

# EXCITING 108 PROGRESS REPORT

## Exciting 108 Medium-Term Management Plan

The ultimate goal of Exciting 108, which was launched in April 2000 and runs through March 2004, is to maximize TDK's value by firmly establishing an identity as an "Exciting Company." Exciting 108 challenges TDK to reach several numerical targets. The following shows how fiscal 2002 results stacked up.

### Profitability and Asset Utilization

The electronic materials and components segment saw its profitability worsen due to a sharp drop-off in demand, particularly from the mobile phone and IT fields. To restore its earnings ability, TDK took one-off restructuring charges for structural reforms. However, strong demand for 40 gigabyte/disk HDD heads in the second half in the recording devices sector helped to put earnings on a recovery track. TDK also expects its structural reforms to contribute to an earnings recovery from fiscal 2003 onward.

Although fiscal 2002 results were worse than those in fiscal 2001, TDK is determined to improve profitability and asset turnover through greater selection and concentration of resources as it strives to attain its Exciting 108 goals.

	Fiscal 2001 (Actual)	Fiscal 2002 (Actual)	Fiscal 2004 (Target)
Operating profit ratio	8.2%	-7.6%	13.0%
ROE	7.3%	-4.2%	12.0%
TVA	-1.4%	-11.8%	3.0%
Asset turnover	0.9	0.7	1.0 or higher

Notes: 1. TVA is obtained by establishing a cost of capital based on the implicit return that shareholders expect. This figure is then used to evaluate returns on invested capital, which are calculated using earnings after taxes but without deducting interest expenses. The TVA target assumes a cost of capital of 8%.

2. Operating profit ratio is based on net sales and operating profit defined as net sales less cost of sales, selling, general and administrative expenses (excluding the amortization of certain identifiable intangibles in 2001), and restructuring costs.

### Share of Sales and Growth Rates for Strategic Fields

TDK recorded negative growth in both Communications and Recording as demand slumped. The Communications field was particularly hard hit by falling demand for mobile phone components. With TDK regaining market share in HDD heads in the second half of fiscal 2002, the fall in sales in the Recording field wasn't nearly as large as in Communications.

	Fiscal 2001 (Actual)		Fiscal 2002 (Actual)		Fiscal 2004 (Target)	
	Share of TDK sales	YoY growth rate	Share of TDK sales	YoY growth rate	Share of TDK sales	Average annual growth rate
Communications	14%	30%	9%	-50%	20%	25%
Recording	41%	-7%	43%	-11%	45%	10%

### Capital Expenditures

TDK held down total capital expenditures in fiscal 2002 in reaction to falling demand. The largest portion of capital expenditures went to rationalization measures.

(Yen in Millions)

	Fiscal 2001 (Actual)		Fiscal 2002 (Actual)		Fiscal 2004 (Target)
	Year	Cum.	Year	Cum.	Cum.
Capital expenditures	99,452	99,452	58,777	158,229	350,000