

October 26, 2006

**FY2006 First-Half Consolidated Financial Results**

(April 1, 2006 to September 30, 2006)

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

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

Address : Hamagomu Bldg. 5-36-11 Shimbashi, Minato-ku, Tokyo 105-8677

Date of the meeting of the Board of Directors to approve the consolidated accounts: October 26, 2006

Parent Company : Fujitsu Limited (TSE:6702)

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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)Weighted number of shares outstanding during corresponding periods**

1H/FY2006 : 127,951,218

1H/FY2005 : 127,969,564

FY2005 : 127,964,183

**(4)Number of shares outstanding at the end of the periods.**

Six month ended September 30, 2006: 127,946,273

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

Year ended March 31, 2006 : 127,954,662

**2.Consolidated Operating Results for the 1H of FY 2006****a. Consolidated Results of Operations**

	Yen (millions)			Change(%)	Yen (millions)		U.S.Dollars (millions)	
	1H/FY2006	1H/FY2005			FY2005	1H/FY2006		
Net Sales	62,043	57,307	8.3%	118,109	\$530.28			
Operating Income	86	418	-79.3%	967	0.74			
Income(Loss) Before Income Taxes and Minority Interests	(51)	(519)	-	(2502)	-			
Net Income (Loss)	(359)	(833)	-	(3,326)	(3.07)			
<b>Amounts Per Share of Common Stock:</b>								
Basic Earnings (Loss)	(2.80) yen	(6.52) yen	-	(26.00) yen	(2.39 cent)			
Diluted Earnings	-	-	-	-	-			

**(Notes)**

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 117 yen = \$1

**b. Net Sales by Business Segment**

	Yen (millions)			Change(%)	Yen (millions)		U.S.Dollars (millions)	
	1H/FY2006	1H/FY2005			FY2005	1H/FY2006		
Electronic Devices	48,883	46,362	5.4	94,394	\$417.80			
Batteries	13,160	10,945	20.2	23,715	112.47			
<b>Total</b>	<b>62,043</b>	<b>57,307</b>	<b>8.3</b>	<b>118,109</b>	<b>530.28</b>			

c. Consolidated Financial Position

	Yen (millions)		Yen (millions)
	2006/9/30	2005/9/30	2006/3/31
Total Assets	77,316	76,554	76,616
Total Net Assets	6,168	-	-
Shareholders' Equity	6,392	8,193	6,340
Shareholders' Equity Ratio	7.9%	10.7%	8.3%
Shareholders' Equity Per Share	(38.38) yen	(21.94) yen	(36.42) yen

d. Consolidated Statements of Cash Flows

	Yen (millions)		Yen (millions)
	1H/FY2006	1H/FY2005	FY2005
Cash Flows from Operating Activities	3,630	3,939	3,352
Cash Flows from Investing Activities	(1,284)	(1,542)	(3,509)
Cash Flows from Financing Activities	(2,922)	(3,225)	(2,636)
Cash and Cash Equivalents at End of Period	7,062	9,290	7,577

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

3.Reference - FY2006 Consolidated Financial Forecast (April 1, 2006 - March 31, 2007)

Consolidated Financial Forecast

	Yen (million)	Change from FY2005(%)
Net Sales	125,400	+6.2%
Operating Income	2,200	+127.5
Net Income	200	-
Net Income per Share	1.56 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)		
	1H/FY2006	1H/FY2005	FY2005
	(Apr-Sep'06)	(Apr-Sep'05)	(Apr'05-Mar'06)
<b>Net sales</b>	¥ 62,043	¥ 57,307	¥ 118,109
<b>Operating costs and expenses</b>			
Cost of sales	56,484	51,400	106,271
Selling, general and administrative expenses	5,473	5,489	10,871
	<u>61,957</u>	<u>56,889</u>	<u>117,142</u>
<b>Operating income (loss)</b>	86	418	967
<b>Other income (expenses)</b>			
Interest and dividend income	40	42	75
Equity in earnings (losses) of affiliates, net	56	23	39
Interest charges	(211)	(383)	(641)
Other, net	(22)	(619)	(2,942)
	<u>(137)</u>	<u>(937)</u>	<u>(3,469)</u>
<b>Income (loss) before income taxes and minority interests</b>	(51)	(519)	(2,502)
<b>Income taxes</b>			
Current	314	287	755
Deferred	(28)	23	45
	<u>286</u>	<u>310</u>	<u>800</u>
<b>Income (loss) before minority interests</b>	(337)	(829)	(3,302)
<b>Minority interests in income of consolidated subsidiaries</b>	(22)	(4)	(24)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net income (loss)</b>	<u>¥ ( 359)</u>	<u>¥ ( 833)</u>	<u>¥ ( 3,326)</u>

## Consolidated Balance Sheets

	Yen (millions)		
	30-Sep-06	30-Sep-05	31-Mar-06
<b>Assets</b>			
<b>Current assets</b>			
Cash and time deposit	¥ 7,081	¥ 9,316	¥ 7,598
Notes receivable-trade	1,182	1,113	976
Accounts receivable-trade	29,930	27,549	29,677
Inventories	10,159	9,444	9,252
Deferred tax assets	196	169	161
Other current assets	2,885	2,738	2,897
Less: Allowance for doubtful receivable	(43)	(87)	(45)
Total current assets	<u>51,390</u>	<u>50,242</u>	<u>50,516</u>
<b>Tangible fixed assets</b>			
Building and structures	8,151	9,427	8,625
Other depreciable assets	10,333	9,394	9,652
Land	4,319	4,390	4,471
Construction in progress	97	148	195
Total tangible fixed assets	<u>22,900</u>	<u>23,359</u>	<u>22,943</u>
<b>Intangible assets</b>			
	661	712	695
<b>Investments and long-term loans</b>			
Securities investments	125	126	238
Deferred tax assets	101	115	109
Other investments and long-term loans	2,139	2,000	2,115
Total investments	<u>2,365</u>	<u>2,241</u>	<u>2,462</u>
<b>Total assets</b>	<u>¥ 77,316</u>	<u>¥ 76,554</u>	<u>¥ 76,616</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes Payable-trade	¥ 121	¥ 257	¥ 173
Account payable-trade	32,613	28,751	28,813
Short-term borrowings	25,711	24,356	28,159
Current portion of long-term debt	1,403	3,642	1,444
Accrued income taxes	376	303	292
Other current liabilities	4,614	3,718	4,336
Total current liabilities	<u>64,838</u>	<u>61,027</u>	<u>63,217</u>
<b>Long-term liabilities</b>			
Long-term debt	825	1,752	1,162
Accrued retirement benefits	5,396	4,977	5,237
Other long-term liabilities	89	83	102
Total long-term liabilities	<u>6,310</u>	<u>6,812</u>	<u>6,501</u>
<b>Total liabilities</b>	<u>71,148</u>	<u>67,839</u>	<u>69,718</u>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	22,756		
Capital surplus	17,167		
Retained earnings(Deficit)	(33,504)		
Treasury stock	(27)		
Total shareholders' equity	<u>6,392</u>		
<b>Valuation and translation adjustments</b>			
Unrealized gains (losses) on securities, net of taxes	16		
Deferred gains (losses) on hedges	(14)		
Foreign currency translation adjustments	(306)		
Total Valuation and translation adjustments	<u>(304)</u>		
<b>Minority interests in consolidated subsidiaries</b>			
	80		
<b>Total net assets</b>	<u>6,168</u>		
<b>Total liabilities and net assets</b>	<u>¥ 77,316</u>		
<b>Minority interests in consolidated subsidiaries</b>			
	-	522	558
<b>Shareholders' equity</b>			
Common stock	-	22,756	22,756
Capital surplus	-	17,135	17,167
Retained earnings(Deficit)	-	(30,652)	(33,145)
Unrealized gains (losses) on securities, net of taxes	-	19	22
Foreign currency translation adjustments	-	(1,042)	(435)
Treasury stock	-	(23)	(25)
Total shareholders' equity	<u>-</u>	<u>8,193</u>	<u>6,340</u>
<b>Total Liabilities, minority interests and shareholders' equity</b>	<u>-</u>	<u>¥ 76,554</u>	<u>¥ 76,616</u>

## Consolidated Statements of Cash Flows

	Yen (millions)		
	1H/FY2006	1H/FY2005	FY2005
	(Apr-Sep'06)	(Apr-Sep'05)	(Apr'05-Mar'06)
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes and minority interests	¥ ( 51)	¥ ( 519)	¥ ( 2,502)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	1,613	1,695	3,470
Equity in earnings of affiliates, net	(56)	(23)	(39)
(Increase) decrease in receivable-trade	(257)	(3,898)	(4,954)
(Increase) decrease in inventories	(852)	(1,298)	(815)
Increase (decrease) in payable-trade	3,544	6,800	5,657
Other, net	52	1,990	3,992
Cash generated from operations	3,993	4,747	4,809
Interest paid	(185)	(389)	(658)
Interest and dividends received	55	42	75
Income taxes paid	(233)	(382)	(795)
Other, net	-	(79)	(79)
Net cash provided by operating activities	<u>3,630</u>	<u>3,939</u>	<u>3,352</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	(2,009)	(1,497)	(3,415)
Proceeds from sales of tangible fixed assets	460	13	309
Purchase of intangible assets	(3)	(6)	(27)
Other, net	268	(52)	(376)
Net cash used in investing activities	<u>(1,284)</u>	<u>(1,542)</u>	<u>(3,509)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of new common stock	-	7,000	7,000
Proceeds from long-term debt	230	1	1
Repayment of long-term debt	(605)	(3,794)	(6,727)
Increase (decrease) in short-term borrowings	(2,537)	(6,416)	(2,923)
Other, net	(10)	(16)	13
Net cash provided by (used in) financing activities	<u>(2,922)</u>	<u>(3,225)</u>	<u>(2,636)</u>
Effect of exchange rate changes on cash and cash equivalents	61	242	494
Net increase (decrease) in cash and cash equivalents	(515)	(586)	(2,299)
Cash and cash equivalents at beginning of year	7,577	9,876	9,876
Cash and cash equivalents at end of year	<u>¥ 7,062</u>	<u>¥ 9,290</u>	<u>¥ 7,577</u>

## Consolidated Statements of Shareholders' Equity

1H/FY2006 (Apr-Sep'06)

	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 (loss)			(359)		(359)
Acquisition of treasury stocks				(2)	(2)
Net increase(decrease)during the term, except for items under shareholders' equity					
Total	-	-	(359)	(2)	(361)
Ending balance	¥ 22,756	¥ 17,167	¥ ( 33,504)	¥ ( 27)	¥ 6,392

	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 (loss)						(359)
Acquisition of treasury stocks						(2)
Net increase(decrease)during the term, except for items under shareholders' equity	(6)	(14)	129	109	(478)	(369)
Total	(6)	(14)	129	109	(478)	(730)
Ending balance	¥ 16	¥ ( 14)	¥ ( 306)	¥ ( 304)	¥ 80	¥ 6,168

1H/FY2005 (Apr-Sep'05) and FY2005 (Apr'05-Mar'06)

	Yen (millions)	
	1H/FY2005	FY2005
<b>Common Stock:</b>		
Beginning balance	¥ 19,256	¥ 19,256
Increase from capital stock issued	3,500	3,500
Ending balance	¥ 22,756	¥ 22,756
<b>Capital Surplus:</b>		
Beginning balance	¥ 13,635	¥ 13,635
Increase in capital surplus from capital stock issued	3,500	3,500
Others	-	32
Ending balance	¥ 17,135	¥ 17,167
<b>Retained Earnings(Deficit)</b>		
Beginning balance	¥ ( 29,893)	¥ ( 29,893)
Increase in earnings from change of overseas subsidiary's functional currency	74	74
Net income(loss)	(833)	(3,326)
Ending balance	¥ ( 30,652)	¥ ( 33,145)
<b>Unrealized Gains(losses) on Securities, net of taxes:</b>		
Beginning balance	¥ 16	¥ 16
Net increase in unrealized gain(loss) on securities	3	6
Ending balance	¥ 19	¥ 22
<b>Foreign Currency Translation Adjustments:</b>		
Beginning balance	¥ ( 1,759)	¥ ( 1,759)
Net increase in foreign currency transaction adjustment	717	1,324
Ending balance	¥ ( 1,042)	¥ ( 435)
<b>Treasury Stock:</b>		
Beginning balance	¥ ( 21)	¥ ( 21)
Net decrease(increase) Treasury stock	(2)	(4)
Ending balance	¥ ( 23)	¥ ( 25)

## Consolidated Business Segment Information

		Yen (millions)		
		1H/FY2006	1H/FY2005	FY2005
		(Apr-Sep'06)	(Apr-Sep'05)	(Apr'05-Mar'06)
Electronic Materials	Net Sales			
	Unaffiliated Customers	¥ 48,883	¥ 46,362	¥ 94,394
	Intersegment	-	-	-
	Total	<u>48,883</u>	<u>46,362</u>	<u>94,394</u>
	Operating Income (Loss)	<u>(774)</u>	<u>(201)</u>	<u>(445)</u>
Batteries	Net Sales			
	Unaffiliated Customers	13,160	10,945	23,715
	Intersegment	-	-	-
	Total	<u>13,160</u>	<u>10,945</u>	<u>23,715</u>
	Operating Income	<u>860</u>	<u>619</u>	<u>1,412</u>
Elimination	Net Sales	-	-	-
	Operating Income	-	-	-
Total	Net Sales			
	Unaffiliated Customers	¥ 62,043	¥ 57,307	¥ 118,109
	Intersegment	-	-	-
	Total	<u>¥ 62,043</u>	<u>¥ 57,307</u>	<u>¥ 118,109</u>
	Operating Income (Loss)	<u>¥ 86</u>	<u>¥ 418</u>	<u>¥ 967</u>

## Consolidated Geographic Segment Information

		Yen (millions)		
		1H/FY2006	1H/FY2005	FY2005
		(Apr-Sep'06)	(Apr-Sep'05)	(Apr'05-Mar'06)
Japan	Net Sales			
	Unaffiliated Customers	¥ 30,333	¥ 29,030	¥ 57,434
	Intersegment	6,784	4,887	10,700
	Total	<u>37,117</u>	<u>33,917</u>	<u>68,134</u>
	Operating Income (Loss)	<u>(243)</u>	<u>(131)</u>	<u>(474)</u>
Asia	Net Sales			
	Unaffiliated Customers	29,471	26,417	56,656
	Intersegment	13,252	10,146	20,991
	Total	<u>42,723</u>	<u>36,563</u>	<u>77,647</u>
	Operating Income	<u>637</u>	<u>1,132</u>	<u>2,522</u>
North America	Net Sales			
	Unaffiliated Customers	1,060	875	1,710
	Intersegment	-	-	8
	Total	<u>1,060</u>	<u>875</u>	<u>1,718</u>
	Operating Income	<u>29</u>	<u>(54)</u>	<u>(70)</u>
Europe	Net Sales			
	Unaffiliated Customers	1,179	985	2,309
	Intersegment	40	38	73
	Total	<u>1,219</u>	<u>1,023</u>	<u>2,382</u>
	Operating Income	<u>31</u>	<u>25</u>	<u>61</u>
Elimination	Net Sales	(20,076)	(15,071)	(31,772)
	Operating Income	<u>(368)</u>	<u>(554)</u>	<u>(1,072)</u>
Total	Net Sales			
	Unaffiliated Customers	¥ 62,043	¥ 57,307	¥ 118,109
	Intersegment	-	-	-
	Total	<u>¥ 62,043</u>	<u>¥ 57,307</u>	<u>¥ 118,109</u>
	Operating Income (Loss)	<u>¥ 86</u>	<u>¥ 418</u>	<u>¥ 967</u>

## Net Overseas Sales by Customer's Geographic Location

		Yen (millions)		
		1H/FY2006	1H/FY2005	FY2005
		(Apr-Sep'06)	(Apr-Sep'05)	(Apr'05-Mar'06)
Asia		¥ 30,223	¥ 27,351	¥ 59,046
North America		3,814	2,649	5,205
Other countries		3,364	2,782	5,525
Total		<u>¥ 37,401</u>	<u>¥ 32,782</u>	<u>¥ 69,776</u>

# Business Performance and Finances

## Business Performance Overview

During the first six months of FY2006, the global electronic device market showed steady growth and the digital equipment market, such as flat panel TVs, mobile phones and PCs, expanded. This was backed by a steady economy in the United States and the recovery of individual consumption in Japan, though the profitability of companies slowed down due to the appreciation of material prices and the decline in market prices.

Under these circumstances, FDK announced its Midterm Business Plan early this year. The plan is aimed at the revival of its business based on sales of applied products developed from its competitive material technologies. FDK has strategically focused its strengths on the flat panel display market with a central focus on the LCD and mobile phone markets, which are expected to grow continuously. In addition, FDK is emphasizing next generation power supply and energy devices.

During the first six months of the fiscal year, FDK concentrated on reorganizing its subsidiaries to achieve a more effective business structure. Active sales promotions for alkaline dry batteries were made globally, and financial resources were invested in LCD backlight inverter modules, which went into mass production last year. Furthermore, in order to reinforce FDK's manufacturing capabilities and its pursuit of management efficiency, production innovation activities were extended from targeting just production sites to targeting the entire operation.

As sales increased in most categories, net sales were 62,043 million yen, an 8.3% increase over the same term last year, despite the production adjustment for LCD products. Although net sales increased because of the increase in quantity sold, the appreciation of material prices and the price decline of LCD products affected profits. As a result, operating income was 86 million yen, a decrease of 332 million yen from the same term last year. The loss before income taxes was 51 million yen. Due to the posting of 467 million yen as extraordinary profit on the sale of FDK's subsidiaries' stocks and so on, net loss for the first half of the year was 358 million yen, an improvement of 341 million yen from the forecast.

Divisional sales overview is reported as follows:

### **Electronic Device Business**

In the electronic device business, sales of timing control boards and backlight inverter modules for LCDs increased from the same term last year, thanks to strong demand for LCD TVs. Sales of switching power supplies increased from the same term last year due to the increased sales of servers. Under tough price competition, sales of motors for OA equipment and its compact models for digital cameras also increased. Expansion of FDK's product lineup to satisfy customer needs and extensive sales activities to mobile phone manufacturers resulted in increased sales of multilayer power chip inductors.

As a result, sales for the electronic device business were 48,882 million yen, a 5.4% increase from the same term last year.



## **Battery Business**

In sales of alkaline batteries, FDK strengthened sales promotion of its new alkaline battery series G, D and R in a highly competitive domestic market, which reflected consumer needs. Sales of alkaline batteries in North America and Europe increased. Under a revision to the Fire Defense Law, it is compulsory to install fire alarms in newly built homes. As cylindrical type lithium batteries are used for fire alarms, their sales increased accordingly.

As a result, sales for the battery business were 13,160 million yen, a 20.2% increase from the same term last year.

## **Cash Flow Condition**

Cash flow from operating activities increased 3,630 million yen from the end of the last 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 flow from investment activities decreased 1,284 million yen from the end of the last fiscal year due to the investment in production facilities for LCD inverter modules and so on.

Cash flow from financing activities decreased 2,922 million yen from the end of the last fiscal year due to the redemption of borrowing.

As a result, the balance of cash and cash equivalents at the end of the first half of FY2006 was 7,062 million yen, a decrease of 515 million yen from the balance at the end of the last fiscal year.