

September 27, 2002

FDK CORPORATION

**FDK Group Restructures, Announces Internal Cost-Saving Reforms**

Due to the larger than expected scale and duration of the "IT depression", which started in the latter half of 2000, additional company actions are needed in order to survive the economic turndown. Since FDK regards its optical group as one of its core business unit, FDK's sales of optical components have sharply decreased. Furthermore, an recovery from the downturn in the near future is not anticipated. In other FDK's electronic products, price competition is intensifying by the increasing shift in production to China and the rapid rise of Chinese manufacturers. Owing to this inactive market conditions, decline in corporate sales continued this year.

In the fiscal year 2001, FDK performed company organizational changes: shifting production of ferrite to China, production and department consolidation and staff reduction. However, the inactivity in the market was longer than originally anticipated. In order to establish a stronger enterprise during this economic downturn, the company's core strategies will be re-evaluated and at the same time necessary company restructuring will be implemented.

**1 . FDK Restructuring Outline****◆ Concentrate on the company's core-competencies**

With a focus on electronic products and modules, the comprehensive power, which is based on our company's forte, material technology and high-density mounting technology is utilized in order to supply products that meet customer's needs.

**Material and Processing technology + Circuit and High-density Mounting Technology**

Offer solution to the customer by new product

Business field

< Main field >

*Broadband network and network peripheral equipment*

Communication network, mobile communications terminal, and other equipments

< Other positively deployment field >

*Cars*

*Amusement*

*Environment*

- ◆ **Improve customer satisfaction and reduce development time**
  - Simulating customer needs and proposing solution by cooperation with sales and marketing, and technical.
  - Speeding up decision-making by installing product strategy meeting focused on CEO.
- ◆ **Further promotion of low-cost manufacturing**
  - Efficient utilization of overseas bases.
  - Strengthening of manufacturing technique power concentrated on the low-cost manufacturing.
- ◆ **Abolish multi-tiered company system.**
- ◆ **Reexamine the function of domestic plants and streamline the production at home and abroad.**

## 2 . Measures being Taken during restructuring

### (1) Streamline domestic operations and strengthen internal controls

Optical components business : In order to cope with the severe market downturn, low-cost manufacturing is realized by closing or streamlining domestic plants and utilizing overseas assets more efficiently. [Research and Development as well as trial production remains in Japan / mass-production functions move overseas.]

Hybrid module business : In order to heighten cost competitiveness and operating base, efficient utilization of overseas bases is advanced, such as XIAMEN FDK and SUZHOU FDK, and streamline domestic bases.

### (2) Abolish multi-tiered company system, reorganization of the organizational chart

In-house company system is abolished, and the organization chart is changed to reflect a more efficient central control by FDK. Especially, improvement in customer satisfaction is targeted based on product development in cooperation with the customer, better price competitiveness, and quick decision-making

- Reorganization to 2 sales control departments from 5 sales departments and production department.
- Installation of product strategy meeting focused on CEO
  - Quick decision-making on thoroughness and development of customer-oriented product.
- Consolidate Purchasing functions into one company-wide department.
  - By integrating purchasing functions, efficiency is increased, also examination of component supplier or methods, expansion of local procurement in overseas bases, thorough low-cost manufacturing etc. are promoted. Furthermore, in considering environment, expansion of green procurement is aimed.

- Consolidate four distinct headquarters into two departments working in harmony.

Simplify and increase efficiency in the organization

### (3) Staff Reduction

In order to perform (1) and (2) measures and to build an efficient organization in the domestic plants, early retirement packages were offered in the following areas:

• Reducing optical parts business, streamlining domestic back-office section (Kosai area)	150 persons
• Moving hybrid module business out of Japan (Iwaki area)	150 persons
• Reorganizing and streamlining the management functions	<u>100 persons</u>
Total	400 persons

In addition, about 3 billion yen per year in savings is expected By carrying out the above measures.

### 3 . Fiscal Year 2005 Sales Goals

Efforts are being made to attain the following business objectives based on structural reforms, new product development and strengthening it's the company's competitive power.

Net Sales: 140 billion yen  
Operating income: 8 billion yen (6% of operating incomes)