

July 27, 2006

## FY 2006 First Quarter Consolidated Financial Results

(April 1, 2006 to June 30, 2006)

## FDK CORPORATION

Listing Code No.6955 (Listing Stock Exchange: The First Section of Tokyo Stock Exchange)

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## 1.Items Relevant to Preparation of Quarterly Financial Results

## (1)Adoption of simplified accounting methods: Yes

Calculation of taxes including corporate tax - adopted the methods used effective tax rate.

## (2)Changes in accounting policies: No

## (3)Changes in scope of consolidation or application of equity method: No

## 2.Consolidated Operating Results for the First Quarter of FY2006 (April 1, 2006 to June 30, 2006)

## a. Results of Consolidated Operations

	Yen (millions)		Change(%)	Yen	U.S.Dollars
	FY2006 1st. Qtr.	FY2005 1st. Qtr.		(millions)	(millions)
Net Sales	¥28,805	¥25,609	12.5	¥118,109	\$250.48
Operating Income(Loss)	(266)	(405)	-	967	(\$2.31)
Income(Loss) Before Income Taxes And Minority Interests	(681)	(752)	-	(2,502)	(\$5.92)
Net Income (Loss)	(824)	(874)	-	(3,326)	(\$7.17)
Net Loss Per Share Of Common Stock					
Basic Earnings (Loss)	(6.44) yen	(6.84) yen	-	(26.00) yen	(5.6cent)

## (Notes)

1.The percentage in the above statement presents rate of change compared with corresponding period of the previous year.

2. All yen figures have been converted to U.S.dollars for convenience only at a uniform rate of \$1=115 yen

## b. Summary of Consolidated Financial Condition

	Yen (millions)		Yen
	FY2006 1st. Qtr.	FY2005 1st. Qtr.	(millions)
Total Liabilities and Assets	¥71,529	¥73,409	¥76,616
Total Net Assets	5,797	7,932	6,340
Capital to Asset Ratio	7.3%	10.8%	8.3%
Total Net Assets Per Share	(40.63) yen	(23.97) yen	(36.42)

## Note:

Total net assets per share was calculated by excluding 11 billion yen obtained by the allocation of new shares to the third party as preferred shares.

c. Summary of Consolidated Statements of Cash Flows

	Yen (millions)		Yen (millions)
	FY2006 1st Qtr	FY2005 1st. Qtr.	FY2005
Cash Flows from Operating Activities	1,792	1,669	3,352
Cash Flows from Investing Activities	(842)	(655)	(3,509)
Cash Flows from Financing Activities	(2,728)	(1,232)	(2,636)
Cash and Cash Equivalents at End of Term	5,733	9,763	7,577

Consolidated Subsidiaries	16 companies
Unconsolidated Subsidiaries	- companies
Affiliates (equity method applied only)	- companies

3.Reference - Forecasts for the fiscal year ending March 31, 2007

Consolidated Earnings Forecast

	Yen (millions)	
	Six months ending September 30, 2006	Year ending March 31, 2007
Net Sales	¥61,400	¥129,000
Operating Income	850	3,200
Net Income(Loss)	(700)	200

\*Forecast: net income per share(full year): 1.56yen

Note: The forecast for the six month ending September 30, 2006 and the year ending March 31, 2007 are unchanged from April 27, 2006 , though it is anticipated on the occurrence of temporary production adjustment in the LCD market.

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)		
	1Q/FY2006	1Q/FY2005	FY2005
	(Apr-Jun'06)	(Apr-Jun'05)	(Apr'05-Mar'06)
<b>Net sales</b>	¥ 28,805	¥ 25,609	¥ 118,109
<b>Operating costs and expenses</b>			
Cost of sales	26,425	23,305	106,271
Selling, general and administrative expenses	2,646	2,709	10,871
	<u>29,071</u>	<u>26,014</u>	<u>117,142</u>
<b>Operating income (loss)</b>	(266)	(405)	967
<b>Other income (expenses)</b>			
Interest and dividend income	26	36	75
Equity in earnings (losses) of affiliates, net	25	15	39
Interest charges	(118)	(216)	(641)
Other, net	(348)	(182)	(2,942)
	<u>(415)</u>	<u>(347)</u>	<u>(3,469)</u>
<b>Income (loss) before income taxes and minority interests</b>	(681)	(752)	(2,502)
<b>Income taxes</b>			
Current	122	80	755
Deferred	16	43	45
	<u>138</u>	<u>123</u>	<u>800</u>
<b>Income (loss) before minority interests</b>	(819)	(875)	(3,302)
<b>Minority interests in income of consolidated subsidiaries</b>	(5)	1	(24)
	<u>¥ (824)</u>	<u>¥ (874)</u>	<u>¥ (3,326)</u>

## Consolidated Balance Sheets

	Yen (millions)		
	30-Jun-06	30-Jun-05	31-Mar-06
<b>Assets</b>			
<b>Current assets</b>			
Cash and time deposit	¥ 5,748	¥ 9,785	¥ 7,598
Notes receivable-trade	1,146	1,214	976
Accounts receivable-trade	26,092	23,514	29,677
Inventories	9,691	9,470	9,252
Deferred tax assets	150	82	161
	26425	3,365	2,897
Less: Allowance for doubtful receivable	(45)	(123)	(45)
Total current assets	<u>45,807</u>	<u>47,307</u>	<u>50,516</u>
<b>Tangible fixed assets</b>			
Building and structures	8,458	9,478	8,625
Other depreciable assets	9,701	9,102	9,652
Land	4,449	4,391	4,471
Construction in progress	137	150	195
Total tangible fixed assets	<u>22,745</u>	<u>23,121</u>	<u>22,943</u>
<b>Intangible assets</b>			
	670	720	695
<b>Investments and long-term loans</b>			
Securities investments	129	121	238
Deferred tax assets	101	200	109
Other investments and long-term loans	2,077	1,940	2,115
Total investments	<u>2,307</u>	<u>2,261</u>	<u>2,462</u>
<b>Total assets</b>	<u>¥ 71,529</u>	<u>¥ 73,409</u>	<u>¥ 76,616</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes Payable-trade	¥ 162	¥ 299	¥ 173
Account payable-trade	27,954	24,211	28,813
Short-term borrowings	25,720	22,191	28,159
Current portion of long-term debt	1,406	7,400	1,444
Accrued income taxes	206	205	292
Other current liabilities	4,057	3,630	4,336
Total current liabilities	<u>59,505</u>	<u>57,936</u>	<u>63,217</u>
<b>Long-term liabilities</b>			
Long-term debt	817	1,992	1,162
Accrued retirement benefits	5,316	4,949	5,237
Other long-term liabilities	94	81	102
Total long-term liabilities	<u>6,227</u>	<u>7,022</u>	<u>6,501</u>
<b>Total liabilities</b>	<u>65,732</u>	<u>64,958</u>	<u>69,718</u>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	22,756		
Capital surplus	17,167		
Deficit	(33,969)		
Treasury stock	(25)		
Total shareholders' equity	<u>5,929</u>		
<b>Valuation and translation adjustments</b>			
Unrealized gains (losses) on securities, net of taxes	18		
Deferred gains (losses) on hedges	(11)		
Foreign currency translation adjustments	(687)		
Total Valuation and translation adjustments	<u>(680)</u>		
<b>Minority interests in consolidated subsidiaries</b>	<u>548</u>		
<b>Total net assets</b>	<u>5,797</u>		
<b>Total liabilities and net assets</b>	<u>¥ 71,529</u>		
<b>Minority interests in consolidated subsidiaries</b>	-	519	558
<b>Shareholders' equity</b>			
Common stock	-	22,756	22,756
Capital surplus	-	17,135	17,167
Retained earnings(Deficit)	-	(30,767)	(33,145)
Unrealized gains (losses) on securities, net of taxes	-	16	22
Foreign currency translation adjustments	-	(1,186)	(435)
Treasury stock	-	(22)	(25)
Total shareholders' equity	<u>-</u>	<u>7,932</u>	<u>6,340</u>
<b>Total Liabilities, minority interests and shareholders' equity</b>	<u>-</u>	<u>¥ 73,409</u>	<u>¥ 76,616</u>

## Consolidated Statements of Cash Flows

	Yen (millions)		
	1Q/FY2006	1Q/FY2005	FY2005
	(Apr-Jun'06)	(Apr-Jun'05)	(Apr'05-Mar'06)
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes and minority interests	¥ ( 681)	¥ ( 752)	¥ ( 2,502)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
	26425	780	870
Equity in earnings of affiliates, net	(25)	(15)	(39)
(Increase) decrease in receivable-trade	2,996	(234)	(4,954)
(Increase) decrease in inventories	(537)	(1,384)	(815)
Increase (decrease) in payable-trade	(394)	2,592	5,657
Other, net	(88)	1,020	3,992
Cash generated from operations	2,051	2,097	4,809
Interest paid	(118)	(216)	(658)
Interest and dividends received	26	35	75
Income taxes paid	(167)	(244)	(795)
Other, net	-	(3)	(79)
Net cash provided by operating activities	1,792	1,669	3,352
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	(910)	(594)	(3,415)
Proceeds from sales of tangible fixed assets	9	6	309
Purchase of intangible assets	(0)	(8)	(27)
Other, net	59	(59)	(376)
Net cash used in investing activities	(842)	(655)	(3,509)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of new common stock	-	7,000	7,000
Proceeds from long-term debt	-	1	1
Repayment of long-term debt	(337)	(458)	(6,727)
Increase (decrease) in short-term borrowings	(2,382)	(7,760)	(2,923)
Other, net	(9)	(15)	13
Net cash provided by (used in) financing activities	(2,728)	(1,232)	(2,636)
Effect of exchange rate changes on cash and cash equivalents	(66)	105	494
Net increase (decrease) in cash and cash equivalents	(1,844)	(113)	(2,299)
Cash and cash equivalents at beginning of year	7,577	9,876	9,876
Cash and cash equivalents at end of year	¥ 5,733	¥ 9,763	¥ 7,577

## Consolidated Statements of Shareholders' Equity

1Q/FY2006 ( Apr-Jun'06 )

	Shareholders' Equity				Yen (millions)
	Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock	Total shareholders' equity
Beginning balance	¥ 22,756	¥ 17,167	¥ ( 33,145)	¥ ( 25)	¥ 6,753
Increase(decrease)during the term:					
Net income (loss)			(824)		(824)
Acquisition of treasury stocks				0	0
Net increase(decrease)during the term,except for items under shareholders'equity					
Total	0	0	(824)	0	(824)
Ending balance	¥ 22,756	¥ 17,167	¥ ( 33,969)	¥ ( 25)	¥ 5,929

	Valuation and Translation Adjustments				Minority interests in consolidated subsidiaries	Total Net Assets
	Unrealized gains (losses) on securities, net of taxes	Deferred gains(losses) on hedges	Foreign currency translation adjustments	Total Valuation and translation adjustments		
Beginning balance	¥ 22	-	¥ ( 435)	¥ ( 413)	¥ 558	¥ 6,898
Increase(decrease)during the term:						
Net income (loss)						(824)
Acquisition of treasury stocks						0
Net increase(decrease)during the term,except for items under shareholders'equity	(4)	(11)	(252)	(267)	(10)	(277)
Total	(4)	(11)	(252)	(267)	(10)	(1,101)
Ending balance	¥ 18	¥ ( 11)	¥ ( 687)	¥ ( 680)	¥ 548	¥ 5,797

1Q/FY2005(Apr-Jun'05) and FY2005(Apr'05-Mar'06)

	Yen (millions)	
	1Q/FY2005	FY2005
<b>Common Stock:</b>		
Beginning balance	¥ 19,256	¥ 19,256
Increase from capital stock issued	3,500	3,500
Ending balance	¥ 22,756	¥ 22,756
<b>Capital Surplus:</b>		
Beginning balance	¥ 13,635	¥ 13,635
Increase in capital surplus from capital stock issued	3,500	3,500
Others	-	32
Ending balance	¥ 17,135	¥ 17,167
<b>Retained Earnings(Deficit)</b>		
Beginning balance	¥ ( 29,893)	¥ ( 29,893)
Increase in earnings from change of overseas subsidiary's functional currency	-	74
Net income(loss)	(874)	(3,326)
Ending balance	¥ ( 30,767)	¥ ( 33,145)
<b>Unrealized Gains(losses) on Securities,net of taxes:</b>		
Beginning balance	¥ 16	¥ 16
Net increase in unrealized gain(loss) on securities	0	6
Ending balance	¥ 16	¥ 22
<b>Foreign Currency Translation Adjustments:</b>		
Beginning balance	¥ ( 1,759)	¥ ( 1,759)
Net increase in foreign currency transaction adjustment	573	1,324
Ending balance	¥ ( 1,186)	¥ ( 435)
<b>Treasury Stock:</b>		
Beginning balance	¥ ( 21)	¥ ( 21)
Net decrease(increase) Treasury stock	(1)	(4)
Ending balance	¥ ( 22)	¥ ( 25)

# Business Performance and Finances

## **Business Performance Overview**

In the first quarter of FY2006, the FDK Group faced severe management issues due to the appreciation of raw material prices including crude oil, despite the demand expansion for digital equipment including Flat Panel TVs ; and the held of World Cup Soccer accelerated it.

Under these circumstances, the FDK Group promoted to withdraw from unprofitable products and to develop profitable business. The FDK Group strategically worked to develop module products for LCD market. Net sales were 28,805 million yen increased 3,196 million yen compared with the same term last year, for the extension of LCD backlight inverter modules and alkaline batteries in overseas.

Operating activity was improved from the same term last year, and business performance was steadily improved. However, the appreciation of raw materials and disposal of unprofitable products early in the quarter affected to profits. As a result, operational loss was 266 million yen and net loss for the first quarter was 823 million yen.

### **Electronic Component Business**

In electronic component business, the FDK Group proceeded to dispose unprofitable products. Sales of backlight inverter modules for LCDs were largely increased from the same term last year. Sales of timing control boards for LCDs and switching power supplies were almost same as the same term last year. Sales of motors and multilayer power chip inductors were increased from the same term last year.

As a result, sales of the electronic component business were 23,187 million yen of 7.7% increase from the same term last year.

### **Battery Business**

Under the tough price competition, the FDK Group strengthened to get new customers in domestic market. Sales in North America and Europe were increased. As a result, sales of battery business were 5,618 million yen of 37.5% increase from the same term last year.

### **Cash Flow Condition**

Cash flows from operating activities increased 1,792 million yen by the decrease in receivable-trade, though it was affected by the increase in loss before income taxes and minority interests and so on.

Cash flows from investing activities decreased 842 million yen due to the investment for production facilities for LCD inverter modules and so on.

Cash flows from financing activities decreased 2,728 million yen due to the redemption of borrowing.

As a result, the balance of cash and cash equivalents at the end of the first quarter was 5,733 million yen, decreased 1,844 million yen from the balance at the end of the previous fiscal year.