

FY2004 Third Quarter Consolidated Financial Results

(April 1, 2004 to December 31, 2004)

FDK CORPORATION

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

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E-mail: narishi@fdk.co.jp**1. Items Relevant to Preparation of Quarterly Financial Results****(1)Adoption of simplified accounting methods: Yes**

Allocation of taxes including corporate tax - adopted the methods used effective tax rate.

(2)Changes in accounting methods: Yes

For the seven consolidated subsidiaries whose accounting periods were different from FDK, provisional settlement of accounting was made by using FDK's accounting period (from Apr. 1,2004 to Dec. 31, 2004) and the following financial statement was prepared accordingly.

(3)Changes in scope of consolidation or application of equity method: Yes

1 excluded from consolidated subsidiaries : NANJING FDK CORPORATION

1 newly included affiliate accounted for under the equity method: NANJING JINNING SANHUAN FDK CO.,LTD.

2.Consolidated Operating Results for the Nine-Month Period (from Apr. 1,2004 to Dec. 31, 2004)**a. Consolidated Results of Operations**

	Yen (millions)		Change(%)	Yen	U.S.Dollars
	Nine months ended	Nine months ended		(millions)	(millions)
	December, 2004	December, 2003		FY2003	Nine months ended December, 2004
Net Sales	75,496	75,253	+0.3%	102,668	\$725.92
Operating Income	1,617	-	-	1,650	\$15.55
Income(Loss) Before Income Taxes and Minority Interests	(651)	-	-	(8,311)	(\$6.26)
Net Income (Loss)	(1,474)	-	-	(8,755)	(\$14.17)

Amounts Per Share of Common Stock:

Basic Earnings (Loss)	(11.52) yen	- yen	-	(105.18) yen	(11.08 cent)
Diluted Earnings	-	-	-	-	-

(Notes)

1. The above operating results other than net sales for the nine months of the previous year and the percentage of fluctuation between the nine months of this fiscal year are not disclosed since quarterly consolidated operating result other than net sales have been disclosed from this fiscal year,

2. Figures in this report are rounded to the nearest million yen.

3. All yen figures have been converted to U.S.dollars for convenience only at a uniform rate of \$1=104 yen

b. Consolidated Financial Condition

	Yen (millions)		Yen
	Nine months ended	Nine months ended	(millions)
	December, 2004	December, 2003	FY2003
Total Assets	71,485	-	78,864
Shareholders' Equity	2,169	-	4,203
Shareholders' Equity Ratio	3.00%	-	5.30%
Shareholders' Equity Per Share	(14.31)	- yen	1.58 yen

(Notes)

1. As FDK started disclosing quarterly financial results from this fiscal year, equivalent results and changes for the same period of the previous year are not stated.
2. For the seven consolidated subsidiaries whose accounting periods were different from FDK, provisional settlement of accounting was made by using FDK's accounting period. Consequently, the adjustment amount of 224 million yen accrued by the calculation period change was deducted from the retained earnings(loss).
3. Shareholders' equity per share was calculated by excluding 4 billion yen obtained by the allocation of new shares to the third party as preferred stocks in the last fiscal year.

c. Consolidated Statements of Cash Flows

	Yen (millions)		Yen (millions)
	Nine months ended December, 2004	Nine months ended December, 2003	FY2003
Cash Flows from			
Operating Activities	5,741	-	(1,233)
Cash Flows from			
Investing Activities	(2,702)	-	(2,143)
Cash Flows from			
Financing Activities	(3,495)	-	578
Cash and Cash Equivalents			
,End of Term	8,853	-	9,098
Consolidated Subsidiaries		15 companies	
Unconsolidated Subsidiaries		- companies	
Affiliates (equity method applied only)		1 companies	

(Note)

1. As FDK started disclosing quarterly financial results from this fiscal year, equivalent results and changes for the same period of the previous year are not stated.

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

Consolidated Earnings Forecast

	Yen (million)
Net Sales	98,000
Operating Income	1,500
Net Income	(2,700)
Net Income per Share	(21.10) yen

(Note)

1. Regarding the above forecast, please refer to the separate release of "Announcement of the Revised Achievement Forecast."

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 Balance Sheets

	Yen (millions)	
	31-Dec-04	31-Mar-04
Assets		
Current assets		
Cash and time deposit	¥ 8,879	¥ 9,112
Notes receivable-trade	1,420	2,086
Accounts receivable-trade	21,946	26,234
Inventories	9,298	9,672
Deferred tax assets	198	180
Other current assets	4,017	3,306
Less: Allowance for doubtful receivable	(74)	(75)
Total current assets	<u>45,684</u>	<u>50,515</u>
Tangible fixed assets		
Building and structures	9,306	10,034
Other depreciable assets	9,130	11,596
Land	4,378	4,428
Construction in progress	226	378
Total tangible fixed assets	<u>23,040</u>	<u>26,436</u>
Intangible assets	<u>763</u>	<u>1,046</u>
Investments and long-term loans		
Securities investments	135	131
Deferred tax assets	99	152
Other investments and long-term loans	1,764	584
Total investments	<u>1,998</u>	<u>867</u>
Total assets	<u>¥ 71,485</u>	<u>¥ 78,864</u>
Liabilities, minority interests and shareholders' equity		
Current liabilities		
Notes payable-trade	¥ 306	¥ 448
Account payable-trade	23,387	23,051
Short-term borrowings	20,027	22,744
Current portion of long-term debt	12,568	9,614
Accrued income taxes	384	156
Other current liabilities	3,558	4,390
Total current liabilities	<u>60,230</u>	<u>60,403</u>
Long-term liabilities		
Long-term debt	3,928	8,688
Accrued retirement benefits	4,557	4,116
Other long-term liabilities	61	85
Total long-term liabilities	<u>8,546</u>	<u>12,889</u>
Minority interests in consolidated subsidiaries	<u>540</u>	<u>1,369</u>
Shareholders' equity		
Common stock	19,256	19,256
Capital surplus	13,635	13,635
Retained earnings(Deficit)	(28,721)	(27,023)
Unrealized gains (losses) on securities, net of taxes	12	12
Foreign currency translation adjustments	(1,993)	(1,662)
Treasury stock	(20)	(15)
Total shareholders' equity	<u>2,169</u>	<u>4,203</u>
Total Liabilities, minority interests and shareholders' equity	<u>¥ 71,485</u>	<u>¥ 78,864</u>

Consolidated Statements of Operations

	Yen (millions)	
	Q3 of FY2004 (Apr-Dec'04)	FY2003 (Apr'03-Mar'04)
Net sales	¥ 75,496	¥ 102,668
Operating costs and expenses		
Cost of sales	65,765	90,074
Selling, general and administrative expenses	8,114	10,944
	<u>73,879</u>	<u>101,018</u>
Operating income (loss)	1,617	1,650
Other income (expenses)		
Interest and dividend income	46	49
Interest charges	(568)	(796)
Other, net (Note)	(1,746)	(9,214)
	<u>(2,268)</u>	<u>(9,961)</u>
Income (loss) before income taxes and minority interests	(651)	(8,311)
Income taxes		
Current	650	391
Deferred	42	26
	<u>692</u>	<u>417</u>
Income (loss) before minority interests	(1,343)	(8,728)
Minority interests in income of consolidates subsidiaries	(131)	(27)
Net income (loss)	<u>¥ (1,474)</u>	<u>¥ (8,755)</u>

Consolidated Statements of Shareholders' Equity

	Yen (millions)	
	31-Dec-04	31-Mar-04
Common Stock:		
Beginning balance	<u>¥ 19,256</u>	<u>¥ 13,206</u>
Increase from capital stock issued	-	6,050
Ending balance	<u>¥ 19,256</u>	<u>¥ 19,256</u>
Capital Surplus:		
Beginning balance	<u>¥ 13,635</u>	<u>¥ 7,585</u>
Increase in capital surplus from capital stock issued	-	6,050
Ending balance	<u>¥ 13,635</u>	<u>¥ 13,635</u>
Retained Earnings(Deficit)		
Beginning balance	<u>¥ (27,023)</u>	<u>¥ (18,268)</u>
Net increase(decrease) from change of consolidated accounting period of consolidated subsidiaries	¥ (224)	-
Net income(loss)	¥ (1,474)	(8,755)
Ending balance	<u>¥ (28,721)</u>	<u>¥ (27,023)</u>
Unrealized Gain(loss) on Securities,net of taxes:		
Beginning balance	<u>¥ 12</u>	<u>¥ 41</u>
Net increase in unrealized gain(loss) on securities	0	(29)
Ending balance	<u>¥ 12</u>	<u>¥ 12</u>
Foreign Currency Translation Adjustments:		
Beginning balance	<u>¥ (1,662)</u>	<u>¥ (846)</u>
Net increase in foreign currency transaction adjustment	(331)	(816)
Ending balance	<u>¥ (1,993)</u>	<u>¥ (1,662)</u>
Treasury Stock:		
Beginning balance	<u>¥ (15)</u>	<u>¥ (12)</u>
Net decrease(increase) Treasury stock	(5)	(3)
Ending balance	<u>¥ (20)</u>	<u>¥ (15)</u>

Consolidated Statements of Cash Flows

	Yen (millions)	
	Q3 of FY2004 (Apr-Dec'04)	FY2003 (Apr'03-Mar'04)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	¥ (651)	¥ (8,311)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	2,965	4,400
(Increase) decrease in receivable-trade	6,066	(7,312)
(Increase) decrease in inventories	(837)	153
Increase (decrease) in payable-trade	(710)	7,581
Other, net	(29)	3,603
Cash generated from operations	6,804	114
Interest paid	(559)	(854)
Interest and dividends received	46	49
Income taxes paid	(550)	(542)
Net cash provided by operating activities	<u>5,741</u>	<u>(1,233)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,333)	(2,917)
Proceeds from sales of tangible fixed assets	74	192
Purchase of intangible assets	(10)	(40)
Other, net	(433)	622
Net cash used in investing activities	<u>(2,702)</u>	<u>(2,143)</u>
Cash flows from financing activities		
Proceeds from long-term debt	303	207
Repayment of long-term debt	(1,774)	(2,855)
Increase (decrease) in short-term borrowings	(1,940)	(8,871)
Proceeds from issuance of new common stock	-	12,100
Other, net	(84)	(3)
Net cash provided by (used in) financing activities	<u>(3,495)</u>	<u>578</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(53)</u>	<u>(495)</u>
Net increase (decrease) in cash and cash equivalents	(509)	(3,293)
Cash and cash equivalents at beginning of term	9,098	12,391
Increase in cash and cash equivalents from change of consolidated accounting period of consolidated subsidiaries	440	-
Decrease in cash and cash equivalents due to exclusion from consolidation	(176)	-
Cash and cash equivalents at end of term	<u>¥ 8,853</u>	<u>¥ 9,098</u>

Business Performance and Finances

Business Performance Overview

At the beginning of the FY2004, sales of electronic components remained very favorable. However, slowdown of the sales occurred by the inventory adjustment especially in the flat panel display market from the second quarter and our sales of the hybrid modules for liquid crystal panels and plasma display panels were suffered from this slowdown. In addition, the pressure for the further price reduction from electric and electronic makers was expected early in 2005.

Consolidated net sales for the nine month ended December 31, 2004, the third quarter of the year ending March 31, 2005, reported 75,496 million yen, which was equivalent to the same term last year. While the sales of coil devices such as inverter transformers for LCDs and piezoelectric devices for digital cameras were increased from the same term last year, the sales of plasma display products were decreased.

Electronic Component Business

The sales of hybrid modules for plasma displays were equivalent to the same term last year due to the decline in orders from the second quarter and the sales of hybrid modules for the plasma displays were decreased to the same term last year. The sales of switching power supplies and inverter transformers were increased to the same term last year. For the stepper motors, sales were largely increased in compact models for cellular phones and digital cameras but decreased for printers as they shifted to use DC motors which cause little noise in use. The sales amount of stepper motors as a whole fell short of the same term last year.

According to the above-mentioned situation, the sales of the electronic component business decreased 1.6 % from the same term last year, to 57,447 million yen.

Battery Business

Since export sales of alkaline dry cell batteries in the first half of FY2004 had much exceeded the corresponding term of last year, sales increased 7.1 % from the same term last year to 18,049 million yen. By launching high-grade alkaline battery "G-Plus" in last November, FDK continuously strengthened to promote high performance alkaline batteries including existing G-series batteries.

Cash Flow Condition

Net cash provided by operating activities increased 5,741 million yen from the end of the last fiscal year due to the increase in working capital by improving the efficiency in overall management: FDK strengthened on the debt collection and increased the retained earnings, though loss before income taxes and minority interests was added.

Net cash used in investing activities decreased 2,701 million yen from the end of the last fiscal year due to the capital investment in facilities.

Net cash used in financing activities decreased 3,494 million yen from the end of the last fiscal year due to the payment for redemption of borrowing.

With change of the accounting period of subsidiaries, cash and cash equivalents increased 440million yen from the end of the last fiscal year. As a result of these activities, balance of cash and cash equivalents at the end of the third quarter of FY2004 was 8,853 million yen, 244 million yen less than the balance at the end of the last fiscal year.