

**FDK Reports FY2003(April 1,2003-March 31, 2004) Financial Results**

**1.Summary of Consolidated Results**

**a.Summary of Consolidated Statements of Operations**

	Yen (millions)			U.S.Dollars (millions)
	FY2003	FY2002	Change(%)	FY2003
<b>Net Sales</b>	¥102,668	¥86,258	19.0	\$977.79
<b>Operating Income</b>	1,650	459	359.5	\$15.71
<b>Income(loss) Before Income Taxes and minority interests</b>	(8,311)	(6,143)	-	(\$79.15)
<b>Net Income(loss)</b>	(8,755)	(6,266)	-	(\$83.38)
<b>Amounts Per Share of Common Stock:</b>				
Basic earnings	(105.18) yen	(75.46) yen	-	(1)dollar
Diluted earnings	-	-	-	-

**b.Net Sales by Business Segment**

	Yen (millions)			U.S.Dollars (millions)
	FY2003	FY2002	Change(%)	FY2003
<b>Electronic Components</b>	¥80,621	¥62,696	28.6	\$767.82
<b>Batteries</b>	22,047	23,562	-6.4	\$209.97
<b>Total</b>	¥102,668	¥86,258	19.0	\$977.79

**c.Summary of Consolidated Financial Condition**

	Yen (millions)	
	2004/3/31	2003/3/31
<b>Total Assets</b>	¥78,864	¥81,371
<b>Shareholders' Equity</b>	4,203	1,706
<b>Shareholders' Equity Ratio</b>	5.3%	2.1%
<b>Shareholders' Equity Per Share</b>	1.58 yen	20.56 yen

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

	Yen (millions)	
	<u>FY2003</u>	<u>FY2002</u>
<b>Cash Flows from</b>		
<b>Operating Activities</b>	(¥1,233)	¥3,967
<b>Cash Flows from</b>		
<b>Investing Activities</b>	(2,143)	(3,686)
<b>Cash Flows from</b>		
<b>Financing Activities</b>	578	2,538
<b>Cash and Cash Equivalents</b>		
<b>at Year End</b>	9,098	12,391

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

Note : All yen figures have been converted to U.S.dollars for convenience only at a uniform rate of \$1=105yen

**2.Projections for FY2004 (April 1,2004-March 31, 2005)****Consolidated Earnings Forecast**

	Yen <u>(million)</u>	<u>change(%)</u>
Net Sales	¥119,900	+16.8
Operating Income	2,450	+48.5
Net Income	2,000	-
Net Income per Share	15.63 yen	-

## Consolidated Statements of Operations

	Yen (millions)		
	FY2003	FY2002	FY2001
<b>Net sales</b>	¥ 102,668	¥ 86,258	¥ 100,614
<b>Operating costs and expenses</b>			
Cost of sales	90,074	74,306	86,339
Selling, general and administrative expenses	10,944	11,493	14,502
	<u>101,018</u>	<u>85,799</u>	<u>100,841</u>
<b>Operating income (loss)</b>	1,650	459	(227)
<b>Other income (expenses)</b>			
Interest and dividend income	33	70	106
Equity in earnings (losses) of affiliates, net	0	0	(70)
Interest charges	(796)	(815)	(819)
Other, net	(9,198)	(5,857)	(10,472)
	<u>(9,961)</u>	<u>(6,602)</u>	<u>(11,255)</u>
<b>Income (loss) before income taxes and minority interests</b>	(8,311)	(6,143)	(11,482)
<b>Income taxes</b>			
Current	391	182	198
Deferred	26	(78)	537
	<u>417</u>	<u>104</u>	<u>735</u>
<b>Income (loss) before minority interests</b>	(8,728)	(6,247)	(12,217)
<b>Minority interests in income of consolidated subsidiaries</b>	(27)	(19)	(91)
<b>Net income (loss)</b>	<u>¥ ( 8,755)</u>	<u>¥ ( 6,266)</u>	<u>¥ ( 12,308)</u>

## Consolidated Balance Sheets

	Yen (millions)		
	31-Mar-04	31-Mar-03	31-Mar-02
<b>Assets</b>			
<b>Current assets</b>			
Cash and time deposit	¥ 9,112	¥ 12,517	¥ 10,456
Notes receivable-trade	2,086	1,658	2,192
Accounts receivable-trade	26,234	20,504	21,911
Inventories	9,672	10,333	12,016
Deferred tax assets	180	210	176
Other current assets	3,306	2,887	3,981
Less: Allowance for doubtful receivable	(75)	(117)	(134)
Total current assets	50,515	47,992	50,598
<b>Tangible fixed assets</b>			
Building and structures	10,034	11,099	11,816
Other depreciable assets	11,596	14,816	17,665
Land	4,428	4,470	1,715
Construction in progress	378	559	372
Total tangible fixed assets	26,436	30,944	31,568
<b>Intangible assets</b>			
	1,046	1,353	1,429
<b>Investments and long-term loans</b>			
Securities investments	131	368	556
Deferred tax assets	152	149	129
Other investments and long-term loans	584	565	730
Total investments	867	1,082	1,415
<b>Total assets</b>			
	¥ 78,864	¥ 81,371	¥ 85,010
<b>Liabilities, minority interests and shareholders' equity</b>			
<b>Current liabilities</b>			
Notes Payable-trade	¥ 448	¥ 398	¥ 948
Account payable-trade	23,051	17,178	13,213
Short-term borrowings	22,744	31,897	34,783
Current portion of long-term debt	9,614	4,089	4,121
Accrued income taxes	156	310	109
Other current liabilities	4,390	4,430	8,345
Total current liabilities	60,403	58,302	61,519
<b>Long-term liabilities</b>			
Long-term debt	8,688	17,111	12,220
Accrued retirement benefits	4,116	2,866	3,715
Other long-term liabilities	85	103	140
Total long-term liabilities	12,889	20,080	16,075
<b>Minority interests in consolidated subsidiaries</b>			
	1,369	1,283	1,035
<b>Shareholders' equity</b>			
Common stock	19,256	13,206	13,206
Capital surplus	13,635	7,585	7,583
Deficit	(27,023)	(18,268)	(14,530)
Unrealized gains on securities, net of taxes	12	41	87
Foreign currency translation adjustments	(1,662)	(846)	37
Treasury stock	(15)	(12)	(2)
Total shareholders' equity	4,203	1,706	6,381
<b>Total Liabilities, minority interests and shareholders' equity</b>			
	¥ 78,864	¥ 81,371	¥ 85,010

## Consolidated Statements of Cash Flows

	Yen (millions)		
	FY2003	FY2002	FY2001
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes and minority interests	¥ ( 8,311)	¥ ( 6,143)	¥ ( 11,482)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	4,400	5,263	5,524
Equity in earnings of affiliates, net	0	0	70
(Increase) decrease in receivable-trade	(7,312)	1,312	9,016
(Increase) decrease in inventories	153	1,374	4,011
Increase (decrease) in payable-trade	7,581	4,342	(6,285)
Other, net	3,603	(1,490)	(666)
Cash generated from operations	114	4,658	188
Interest paid	(854)	(782)	(847)
Interest and dividends received	49	70	106
Income taxes paid	(542)	21	(803)
Net cash provided by operating activities	<u>(1,233)</u>	<u>3,967</u>	<u>(1,356)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	(2,917)	(4,256)	(7,410)
Proceeds from sales of tangible fixed assets	192	229	606
Purchase of intangible assets	(40)	(218)	(155)
Other, net	622	559	415
Net cash used in investing activities	<u>(2,143)</u>	<u>(3,686)</u>	<u>(6,544)</u>
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt	207	8,562	8,120
Repayment of long-term debt	(2,855)	(3,698)	(4,832)
Increase (decrease) in short-term borrowings	(8,871)	(2,716)	(3,958)
Proceeds from issuance of new common stock	12,100	-	-
Dividends paid	-	-	(249)
Other, net	(3)	390	36
Net cash provided by (used in) financing activities	<u>578</u>	<u>2,538</u>	<u>(883)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(495)</u>	<u>(226)</u>	<u>329</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(3,293)</u>	<u>2,593</u>	<u>(8,454)</u>
<b>Cash and cash equivalents at beginning of year</b>	12,391	9,798	18,252
<b>Increase in cash from new consolidation of subsidiaries</b>	-	-	-
<b>Cash and cash equivalents at end of year</b>	<u>¥ 9,098</u>	<u>¥ 12,391</u>	<u>¥ 9,798</u>

## Consolidated Statements of Shareholders' Equity

	Yen (millions)		
	31-Mar-04	31-Mar-03	31-Mar-02
<b>Common Stock:</b>			
Beginning balance	¥ 13,206	¥ 13,206	¥ 13,206
Increase from capital stock issued	6,050	-	-
Ending balance	¥ 19,256	¥ 13,206	¥ 13,206
<b>Capital Surplus:</b>			
Beginning balance	¥ 7,585	¥ 7,583	¥ 7,583
Increase in capital surplus from capital stock issued	6,050	-	-
Increase in capital surplus from merger with a subsidiary	-	2	-
Transfer to Retained Earnings	-	-	-
Ending balance	¥ 13,635	¥ 7,585	¥ 7,583
<b>Retained Earnings(Deficit)</b>			
Beginning balance	¥ ( 18,268)	¥ ( 14,530)	¥ ( 1,942)
Decrease in deficit from merger with a subsidiary	-	2,528	-
Transfer from Capital Surplus	-	-	-
Cash dividends paid	-	-	(250)
Others	-	-	(30)
Net income(loss)	(8,755)	(6,266)	(12,308)
Ending balance	¥ ( 27,023)	¥ ( 18,268)	¥ ( 14,530)
<b>Unrealized Gain(loss) on Securities, net of taxes:</b>			
Beginning balance	¥ 41	¥ 87	¥ ( 77)
Net increase in unrealized gain(loss) on securities	(29)	(46)	164
Ending balance	¥ 12	¥ 41	¥ 87
<b>Foreign Currency Translation Adjustments:</b>			
Beginning balance	¥ ( 846)	¥ 37	¥ ( 701)
Net increase in foreign currency transaction adjustment	(816)	(883)	738
Ending balance	¥ ( 1,662)	¥ ( 846)	¥ 37
<b>Treasury Stock:</b>			
Beginning balance	¥ ( 12)	¥ ( 2)	¥ ( 5)
Net decrease(increase) Treasury stock	(3)	(10)	3
Ending balance	¥ ( 15)	¥ ( 12)	¥ ( 2)

## **Business Performance and Finances**

### **Business Performance Overview**

The electronic product market has been rapidly recovering due to the demand expansion of digital appliance such as flat screen TVs, digital cameras, third-generation cell-phones, and broadband communications. Development of new services including ground wave digital broadcasting and the coming Athens Olympics have been also stimulating the replacement demand for digital AV appliance.

Under these circumstances, FDK highly utilized its original material technology, and circuit and high-density mounting technology to develop the latest key devices towards realization of the Ubiquitous society where digital equipments are connected in a network. In addition, productivity reform movement has been carried out the company-wide since the end of last year to seek the most efficient production structure, and construction of the low-cost production structure by the thorough cost reduction are tackled as well.

By concentrating management resources on the flat panel display field where rapid growth had been expected in the market, the sales of hybrid module was extended greatly. Although some items such as ferrite products were suffering from severe price competition in the market, total sales is 102,668 million yen of the increase of 19.0% compared with previous fiscal year result. The increase of profits by the increase of sales and the measure for the cost cut together contributed the operating income improved 1,650 million yen compared to the previous year. The operating income became 3.6 times increase to the previous year.

However, non-operating expenses are increased due to the foreign exchange loss generated in the year end and corporate structural reform generated additional expenditure. Other expenses became 9,961 million yen. And thus net loss for this year is resulted 8,755 million yen.

### **Electronic Business**

Although ferrite products were suffering from severe price competition in the market, hybrid modules for plasma display panels (PDP) for thin shape televisions were spread on a large scale and its sales contributed the rise of total sales amount. While the sales of switching power supplies for servers were still not fully recovered, the sales of switching power supplies for storage devices and flat PDPs pushed the total sales of power systems. Sales of optical devices rose with its market recovery. The stepper motor for OA apparatus maintained sales amount by the sales of new products, regardless the decline of its needs.

According to the above-mentioned situation, the sales of the whole electronic business are 80,621 million yen of 28.6% increase compared with the previous fiscal year.

### **Battery Business**

Although sales promotion of the core products like high-performance alkaline battery G series in the domestic and overseas market was strengthened, unusual weather last year

affected the sales for outdoors and for excursion products. In addition, overseas major customers' decision to postpone their orders affected the sales performance. Consequently, the sales are 22,047 million yen of 6.4% decrease compared with the previous fiscal year.

## **Projections**

Although electronic product markets are on a way to recovery, rabid market competition is expected.

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	119,900	+16.8
Operating income	5,100	+310
Income before tax	2,450	-
Net Income	2,000	-

The above forecast takes a consideration of the estimated impact of greater worldwide economic deceleration and some uncertain ramifications which might diminish the objectivity somehow and cause a slight difference with the actual achievements, these factors include the supply-and-demand trend of the product and components in main markets, the exchange rate, Japan-U.S. stock quotations, etc.

## **Cash flow condition**

The net deficit for the period before tax adjustment is minus 1,233 million yen, though we strived to have an effective operation.

The cash flow by the investing activities of this fiscal year 2,143 million yen resulting from investment to the facilities of hybrid module and sell-off of ownership stakes.

The cash flow by the financing activities of this fiscal year increased 578 million yen after the issuance of new shares to the third party and redemption of borrowings.

According to these results, cash and cash equivalents at the end of the year increases 3,293 million yen compared with the balance at the beginning of the year, and resulting 9,098 million yen.