

Management and Organizational Structure

Management Direction and Corporate Governance

The FDK Group will contribute to further advancement of electronics industries by developing and providing electronic products and batteries, and will perform social responsibilities, in order to be a trusted, good corporate citizen.

FDK Group Management Direction

The FDK Group makes it its mission to realize abundant electronic society by developing and providing electronic parts and batteries of quality that satisfies customers. For this purpose, the FDK Group provides high quality products of high utility value to the customers all over the world by fully utilizing our own material, circuit and high density packaging technologies nourished for years and by integrating the efforts and enthusiasm of all employees in the Group. Aiming at being recognized as a key device supplier of highly advanced electronic products, the FDK Group will endeavor to contribute to the development of technologies and environmental protection. In addition, the FDK Group will further enhance its corporate value through timely and accurately responding to changes of its business environment and an effective utilization of its corporate resources by promoting production innovation activities to build a firm and stable management foundation, as well as managing the company in compliance with the relevant laws and regulations.

Corporate Governance

The FDK Group aims at speedy and accurate decision-making as well as highly transparent and efficient corporate management, through which it will strengthen its corporate governance.

Our Basic Attitudes toward Corporate Governance

The FDK Group believes that well-established corporate governance will enhance the healthiness and the fairness and transparency of a company and increase the value of our shareholders. Standing on the idea, the FDK Group's organizational structure is revised as necessary to improve the quality of the organization and to implement necessary measures and policies. In addition, the Group is committed proactively to disclosing its corporate information to ensure transparent and socially just corporate management. For example, its corporate information is disclosed in a timely manner, and its financial statements are available on the Internet.

Measures for Ensuring Corporate Governance

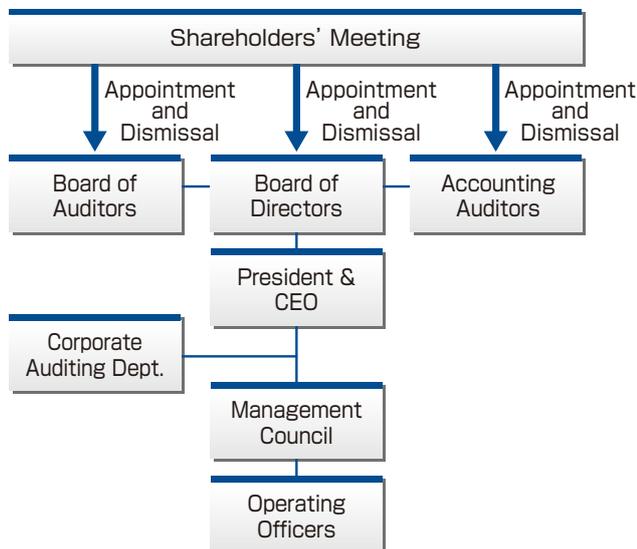
The FDK Group separates management administration functions and business operation functions. Since June 2002, an operating officer system has been put into effect. Currently the Group's board of directors consists of four directors including one external board member. The small-in-size board of directors ensures a prompt decision making process. The board of directors meeting is held once a month where important corporate management matters are decided and operations of business are monitored and supervised. There are 3 director and operating officers and 9 operating officers in office.

The Management Council is convened once a month to decide on business matters. As decisions on important business matters require a resolution at the meeting of board of directors, the Council is in principle held one week before the meeting of board of directors to facilitate its process.

There are 4 corporate auditors, and 2 out of them are 'outside corporate auditors' stipulated in Article 2, Paragraph 16 of the corporate law. The corporate auditors attend the meeting of board of directors, Management Council and other committees held from time to time. In addition to it, their role includes business report hearings from directors. All of these effectively ensure the conduct of business in compliance to corporate governance by closely monitoring the business activities of the directors. The auditor's meeting is held every 3 months in principle, where each auditor makes a report on how he/she monitors the business of the FDK Group.

The effectiveness and efficiency of their auditing activities are ensured by maintaining close communication among accounting auditors, corporate auditors and Corporate Auditing Dept. through exchanging information and opinions among them from time to time.

Corporate Governance Structure



Compliance

In order to fulfill its social accountability as a company, the FDK Group designated the 'FDK Group Corporate Conduct Guidelines' in October 2000 to show its policy to comply with the relevant laws and regulations. Since then, the FDK Group has been conducting its business by abiding by it to gain trust of consumers and suppliers. The guideline is distributed to all employees including directors, and is displayed at all workplaces to remind our employees of the importance of observing laws and regulations as well as maintaining good corporate ethics.

Every time a law or a regulation are modified or newly established, an in-house explanatory meeting is held to keep our employees informed of the latest legal information and to ensure that they act in compliance to the laws and regulations. The information is also distributed on our intranet as well.

As a part of the activities, an explanatory meeting was held in May, October and December of FY2005 to update the legal information on personal data protection, export control and subcontractor trading, respectively.

In FY2006, the FDK Group will establish an internal control system to prevent any cases of compliance violation from happening and further ensure compliance in operating activities.

For this purpose, 'Basic policy for internal control' was approved by the board of directors in May this year. The policy describes establishment of a system complying with Issue No.6, Paragraph 4 of Article 362 of the corporate law and Article 100 of the enforcement regulation of corporate law, and improvement of a system to ensure appropriate business conduct of a corporation. Based on the policy, the FDK Group further reinforces its corporate governance and compliance.

FDK possesses personal data of users and customers obtained mainly in a form of customer information and others through consultation from users of our batteries. Please refer to 'Information Security and Protection of Personal Data' on P9.

FDK Group Corporate Conduct Guidelines

1. Customer Satisfaction

- We supply safe and high quality products and services for the needs of customers.

2. Environmental Consciousness

- We promote resource saving, energy saving and make an ongoing effort to protect the global environment.

3. Contribute to Society

- We, as a good corporate citizen, actively contribute to society.
- We respect the culture and customs of every country in the world with the global perspective and contribute to the development of the region.

4. Fair Trade

- We have sensible course of business behavior, and conduct fair and free competition.
- We communicate widely with the society and disclose our corporate information justly and timely.

5. Compliance with Law

- We act with sense of ethics and comply with laws and social codes.

Environmental Management and Environmental Protection Activities

In order to pass the irreplaceable global environment to the next generation, the FDK Group thrives to preserve the environment under the corporate philosophy of 'FDK Group Loves Nature for the Future of the Earth'. Recognizing deeply that a corporate activity is closely related to the entire environment of our planet as well as to the activities of the local community, the FDK endeavors to co-exist with the society and to be a company widely-trusted by the society.

The FDK Group sets the following items as priority issues in conducting business activities including development, design and manufacturing of various electronic parts, dry batteries and machines.

- (1) To promote development of eco-friendly products
- (2) To facilitate reduction and recycling of wastes
- (3) To encourage energy-saving activities
- (4) To control chemical substances appropriately
- (5) To promote green procurement
- (6) To contribute to the environmental protection of the society and the local community

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Risk Management

The FDK Group strengthens its risk management by comprehending possible business risks and implementing risk alleviation measures.

Risk Management System

The FDK Group listed its business risks and determined the corresponding section. Members are currently working for compiling a 'Risk management manual' and an 'Disaster response manual.' FDK's Kosai Plant is located in Tokai Region where Tokai earthquake would occur at any time. In order to ensure the plant continuing our production activity and rehabilitating from damages smoothly, a business continuity plan (BCP) is currently under formation.

In addition, the FDK prepares for any unexpected emergencies that may occur in and out of Japan. In order to minimize damages, a 'Risk Management Office' by the president will be established where damage information is collected and analyzed to decide measures immediately.

Actions against Natural Disasters

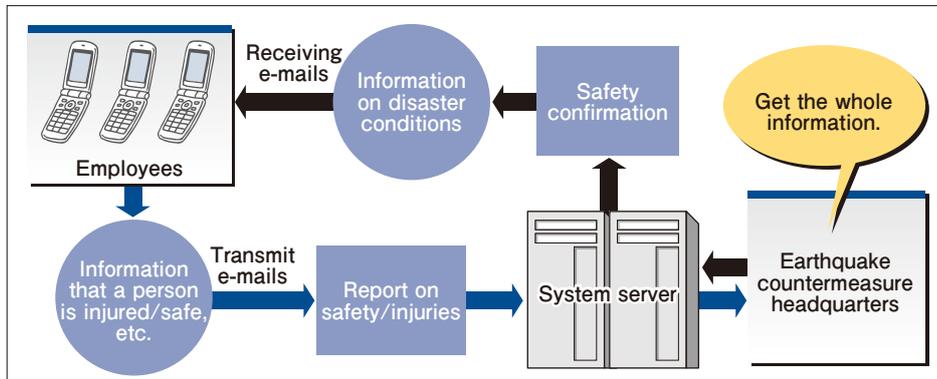
The FDK Group is also prepared for unforeseeable natural disasters including Tokai and Tonankai earthquakes that could happen in the future. These are the biggest potential threat to its conduct of business in Japan. The FDK Group revised its risk management organization to quickly respond to such natural disasters including those could happen in overseas.

The revised risk management organization includes a close communication network among FDK Group companies and reinforces the function of the Risk Management Office to ensure that necessary measures are taken in the case of emergency.

Kosai Plant is situated in the era where Tokai earthquake could happen at any time. As such, the plant concluded a disaster cooperation agreement with Kosai City so that any emergency

can be promptly communicated to the local community should it happen, and rehabilitation and other necessary measures can be taken in cooperation with the local citizens. In emergency situations, the plant's fire brigade is dispatched to the disaster area for fire fighting, first-aid and rescue purposes. In addition to this, the plant plans to test a safety confirmation system using a mobile phone as early as possible.

Safety Confirmation System



Protection of Intellectual Properties

In order to secure a unique and unshakable position in the industry, the FDK Group is committed to creating and protecting intellectual properties. Actually, Intellectual Property Dept. plans and proposes a company-wide intellectual property strategy which is then operated and controlled across divisions. A regular in-house workshop trains engineers to provide the latest information on intellectual properties. Any infringement of patents owned by a third party could cause tremendous losses and damages to the company. The FDK Group is committed to implementing various measures to prevent patent infringement from occurring and to protect our own patents as time to time.

Diagram of Management System for Intellectual Property

