

2) Summary

Consolidated results for the third quarter of fiscal 2001, the three-month period from October 1, 2000 through December 31, 2000, are as follows:

TDK Corporation today announced its consolidated business results for the third quarter of fiscal 2001, the three-month period ended December 31, 2000. Net sales increased 4.3% to ¥180,174 million (US\$1,566,730 thousand), while operating profit decreased 4.5% to ¥18,083 million (US\$157,243 thousand). Income before income taxes fell 13.3% to ¥15,552 million (US\$135,235 thousand) and net income declined 14.5% to ¥10,392 million (US\$90,365 thousand). Net income per common share was ¥78.08 (US\$0.68).

Third quarter average yen exchange rates for the U.S. dollar and euro were respectively ¥110 and ¥96 compared with the same period a year ago, as the yen weakened 5% against the dollar and strengthened 12% against the euro. Since sales in U.S. dollars account for a greater proportion of total net sales than those in euro, the conversion into yen had the net effect of raising net sales by approximately ¥2.2 billion and operating profit by approximately ¥1.3 billion.

Effective from the current fiscal year, TDK has revised its presentation for sector information and renamed some product categories.

In the electronic materials and components segment, net sales increased 8.0% to ¥141,922 million (US\$1,234,104 thousand).

Within this segment, sales in the electronic materials sector soared 30.1% to ¥56,062 million (US\$487,495 thousand). Sales of multilayer chip capacitors increased sharply due to expansion of the mobile phone market coupled with strong demand for use in PCs and peripherals, and digital devices. Orders for ferrite cores also rose on the back of brisk sales for use in data-communications devices, notably ADSL (Asymmetric Digital Subscriber Lines) devices. Growth in the overall marketplace for multilayer chip capacitors during the third quarter, though enjoying sharp year-on-year sales growth, slowed down markedly compared with the second quarter, with sales almost flat.

In the electronic devices sector, sales increased 19.3% to ¥39,304 million (US\$341,774 thousand). High-frequency components saw strong growth in sales. This reflected the contribution of high-frequency modules, voltage controlled oscillators and coils, where production capacity was ramped up in response to the expanding mobile phone market. Rising demand for inductive devices in the audio and visual products, office equipment and communications markets led to higher orders for coils. Moreover, EMC (Electromagnetic Compatibility) components enjoyed top-line growth, buoyed by expansion in output of office and communications equipment. Similar to multilayer chip capacitors, however, there

was an evident slowdown in the overall market for inductive devices. Reflecting this, sales of inductive devices declined marginally, compared with the second quarter.

Recording devices sales decreased 21.5% to ¥39,537 million (US\$343,800 thousand). Shipments of new high-area-recording-density GMR heads, which began in the latter half of the second quarter, were held back by two factors: a deterioration in production yields resulting from the advanced technology required by these heads; and the lingering effects of a six-day suspension in production due to torrential rains in mid-September 2000. Production yields improved in the latter half of the third quarter as originally planned. Some customers nevertheless scaled down their production as a result of a slowdown in the market for PCs and peripherals, which became evident from the latter half of November 2000.

Sales in the semiconductors & others sector surged 39.8% to ¥7,019 million (US\$61,035 thousand). This primarily reflected the inclusion of anechoic chamber sales in the third quarter, in addition to brisk sales of semiconductors for LAN products and set-top box modems.

In the recording media & systems segment, sales declined 7.6% to ¥38,252 million (US\$332,626 thousand). Sales of CD-Rs decreased despite increased sales volume generated by greater demand. This reflected falling prices brought about by an oversupply of these disks. Audiotapes and videotapes both posted sales declines. In respect of the former, this was due to lower sales volumes in line with decreasing demand. Videotapes, meanwhile, saw a sales decrease due to softening prices, although sales volumes were largely on a par with year-ago levels.

By region, sales in Japan decreased 0.8% to ¥61,026 million (US\$530,661 thousand). This was attributable to lower sales in recording media & systems and recording devices which outweighed gains in electronic materials, particularly multilayer chip capacitors, and electronic devices. In Europe, sales climbed 24.3% to ¥30,218 million (US\$262,765 thousand) due to strong demand for multilayer chip capacitors and high-frequency components for GSM and other mobile phone formats. In Asia (excluding Japan) and Others, sales decreased 9.2% to ¥55,254 million (US\$480,469 thousand). Here, as with Japan, strong sales in the electronic materials and electronic devices sectors could not fully offset lower sales in recording devices. In the Americas, sales increased 29.1% to ¥33,676 million (US\$292,835 thousand). This figure reflected the effects of the acquisition of Headway Technologies, Inc. at the end of March 2000 in the recording devices sector, as well as strong performances from electronic materials and electronic devices. The overall result was a 7.1% year-on-year increase in overseas sales to ¥119,148 million (US\$1,036,069 thousand). Overseas sales accounted for 66.1% of consolidated net sales, up 1.7 percentage points from 64.4%.

Outlook for the Fiscal Year Ending March 31, 2001

TDK's revised projections for consolidated results in the current fiscal year are shown below. These figures are based on the following assumptions:

- The estimates assume average yen-U.S. dollar exchange rates of ¥107 in the first half of the fiscal year and ¥113 in the second half compared with the previous second-half projection of ¥105.
- In the electronic materials and devices sectors TDK has revised sales projections downward, particularly for mainstay products such as multilayer chip capacitors and high-frequency components. This is in response to inventory reductions by mobile phone and PC-related manufacturers. In the recording devices sector, TDK foresees declining sales as companies begin to trim their HDD inventories following a rapid downturn in the PC marketplace from around December 2000. Overall, TDK expects consolidated net sales to fall below the previous forecast made in November 2000.
- TDK has lowered its forecast for operating profit in line with the downward revision of sales of mainstay products.

Consolidated

(yen in millions)

	Revised Projection	% Change From FY00	As of November 2000
Net sales	¥700,000	3.8%	¥720,000
Operating profit	66,000	-11.5%	75,000
Income before income taxes	72,000	-1.9%	86,000
Net income	49,000	-3.4%	59,000

Cautionary Statement About Projections

Projections for the fiscal year ending March 31, 2001 are based on assumptions and beliefs of TDK and its group companies in accordance with data currently available. Consequently, these projections should not be relied upon as the sole basis for evaluating TDK. Actual results may differ substantially from the projections depending on a number of factors.

The electronics markets in which TDK operates are highly susceptible to rapid changes. Furthermore, TDK operates not only in Japan, but in many other countries. As such, factors that can have significant effects on its results include, but are not limited to, shifts in technology, demand, prices, competition, economic environments and foreign exchange rates.