

July 29, 2004

## FY 2004 First Quarter Consolidated Financial Results

(April 1, 2004 to June 30, 2004)

## FDK CORPORATION

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

URL: <http://www.fdk.co.jp>

Contact : Corporate Communication Group, Business Strategy &amp; Planning Dept.

E-mail: [narishi@fdk.co.jp](mailto:narishi@fdk.co.jp)

## 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: Yes

For the seven consolidated subsidiaries whose accounting periods were different from FDK, provisional settlement of accounting was made by using FDK accounting period and the following financial statements were prepared accordingly.

## (3)Changes in scope of consolidation or application of equity method: None

## 2.Consolidated Operating Results for the First Quarter of FY2004 (April 1, 2004 to June 30, 2004)

## a. Results of Consolidated Operations

	Yen (millions)			Yen (millions)	U.S.Dollars (millions)
	FY2004 1st. Qtr.	FY2003 1st. Qtr.	Change(%)	FY2003	FY2004 1st. Qtr.
Net Sales	¥25,225	¥20,268	24.5	¥102,668	\$233.56
Operating Income	617	-	-	1,650	\$5.71
Income(loss) before income taxes and minority interests	268	-	-	(8,311)	\$2.48
Net Income (loss)	20	-	-	(8,755)	\$0.19
Amounts Per Share of Common Stock:					
Basic earnings (loss)	0.16 yen	- yen	-	(105.18) yen	0.15cent
Diluted earnings	-	-	-	-	-

## (Notes)

1.The percentage in the net sales represents rate of change compared with corresponding period of the previous year.

2.The above operating results other than net sales for the first quarter of the previous year and the percentage of fluctuation between the first quarter of this year are not disclosed since quarterly consolidated operating result other than net sales have been disclosed from this first quarter.

3. All yen figures have been converted to U.S.dollars for convenience only at  
a uniform rate of \$1=108 yen

## b. Summary of Consolidated Financial Condition

	Yen (millions)		Yen (millions)
	FY2004 1st. Qtr.	FY2003 1st. Qtr.	FY2003
Total Assets	¥78,879	-	¥78,864
Shareholders' Equity	4,029	-	4,203
Shareholders' Equity Ratio	5.1%	-	5.3%
Shareholders' Equity Per Share	0.23 yen	- yen	1.58

- Note:1.** As FDK has started disclosing quarterly financial results from this fiscal year, equivalent results and changes for the same quarter of the previous year are not stated.
- 2.** The above reflected the result of provisional settlement of accounting information on the consolidated subsidiary, whose accounting period was different from FDK, to adjust those accounting information to the same accounting period of FDK. In connection with this, the adjustment amount of 223 million yen accrued by the calculation period change was deducted from the retained earnings.
- 3.** 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.

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

	Yen (millions)		Yen (millions)
	FY2004 1st Qtr	FY2003 1st. Qtr.	FY2003
<b>Cash Flows from</b>	¥1,611	-	(1,233)
<b>Operating Activities</b>			
<b>Cash Flows from</b>	(947)	-	(2,143)
<b>Investing Activities</b>			
<b>Cash Flows from</b>	(253)	-	578
<b>Financing Activities</b>			
<b>Cash and Cash Equivalents</b>	10,007	-	9,098
<b>at Year End</b>			
<b>Consolidated Subsidiaries</b>		16 companies	
<b>Unconsolidated Subsidiaries</b>		- companies	
<b>Affiliates (equity method applied only)</b>		- companies	

**Note:** As FDK has started disclosing quarterly financial results from this fiscal year, equivalent results and changes for the same quarter of the previous year are not stated.

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

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

**Note:** With regard to the forecast for the fiscal year 2004, there is no change in the forecast figures announced on April 27, 2004 for consolidated business results.

**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)	
	Q1/FY2004	FY2003
	(Apr-Jun'04)	(Apr'03-Mar'04)
<b>Net sales</b>	¥ 25,225	¥ 102,668
<b>Operating costs and expenses</b>		
Cost of sales	21,956	90,074
Selling, general and administrative expenses	2,652	10,944
	<u>24,608</u>	<u>101,018</u>
<b>Operating income</b>	617	1,650
<b>Other income (expenses)</b>		
Interest and dividend income	28	33
Interest charges	(186)	(796)
Other, net (Note)	(191)	(9,198)
	<u>(349)</u>	<u>(9,961)</u>
<b>Income (loss) before income taxes and minority interests</b>	268	(8,311)
<b>Income taxes</b>		
Current	202	391
Deferred	17	26
	<u>219</u>	<u>417</u>
<b>Income (loss) before minority interests</b>	49	(8,728)
<b>Minority interests in income of consolidated subsidiaries</b>	(29)	(27)
	<u></u>	<u></u>
<b>Net income (loss)</b>	<u>¥ 20</u>	<u>¥ (8,755)</u>

## Consolidated Balance Sheets

	Yen (millions)	
	30-Jun-04	31-Mar-04
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposit	¥ 10,025	¥ 9,112
Notes receivable-trade	1,547	2,086
Accounts receivable-trade	26,007	26,234
Inventories	10,722	9,672
Deferred tax assets	161	180
Other current assets	2,558	3,306
Less: Allowance for doubtful receivable	(75)	(75)
Total current assets	50,945	50,515
<b>Tangible fixed assets</b>		
Building and structures	9,940	10,034
Other depreciable assets	11,504	11,596
Land	4,395	4,428
Construction in progress	224	378
Total tangible fixed assets	26,063	26,436
<b>Intangible assets</b>	994	1,046
<b>Investments and long-term loans</b>		
Securities investments	129	131
Deferred tax assets	152	152
Other investments and long-term loans	596	584
Total investments	877	867
<b>Other assets(Note)</b>	-	-
<b>Total assets</b>	¥ 78,879	¥ 78,864
<b>Liabilities, minority interests and shareholders' equity</b>		
<b>Current liabilities</b>		
Notes Payable-trade	¥ 269	¥ 448
Account payable-trade	24,125	23,051
Short-term borrowings	23,256	22,744
Current portion of long-term debt	9,194	9,614
Accrued income taxes	179	156
Other current liabilities	3,901	4,390
Total current liabilities	60,924	60,403
<b>Long-term liabilities</b>		
Long-term debt	8,250	8,688
Accrued retirement benefits	4,332	4,116
Other long-term liabilities	54	85
Total long-term liabilities	12,636	12,889
<b>Minority interests in consolidated subsidiaries</b>	1,290	1,369
<b>Shareholders' equity</b>		
Common stock	19,256	19,256
Capital surplus	13,635	13,635
Deficit	(27,227)	(27,023)
Unrealized gains (losses) on securities, net of taxes	10	12
Foreign currency translation adjustments	(1,629)	(1,662)
Treasury stock	(16)	(15)
Total shareholders' equity	4,029	4,203
<b>Total Liabilities, minority interests and shareholders' equity</b>	¥ 78,879	¥ 78,864

## Consolidated Statements of Shareholders' Equity

	Yen (millions)	
	30-Jun-04	31-Mar-04
<b>Common Stock:</b>		
Beginning balance	¥ 19,256	¥ 13,206
Increase from capital stock issued	-	6,050
Ending balance	¥ 19,256	¥ 19,256
<b>Capital Surplus:</b>		
Beginning balance	¥ 13,635	¥ 7,585
Increase in capital surplus from capital stock issued	-	6,050
Ending balance	¥ 13,635	¥ 13,635
<b>Retained Earnings(Deficit)</b>		
Beginning balance	¥ ( 27,023)	¥ ( 18,268)
Net increase(decrease) from change of closing date of consolidated subsidiaries	¥ ( 224)	-
Net income(loss)	20	(8,755)
Ending balance	¥ ( 27,227)	¥ ( 27,023)
<b>Unrealized Gain(loss) on Securities,net of taxes:</b>		
Beginning balance	¥ 12	¥ 41
Net increase in unrealized gain(loss) on securities	(2)	(29)
Ending balance	¥ 10	¥ 12
<b>Foreign Currency Translation Adjustments:</b>		
Beginning balance	¥ ( 1,662)	¥ ( 846)
Net increase in foreign currency transaction adjustment	33	(816)
Ending balance	¥ ( 1,629)	¥ ( 1,662)
<b>Treasury Stock:</b>		
Beginning balance	¥ ( 15)	¥ ( 12)
Net decrease(increase) Treasury stock	(1)	(3)
Ending balance	¥ ( 16)	¥ ( 15)

## Consolidated Statements of Cash Flows

	Yen (millions)	
	Q1/FY2004	FY2003
	(Apr-Jun'04)	(Apr'03-Mar'04)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes and minority interests	¥ 268	¥ ( 8,311)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	1,015	4,400
(Increase) decrease in receivable-trade	2,487	(7,312)
(Increase) decrease in inventories	(1,758)	153
Increase (decrease) in payable-trade	(508)	7,581
Other, net	478	3,603
Cash generated from operations	1,982	114
Interest paid	(195)	(854)
Interest and dividends received	28	49
Income taxes paid	(204)	(542)
Net cash provided by operating activities	1,611	(1,233)
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(947)	(2,917)
Proceeds from sales of tangible fixed assets	0	192
Purchase of intangible assets	0	(40)
Other, net	0	622
Net cash used in investing activities	(947)	(2,143)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	25	207
Repayment of long-term debt	(600)	(2,855)
Increase (decrease) in short-term borrowings	342	(8,871)
Proceeds from issuance of new common stock	-	12,100
Other, net	(20)	(3)
Net cash provided by (used in) financing activities	(253)	578
Effect of exchange rate changes on cash and cash equivalents	58	(495)
Net increase (decrease) in cash and cash equivalents	469	(3,293)
Cash and cash equivalents at beginning of year	9,098	12,391
Increase in cash from change of closing date of consolidated subsidiaries	440	-
Cash and cash equivalents at end of year	¥ 10,007	¥ 9,098

# Business Performance and Finances

## **Business Performance Overview**

In the first quarter of FY2004, revival of Japanese economy and the coming Athens Olympic Games in August contributed the demand expansion of the electronic devices such as digital AV equipment and cellular phones.

Under these circumstances, FDK strived for improvement in achievements as much as possible by powerful promotion of productivity reform movement on the company-wide while furthering development of new products to suit the customers' demands.

As a result, net sales of the first quarter of 2004 were up 24.5% from the same term last year. Our consolidated business results for the current first quarter reported net sales of 25,225 million yen, operating income of 617 million yen, ordinary income of 268 million yen and net income of 20 million yen.

## **Electronic Business**

The hybrid modules for plasma displays and for liquid crystal displays achieved large sales associated with the demand expansion of large-sized thin shape TVs and PC displays. The sales of switching power supplies for servers was also increased due to the sales expansion of those for servers and flat panel displays. For the stepper motors, sales increased for digital cameras but decreased for OA equipment. The sales amount of whole stepper motors was the almost same as the same term last year.

According to the above-mentioned situation, the sales of the whole electronic business were 20,280 million yen of 33.9% increase from the same term last year.

## **Battery Business**

Under the severe market environment by influx of overseas products, severe price competition and so on, sales promotion of the high-performance alkaline battery G series was strengthened. Consequently, the sales are 4,945 million yen similar to the same term last year.

## **Cash Flow Condition**

In terms of cash flows from operating activities, net cash amounted to 1,611 million yen due to the decline in retained earnings and account receivable.

Cash flows used in investing activities amounted to 947 million yen due to capital investment payment. Cash flows used in financing activities amounted to 253 million yen due to the payment of redemption of borrowing, etc.

Consequently, balance of cash and cash equivalents at the end of the first quarter amounted to 10,007 million yen, increased 909 million yen to the same term last year. This amount was added the additional 440 million yen generated by the change in the closing date of consolidated subsidiaries.