

October 27, 2005

**FY 2005 First-Half Consolidated Financial Results**

(April 1, 2005 to September 30, 2005)

**FDK CORPORATION**

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

Location of the head office : Tokyo, Japan

Date of the meeting of the Board of Directors for interim financial results: October 27, 2005

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U.S. GAAP is not applied.

**1.Consolidated Operating Results for the 1H of FY2005 (April 1, 2005 to September 30, 2005)****a. Summary of Consolidated Results of Operations**

	Yen (millions)			Yen (millions)	U.S.Dollars (millions)
	FY2005 1st. Half	FY2004 1st. Half	Change(%)	FY2004	FY2005 1st. Half
<b>Net Sales</b>	¥57,307	¥51,894	10.4	¥100,441	\$507.14
<b>Operating Income</b>	418	1,452	-71.2	1,542	\$3.70
<b>Income(loss) before income taxes and minority interests</b>	(519)	783	-	(1,721)	(\$4.59)
<b>Net Income (loss)</b>	(833)	226	-	(2,713)	(\$7.37)
<b>Amount Per Share of Common Stock:</b>					
<b>Basic earnings (loss)</b>	(6.52) yen	1.77 yen	-	(21.20) yen	(5.77cent)
<b>Diluted earnings</b>	-	-	-	-	-

(Notes)

1)Equity in earnings of affiliated companies (million yen):

Six month ended September 30,2005 : 23

Six month ended September 30,2004 : n/a

Year ended March 31, 2005 : 22

2)Average number of shares (ordinary shares)

Six month ended September 30,2005 : 127,969,564 shares

Six month ended September 30,2004 : 127,989,759 shares

Year ended March 31, 2005 : 127,983,569 shares

3)Changes in accounting methods : No

4)Percentage figures for net sales and operating income represent year-on-year changes.

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

6)All yen figures have been converted to U.S.dollars for convenience only at a uniform rate of \$1=113 yen

**b. Summary of Consolidated Financial Position**

	Yen (millions)		Yen (millions)
	FY2005 1st. Half	FY2004 1st. Half	FY2004
<b>Total Assets</b>	¥76,554	¥76,433	¥71,366
<b>Shareholders' Equity</b>	8,193	4,368	1,234
<b>Shareholders' Equity Ratio</b>	10.7%	5.7%	1.7%
<b>Shareholders' Equity Per Share</b>	(21.94) yen	2.87 yen	(21.61)

Note: Number of shares issued and outstanding at the end of period:

Six month ended September 30,2005 : 127,963,836 shares

Six month ended September 30,2004 : 127,984,564 shares

Year ended March 31, 2005 : 127,972,977 shares

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

	Yen (millions)		Yen (millions)
	FY2005 1st Half	FY2004 1st. Half	FY2004
<b>Cash Flows from Operating Activities</b>	¥3,939	¥3,136	¥3,254
<b>Cash Flows from Investing Activities</b>	(1,542)	(1,810)	(3,034)
<b>Cash Flows from Financing Activities</b>	(3,225)	(1,498)	(462)
<b>Cash and Cash Equivalents at End of Year</b>	9,290	9,533	9,876

**d. Scope of consolidation and equity method**

<b>Consolidated subsidiaries</b>	16 companies
<b>Unconsolidated subsidiaries applied equity method</b>	- companies
<b>Affiliates (equity method applied only)</b>	1 company

**e. Changes in scope of consolidation and equity method**

<b>Consolidated subsidiaries</b>
Increase : none
Decrease: 1 company

**2.Reference - FY2005 Consolidated Financial Forecast (April 1, 2005 - March 31, 2006)**

**Consolidated Earnings Forecast**

	Yen (millions)	change(%)
<b>Net Sales</b>	¥119,500	+19.0
<b>Operating Income</b>	3,150	+104.2
<b>Net Income</b>	500	-

Note : Net income(loss) per share of common stock forecast for fiscal year ended March 31, 2006 : 3.91 yen

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)		
	1H/FY2005	1H/FY2004	FY2004
	(Apr-Sep'05)	(Apr-Sep'04)	(Apr'04-Mar'05)
<b>Net sales</b>	¥ 57,307	¥ 51,894	¥ 100,441
<b>Operating costs and expenses</b>			
Cost of sales	51,400	45,102	87,862
Selling, general and administrative expenses	5,489	5,340	11,037
	<u>56,889</u>	<u>50,442</u>	<u>98,899</u>
<b>Operating income (loss)</b>	418	1,452	1,542
<b>Other income (expenses)</b>			
Interest and dividend income	42	29	66
Equity in earnings (losses) of affiliates, net	23	-	22
Interest charges	(383)	(361)	(721)
Other, net	(619)	(337)	(2,630)
	<u>(937)</u>	<u>(669)</u>	<u>(3,263)</u>
<b>Income (loss) before income taxes and minority interests</b>	(519)	783	(1,721)
<b>Income taxes</b>			
Current	287	452	854
Deferred	23	37	28
	<u>310</u>	<u>489</u>	<u>882</u>
<b>Income (loss) before minority interests</b>	(829)	294	(2,603)
<b>Minority interests in income of consolidated subsidiaries</b>	(4)	(68)	(110)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net income (loss)</b>	<u>¥ ( 833)</u>	<u>¥ 226</u>	<u>¥ ( 2,713)</u>

## Consolidated Balance Sheets

	Yen (millions)		
	30-Sep-05	30-Sep-04	31-Mar-05
<b>Assets</b>			
<b>Current assets</b>			
Cash and time deposit	¥ 9,316	¥ 9,575	¥ 9,894
Notes receivable-trade	1,113	1,541	968
Accounts receivable-trade	27,549	24,645	23,072
Inventories	9,444	9,439	7,991
Deferred tax assets	169	136	82
Other current assets	2,738	2,901	3,792
Less: Allowance for doubtful receivable	(87)	(77)	(121)
Total current assets	50,242	48,160	45,678
<b>Tangible fixed assets</b>			
Building and structures	9,427	9,911	9,086
Other depreciable assets	9,394	10,912	9,259
Land	4,390	4,409	4,393
Construction in progress	148	1,222	58
Total tangible fixed assets	23,359	26,454	22,796
<b>Intangible assets</b>	712	960	724
<b>Investments and long-term loans</b>			
Securities investments	126	135	120
Deferred tax assets	115	159	230
Other investments and long-term loans	2,000	565	1,818
Total investments	2,241	859	2,168
<b>Total assets</b>	¥ 76,554	¥ 76,433	¥ 71,366
<b>Liabilities, minority interests and shareholders' equity</b>			
<b>Current liabilities</b>			
Notes Payable-trade	¥ 257	¥ 286	¥ 276
Account payable-trade	28,751	21,907	21,089
Short-term borrowings	24,356	22,562	29,916
Current portion of long-term debt	3,642	12,131	7,506
Accrued income taxes	303	359	452
Other current liabilities	3,718	3,989	3,226
Total current liabilities	61,027	61,234	62,465
<b>Long-term liabilities</b>			
Long-term debt	1,752	4,941	2,306
Accrued retirement benefits	4,977	4,402	4,749
Other long-term liabilities	83	62	78
Total long-term liabilities	6,812	9,405	7,133
<b>Minority interests in consolidated subsidiaries</b>	522	1,426	534
<b>Shareholders' equity</b>			
Common stock	22,756	19,256	19,256
Capital surplus	17,135	13,635	13,635
Deficit	(30,652)	(27,020)	(29,893)
Unrealized gains (losses) on securities, net of taxes	19	13	16
Foreign currency translation adjustments	(1,042)	(1,498)	(1,759)
Treasury stock	(23)	(18)	(21)
Total shareholders' equity	8,193	4,368	1,234
<b>Total Liabilities, minority interests and shareholders' equity</b>	¥ 76,554	¥ 76,433	¥ 71,366

## Consolidated Statements of Cash Flows

	Yen (millions)		
	1H/FY2005	1H/FY2004	FY2004
	(Apr-Sep'05)	(Apr-Sep'04)	(Apr'04-Mar'05)
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes and minority interests	¥ ( 519)	¥ 782	¥ ( 1,721)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	1,695	1,957	3,846
Equity in earnings of affiliates, net	(23)	-	(22)
(Increase) decrease in receivable-trade	(3,898)	4,173	4,604
(Increase) decrease in inventories	(1,298)	(354)	891
Increase (decrease) in payable-trade	6,800	(3,117)	(3,401)
Other, net	1,990	369	761
Cash generated from operations	4,747	3,810	4,958
Interest paid	(389)	(367)	(731)
Interest and dividends received	42	36	66
Income taxes paid	(382)	(343)	(752)
Other, net	(79)	-	(287)
Net cash provided by operating activities	3,939	3,136	3,254
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	(1,497)	(1,897)	(2,934)
Proceeds from sales of tangible fixed assets	13	93	373
Purchase of intangible assets	(6)	(8)	(54)
Other, net	(52)	2	(419)
Net cash used in investing activities	(1,542)	(1,810)	(3,034)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of new common stock	7,000	-	-
Proceeds from long-term debt	1	30	646
Repayment of long-term debt	(3,794)	(1,067)	(8,559)
Increase (decrease) in short-term borrowings	(6,416)	(439)	7,527
Other, net	(16)	(22)	(76)
Net cash provided by (used in) financing activities	(3,225)	(1,498)	(462)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	242	187	96
<b>Net increase (decrease) in cash and cash equivalents</b>	(586)	15	(146)
<b>Cash and cash equivalents at beginning of year</b>	9,876	9,098	9,098
<b>Increase in cash and cash equivalents from change of consolidated accounting period of consolidated subsidiaries</b>	-	440	440
<b>Increase in cash and cash equivalents from new consolidation</b>	-	-	660
<b>Decrease in cash and cash equivalents due to exclusion from consolidation</b>	-	-	(176)
<b>Cash and cash equivalents at end of year</b>	¥ 9,290	¥ 9,553	¥ 9,876

## Consolidated Statements of Shareholders' Equity

	Yen (millions)		
	30-Sep-05	30-Sep-04	31-Mar-05
<b>Common Stock:</b>			
Beginning balance	¥ 19,256	¥ 19,256	¥ 19,256
Increase from capital stock issued	3,500	-	-
Ending balance	¥ 22,756	¥ 19,256	¥ 19,256
<b>Capital Surplus:</b>			
Beginning balance	¥ 13,635	¥ 13,635	¥ 13,635
Increase in capital surplus from capital stock issued	3,500	-	-
Ending balance	¥ 17,135	¥ 13,635	¥ 13,635
<b>Retained Earnings(Deficit)</b>			
Beginning balance	¥ (29,893)	¥ (27,023)	¥ (27,023)
Increase in earnings from change of overseas subsidiary's functional currency	74	-	-
Increase in earnings from addition of consolidated companies	-	-	¥ 67
Net increase(decrease) in deficit from change of consolidated accounting period of consolidated subsidiaries	-	(223)	(224)
Net income(loss)	(833)	226	(2,713)
Ending balance	¥ (30,652)	¥ (27,020)	¥ (29,893)
<b>Unrealized Gain(loss) on Securities,net of taxes:</b>			
Beginning balance	¥ 16	¥ 12	¥ 12
Net increase in unrealized gain(loss) on securities	3	1	4
Ending balance	¥ 19	¥ 13	¥ 16
<b>Foreign Currency Translation Adjustments:</b>			
Beginning balance	¥ (1,759)	¥ (1,662)	¥ (1,662)
Net increase in foreign currency transaction adjustment	717	164	(97)
Ending balance	¥ (1,042)	¥ (1,498)	¥ (1,759)
<b>Treasury Stock:</b>			
Beginning balance	¥ (21)	¥ (15)	¥ (15)
Net decrease(increase) Treasury stock	(2)	(3)	(6)
Ending balance	¥ (23)	¥ (18)	¥ (21)

## Consolidated Business Segment Information

		Yen (millions)		
		1H/FY2005 (Apr-Sep'05)	1H/FY2004 (Apr-Sep'04)	FY2004 (Apr'04-Mar'05)
<b>Electronic Materials</b>	<b>Net Sales</b>			
	Unaffiliated Customers	¥ 46,362	¥ 40,272	¥ 76,368
	Intersegment	-	-	-
	<b>Total</b>	<b>¥ 46,362</b>	<b>¥ 40,272</b>	<b>¥ 76,368</b>
	<b>Operating Income (Loss)</b>	<b>(201)</b>	<b>399</b>	<b>¥ (331)</b>
<b>Batteries</b>	<b>Net Sales</b>			
	Unaffiliated Customers	10,945	11,622	¥ 24,073
	Intersegment	-	-	-
	<b>Total</b>	<b>10,945</b>	<b>11,622</b>	<b>¥ 24,073</b>
	<b>Operating Income</b>	<b>619</b>	<b>1,053</b>	<b>¥ 1,873</b>
<b>Elimination</b>	<b>Net Sales</b>	-	-	-
	<b>Operating Income</b>	-	-	-
<b>Total</b>	<b>Net Sales</b>			
	Unaffiliated Customers	57,307	51,894	¥ 100,441
	Intersegment	-	-	-
	<b>Total</b>	<b>57,307</b>	<b>51,894</b>	<b>¥ 100,441</b>
	<b>Operating Income (Loss)</b>	<b>418</b>	<b>1,452</b>	<b>¥ 1,542</b>

## Consolidated Geographic Segment Information

		Yen (millions)		
		1H/FY2005 (Apr-Sep'05)	1H/FY2004 (Apr-Sep'04)	FY2004 (Apr'04-Mar'05)
<b>Japan</b>	<b>Net Sales</b>			
	Unaffiliated Customers	¥ 29,030	¥ 32,368	¥ 57,191
	Intersegment	4,887	3,853	10,895
	<b>Total</b>	<b>¥ 33,917</b>	<b>¥ 36,221</b>	<b>¥ 68,086</b>
	<b>Operating Income (Loss)</b>	<b>(131)</b>	<b>1,062</b>	<b>¥ 424</b>
<b>Asia</b>	<b>Net Sales</b>			
	Unaffiliated Customers	26,417	18,351	¥ 38,314
	Intersegment	10,146	10,847	19,951
	<b>Total</b>	<b>36,563</b>	<b>29,198</b>	<b>¥ 58,265</b>
	<b>Operating Income</b>	<b>1,132</b>	<b>773</b>	<b>¥ 1,653</b>
<b>North America</b>	<b>Net Sales</b>			
	Unaffiliated Customers	875	1,175	¥ 2,267
	Intersegment	-	-	-
	<b>Total</b>	<b>875</b>	<b>1,175</b>	<b>¥ 2,267</b>
	<b>Operating Income</b>	<b>(54)</b>	<b>(44)</b>	<b>¥ (96)</b>
<b>Europe</b>	<b>Net Sales</b>			
	Unaffiliated Customers	985	-	¥ 2,669
	Intersegment	38	-	63
	<b>Total</b>	<b>1,023</b>	<b>-</b>	<b>¥ 2,732</b>
	<b>Operating Income</b>	<b>25</b>	<b>-</b>	<b>¥ 63</b>
<b>Elimination</b>	<b>Net Sales</b>	<b>(15,071)</b>	<b>(14,700)</b>	<b>(30,909)</b>
	<b>Operating Income</b>	<b>(554)</b>	<b>(339)</b>	<b>(502)</b>
<b>Total</b>	<b>Net Sales</b>			
	Unaffiliated Customers	¥ 57,307	¥ 51,894	¥ 100,441
	Intersegment	-	-	-
	<b>Total</b>	<b>¥ 57,307</b>	<b>¥ 51,894</b>	<b>¥ 100,441</b>
	<b>Operating Income (Loss)</b>	<b>¥ 418</b>	<b>¥ 1,452</b>	<b>¥ 1,542</b>

## Net Overseas Sales by Customer's Geographic Location

		Yen (millions)		
		1H/FY2005 (Apr-Sep'05)	1H/FY2004 (Apr-Sep'04)	FY2004 (Apr'04-Mar'05)
<b>Asia</b>		¥27,351	¥ 21,688	¥ 40,387
<b>North America</b>		2,649	3,644	6,041
<b>Other countries</b>		2,782	2,756	6,232
<b>Total</b>		<b>32,782</b>	<b>28,088</b>	<b>¥ 52,660</b>

## **Business Performance and Finances**

### **Business Performance Overview**

In the first half of the FY 2005, inventory adjustment in digital appliance market was almost completed and market environment on the electronic component industry was slowly recovered, though severe price competition in digital appliances caused pressure on further price markdowns for electronic component manufactures. In addition, soaring crude oil prices affected to the raw material prices. Thus, severe business environment was continued.

In this circumstance, the FDK Group shifted to the new business structure riding on the strength of its material technology and deployed company-wide production reform to establish low-cost manufacturing system, seeking for establishment of strong business structure as a mid-term goal.

By the termination of some products and strategic product development, consolidated net sales for the 1H of FY2005 were 57,307 million yen, increased 5,412 million yen from the same term last year. Since the above termination of some products temporarily caused operational loss, consolidated operating income was 418 million yen of the decrease of 71.2 %. Consolidated net loss for the interim period was 833 million yen.

Divisional sales overview would be reported as follows. Please note that the Company reorganized the organization of electronic component business from this fiscal year. Thus its business segments were also changed.

### **Electronic Component Business**

#### **[Module System]**

This business segment mainly consists of board assembly products such as signal processing modules for LCDs, inverter modules of backlights for LCDs, and switching power supplies

Sales of signal processing modules for LCDs were increased from the same term last year due to the increased orders from companies in China and Taiwan. Sales of inverter modules of backlights for LCDs were also increased mostly for the large display panels, from the orders by Korean companies. These were received high marks in the market. From the second half year, orders from the Japanese companies will be expected to add. Sales of hybrid modules for PDPs and switching power supplies were decreased. Switching power supplies would be shifted from customized power supplies to standard DC-DC converters.

As a result, net sales of this division were 34,187 million yen of 26.4% increase from the same term last year.

#### **[Component]**

This business segment includes products utilizing the original material technology such as coil devices, VCO, multilayer power chip inductors, micro DC-DC converters, HF multilayer chip inductors, optical devices, developing powder, and stepper motors.

Sales of coil devices were much increased from the same term last year, due to the increased sales of inverter modules which use inverter transformers of backlights for LCDs as they got high marks in the market.

Sales of multilayer power chip inductors and micro DC-DC converters were increased from



the same term last year due to the extensive sales efforts and expansion of product lineup.

Sales of stepper motors for OA equipment were decreased from the same term last year. Although the extended sales effort was made for multi functional printers, the demand for stepper motors was drastically declined in printers. However, sales of compact stepper motors for digital cameras and camera phones were increased from the same term last year.

Net sales of this division were 12,175 million yen of 7.9% decrease from the same term last year as all ferrite business was transferred to the new JV in last December, which used to be a large weight in this division.

According to the above-mentioned situation, net sales of the electronic component business were 46,362 million yen of 15.1% increase from the same term last year.

## **Battery Business**

This business includes alkaline batteries, carbon zinc batteries, lithium batteries, and so on.

In domestic market, FDK strengthened sales promotion of the core products such as the high-performance alkaline battery "G series" and the higher performance alkaline battery "G-Plus". Overseas sales were decreased since an expected large order from a customer in North America was postponed. Consequently, net sales of this business were 10,945 million yen of 5.8% decrease from the same term last year.

## **Projections**

The demand for the electronic component market will be gradually expanding towards year-end sales season, though the market environment will be expected to be severe due to the escalating prices of raw materials caused by soaring crude oil.

The present business forecast of the fiscal year ended March 2006 is as follows.

### **Projections for FY2005 (April 1,2005 - March 31, 2006)**

	Consolidated Earnings Forecast	
	Yen (million)	change (%)
Net Sales	119,500	+19.0%
Operating Income	3,150	+104.2%
Net Income	500	-
	Non-consolidated Earnings Forecast	
	Yen (million)	change (%)
Net Sales	61,300	+5.8%
Operating Income	1,650	-
Net Income	200	-

The above forecast takes a consideration of the estimated impact of 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 products and components in major markets, the exchange rate, Japan-U.S. stock quotations, etc.

## **Cash Flow Condition**

The cash flow from the operating activities increased to 3,939 million yen by the increase of the liquidation of receivables and the increase in the account payables, though there were some decrease due to the interim loss before income taxes and the minority taxes and the temporally increase in account receivables and inventories accrued by the increased sales.

The cash flow from the investing activities decreased 1,542 million yen resulting from investment to the facilities primarily on module business for LCDs.

The cash flow from the financing activities decreased 3,225 million yen due to the redemption of borrowing, though 7,000 million yen was accrued by the issuance of new shares.

As a result, cash and cash equivalents at the end of the first half of FY2005 decreased 585 million yen from the end of the last fiscal year, and totaled 9,290 million yen.