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FOR IMMEDIATE RELEASE

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## FDK Reports FY2002 Half-Year Financial Results

### 1. Summary of Consolidated Results

#### a. Summary of Consolidated Statements of Operations

	Yen (millions)			Change(%)	Yen	U.S.Dollars
	1st Half	1st Half			(million)	(thousands)
	FY2002(*1)	FY2001(*2)			FY2001(*3)	1st Half FY2002
<b>Net Sales</b>	¥43,165	¥52,567	-17.9	¥100,614	\$350,935	
<b>Operating Income(loss)</b>	(532)	583	-	(227)	(\$4,325)	
<b>Income(loss) Before Income Taxes and minority interests</b>	(3,063)	(1,632)	-	(11,482)	(\$24,902)	
<b>Net Income(loss)</b>	(3,193)	(1,762)	-	(12,308)	(\$25,959)	
<b>Amounts Per Share of Common Stock:</b>						
Basic earnings(loss)	(38.44) yen	(21.21) yen	-	(148.16) yen	(31) cent	
Diluted Earnings	- yen	- yen	-	- yen	- cent	

#### b. Net Sales by Business Segment

	Yen (millions)			Change(%)	Yen	U.S.Dollars
	1st Half	1st Half			(million)	(thousands)
	FY2002	FY2001			FY2001	1st Half FY2002
<b>Electronic Components</b>	¥32,306	¥39,100	-17.4	¥75,239	\$262,650	
<b>Batteries</b>	10,859	13,467	-19.4	25,375	\$88,285	
<b>Total</b>	¥43,165	¥52,567	-17.9	¥100,614	\$350,935	

#### c. Summary of Consolidated Financial Condition

	Yen (millions)			U.S.Dollars
	2002/9/30	2001/9/30	2002/3/31	(thousands) 2002/9/30
<b>Total Assets</b>	¥80,548	¥96,777	¥85,010	\$654,862
<b>Shareholders'Equity</b>	5,190	16,106	6,381	\$42,195
<b>Shareholders'Equity Ratio</b>	6.4%	16.6%	7.5%	6.4%
<b>Shareholders'Equity Per Share</b>	62.49 yen	193.87 yen	76.82 yen	51 cent

**d.Summary of Consolidated Statements of Cash Flows**

	Yen (millions)			U.S.Dollars (thousands)
	1st Half FY2002	1st Half FY2001	FY2001	1st Half FY2002
<b>Cash Flows from</b>				
<b>Operating Activities</b>	¥115	¥2,679	(¥1,356)	\$935
<b>Cash Flows from</b>				
<b>Investing Activities</b>	(2,536)	(3,865)	(6,544)	(\$20,618)
<b>Cash Flows from</b>				
<b>Financing Activities</b>	2,525	(2,645)	(883)	\$20,528
<b>Cash and Cash Equivalents at End of period</b>	9,722	14,393	9,798	\$79,041

<b>Consolidated Subsidiaries</b>	16 companies
<b>Unconsolidated Subsidiaries</b>	7 companies
<b>Affiliates(equity method applied only)</b>	- companies

**2.Projections for FY2002 (April 1,2002-March 31, 2003)**

**Consolidated Earnings Forecast**

	Yen (million)	change(%)	U.S.Dollars (thousands)
Net Sales	¥95,300	-5.3	\$774,797
Operating Income	900	-	\$7,317
Net Income(loss)	(4,500)	-	(\$36,585)
Net Income(loss) per Share	(54.17) yen	-	(44) cent

Note :

All yen figures have been converted to U.S.dollars for convenience only at a uniform rate of \$1=123yen

\*1. 1st Harf FY2002 : April 1,2002 - September 30, 2002

\*2. 1st Harf FY2001 : April 1,2001 - September 30, 2001

\*3. FY2001 : April 1,2001 - march 31, 2002

## Consolidated Statements of Operations

	Yen (millions)		
	1H of FY2002	1H of FY2001	FY2001
<b>Net sales</b>	¥ 43,165	¥ 52,567	¥ 100,614
<b>Operating costs and expenses</b>			
Cost of sales	37,885	44,638	86,339
Selling, general and administrative expenses	5,812	7,346	14,502
	<u>43,697</u>	<u>51,984</u>	<u>100,841</u>
<b>Operating income (loss)</b>	(532)	583	(227)
<b>Other income (expenses)</b>			
Interest and dividend income	44	69	106
Equity in earnings (losses) of affiliates, net	0	(27)	(70)
Interest charges	(372)	(439)	(819)
Other, net	(2,203)	(1,818)	(10,472)
	<u>(2,531)</u>	<u>(2,215)</u>	<u>(11,255)</u>
<b>Income (loss) before income taxes and minority interests</b>	(3,063)	(1,632)	(11,482)
<b>Income taxes</b>			
Current	139	162	198
Deferred	(28)	(98)	537
	<u>111</u>	<u>64</u>	<u>735</u>
<b>Income (loss) before minority interests</b>	(3,174)	(1,696)	(12,217)
<b>Minority interests in income of consolidates subsidiaries</b>	(19)	(66)	(91)
<b>Net income (loss)</b>	<u>¥ ( 3,193)</u>	<u>¥ ( 1,762)</u>	<u>¥ ( 12,308)</u>

## Consolidated Balance Sheets

	Yen (millions)		
	30-Sep-02	30-Sep-01	31-Mar-02
<b>Assets</b>			
<b>Current assets</b>			
Cash and time deposit	¥ 10,187	¥ 14,922	¥ 10,456
Notes receivable-trade	2,079	2,262	2,192
Accounts receivable-trade	19,262	25,423	21,911
Inventories	10,358	15,484	12,016
Deferred tax assets	155	407	176
Other current assets	2,993	3,059	3,981
Less: Allowance for doubtful receivable	(120)	(154)	(134)
Total current assets	<u>44,914</u>	<u>61,403</u>	<u>50,598</u>
<b>Tangible fixed assets</b>			
Building and structures	11,566	10,936	11,816
Other depreciable assets	16,375	17,963	17,665
Land	4,484	1,657	1,715
Construction in progress	421	1,058	372
Total tangible fixed assets	<u>32,846</u>	<u>31,614</u>	<u>31,568</u>
<b>Intangible assets</b>	<u>1,426</u>	<u>1,428</u>	<u>1,429</u>
<b>Investments and long-term loans</b>			
Securities investments	518	1,028	556
Deferred tax assets	155	509	129
Other investments and long-term loans	689	795	730
Total investments	<u>1,362</u>	<u>2,332</u>	<u>1,415</u>
<b>Total assets</b>	<u>¥ 80,548</u>	<u>¥ 96,777</u>	<u>¥ 85,010</u>
<b>Liabilities, minority interests and shareholders' equity</b>			
<b>Current liabilities</b>			
Notes Payable-trade	¥ 258	¥ 1,667	¥ 948
Account payable-trade	10,379	15,750	13,213
Short-term borrowings	35,781	38,113	34,783
Current portion of long-term debt	3,789	5,435	4,121
Accrued income taxes	167	161	109
Other current liabilities	5,918	8,101	8,345
Total current liabilities	<u>56,292</u>	<u>69,227</u>	<u>61,519</u>
<b>Long-term liabilities</b>			
Long-term debt	13,970	5,472	12,220
Accrued retirement benefits	4,001	5,008	3,715
Other long-term liabilities	130	39	140
Total long-term liabilities	<u>18,101</u>	<u>10,519</u>	<u>16,075</u>
<b>Minority interests in consolidated subsidiaries</b>	<u>965</u>	<u>925</u>	<u>1,035</u>
<b>Shareholders' equity</b>			
Common stock	13,206	13,206	13,206
Capital surplus	7,585	7,583	7,583
Deficit	(15,194)	(3,983)	(14,530)
Unrealized gains (losses) on securities, net of taxes	70	(185)	87
Foreign currency translation adjustments	(471)	(515)	37
Treasury stock	(6)	0	(2)
Total shareholders' equity	<u>5,190</u>	<u>16,106</u>	<u>6,381</u>
<b>Total Liabilities, minority interests and shareholders' equity</b>	<u>¥ 80,548</u>	<u>¥ 96,777</u>	<u>¥ 85,010</u>

## Consolidated Statements of Cash Flows

	Yen (millions)		
	1H of FY2002	1H of FY2001	FY2001
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes and minority interests	¥ ( 3,062)	¥ ( 1,632)	¥ ( 11,482)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	2,654	2,849	5,524
Equity in earnings of affiliates, net	0	27	70
(Increase) decrease in receivable-trade	2,264	4,766	9,016
(Increase) decrease in inventories	1,409	105	4,011
Increase (decrease) in payable-trade	(2,811)	(1,773)	(6,285)
Other, net	42	(596)	(666)
Cash generated from operations	496	3,746	188
Interest paid	(345)	(455)	(847)
Interest and dividends received	44	69	106
Income taxes paid	(80)	(681)	(803)
Net cash provided by operating activities	<u>115</u>	<u>2,679</u>	<u>(1,356)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	(2,573)	(4,315)	(7,410)
Proceeds from sales of tangible fixed assets	20	610	606
Purchase of intangible assets	(169)	(56)	(155)
Other, net	186	(104)	415
Net cash used in investing activities	<u>(2,536)</u>	<u>(3,865)</u>	<u>(6,544)</u>
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt	3,784	396	8,120
Repayment of long-term debt	(3,357)	(2,319)	(4,832)
Increase (decrease) in short-term borrowings	2,102	(477)	(3,958)
Proceeds from issuance of new common stock	-	-	-
Dividends paid	0	(249)	(249)
Other, net	(4)	4	36
Net cash provided by (used in) financing activities	<u>2,525</u>	<u>(2,645)</u>	<u>(883)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(180)</u>	<u>(28)</u>	<u>329</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(76)</u>	<u>(3,859)</u>	<u>(8,454)</u>
<b>Cash and cash equivalents at beginning of year</b>	9,798	18,252	18,252
<b>Increase in cash from new consolidation of subsidiaries</b>	-	-	-
<b>Cash and cash equivalents at end of period</b>	<u>¥ 9,722</u>	<u>¥ 14,393</u>	<u>¥ 9,798</u>

## Consolidated Statements of Shareholders' Equity

	Yen (millions)		
	30-Sep-02	30-Sep-01	31-Mar-02
<b>Common Stock:</b>			
Beginning balance	¥ 13,206	¥ 13,206	¥ 13,206
Increase from capital stock issued	-	-	-
Ending balance	¥ 13,206	¥ 13,206	¥ 13,206
<b>Capital Surplus:</b>			
Beginning balance	¥ 7,583	¥ 7,583	¥ 7,583
Increase in capital surplus from merger with a subsidiary	2		
Transfer to Retained Earnings	-	-	-
Ending balance	¥ 7,585	¥ 7,583	¥ 7,583
<b>Retained Earnings(Deficit)</b>			
Beginning balance	¥ ( 14,530)	¥ ( 1,942)	¥ ( 1,942)
Decrease in deficit from merger with a subsidiary	2,529	-	-
Transfer from Capital Surplus	-	-	-
Cash dividends paid	-	(250)	(250)
Others	-	(29)	(30)
Net income(loss)	(3,193)	(1,762)	(12,308)
Ending balance	¥ ( 15,194)	¥ ( 3,983)	¥ ( 14,530)
<b>Unrealized Gain(loss) on Securities,net of taxes:</b>			
Beginning balance	¥ 87	¥ ( 77)	¥ ( 77)
Net increase in unrealized gain(loss) on securities	(17)	(108)	164
Ending balance	¥ 70	¥ ( 185)	¥ 87
<b>Foreign Currency Translation Adjustments:</b>			
Beginning balance	¥ 37	¥ ( 701)	¥ ( 701)
Net increase in foreign currency transaction adjustment	(508)	186	738
Ending balance	¥ ( 471)	¥ ( 515)	¥ 37
<b>Treasury Stock:</b>			
Beginning balance	¥ ( 2)	¥ ( 2)	¥ ( 5)
Net decrease(increase) Treasury stock	(4)	2	3
Ending balance	¥ ( 6)	¥ 0	¥ ( 2)

## **Management Directions**

### **The mission and core values of the FDK group**

The FDK group contributes to the progress of technology as an environment-friendly component manufacturer who pursues the motto of: "Everything made from excellent materials." By constantly improving its leading edge technologies for material development, the group also strives to position itself as a key device supplier in the advanced field of information technology. The group will work to enhance its corporate values and soundness by strategically and efficiently using of all resources to meet the changes of the business environment, while contributing to society through principled corporate activity which is expected to further improve and generate the value for the company.

### **Management strategy**

The market for electronic products is subject to temporary slowdown due to featureless market stemming from the IT slump. However, the intermediate term still holds great expectations for the information and communications field. Under such circumstances, FDK will intensify the offerings of solutions to customer by developing products that utilize its strengths in material technology and the high-density mounting technology.

We base our field of business on broadband networking and network related equipment, mobile communications equipment, as well as aiming at strong deployment efforts in the automotive, amusement, and the environmental fields. Moreover, in order to heighten price competitiveness, further low-cost manufacturing is promoted by streamlining domestic production bases and efficient use of overseas factories.

A harsh business environment is expected to continue into the future. In such an environment, rationalization measures such as streamlining domestic production bases and constant cost reduction must be resolutely conducted in to cope with the severe situation. Moreover, to ensure the fastest recovery of the company's performance, it must aim with the highest priority at developing products swiftly in accordance with customer's needs, and concentrating management resources on its core business in accordance with product strategies based on the mid- and long-term perspective. Furthermore, striving for improvement and strengthening of its financial structure is critical.

## **Business performance and finances**

### **Business performance overview**

Although some areas of the information and communication fields have showed signs of recovery in the beginning of 2002, market conditions have continued to lag in the mid-term. Furthermore, the slackening of American economy and the uncertain prospects of corporate earnings in the end of this mid-term as well as a plunge in worldwide stock market has harshened the environment surrounding the company.

FDK has strengthened its enterprise base efficiently in the last fiscal year. The FDK group has by shifted its ferrite business to China, rationalized mainly by reducing the staff Japan

and overseas, concentrated management resources to growth fields focusing on broadband Internet related products, and strengthened its group alignment and the like. However, the market is still in a slump with a central focus on information and communication field. Especially for the optical communications business, which was cultivated and considered as one of the pillars of our company, it has come under ruinous outside influences, in addition to the continued failure of North America communication efforts. Therefore, a short-term recovery was difficult. Moreover, while market was still inelastic, there are great pressures from the further intensified competition of the rapidly rising of Chinese manufacturers. Consequently, the net sales decreased by 17.9% over the corresponding period of last year resulting sales of 43,165 million yen, the operating loss is 532 million yen and the mid-term net loss is 3,193 million yen.

#### Electric components

Although the sales of hybrid modules for liquid crystal and plasma displays, and stepper motors for OA apparatus and VCO of cellular phones have elongated, the sales of switching power supply and coil devices, have declined. Moreover, optical communications parts, such as optical isolators and optical attenuators have decreased sharply due to inactivity of the optical-communications market. Consequently, the net sales of the whole enterprise decreased by 17.4% compared with the corresponding period of last year resulting in 32,306 million yen in sales.

#### Batteries

Although with the inflow of overseas products and intensified price competition, the same amount of net sales as the corresponding period of last year was secured from general domestic customers. However, the dry cell production equipment was less than the corresponding period of last year because of a shipment adjustment of major overseas customer. Consequently, the sales of the whole enterprise changed to 10,859 million yen with a decrease of 19.4% compared with the corresponding period of last year. In addition, in order to strengthen battery business, the battery-manufacturing department was spun off into a separate company, and the "FDK ENERGY incorporated company" was founded. The new company provides products with price competitiveness and high quality through a management organization concentrated on the low-cost manufacturing.

#### **Cash Flow**

The cash flow from operating activities at this mid-term showed a net loss before adjustment for taxes of 3,062 million yen, although there was an increase in fund of 115 million yen according to reduction of inventory and efforts put into management efficiency.

The cash flow from investment activities of this mid-term was reduced to 2,536 million yen due to the investment of stepper motor business and hybrid module business in overseas subsidiaries.

Moreover, the cash flow from financing activities of this mid-term increased 2,525 million yen because of increased borrowing.

Consequently, the balance of cash and cash equivalent at the end of mid-term decreased by 76 million yen, resulting in a balance of 9,722 million yen.



## Projections

Along with the economic slump, the information and communication fields have showed signs of long-term stagnation, due to the intensified market competition from Chinese manufacturers. Therefore, a severer business environment is expected in the future years

At present, the outlook of 2003 March quarter is as follows:

### Outlook for FY2002 (April 1,2002-March 31, 2003)

#### Consolidated Earnings Forecast

Yen (million)	change (%)		
Net Sales		95,300	-5.3
Operating income		900	-
Net Income (loss)		(4,500)	-

The above forecast takes in consideration of the estimated impact of a worsening in the worldwide economic deceleration and uncertain ramifications that might diminish the company's results somehow and cause a slight difference with the actual achievements. These negative factors include the supply-and-demand trends of products and components in major markets, exchange rates, etc.