

Consolidated Financial Results for the Third Quarter Ended December 31, 2017  
(April 1, 2017 to December 31, 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](mailto:skuma@fdk.co.jp)

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

1. Consolidated Results for the Nine-Months Period Ended December 31, 2017

a. Consolidated Statements of Income

	Yen (millions)		Change (%)	Yen	U.S.Dollars
	Nine months ended Dec. 31,	Nine months ended Dec. 31,		(millions)	(millions)
	2016	2017		FY2016, ended Mar. 31, 2017	Nine months ended Dec. 31, 2017
<b>Net Sales</b>	55,571	54,894	(1.2)	73,682	\$485.57
<b>Operating Profit (Loss)</b>	(227)	638	-	(330)	\$5.64
<b>Ordinary Profit (Loss)</b>	(320)	429	-	(697)	\$3.79
<b>Profit (Loss) attributable to owner of parent</b>	(641)	226	-	(3,166)	\$2.00

Amounts Per Share of Common Stock:

Basic Earnings	(2.29) yen	0.81 yen	(11.30) yen	0.71 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, 2016	Nine months ended Dec. 31, 2017	FY2016, ended Mar. 31, 2017	Nine months ended Dec. 31 2017
<b>Batteries</b>	36,986	36,366	49,408	\$321.68
<b>Electronic Devices</b>	18,584	18,527	24,273	\$163.88
<b>Total</b>	55,571	54,894	73,682	\$485.57

c. Consolidated Financial Position

	Yen (millions)	
	As of March 31, 2017	As of Dec. 31, 2017
	<b>Total Assets</b>	49,132
<b>Total Net Assets</b>	4,638	5,392
<b>Shareholders' Equity</b>	5,969	6,540
<b>Shareholders' Equity Ratio</b>	8.0 %	10.2 %

#### d. Consolidated Statements of Cash Flows

	Yen (millions)	
	Nine months ended Dec. 31, 2016	Nine months ended Dec. 31, 2017
	<b>Cash Flows from Operating Activities</b>	(537)
<b>Cash Flows from Investing Activities</b>	(1,921)	(1,392)
<b>Cash Flows from Financing Activities</b>	1,499	1,854
<b>Cash and Cash Equivalents at End of Period</b>	4,885	4,908

(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 113.05 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	72,000	(2.3) %	73,682
Operating Profit (Loss)	600	-	(330)
Ordinary Profit (Loss)	250	-	(697)
Profit (Loss) attributable to owners of parent	10	-	(3,166)
Net Income (Loss) per Share	0.04 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 January 30, 2018.

#### 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.  
December 31, 2017: 280,363,026 shares    March 31, 2017: 280,363,026 shares
- 2) Number of treasury shares at the end of each period  
December 31, 2017: 270,156 shares    March 31, 2017: 266,012 shares
- 3) Weighted average number of shares outstanding in each period.  
December 31, 2017: 280,095,267 shares    December 31, 2016: 280,100,758 shares

## Consolidated Balance Sheet

### Millions of yen

	FY2016 March 31, 2017	Q3/FY2017 December 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,538	4,908
Notes and accounts receivable-trade	18,427	19,776
Merchandise and finished goods	3,016	2,906
Work in process	2,662	3,001
Raw materials and supplies	2,186	2,955
Deferred tax assets	108	21
Other	1,576	1,075
Allowance for doubtful accounts	(40)	(31)
<b>Total current assets</b>	<b>31,475</b>	<b>34,613</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures, net	6,339	6,243
Machinery, equipment and vehicles, net	4,596	4,713
Tools, furniture and fixtures, net	1,059	1,035
Land	2,556	2,562
Leased assets, net	1,366	1,431
Construction in progress	563	789
<b>Total property, plant and equipment</b>	<b>16,481</b>	<b>16,775</b>
Intangible assets	504	525
Investments and other assets		
Investment securities	178	196
Long-term loans receivable	1	1
Deferred tax assets	27	43
Other	463	541
Allowance for doubtful accounts	(0)	(0)
<b>Total investments and other assets</b>	<b>670</b>	<b>782</b>
<b>Total non-current assets</b>	<b>17,656</b>	<b>18,083</b>
<b>Total assets</b>	<b>49,132</b>	<b>52,697</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	13,852	15,554
Short-term loans payable	16,970	19,620
Lease obligations	515	497
Accounts payable-other	2,512	2,494
Income taxes payable	394	212
Other	2,732	2,244
<b>Total current liabilities</b>	<b>36,977</b>	<b>40,623</b>
<b>Non-current liabilities</b>		
Lease obligations	809	681
Deferred tax liabilities	227	204
Net defined benefit liability	4,291	4,046
Long-term accounts payable - other	1,817	1,362
Other	369	387
<b>Total non-current liabilities</b>	<b>7,515</b>	<b>6,681</b>
<b>Total liabilities</b>	<b>44,493</b>	<b>47,305</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	28,301	28,301
Capital surplus	22,622	22,968
Retained earnings	(44,908)	(44,682)
Treasury shares	(46)	(46)
<b>Total shareholders' equity</b>	<b>5,969</b>	<b>6,540</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	23	33
Foreign currency translation adjustment	825	1,376
Remeasurements of defined benefit plans	(2,896)	(2,561)
<b>Total accumulated other comprehensive income</b>	<b>(2,046)</b>	<b>(1,151)</b>
<b>Non-controlling interests</b>	716	3
<b>Total net assets</b>	<b>4,638</b>	<b>5,392</b>
<b>Total liabilities and net assets</b>	<b>49,132</b>	<b>52,697</b>

## Consolidated Statement of Income

Millions of yen

	Q3/FY2016	Q3/FY2017
	April 16 - December 16	April 17 - December 17
<b>Net sales</b>	55,571	54,894
Cost of sales	47,165	45,790
<b>Gross profit</b>	8,406	9,104
Selling, general and administrative expenses	8,633	8,466
<b>Operating profit (loss)</b>	(227)	738
Non-operating income		
Interest income	14	13
Foreign exchange gains	39	-
Gain on sales of non-current assets	-	134
Refunded gain of capital reduction with compensation	65	-
Rent income	16	17
Other	88	62
Total non-operating income	224	228
Non-operating expenses		
Interest expenses	89	91
Foreign exchange losses	-	84
Share of loss of entities accounted for using equity method	94	73
Loss on retirement of non-current assets	72	43
Other	60	143
Total non-operating expenses	317	437
<b>Ordinary profit (loss)</b>	(320)	429
<b>Profit (loss) before income taxes</b>	(320)	429
Income taxes-current	326	158
Income taxes-deferred	(42)	44
Total income taxes	284	203
Profit (loss)	(605)	225
Profit (Loss) attributable to non-controlling interests	36	(0)
<b>Loss attributable to owners of parent</b>	(641)	226

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

	Q3/FY2016	Q3/FY2017
	<u>April 16 - December 16</u>	<u>April 17 - December 17</u>
<b>Profit (loss)</b>	(605)	225
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	3	9
Foreign currency translation adjustment	(61)	518
Remeasurements of defined benefit plans, net of tax	340	334
Share of other comprehensive income of entities accounted for using equity method	(21)	31
Other comprehensive income	261	895
<b>Comprehensive income</b>	<u>(344)</u>	<u>1,120</u>
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(384)	1,121
Comprehensive income attributable to non-controlling interests	40	(0)

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

	Q3/FY2016	Q3/FY2017
	April 16 - December 16	April 17 - December 17
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(320)	429
Depreciation and amortization	1,803	1,561
Refunded gain of capital reduction with compensation	(65)	-
Increase (decrease) in net defined benefit liability	(554)	(238)
Increase (decrease) in allowance for doubtful accounts	(41)	(10)
Interest and dividend income	(17)	(16)
Interest expenses	89	91
Foreign exchange losses (gains)	(0)	(0)
Share of (profit) loss of entities accounted for using equity method	94	73
Loss (gain) on sales of property, plant and equipment	(2)	(82)
Loss on retirement of non-current assets	72	43
Decrease (increase) in notes and accounts receivable-trade	(1,478)	(882)
Decrease (increase) in inventories	(960)	(837)
Increase (decrease) in notes and accounts payable-trade	1,484	1,241
Increase (decrease) in accrued expenses	(876)	(440)
Other, net	618	55
Subtotal	(155)	988
Interest and dividend income received	17	16
Interest expenses paid	(88)	(95)
Income taxes paid	(310)	(168)
Net cash provided by (used in) operating activities	(537)	740
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,030)	(1,685)
Proceeds from sales of property, plant and equipment	102	376
Purchase of intangible assets	(58)	(68)
Purchase of investment securities	(3)	(3)
Income by reduction of capital for a fee	65	-
Other, net	4	(11)
Net cash provided by (used in) investing activities	(1,921)	(1,392)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,910	2,650
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	(410)	(409)
Net cash provided by (used in) financing activities	1,499	1,854
<b>Effect of exchange rate change on cash and cash equivalents</b>	(107)	167
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,067)	1,369
<b>Cash and cash equivalents at beginning of period</b>	5,952	3,538
<b>Cash and cash equivalents at end of period</b>	4,885	4,908

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

**Q3/FY2016 April 16 - December 16**

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
<b>Net sales</b>					
Unaffiliated customers	36,986	18,584	55,571	-	55,571
Intersegment	-	-	-	-	-
Total	36,986	18,584	55,571	-	55,571
<b>Segment profit (loss)</b>	1,322	(1,549)	(227)	-	(227)

**Q3/FY2017 April 17 - December 17**

	Business Segments Reported		Total	Adjustments	Consolidated Statements
	Batteries	Electronic Devices			
<b>Net sales</b>					
Unaffiliated customers	36,366	18,527	54,894	-	54,894
Intersegment	-	-	-	-	-
Total	36,366	18,527	54,894	-	54,894
<b>Segment profit (loss)</b>	1,424	(785)	638	-	638

## **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, 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, 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 for the potential glowing with expanding of 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 performance improvement 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 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.

As for Battery business result in this period, sales of Alkaline batteries and Ni-MH batteries in consumer market of North America decreased though sales of Lithium batteries and Power Storage System were stable. As for Electronic Device business result, sales of Signal Processing Modules for LCD and DC-DC Power Module decreased though sales of Multi-layer Power Inductor and Coil devices were stable. As a result, consolidated sales of this period ended December 31, 2017 was 54,894 million yen, decreased by 676 million yen (-1.2%) from the same period last year.

With regard to profit and loss in the Battery Business, profit was increased by sales increase of Lithium batteries and Power Storage System as well as cost reduction and favorable impact of currency exchange ratio although profit was affected by decrease of sales for Alkaline batteries and Ni-MH batteries and increase of material cost in this period. And in the Electronic Device business, loss decreased from the same period of last year due to sales increase of Multi-layer power inductor and Toner as well as the impact of fixed costs reduction by impairment treatment of fixed assets implemented in the previous fiscal year, while sales of signal processing modules for LCD and DC-DC Power module decreased. As a result, the operating profit was 638 million yen, increased by 865 million yen from the same period of last year (it was 227 million yen operating loss in the same period of last year). The ordinary profit was 429 million yen (ordinary loss was 320 million yen in the same period last year). The profit attributable to owners of parent in this period ended December 31, 2017 was 226 million yen (it was 641 million yen loss attributable for owners of parent in the same period last year). It was achieved by non-operating income of 134 million yen as the gain on sale of fixed assets, though non-operating expenses of foreign exchange losses of 84 million yen and investment loss of 73 million yen by equity method.

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 for North America and Europe market, while the business for internet sales and private brand business sales were stable. Sales of Ni-MH batteries decreased from the same period last 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 same period of last year due to steady sales of backup use for server, elevator and telecommunication equipment. 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 36,366 million yen, decreased by 620 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 equipment, LED lighting and various production equipment use. 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 network equipment. Sales of Signal Processing Modules for LCD decreased from the same period last year, due to sales decrease for tablet terminal and medium, large size LCD display. Sales of Switching Power Supply was increased from the same period of last year due to steady sales for semiconductor manufacturing equipment.

As a result, sales for the Electronic Device business were 18,527 million yen, decreased by 56 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 FY2017 increased by 3,564 million yen (7.3%) from the end of the previous fiscal year to 52,697 million yen. Current assets increased by 3,137 million yen (10.0%) from the end of the previous fiscal year to 34,613 million yen. Non-current assets increased by 427 million yen (2.4%) from the end of the previous fiscal year to 18,083 million yen. The principal causes for increased current assets were a 1,369 million yen increase in cash and deposit, a 1,348 million yen increase in notes and accounts receivable-trade and a 769 million yen increase in raw materials and supplies. The principal cause for increased non-current assets were a 293 million yen increase in property, plant and equipment.

Total liabilities at the end of nine months in FY2017 increased by 2,811 million yen (6.3%) from the end of the previous fiscal year to 47,305 million yen. Current liabilities increased by 3,646 million yen (9.9%) from the end of the previous fiscal year to 40,623 million yen. Non-current liabilities decreased by 834 million yen (-11.1%) from the end of the previous fiscal year to 6,681 million yen. The principal cause of increased current liabilities were a 2,650 million yen increase in short-term loans payable and a 1,701 million yen increase in notes and accounts payable-trade. The principal cause of decreased non-current liabilities were a 455 million yen decrease in long-term accounts payable – other.

The interest-bearing debt increased by 2,504 million yen from the end of the previous fiscal year to 20,799 million yen.

Total net assets at the end of nine months in FY2017 increased by 753 million yen (16.2%) from the end of the previous fiscal year to 5,392 million yen. The main factors for the increase in total net assets were a 550 million yen increase in foreign currency translation adjustment, a 346 million yen increase in capital surplus and a 334 million yen increase in remeasurements of defined benefit plans, though was 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.

### **2.2 Cash Flow Condition**

Cash flows from operating activities increased by 740 million yen from the beginning of this fiscal year due to an increase in cash and cash equivalents (“cash”) by posting an increase in depreciation and amortization and an increase in notes and accounts payable-trade, though was a decrease in cash by posting a decrease in note and accounts payable-trade and decrease in inventories (Cash flows from operating activities for the last fiscal year decreased by 537 million yen from the beginning of the last fiscal year).

Cash flows from investment activities decreased by 1,392 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 1,921 million yen from the beginning of the last fiscal year).

Cash flows from financing activities increased by 1,854 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 1,499 million yen from the beginning of the last fiscal year).

As a result, the balance of cash and cash equivalents on December 31, 2017 was 4,908 million yen, an increase of 1,369 million yen from the beginning of this fiscal year.

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

Please refer to the “Announcement of the Revised Financial Forecast” announced on January 30, 2018.

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.