

FY 2004 Half-Year Consolidated Financial Results

(April 1, 2004 to September 30, 2004)

FDK CORPORATION

Listing Code No.6955 (Listing Stock Exchange: The first section of Tokyo Stock Exchange)

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1. Summary of Consolidated Operating Results

a. Summary of Consolidated Results of Operations

	Yen (millions)			Change(%)	Yen	U.S.Dollars
	1st. Half FY2004	1st. Half FY2003	FY2003		(millions)	(millions)
Net Sales	¥51,894	¥45,730	+13.5%	¥102,668	\$467.51	
Operating Income	1,452	628	+131.2%	1,650	\$13.08	
Income(Loss) Before Income Taxes and Minority Interests	783	(1,475)	-	(8,311)	\$7.05	
Net Income (Loss)	226	(1,493)	-	(8,755)	\$2.04	
Amounts Per Share of Common Stock:						
Basic Earnings (Loss)	1.77 yen	(17.98) yen	-	(105.18) yen	1.59 cent	
Diluted earnings	-	-	-	-	-	

(Notes)

1. Figures in this report are rounded to the nearest million yen.
2. The percentage in the net sales and operating income represent the rate of change compared with the corresponding period of the previous year.
3. All yen figures have been converted to U.S.dollars for convenience only at a uniform rate of \$1=111 yen

b. Net Sales by Business Segment

	Yen (millions)			Change(%)	Yen	U.S.Dollars
	1st. Half FY2004	1st. Half FY2003	FY2003		(millions)	(millions)
Electronic Components	¥40,272	¥35,523	+13.4%	¥80,621	\$362.81	
Batteries	11,622	10,207	+13.9%	22,047	\$104.70	
Total	¥51,894	¥45,730	+13.5%	¥102,668	\$467.51	

c. Summary of Consolidated Financial Condition

	Yen (millions)		Change(%)	Yen	U.S.Dollars
	9/30/2004	9/30/2003		3/31/2004	(millions)
Total Assets	¥76,433	¥78,678		¥78,864	\$688.59
Shareholders' Equity	4,368	210		4,203	\$39.35
Shareholders' Equity Ratio	5.7%	0.3%		5.3%	
Shareholders' Equity Per Share	2.87 yen	2.53 yen		1.58 yen	2.59 cent

Notes:

Shareholders' equity per share was calculated by excluding 4 billion yen obtained by the allocation of new share to the third party as preferred stocks in the last fiscal year.

d. Summary of Consolidated Statements of Cash Flows

	Yen (millions)		Yen (millions)
	1st. Half FY2004	1st. Half FY2003	FY2003
Cash Flows from			
Operating Activities	¥3,136	(¥1,217)	(¥1,233)
Cash Flows from			
Investing Activities	(1,810)	(946)	(2,143)
Cash Flows from			
Financing Activities	(1,498)	(3,199)	578
Cash and Cash Equivalents at Year End	9,553	6,930	9,098
Consolidated Subsidiaries		16 companies	
Unconsolidated Subsidiaries		- companies	
Affiliates (equity method applied only)		- companies	

**3.Reference - FY2004 Consolidated Financial Forecast (April 1, 2004 - March 31, 2005)
Consolidated Earnings Forecast**

	Yen (million)	change(%)
Net Sales	¥104,000	+1.3%
Operating Income	3,400	+106.1%
Net Income	500	-
Net Income per Share	3.91 yen	-

Note for the use of our forecasted business results.

The forecast described above is based upon information available as of the present time. Actual results may differ largely from the forecast due to changing conditions, potential risks and other uncertainties.

Consolidated Statements of Operations

	Yen (millions)		
	1H of FY2004 (Apr-Sep'04)	1H of FY2003 (Apr-Sep'03)	FY2003 (Apr'03-Mar'04)
Net sales	¥ 51,894	¥ 45,730	¥ 102,668
Operating costs and expenses			
Cost of sales	45,102	39,867	90,074
Selling, general and administrative expenses	5,340	5,235	10,944
	<u>50,442</u>	<u>45,102</u>	<u>101,018</u>
Operating income (loss)	1,452	628	1,650
Other income (expenses)			
Interest and dividend income	29	29	49
Interest charges	(361)	(415)	(796)
Other, net (Note)	(337)	(1,717)	(9,214)
	<u>(669)</u>	<u>(2,103)</u>	<u>(9,961)</u>
Income (loss) before income taxes and minority interests	783	(1,475)	(8,311)
Income taxes			
Current	452	171	391
Deferred	37	(157)	26
	<u>489</u>	<u>14</u>	<u>417</u>
Income (loss) before minority interests	294	(1,489)	(8,728)
Minority interests in income of consolidated subsidiaries	(68)	(4)	(27)
Net income (loss)	<u>¥ 226</u>	<u>¥ (1,493)</u>	<u>¥ (8,755)</u>

Consolidated Balance Sheets

	Yen (millions)		
	30-Sep-04	30-Sep-03	31-Mar-04
Assets			
Current assets			
Cash and time deposit	¥ 9,575	¥ 7,062	¥ 9,112
Notes receivable-trade	1,541	1,612	2,086
Accounts receivable-trade	24,645	22,651	26,234
Inventories	9,439	11,577	9,672
Deferred tax assets	136	177	180
Other current assets	2,901	3,073	3,306
Less: Allowance for doubtful receivable	(77)	(112)	(75)
Total current assets	48,160	46,040	50,515
Tangible fixed assets			
Building and structures	9,911	10,835	10,034
Other depreciable assets	10,912	14,423	11,596
Land	4,409	4,497	4,428
Construction in progress	1,222	644	378
Total tangible fixed assets	26,454	30,399	26,436
Intangible assets	960	1,240	1,046
Investments and long-term loans			
Securities investments	135	118	131
Deferred tax assets	159	339	152
Other investments and long-term loans	565	542	584
Total investments	859	999	867
Total assets	¥ 76,433	¥ 78,678	¥ 78,864
Liabilities, minority interests and shareholders' equity			
Current liabilities			
Notes payable-trade	¥ 286	¥ 307	¥ 448
Account payable-trade	21,907	19,320	23,051
Short-term borrowings	22,562	30,408	22,744
Current portion of long-term debt	12,131	3,526	9,614
Accrued income taxes	359	98	156
Other current liabilities	3,989	3,835	4,390
Total current liabilities	61,234	57,494	60,403
Long-term liabilities			
Long-term debt	4,941	16,054	8,688
Accrued retirement benefits	4,402	3,381	4,116
Other long-term liabilities	62	81	85
Total long-term liabilities	9,405	19,516	12,889
Minority interests in consolidated subsidiaries	1,426	1,458	1,369
Shareholders' equity			
Common stock	19,256	13,206	19,256
Capital surplus	13,635	7,585	13,635
Retained earnings(Deficit)	(27,020)	(19,761)	(27,023)
Unrealized gains (losses) on securities, net of taxes	13	5	12
Foreign currency translation adjustments	(1,498)	(812)	(1,662)
Treasury stock	(18)	(13)	(15)
Total shareholders' equity	4,368	210	4,203
Total Liabilities, minority interests and shareholders' equity	¥ 76,433	¥ 78,678	¥ 78,864

Consolidated Statements of Cash Flows

	Yen (millions)		
	1H of FY2004	1H of FY2003	FY2003
	(Apr-Sep'04)	(Apr-Sep'03)	(Apr'03-Mar'04)
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ 782	¥ (1,475)	¥ (8,311)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	1,957	2,297	4,400
(Increase) decrease in receivable-trade	4,173	(2,145)	(7,312)
(Increase) decrease in inventories	(354)	(1,272)	153
Increase (decrease) in payable-trade	(3,117)	2,163	7,581
Other, net	369	(11)	3,603
Cash generated from operations	3,810	(443)	114
Interest paid	(367)	(418)	(854)
Interest and dividends received	36	29	49
Income taxes paid	(343)	(385)	(542)
Net cash provided by operating activities	<u>3,136</u>	<u>(1,217)</u>	<u>(1,233)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets	(1,897)	(1,477)	(2,917)
Proceeds from sales of tangible fixed assets	93	44	192
Purchase of intangible assets	(8)	(19)	(40)
Other, net	2	506	622
Net cash used in investing activities	<u>(1,810)</u>	<u>(946)</u>	<u>(2,143)</u>
Cash flows from financing activities			
Proceeds from long-term debt	30	125	207
Repayment of long-term debt	(1,067)	(1,818)	(2,855)
Increase (decrease) in short-term borrowings	(439)	(1,505)	(8,871)
Proceeds from issuance of new common stock	-	-	12,100
Other, net	(22)	(1)	(3)
Net cash provided by (used in) financing activities	<u>(1,498)</u>	<u>(3,199)</u>	<u>578</u>
Effect of exchange rate changes on cash and cash equivalents	187	(99)	(495)
Net increase (decrease) in cash and cash equivalents	15	(5,461)	(3,293)
Cash and cash equivalents at beginning of year	9,098	12,391	12,391
Increase in cash from change of consolidated accounting period of consolidated subsidiaries	440	-	-
Cash and cash equivalents at end of year	<u>¥ 9,553</u>	<u>¥ 6,930</u>	<u>¥ 9,098</u>

Consolidated Statements of Shareholders' Equity

	Yen (millions)		
	30-Sep-04	30-Sep-03	31-Mar-04
Common Stock:			
Beginning balance	<u>¥ 19,256</u>	<u>¥ 13,206</u>	<u>¥ 13,206</u>
Increase from capital stock issued	-	-	6,050
Ending balance	<u>¥ 19,256</u>	<u>¥ 13,206</u>	<u>¥ 19,256</u>
Capital Surplus:			
Beginning balance	<u>¥ 13,635</u>	<u>¥ 7,585</u>	<u>¥ 7,585</u>
Increase in capital surplus from capital stock issued	-	-	6,050
Ending balance	<u>¥ 13,635</u>	<u>¥ 7,585</u>	<u>¥ 13,635</u>
Retained Earnings(Deficit)			
Beginning balance	<u>¥ (27,023)</u>	<u>¥ (18,268)</u>	<u>¥ (18,268)</u>
Net increase(decrease) from change of consolidated accounting period of consolidated subsidiaries	¥ (223)	-	-
Net income(loss)	¥ 226	(1,493)	(8,755)
Ending balance	<u>¥ (27,020)</u>	<u>¥ (19,761)</u>	<u>¥ (27,023)</u>
Unrealized Gain(loss) on Securities,net of taxes:			
Beginning balance	<u>¥ 12</u>	<u>¥ 41</u>	<u>¥ 41</u>
Net increase in unrealized gain(loss) on securities	1	(36)	(29)
Ending balance	<u>¥ 13</u>	<u>¥ 5</u>	<u>¥ 12</u>
Foreign Currency Translation Adjustments:			
Beginning balance	<u>¥ (1,662)</u>	<u>¥ (846)</u>	<u>¥ (846)</u>
Net increase in foreign currency transaction adjustment	164	34	(816)
Ending balance	<u>¥ (1,498)</u>	<u>¥ (812)</u>	<u>¥ (1,662)</u>
Treasury Stock:			
Beginning balance	<u>¥ (15)</u>	<u>¥ (12)</u>	<u>¥ (12)</u>
Net decrease(increase) Treasury stock	(3)	(1)	(3)
Ending balance	<u>¥ (18)</u>	<u>¥ (13)</u>	<u>¥ (15)</u>

Consolidated Business Segment Information

		Yen (millions)		
		1H of FY2004 (Apr-Sep'04)	1H of FY2003 (Apr-Sep'03)	FY2003 (Apr'03-Mar'04)
Electronic Materials	Net Sales			
	Unaffiliated Customers	¥ 40,272	¥ 35,523	¥ 80,621
	Intersegment	-	-	-
	Total	¥ 40,272	¥ 35,523	¥ 80,621
	Operating Income (Loss)	¥ 399	¥ (32)	¥ (123)
Batteries	Net Sales			
	Unaffiliated Customers	¥ 11,622	¥ 10,207	¥ 22,047
	Intersegment	-	-	-
	Total	¥ 11,622	¥ 10,207	¥ 22,047
	Operating Income (Loss)	¥ 1,053	¥ 660	¥ 1,773
Elimination	Net Sales	-	-	-
	Operating Income	-	-	-
Total	Net Sales			
	Unaffiliated Customers	¥ 51,894	¥ 45,730	¥ 102,668
	Intersegment	-	-	-
	Total	¥ 51,894	¥ 45,730	¥ 102,668
	Operating Income (Loss)	¥ 1,452	¥ 628	¥ 1,650

Consolidated Geographic Segment Information

		Yen (millions)		
		1H/FY2004 (Apr-Sep'04)	1H/FY2003 (Apr-Sep'03)	FY2003 (Apr'03-Mar'04)
Japan	Net Sales			
	Unaffiliated Customers	¥ 32,368	¥ 30,018	¥ 65,084
	Intersegment	3,853	4,530	8,610
	Total	¥ 36,221	¥ 34,548	¥ 73,694
	Operating Income (Loss)	¥ 1,062	¥ 1,189	¥ 2,164
Asia	Net Sales			
	Unaffiliated Customers	¥ 18,351	¥ 14,270	¥ 34,959
	Intersegment	10,847	11,525	20,630
	Total	¥ 29,198	¥ 25,795	¥ 55,589
	Operating Income (Loss)	¥ 773	¥ 128	¥ 645
North America	Net Sales			
	Unaffiliated Customers	¥ 1,175	¥ 1,442	¥ 2,625
	Intersegment	0	0	0
	Total	¥ 1,175	¥ 1,442	¥ 2,625
	Operating Income (Loss)	¥ (44)	¥ (104)	¥ (230)
Elimination	Net Sales	(14,700)	(16,055)	(29,240)
	Operating Income	(339)	(585)	(929)
Total	Net Sales			
	Unaffiliated Customers	¥ 51,894	¥ 45,730	¥ 102,668
	Intersegment	-	-	-
	Total	¥ 51,894	¥ 45,730	¥ 102,668
	Operating Income (Loss)	¥ 1,452	¥ 628	¥ 1,650

Net Overseas Sales by Customer's Geographic Location

		Yen (millions)		
		1H/FY2004 (Apr-Sep'04)	1H/FY2003 (Apr-Sep'03)	FY2003 (Apr'03-Mar'04)
Asia		¥ 21,688	¥ 18,136	¥ 38,913
North America		3,644	2,975	5,809
Other countries		2,756	2,982	6,588
Total		¥ 28,088	¥ 24,093	¥ 51,310

Business Performance and Finances

Business Performance Overview

At the beginning of the first half of FY2004, sales of electronic components remained very favorable thanks to the market expansion by the Athens Olympic boom as well as other factors. However, slowdown of the sales occurred especially in the flat panel display field in the latter of the term, which had been continuously grown.

Under these circumstances, FDK continuously strived for improvement in achievements by powerful promotion of productivity reform project carried out the company-wide to strengthen low-cost manufacturing structure.

As a result, our net sales for the first half of FY2004 reported 51,894 million yen, which were up 13.5% from the same term last year. Thanks to the sales extension of hybrid module products especially for plasma displays and for liquid crystal displays.

In terms of profits, operating income was up 131% from the same term of the last year, to 1,452 million yen, ordinary income was 786 million yen and interim net income was 226 million yen due to the promotion of organizational reform including reduction of unprofitable products and thorough cost reduction.

Electronic Component Business

The hybrid modules for plasma displays and for liquid crystal displays achieved large sales associated with the demand expansion of large-sized flat screen TVs due to the Athens Olympic though the slowdown of the sales occurred in the latter half of the term. The sales of switching power supplies were continuously increased due to the sales expansion of those for servers and flat panel displays. For the stepper motors, sales were increased in compact models for digital cameras but decreased for OA equipment. The sales amount of whole stepper motors fell short of the same term last year.

According to the above-mentioned situation, the sales of the electronic component business rose 13.4 % from the same term last year, to 40,272 million yen and operating income rose to 399 million yen.

Battery Business

Under the severe market environment at domestic market by severe price competition, sales promotion of the high-performance alkaline battery G series was strengthened, and overseas sales were highly increased in North American market. Consequently, the sales recorded 11,622 million yen of 13.4% increase from the same term last year and operating income recorded 1,053 million yen.

Projections

With respect to FDK's projected results in the third quarter and beyond, the electronic component market would change tremendously from the business environment of the first half and rapid slowdown of the market would be expected. Thus, it is expected that market competition would be much intense in the second half of the fiscal year.

The present business forecast of the fiscal year ended March 2005 is as follows.

Projections for FY2004 (April 1, 2004-March 31,2005)		
Consolidated Earnings Forecast		
	Yen (million)	change (%)
Net sales	104,000	+1.3
Operating income	3,400	+106.0
Income before tax	1,350	-
Net income	500	-

The above projections are based on conditions that FDK anticipates at this time. Actual results may differ largely from projections due to changing conditions, potential risks and other uncertainties.

Cash Flow Condition

Net cash provided by operating activities increased 3,136 million yen from the end of the last fiscal year due to the posted of income before income taxes and minority interests as well as our effort of debt collection.

Net cash used in investing activities decreased 1,810 million yen from the end of the last fiscal year due to the capital investment in new products and hybrid modules to enhance. Net cash used in financing activities decreased 1,498 million yen from the end of the last fiscal year due to the payment for redemption of borrowing.

With change of the accounting period of subsidiaries, cash and cash equivalents increased 440million yen from the end of the last fiscal year. As a result of these activities, balance of cash and cash equivalents at the end of the first half of FY2004 was 9,553 million yen, an increase of 456 million yen from the end of the last fiscal year.