		(3,166)						(3,166)
Purchases of treasury shares				(0)	(0)						(0)
Change in ownership interest of parent due to transactions with non-controlling											
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 Changes in Equity

FY2017 (Apr'17-Mar'18)

	Shareholders' equity					Accumulated other comprehensive income				Yen (millions)	
	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	Non-controlling interests	Net assets
Beginning balance	28,301	22,622	(44,908)	(46)	5,969	23	825	(2,896)	(2,046)	716	4,638
Changes of items during period											
Loss attributable to owners of parent			(630)		(630)						(630)
Purchases of treasury shares				(1)	(1)						(1)
Change in ownership interest of parent due to transactions with non-controlling		346			346						346
Net changes of items other than shareholders' equity						15	122	516	653	(712)	(59)
Total changes of items during period	-	346	(630)	(1)	(285)	15	122	516	653	(712)	(345)
Ending balance	28,301	22,968	(45,539)	(47)	5,683	38	948	(2,380)	(1,393)	4	4,293

Consolidated Statement of Cash Flows
Millions of yen

	FY2016 Apr'16-Mar'17	FY2017 Apr'17-Mar'18
Cash flows from operating activities		
Loss before income taxes	(2,622)	(449)
Depreciation and amortization	2,443	2,092
Refunded gain of capital reduction with compensation	(65)	-
Impairment loss	2,403	527
Increase (decrease) in net defined benefit liability	(650)	(366)
Increase (decrease) in allowance for doubtful accounts	(42)	64
Interest and dividend income	(21)	(20)
Interest expenses	123	123
Foreign exchange losses (gains)	0	0
Share of (profit) loss of entities accounted for using equity method	141	85
Loss (gain) on sales of property, plant and equipment	(3)	(84)
Loss on retirement of non-current assets	81	50
Subsidy income	(477)	-
Decrease (increase) in notes and accounts receivable-trade	97	(1,847)
Decrease (increase) in inventories	18	(335)
Increase (decrease) in notes and accounts payable-trade	(865)	1,347
Increase (decrease) in accrued expenses	(433)	133
Other, net	204	(457)
Subtotal	329	863
Interest and dividend income received	21	20
Proceeds from subsidy income	477	-
Interest expenses paid	(119)	(122)
Income taxes paid	(382)	(194)
Net cash provided by (used in) operating activities	327	567
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,335)	(2,280)
Proceeds from sales of property, plant and equipment	120	391
Purchase of intangible assets	(93)	(69)
Purchase of investment securities	(4)	(4)
Proceeds from capital reduction with compensation	65	-
Other, net	(5)	4
Net cash provided by (used in) investing activities	(3,252)	(1,959)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,290	2,485
Purchase of treasury shares	(0)	(1)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(385)
Repayments of finance lease obligations	(556)	(539)
Net cash provided by (used in) financing activities	733	1,559
Effect of exchange rate change on cash and cash equivalents	(221)	14
Net increase (decrease) in cash and cash equivalents	(2,414)	181
Cash and cash equivalents at beginning of period	5,952	3,538
Cash and cash equivalents at end of period	3,538	3,720

Consolidated Business Segment Information

Millions of yen

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
Other Items					
Depreciation	1,816	627	2,443	-	2,443
Investment to entities accounted for using equity method	-	258	258	-	258
Increase in property, plant and equipment and intangible assets	2,579	992	3,571	-	3,571

FY2017 Apr'17-Mar'18

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Materials			
Net sales					
Unaffiliated customers	48,536	24,592	73,129	-	73,129
Intersegment	-	-	-	-	-
Total	48,536	24,592	73,129	-	73,129
Segment income (loss)	1,814	(1,147)	666	-	666
Segment assets	34,577	15,799	50,376	677	51,054
Other Items					
Depreciation	1,798	294	2,092	-	2,092
Investment to entities accounted for using equity method	-	197	197	-	197
Increase in property, plant and equipment and intangible assets	2,283	389	2,672	-	2,672

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, 2018, 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, employment environment and capital investment 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 especially for the potential glowing field such as IoT, automotive, telecommunications and also strived to develop new customers in the global market. expand the sales volume of Ni-MH batteries ,Lithium batteries and Multi-layer power inductors for industrial use. And FDK accelerated characteristic improvement of cathode material for All-Solid Lithium-Ion batteries which was developed in the last fiscal year and FDK promoted development of practical application technology for early sample shipment. For consumer business, FDK strived to expand internet sales while Alkaline batteries and Ni-MH batteries are hard to grow at stores in North America.

Regarding the business results for this fiscal year of Battery business, sales of Lithium batteries and Power storage systems remained steady, but sales of Alkaline batteries and Ni-MH batteries decreased. Regarding the business results for this fiscal year of Electronic Device business, sales of Multi-layer power inductors and Coil devices remained steady but sales of DC-DC power modules, Ceramics, Signal processing modules for LCD decreased. As for business results in FY2017, net sales were 73,129 million Yen, decreased by 552 million Yen (-0.7%) from the last fiscal year.

With regard to profit and loss in the Battery Business, profit was almost same as the last fiscal year by sales increase of Lithium batteries and Power storage system as well as cost reduction although profit was affected by decrease of sales for Alkaline batteries and Ni-MH batteries, and increase of material cost. And in the Electronic Device business, loss decreased from the last fiscal year due to sales increase of Multi-layer power inductor, Switching power supplies and Coil device as well as the impact of fixed costs reduction by impairment treatment of fixed assets implemented in the last fiscal year, while sales of DC-DC Power module, Ceramics and Signal processing modules for LCD decreased. As a result of working on reduction of all expenses throughout the company and also working on engineering VE and reduction of material cost, the operating profit was 666 million yen, increased by 997 million yen from the last fiscal year (it was 330 million yen operating loss in the last fiscal year).

The ordinary profit was 78 million yen due to foreign exchange losses of 434 million yen as non-operating expenses (the ordinary loss was 697 million yen in the last fiscal year). The loss attributable to owners of parent in the fiscal year 2017 was 630 million yen due to an impairment loss of 527 million Yen on fixed assets related to alkaline batteries in Battery business and Electronic Device business (it was 3,166 million yen loss attributable for owners of parent in the last fiscal year).

The divisional sales overview is as follows.

1.2 Battery Business

Sales of Alkaline batteries was decreased from the last fiscal year due to sales decrease of OEM products for North America and Europe market, while the business for internet sales were stable. Sales of Ni-MH batteries decreased from the last fiscal year, due to decrease of the products for overseas consumer market, although sales of industrial use such as backup application of emergency light were steady. Sales of Power Storage Systems was increased from the last fiscal year due to steady sales of backup use for server, elevator and telecommunication equipment. Sales of Lithium batteries increased from the last fiscal 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 last fiscal year due to steady sales of component assembly equipment for automobile.

As a result, sales for the Battery business was 48,536 million yen, decreased by 871 million yen from the same period last year.

1.3. Electronic Device Business

Sales of Coil devices increased from the last fiscal year, due to steady sales for automotive equipment, LED lighting and various production equipment use. Sales of Multi-layer Power Inductor products was increased from the last

fiscal year, due to steady sales for smart phone and integrated circuit application for industrial equipment. Sales of Ceramic products decreased from the last fiscal year due to the sluggishness in digital still camera market. Sales of DC-DC Power Module decreased from the last fiscal year due to the sales decrease for network equipment. Sales of Signal Processing Modules for LCD decreased from the last fiscal year, due to sales decrease for tablet terminal and medium, large size LCD display. Sales of Switching Power Supply was increased from the last fiscal year due to steady sales for semiconductor manufacturing equipment.

As a result, sales for the Electronic Device business were 24,592 million yen, increased by 319 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 FY2017 increased by 1,921 million yen (3.9%) from the end of the previous fiscal year to 51,054 million yen. Current assets increased by 1,847 million yen (5.9%) from the end of the previous fiscal year to 33,323 million yen. Non-current assets increased by 73 million yen (0.4%) from the end of the previous fiscal year to 17,730 million yen. The principal causes for increased current assets were a 1,888 million yen increase in notes and accounts receivable-trade.

Total liabilities at the end of FY2017 increased by 2,267 million yen (5.1%) from the end of the previous fiscal year to 46,760 million yen. Current liabilities increased by 3,586 million yen (9.7%) from the end of the previous fiscal year to 40,564 million yen. Non-current liabilities decreased by 1,319 million yen (-17.6%) from the end of the previous fiscal year to 6,196 million yen. The principal cause of increased current liabilities were a 2,485 million yen increase in short-term loans payable and a 1,378 million yen increase in notes and accounts payable-trade. The principal cause of decreased non-current liabilities were a 600 million yen decrease in long-term accounts payable – other and a 444 million yen decrease in net defined benefit liability.

The interest-bearing debt increased by 2,182 million yen from the end of the previous fiscal year to 20,477 million yen.

Total net assets at the end of FY2017 increased by 345 million yen (7.4%) from the end of the previous fiscal year to 4,293 million yen. The main factors for the decrease in total net assets were a 712 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 and a 630 million yen decrease in retained earnings posting by a loss attributable to owners of parent, though there was a 516 million yen increase in non-controlling interests posting by a remeasurements of defined benefit plans.

2.2 Cash Flow Condition

Cash flows from operating activities increased by 567 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 increase in notes and accounts payable-trade, though was a decrease in cash by posting a increase in notes and accounts receivable-trade (Cash flows from operating activities for the last fiscal year increased by 327 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 1,959 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 3,252 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 1,559 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 and 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 increased by 733 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on March 31, 2018 was 3,720 million yen, a increase of 181 million yen from the beginning of this fiscal year.

Ref: Changes in cash flow indicators

	FY2013	FY2014	FY2015	FY2016	FY2017
Equity ratio (%)	10.6	13.8	13.0	8.0	8.4
Market value equity ratio (%)	54.6	70.0	48.6	71.3	106.4
Debt to cash flow ratio (%)	4.8	9.9	3.2	55.8	36.1
Interest coverage ratio (%)	29.2	13.4	40.4	2.7	4.6

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, 2019

In the future business environment, although personal consumption is on a moderate recovery trend, still uncertainties such as geopolitical risks are prospected.

As a “Smart Energy Manager” that combines battery technology, circuit technology and power electronics technology “globally to contribute to society with technology that efficiently uses electric energy”, FDK group provides service and value to meet the expectations of shareholders, customers and other stakeholders by “One FDK”.

Mobility society such as IoT, automotive, 5G is evolving rapidly. Under these circumstances, FDK develops and supplies high performance, high quality batteries, electronic products and synergy products combining these technologies for the industrial market. And FDK strives to expand sales in Japan and overseas with high quality and high performance FUJITSU batteries and OEM products for the consumer market. In addition, FDK will strategically invest in newly developed batteries including large capacity “Mega Twicell” Ni-MH batteries and All-Solid Lithium-Ion batteries, and plan to introduce them at an early stage in the future.

As for the business forecast for the FY2018, FDK targets net sales at 74,000 million yen, operating profit at 700 million yen, ordinary profit at 200 million yen, and Profit attributable to owners of the parent at 100 million yen. Regarding the exchange rate for FY2018, FDK sets it at 105 yen per US dollar and at 115 yen per Euro.