

April 26, 2007

## Fiscal Year 2006 Consolidated Financial Results

(April 1, 2006 to March 31, 2007)

## FDK CORPORATION

(URL: <http://www.fdk.com>)

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

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Date of the meeting of the Board of Directors to approve the consolidated accounts: April 26, 2007

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U.S. GAPP is not applied

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

(1) Changes in accounting methods: No

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

(3) Number of shares outstanding at the end of the periods.

Year ended March 31, 2007 : 128,075,884

Year ended March 31, 2006 : 128,075,884

## 2. Consolidated Operating Results for the Fiscal Year 2006

## a. Consolidated Results of Operations

	Yen (millions)			U.S.Dollars (millions)
	FY2006	FY2005	Change(%)	FY2006
Net Sales	121,537	118,109	+2.9	\$1,029.97
Operating Income	1,235	967	+27.6	10.47
Income(Loss) Before Income Taxes and Minority Interests	630	(2,502)	-	5.34
Net Income (Loss)	130	(3,326)	-	1.10
Amounts Per Share of Common Stock:				
Basic Earnings (Loss)	1.02 yen	(26.00) yen	-	0.86 cent
Diluted Earnings	-	-	-	

## b. Net Sales by Business Segment

	Yen (millions)			U.S.Dollars (millions)
	FY2006	FY2005	Change(%)	FY2006
Electronic Devices	94,123	94,394	(0.3)	\$797.65
Batteries	27,414	23,715	+15.6	232.32
Total	121,537	118,109	+2.9	1029.97

## c. Consolidated Financial Position

	Yen (millions)	
	2007/3/31	2006/3/31
Total Assets	74,780	76,616
Total Net Assets	6,845	-
Shareholders' Equity	6,879	6,340
Shareholders' Equity Ratio	9.1%	8.3%
Shareholders' Equity Per Share	(32.86) yen	(36.42) yen

## 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.

d. Consolidated Statements of Cash Flows

	Yen (millions)	
	FY2006	FY2005
Cash Flows from Operating Activities	2,686	3,352
Cash Flows from Investing Activities	(2,174)	(3,509)
Cash Flows from Financing Activities	(730)	(2,636)
Cash and Cash Equivalents at End of Period	7,529	7,577

Consolidated Subsidiaries	16 companies
Unconsolidated Subsidiaries (equity method applied)	- companies
Affiliates (equity method applied only)	1 company

(Notes for the Consolidated Operating Results (from 2.a to 2.d))

1. All amounts less than one million yen have been disregarded.
2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of 118 yen = \$1
3. The percentage in this statement presents rate of change compared with the previous fiscal year.

3. Reference - Consolidated Financial Forecast for the Year Ending March 31, 2008 (FY2007)

(Millions of yen, except per share data)

	Year ending 31-Mar-08	Change from the year ending 31-Mar-07(%)
Net Sales	127,000	+4.5
Operating Income	3,750	+203.5
Net Income	1,200	+823.0
Net Income per Share	9.38 yen	-

Note for the use of the above 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)	
	FY2006	FY2005
	(Apr'06-Mar'07)	(Apr'05-Mar'06)
<b>Net sales</b>	¥ 121,537	¥ 118,109
<b>Operating costs and expenses</b>		
Cost of sales	109,562	106,271
Selling, general and administrative expenses	10,740	10,871
	<u>120,302</u>	<u>117,142</u>
<b>Operating income</b>	1,235	967
<b>Other income (expenses)</b>		
Interest and dividend income	224	75
Equity in earnings (losses) of affiliates, net	72	39
Interest charges	(474)	(641)
Other, net	(427)	(2,942)
	<u>(605)</u>	<u>(3,469)</u>
<b>Income (loss) before income taxes and minority interests</b>	630	(2,502)
<b>Income taxes</b>		
Current	462	755
Deferred	19	45
	<u>481</u>	<u>800</u>
<b>Income (loss) before minority interests</b>	149	(3,302)
<b>Minority interests in income(loss) of consolidated subsidiaries</b>	(19)	(24)
	<u></u>	<u></u>
<b>Net income (loss)</b>	<u>¥ 130</u>	<u>¥ ( 3,326)</u>

## Consolidated Balance Sheet

	Yen (millions)	
	31-Mar-07	31-Mar-06
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposit	¥ 7,543	¥ 7,598
Notes receivable-trade	1,788	976
Accounts receivable-trade	27,417	29,677
Inventories	8,889	9,252
Deferred tax assets	91	161
Other current assets	3,479	2,897
Less: Allowance for doubtful receivable	(35)	(45)
Total current assets	49,172	50,516
<b>Tangible fixed assets</b>		
Building and structures	8,028	8,625
Other depreciable assets	9,722	9,652
Land	4,360	4,471
Construction in progress	387	195
Total tangible fixed assets	22,497	22,943
<b>Intangible assets</b>	638	695
<b>Investments and long-term loans</b>		
Securities investments	134	238
Deferred tax assets	160	109
Other investments and long-term loans	2,179	2,115
Total investments	2,473	2,462
<b>Total assets</b>	¥ 74,780	¥ 76,616
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes Payable-trade	¥ 352	¥ 173
Account payable-trade	26,969	28,813
Short-term borrowings	28,199	28,159
Current portion of long-term debt	1,384	1,444
Accrued income taxes	281	292
Other current liabilities	4,440	4,336
Total current liabilities	61,625	63,217
<b>Long-term liabilities</b>		
Long-term debt	721	1,162
Accrued retirement benefits	5,499	5,237
Other long-term liabilities	90	102
Total long-term liabilities	6,310	6,501
<b>Total liabilities</b>	67,935	69,718
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	22,756	-
Capital surplus	17,167	-
Retained earnings(Deficit)	(33,015)	-
Treasury stock	(29)	-
Total shareholders' equity	6,879	-
<b>Valuation and translation adjustments</b>		
Unrealized gains (losses) on securities, net of taxes	20	-
Deferred gains (losses) on hedges	(5)	-
Foreign currency translation adjustments	(97)	-
Total Valuation and translation adjustments	(82)	-
<b>Minority interests in consolidated subsidiaries</b>	48	-
<b>Total net assets</b>	6,845	-
<b>Total liabilities and net assets</b>	¥ 74,780	-
<b>Minority interests in consolidated subsidiaries</b>	-	558
<b>Shareholders' equity</b>		
Common stock	-	22,756
Capital surplus	-	17,167
Retained earnings(deficit)	-	(33,145)
Unrealized gains (losses) on securities, net of taxes	-	22
Foreign currency translation adjustments	-	(435)
Treasury stock	-	(25)
Total shareholders' equity	-	6,340
<b>Total Liabilities, minority interests and shareholders' equity</b>	-	¥ 76,616

## Consolidated Statements of Cash Flows

	Yen (millions)	
	FY2006	FY2005
	(Apr'06-Mar'07)	(Apr'05-Mar'06)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes and minority interests	¥ 630	¥ ( 2,502)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	3,377	3,470
Equity in earnings of affiliates, net	(72)	(39)
(Increase) decrease in receivable-trade	1,875	(4,954)
(Increase) decrease in inventories	478	(815)
Increase (decrease) in payable-trade	(2,092)	5,657
Other, net	(877)	3,992
Cash generated from operations	3,319	4,809
Interest paid	(406)	(658)
Interest and dividends received	239	75
Income taxes paid	(466)	(795)
Other, net	-	(79)
Net cash provided by operating activities	2,686	3,352
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(2,884)	(3,415)
Proceeds from sales of tangible fixed assets	505	309
Purchase of intangible assets	(11)	(27)
Other, net	216	(376)
Net cash used in investing activities	(2,174)	(3,509)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of new common stock	-	7,000
Proceeds from long-term debt	690	1
Repayment of long-term debt	(1,220)	(6,727)
Increase (decrease) in short-term borrowings	(188)	(2,923)
Other, net	(12)	13
Net cash provided by (used in) financing activities	(730)	(2,636)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	170	494
<b>Net increase (decrease) in cash and cash equivalents</b>	(48)	(2,299)
<b>Cash and cash equivalents at beginning of year</b>	7,577	9,876
<b>Cash and cash equivalents at end of year</b>	¥ 7,529	¥ 7,577

## Consolidated Statements of Shareholders' Equity

FY2006 (Apr'06-Mar'07)

	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			130		130	
Acquisition of treasury stock				(4)	(4)	
Net increase(decrease)during the term, except for items under shareholders' equity						
Total	-	-	130	(4)	126	
Ending balance	¥ 22,756	¥ 17,167	¥ ( 33,015)	¥ ( 29)	¥ 6,879	

  

	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						130
Acquisition of treasury stock						(4)
Net increase(decrease)during the term, except for items under shareholders' equity	(2)	(5)	338	331	(510)	(179)
Total	(2)	(5)	338	331	(510)	(53)
Ending balance	¥ 20	¥ ( 5)	¥ ( 97)	¥ ( 82)	¥ 48	¥ 6,845

FY2005 (Apr'05-Mar'06)

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

## Consolidated Business Segment Information

		Yen (millions)	
		FY2006 (Apr'06-Mar'07)	FY2005 (Apr'05-Mar'06)
<b>Electronic Devices</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 94,123	¥ 94,394
	Intersegment	-	-
	Total	94,123	94,394
	<b>Operating Income (Loss)</b>	(468)	(445)
<b>Batteries</b>	<b>Net Sales</b>		
	Unaffiliated Customers	27,414	23,715
	Intersegment	-	-
	Total	27,414	23,715
	<b>Operating Income</b>	1,703	1,412
<b>Elimination</b>	<b>Net Sales</b>	-	-
	<b>Operating Income</b>	-	-
<b>Total</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 121,537	¥ 118,109
	Intersegment	-	-
	Total	¥ 121,537	¥ 118,109
	<b>Operating Income (Loss)</b>	¥ 1,235	¥ 967

## Consolidated Geographic Segment Information

		Yen (millions)	
		FY2006 (Apr'06-Mar'07)	FY2005 (Apr'05-Mar'06)
<b>Japan</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 59,398	¥ 57,434
	Intersegment	12,547	10,700
	Total	71,945	68,134
	<b>Operating Income (Loss)</b>	643	(474)
<b>Asia</b>	<b>Net Sales</b>		
	Unaffiliated Customers	57,577	56,656
	Intersegment	26,790	20,991
	Total	84,367	77,647
	<b>Operating Income</b>	1,092	2,522
<b>North America</b>	<b>Net Sales</b>		
	Unaffiliated Customers	1,858	1,710
	Intersegment	-	8
	Total	1,858	1,718
	<b>Operating Income (Loss)</b>	11	(70)
<b>Europe</b>	<b>Net Sales</b>		
	Unaffiliated Customers	2,704	2,309
	Intersegment	72	73
	Total	2,776	2,382
	<b>Operating Income</b>	49	61
<b>Elimination</b>	<b>Net Sales</b>	(39,409)	(31,772)
	<b>Operating Income (Loss)</b>	(560)	(1,072)
<b>Total</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 121,537	¥ 118,109
	Intersegment	-	-
	Total	¥ 121,537	¥ 118,109
	<b>Operating Income</b>	¥ 1,235	¥ 967

## Net Overseas Sales by Customer's Geographic Location

		Yen (millions)	
		FY2006 (Apr'06-Mar'07)	FY2005 (Apr'05-Mar'06)
<b>Asia</b>		¥ 60,615	¥ 59,046
<b>North America</b>		6,058	5,205
<b>Other countries</b>		6,502	5,525
<b>Total</b>		¥ 73,175	¥ 69,776

## **Business Results**

### **(1) Analysis of Consolidated Business Results**

#### **1. Overview**

The global electronic device market showed steady growth with the expansion of the digital equipment market, such as flat panel TVs, mobile phones and so on, though it suffered from the appreciation of material prices and the sharp falls in market prices of digital equipment.

Under these circumstances, FDK Group (hereinafter called “FDK”) announced its Midterm Business Plan at the beginning of 2006. Having the competitive material technologies, the company strategically focused on the flat panel display market with a central focus on the LCDs, which was expected to grow continuously. In fiscal year 2006, the first year of the plan, FDK developed and commercialized DC-DC converters for distributed power architectures, multilayer power chip inductors (in response to market needs), ultra-compact motors (which were born from FDK’s pursuit of material technologies), and so on as FDK strategically developed products for future business. Furthermore, FDK promoted production innovation activities throughout the entire operation and also liquidated and transferred three affiliated companies in pursuit of business efficiency.

As a result of the above factors, net sales were 121,537 million yen, a 2.9% increase from the previous fiscal year. This was due to the increased sales of backlight inverter modules for LCDs, which received high recognition, and the increased sales of high-performance alkaline batteries. Operating income was 1,235 million yen, a 27.6% increase from the previous fiscal year. It was realized by the promotion to reduce costs and improve productivity, despite soaring raw material costs and accrual of production adjustment period by our customers. Net income was 130 million yen, back in the black after five fiscal years.

#### **2. Electronic Device Business**

In the electronic device business, sales of timing control boards for LCDs decreased from the previous year as a result of adjustments made in the production of PCs. Sales of backlight inverter modules for LCDs greatly increased from last year, thanks to strong demand for large LCD TVs. Sales of switching power supplies remained the same as the previous year while FDK began to narrow down the line of products. In addition, FDK started to promote its newly developed “Sensei Series” of bus converters and “Senpai Series” of POL converters for switching power supplies. Sales of motors for OA equipment and automobiles also increased under tough price competition. Sales of multilayer power chip inductors developed with the original material technologies increased due to expansion of the product lineup to satisfy customer needs and the extended sales activities, especially for mobile phone manufacturers.

As a result, sales for the electronic device business of 94,123 million yen, remained the same as the previous year.

#### **3. Battery Business**

FDK has strived to develop new products and technologies to offer safe, high performance, environmental-friendly and high-quality batteries to customers.

In sales of alkaline batteries, FDK developed a new “Fujitsu Alkaline Battery G. D. R Series” and strengthened sales promotions for this new series using advertising campaigns in stores



along with broadcast TV and radio commercials. This is a highly competitive domestic market made worse by the appreciation of material costs. Sales of alkaline batteries in North America and Europe also increased by strengthening sales activities. Sales of cylindrical type lithium batteries increased as the need for disaster-related goods increased.

As a result, sales for the battery business were 27,414 million yen, a 15.6 % increase from the previous year.

#### 4. Forecast for the Fiscal Year Ending March 31, 2008

In the fiscal year 2007, demand for digital equipment such as flat panel TVs and mobile phones is expected to continue growing; therefore, the electronic component and device market will be continuously expanded by the growth of the digital equipment market.

In the electronic device business, timing control boards and backlight inverter modules for LCDs and motors are expected to increase in sales, though conditions in the electronics component and device industry may be affected by the expected price drop of digital equipment. In the battery business, the expectation is to secure the same sales amount as the previous year, though it will be affected by the boosted material costs again and this boosted cost may also affect the profits.

Our consolidated forecasts for the year ending March 31, 2008 are as follows:

	(Millions of yen except per share data)	
	Year ending <u>March 31, 2008</u>	Changing from the year <u>ending March 31, 2007(%)</u>
Net sales	127,000	+4.5%
Operating income	3,750	+203.5%
Net income	1,200	+823.0%
Net income per share	9.38 yen	—

## (2) Analysis of Financial Condition

### 1. Status of Assets, Liabilities and Net Assets

Total assets decreased 1,836 million yen from the end of the previous fiscal year to 74,780 million yen. Current assets were down 1,344 million yen, to 49,172 million yen. Fixed assets were down 492 million yen, to 25,608 million yen.

Principal factors decreasing current assets were a 1,448 million yen decrease in notes and accounts receivable-trade and a 363 million yen decrease in inventories. Principal factors decreasing fixed assets were a 446 million yen decrease in tangible fixed assets.

Total liabilities decreased 1,783 million yen from the previous fiscal year-end to 67,935 million yen. Current liabilities decreased 1,592 million yen from the previous fiscal year-end to 61,625 million yen. Long-term liabilities decreased 190 million yen from the previous fiscal year-end to 6,310 million yen.

Principal factors decreasing current liabilities were a 1,615 million yen decrease in notes and accounts payable-trade. The principal factors decreased long-term liabilities of 441 million yen, though accrued retirement benefits were added. Interest-bearing debt was 30,303 million yen at the end of the year, decreased 461 million yen from the previous fiscal year-end.

Net assets at the end of the year totaled 6,845 million yen. The principal factors for the increase are a 130 million yen increase in net assets and a 338 million yen increase in foreign currency translation adjustments.

## **2. Cash Flow Condition**

Cash flows from operating activities increased 2,686 million yen from the end of the previous fiscal year by promoting fiscal efficiency of working capital, such as the increase in retained earnings and the promotion of the liquidation of receivables.

Cash flows from investing activities decreased 2,174 million yen from the end of the previous fiscal year due to the investment in production facilities for backlight inverter modules for LCDs and so on.

Cash flows from financing activities decreased 730 million yen from the end of the previous fiscal year due to the redemption of borrowing.

As a result, the balance of cash and cash equivalents at the end of fiscal year 2006 was 7,529 million yen, a decrease of 48 million yen from the end of the previous fiscal year.