

April 27, 2005

## FY2004 Consolidated Financial Results

(April 1, 2004 to March 31, 2005)

## 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 settle the consolidated accounts: April 27, 2005

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: Yes

For the six 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 Mar. 31, 2005) and the following financial statement was prepared accordingly.

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

2 newly included of consolidated account.

1 excluded from consolidated account.

1 newly included affiliate accounted for under the equity method.

## (3) Average number of shares in each year

Ordinary shares - FY2004: 127,983,569 shares FY2003: 83,247,183 shares

Preferred shares - FY2004: 10,000,000 shares FY2003: 54,644 shares

## (4) Number of shares issued and outstanding at the end of fiscal year.

Ordinary shares - FY2004: 127,972,977 shares FY2003: 127,993,851 shares

Preferred shares - FY2004: 10,000,000 shares FY2003: 10,000,000 shares

## 2. Consolidated Operating Results for the Fiscal Year 2004

## a. Consolidated Results of Operations

	Yen (millions)		Change(%)	U.S.Dollars
	FY2004	FY2003		(millions) FY2004
Net Sales	100,441	102,668	-2.2	\$938.70
Operating Income	1,542	1,650	-6.5	\$14.41
Income(Loss) Before Income Taxes and Minority Interests	(1,721)	(8,311)	-	(\$16.08)
Net Income (Loss)	(2,713)	(8,755)	-	(\$25.36)
<b>Amounts Per Share of Common Stock:</b>				
Basic Earnings (Loss)	(21.20) yen	(105.18) yen	-	(19.81 cent)
Diluted Earnings	-	-	-	-

## (Notes)

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

2. All yen figures have been converted to U.S.dollars for convenience only at a uniform rate of \$1=107 yen

## b. Net Sales by Business Segment

	Yen (millions)		Change(%)	U.S.Dollars
	FY2004	FY2003		(millions) FY2004
Electronic Component	76,368	80,621	-5.3	713.72
Batteries	24,073	22,047	9.2	224.98
Total	100,441	102,668		938.70

c. Consolidated Financial Condition

	Yen (millions)	
	2005/3/31	2004/3/31
Total Assets	71,366	78,864
Shareholders' Equity	1,234	4,203
Shareholders' Equity Ratio	1.70%	5.30%
Shareholders' Equity Per Share	(21.61) yen	1.58 yen

(Notes)

Shareholders' equity per share was calculated by excluding 4 billion yen obtained by the allocation of new shares to the third party as preferred shares in the last fiscal year.

d. Consolidated Statements of Cash Flows

	Yen (millions)		
	FY2004	FY2003	
Cash Flows from			
Operating Activities	3,254	(1,233)	
Cash Flows from			
Investing Activities	(3,034)	(2,143)	
Cash Flows from			
Financing Activities	(462)	578	
Cash and Cash Equivalents ,End of Term	9,876	9,098	
Consolidated Subsidiaries			17 companies
Unconsolidated Subsidiaries (equity method applied)			- companies
Affiliates (equity method applied only)			1 companies

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

Consolidated Earnings Forecast

	Yen	
	(million)	Change from FY2004(%)
Net Sales	100,500	+0.06
Operating Income	3,350	+217.25
Net Income	500	-
Net Income per Share	3.91 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)	
	FY2004	FY2003
<b>Net sales</b>	¥ 100,441	¥ 102,668
<b>Operating costs and expenses</b>		
Cost of sales	87,862	90,074
Selling, general and administrative expenses	11,037	10,944
	<u>98,899</u>	<u>101,018</u>
<b>Operating income (loss)</b>	1,542	1,650
<b>Other income (expenses)</b>		
Interest and dividend income	66	49
Equity in earnings (losses) of affiliates, net	22	-
Interest charges	(721)	(796)
Other, net (Note)	(2,630)	(9,214)
	<u>(3,263)</u>	<u>(9,961)</u>
<b>Income (loss) before income taxes and minority interests</b>	(1,721)	(8,311)
<b>Income taxes</b>		
Current	854	391
Deferred	28	26
	<u>882</u>	<u>417</u>
<b>Income (loss) before minority interests</b>	(2,603)	(8,728)
<b>Minority interests in income of consolidated subsidiaries</b>	<u>(110)</u>	<u>(27)</u>
<b>Net income (loss)</b>	<u>¥ (2,713)</u>	<u>¥ (8,755)</u>

# Consolidated Balance Sheets

	Yen (millions)	
	31-Mar-05	31-Mar-04
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposit	¥ 9,894	¥ 9,112
Notes receivable-trade	968	2,086
Accounts receivable-trade	23,072	26,234
Inventories	7,991	9,672
Deferred tax assets	82	180
Other current assets	3,792	3,306
Less: Allowance for doubtful receivable	(121)	(75)
Total current assets	<u>45,678</u>	<u>50,515</u>
<b>Tangible fixed assets</b>		
Building and structures	9,086	10,034
Other depreciable assets	9,259	11,596
Land	4,393	4,428
Construction in progress	58	378
Total tangible fixed assets	<u>22,796</u>	<u>26,436</u>
<b>Intangible assets</b>	<u>724</u>	<u>1,046</u>
<b>Investments and long-term loans</b>		
Securities investments	120	131
Deferred tax assets	230	152
Other investments and long-term loans	1,818	584
Total investments	<u>2,168</u>	<u>867</u>
<b>Total assets</b>	<u>¥ 71,366</u>	<u>¥ 78,864</u>
<b>Liabilities, minority interests and shareholders' equity</b>		
<b>Current liabilities</b>		
Notes Payable-trade	¥ 276	¥ 448
Account payable-trade	21,089	23,051
Short-term borrowings	29,916	22,744
Current portion of long-term debt	7,506	9,614
Accrued income taxes	452	156
Other current liabilities	3,226	4,390
Total current liabilities	<u>62,465</u>	<u>60,403</u>
<b>Long-term liabilities</b>		
Long-term debt	2,306	8,688
Accrued retirement benefits	4,749	4,116
Other long-term liabilities	78	85
Total long-term liabilities	<u>7,133</u>	<u>12,889</u>
<b>Minority interests in consolidated subsidiaries</b>	<u>534</u>	<u>1,369</u>
<b>Shareholders' equity</b>		
Common stock	19,256	19,256
Capital surplus	13,635	13,635
Deficit	(29,893)	(27,023)
Unrealized gains (losses) on securities, net of taxes	16	12
Foreign currency translation adjustments	(1,759)	(1,662)
Treasury stock	(21)	(15)
Total shareholders' equity	<u>1,234</u>	<u>4,203</u>
<b>Total Liabilities, minority interests and shareholders' equity</b>	<u>¥ 71,366</u>	<u>¥ 78,864</u>

## Consolidated Statements of Cash Flows

	Yen (millions)	
	FY2004	FY2003
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes and minority interests	¥ ( 1,721)	¥ ( 8,311)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation and amortization	3,846	4,400
Equity in earnings of affiliates, net	(22)	-
(Increase) decrease in receivable-trade	4,604	(7,312)
(Increase) decrease in inventories	891	153
Increase (decrease) in payable-trade	(3,401)	7,581
Other, net	761	3,603
Cash generated from operations	4,958	114
Interest paid	(731)	(854)
Interest and dividends received	66	49
Income taxes paid	(752)	(542)
Other, net	(287)	-
Net cash provided by operating activities	<u>3,254</u>	<u>(1,233)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(2,934)	(2,917)
Proceeds from sales of tangible fixed assets	373	192
Purchase of intangible assets	(54)	(40)
Other, net	(419)	622
Net cash used in investing activities	<u>(3,034)</u>	<u>(2,143)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	646	207
Repayment of long-term debt	(8,559)	(2,855)
Increase (decrease) in short-term borrowings	7,527	(8,871)
Proceeds from issuance of new common stock	-	12,100
Other, net	(76)	(3)
Net cash provided by (used in) financing activities	<u>(462)</u>	<u>578</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>96</u>	<u>(495)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(146)	(3,293)
<b>Cash and cash equivalents at beginning of year</b>	9,098	12,391
<b>Increase in cash and cash equivalents from change of consolidated accounting period of consolidated subsidiaries</b>	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>	<u>¥ 9,876</u>	<u>¥ 9,098</u>

## Consolidated Statements of Shareholders' Equity

	Yen (millions)	
	31-Mar-05	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)
Increase in earnings from addition of consolidated companies	¥ 67	-
Net increase(decrease) in deficit from change of consolidated accounting period of consolidated subsidiaries	¥ ( 224)	-
Net income(loss)	(2,713)	(8,755)
Ending balance	¥ ( 29,893)	¥ ( 27,023)
<b>Unrealized Gain(loss) on Securities,net of taxes:</b>		
Beginning balance	¥ 12	¥ 41
Net increase in unrealized gain(loss) on securities	4	(29)
Ending balance	¥ 16	¥ 12
<b>Foreign Currency Translation Adjustments:</b>		
Beginning balance	¥ ( 1,662)	¥ ( 846)
Net increase in foreign currency transaction adjustment	(97)	(816)
Ending balance	¥ ( 1,759)	¥ ( 1,662)
<b>Treasury Stock:</b>		
Beginning balance	¥ ( 15)	¥ ( 12)
Net decrease(increase) Treasury stock	(6)	(3)
Ending balance	¥ ( 21)	¥ ( 15)

## Consolidated Business Segment Information

		Yen (millions)	
		FY2004	FY2003
<b>Electronic Component</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 76,368	¥ 80,621
	Intersegment	-	-
	Total	¥ 76,368	¥ 80,621
	<b>Operating Income (Loss)</b>	¥ (331)	¥ (123)
<b>Batteries</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 24,073	¥ 22,047
	Intersegment	-	-
	Total	¥ 24,073	¥ 22,047
	<b>Operating Income</b>	¥ 1,873	¥ 1,773
<b>Elimination</b>	<b>Net Sales</b>	-	-
	<b>Operating Income</b>	-	-
<b>Total</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 100,441	¥ 102,668
	Intersegment	-	-
	Total	¥ 100,441	¥ 102,668
	<b>Operating Income (Loss)</b>	¥ 1,542	¥ 1,650

## Consolidated Geographic Segment Information

		Yen (millions)	
		FY2004	FY2003
<b>Japan</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 57,191	¥ 65,084
	Intersegment	10,895	8,610
	Total	¥ 68,086	¥ 73,694
	<b>Operating Income (Loss)</b>	¥ 424	¥ 2,164
<b>Asia</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 38,314	¥ 34,959
	Intersegment	19,951	20,630
	Total	¥ 58,265	¥ 55,589
	<b>Operating Income</b>	¥ 1,653	¥ 645
<b>North America</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 2,267	¥ 2,625
	Intersegment	-	-
	Total	¥ 2,267	¥ 2,625
	<b>Operating Income</b>	¥ (96)	¥ (230)
<b>Europe</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 2,669	-
	Intersegment	63	-
	Total	¥ 2,732	-
	<b>Operating Income</b>	¥ 63	-
<b>Elimination</b>	<b>Net Sales</b>	(30,909)	(29,240)
	<b>Operating Income</b>	(502)	(929)
<b>Total</b>	<b>Net Sales</b>		
	Unaffiliated Customers	¥ 100,441	¥ 102,668
	Intersegment	-	-
	Total	¥ 100,441	¥ 102,668
	<b>Operating Income (Loss)</b>	¥ 1,542	¥ 1,650

## Net Overseas Sales by Customer's Geographic Location

		Yen (millions)	
		FY2004	FY2003
<b>Asia</b>		¥ 40,387	¥ 38,913
<b>North America</b>		6,041	5,809
<b>Other countries</b>		6,232	6,588
<b>Total</b>		¥ 52,660	¥ 51,310

## **Business Performance and Finances**

### **Business Performance Overview**

At the beginning of the FY 2004, sales of electric components were expected to be very favorable as the market expansion of the digital home appliances was expected. From the middle of the first half, however, the flat panel display market went through an intensive adjustment period and pressures on price markdowns mounted to electronic component manufactures.

Under these circumstances, FDK strived to develop new products and technologies to respond the customer needs and carried out production innovation aimed at the establishment of a company-wide low-cost manufacturing structure and the improvement of business performance.

However, the slowdown in sales of PDP modules and related products affected our business performance. As a result, consolidated net sales were posted 100,441 million yen of the decrease of 2.2% from the previous fiscal year. Consolidated operating income was 1,542 million yen of the decrease of 6.5 %. Consolidated net loss was resulted 2,713 million yen.

### **Electronic Component Business**

#### **[Hybrid Module Division]**

From the middle of the fiscal year, the flat panel display market went into an adjustment period and the sales of our hybrid modules related to LCDs and PDPs were much affected. From the 4<sup>th</sup> quarter, however, the LCD panel market was recovered especially in overseas. In contrast, the market competition among PDP makers was intensified, which caused inventory adjustment period of the PDP devices. Net sales of this division were 47,105 million yen of 10.3% decrease from the previous fiscal year.

#### **[Power System Division]**

While the sales of switching power supplies for flat panel displays were decreased, those for storage devices and the like were increased. Sales of coil devices were increased, due to the sales growth of inverter transformer and the sales of newly launched multilayer power chip inductors. Net sales of this division were 12,179 million yen of 22.3% increase from the previous fiscal year.

#### **[Motor Division]**

Sales of stepper motors were increased in compact models for digital cameras and camera phones but much decreased for OA equipment due to the demand decline. As a result, net sales of this division were 6,141 million yen of 2.8% decrease from the previous fiscal year.

#### **[Component Division]**

Sales of piezoelectric parts and optical devices were increased but sales of ferrite products were decreased. Net sales of this division were 10,942 million yen of 7.7% decrease from the previous fiscal year.

According to the above-mentioned situation, net sales of the electronic component business were 76,367 million yen of 5.3% decrease from the previous fiscal year.



## Battery Business

FDK strived to develop new products and technologies to offer safe and high-quality batteries to customers. In domestic market, sales promotion of the core products such as the high-performance alkaline battery “G series” was further strengthened and the higher performance alkaline battery “G-Plus” was launched to strengthen the sales. Overseas sales were increased from the previous fiscal year, especially in North American market.

Consequently, net sales of this business were 24,073 million yen of 9.2% increase from the previous fiscal year.

## Projections

The outlook for the digital home appliance market is still clouded and the market environment will be expected to be severe due to the escalating prices of raw materials such as crude oil and iron ore.

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	100,500	+0.06%
Operating Income	3,350	+217.25%
Ordinary Income	950	-
Net Income	500	-

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 3,254 million yen as we strived to increase business efficiency such as liquidation of receivable and reduction in inventory by the production innovation, though we posted the net deficit for the period before tax adjustment.

The cash flow from the investing activities of this fiscal year decreased 3,034 million yen resulting from investment to the facilities primarily on hybrid modules for LCDs in overseas.

The cash flow from the financing activities of this fiscal year decreased 462 million yen and in addition, the adjustment amount of 924 million yen was increased in cash and cash equivalents, which was accrued by the changes in scope of consolidation.

As a result, cash and cash equivalents at the end of the year increased 778 million yen compared with the balance at the beginning of the year, and totaled 9,876 million yen.