

# 1<sup>st</sup> Half of FY03 Consolidated Results and Fiscal 2003 Projections

Oct. 31, 2002

Hajime Sawabe President and CEO

# Consolidated Results (1<sup>st</sup> Half of FY03)

(Yen millions)	1stH of FY02	1stH of FY03	Change	Change (%)
Net sales	270,786	296,380	25,594	9.5%
Operating income (loss)	-2,811	10,019	12,830	—
Income (loss) before income taxes	-3,082	7,636	10,718	—
Net income	1,832	4,645	2,813	153.5%

TDK adopted the Emerging Issues Task Force issue 01-9 ("EITF 01-9"), "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" from the fiscal year beginning April 1, 2002 and has applied EITF 01-9 retroactively. This change only affects the figures for net sales and selling, general and administrative expenses; there is no effect on operating income (loss).

# Sales Breakdown

(Yen millions)	1stH of FY02	1stH of FY03	Change	Change( %)
Electronic materials and components	209,607	234,272	24,665	11.8%
Electronic materials	81,367	88,918	7,551	9.3%
Electronic devices	54,264	59,293	5,029	9.3%
Recording devices	64,022	78,173	14,151	22.1%
Semiconductors & Others	9,954	7,888	-2,066	-20.8%
Recording media & systems	61,179	62,108	929	1.5%
<b>Total sales</b>	<b>270,786</b>	<b>296,380</b>	<b>25,594</b>	<b>9.5%</b>

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## Sales by major customer industry (Electronic materials and components)

OA	20% ( Y o Y )
Automobile	24%
AV	5%
Communication equip.	-18%

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# Sales by Region

(Yen millions)	1stH of FY02	1stH of FY03	Change	Change(%)
Japan	85,170	84,289	-881	-1.0%
Americas	50,463	56,294	5,831	11.6%
Europe	37,817	34,368	-3,449	-9.1%
Asia and others	97,336	121,429	24,093	24.8%
Total sales	270,786	296,380	25,594	9.5%
Share of overseas sales	68.5%	71.6%		

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## Breakdown of Change in 1<sup>st</sup> Half FY03 Operating Income

	(Yen millions)
Change in operating income total (1st Half)	12,800
Exchange rate fluctuations (US\$/Yen 122->123)	500
Sales increase	11,700
Rationalization benefits	34,000
Sales price discounts ( 9% )	-29,400
Expenses to reform profit structure	-4,000

# Operating Income by Industry Segment

(Yen millions)	1stH of FY02	1stH of FY03	Change	Change (%)
<b>Electronic materials and components</b>				
Net sales	209,607	<b>234,272</b>	24,665	11.8%
Operating income (loss)	-722	<b>10,715</b>	11,437	-
<b>Recording media &amp; systems</b>				
Net sales	61,179	<b>62,108</b>	929	1.5%
Operating income (loss)	-2,089	<b>-696</b>	1,393	-
<b>Total</b>				
Net sales	270,786	<b>296,380</b>	25,594	9.5%
Operating income (loss)	-2,811	<b>10,019</b>	12,830	-

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# Improvement in Cash Flows

	End of Mar.'02 Results	End of Sep.'02 Results	End of Mar.'03 Target	End of Mar.'03 New Target
Inventory turnover (months)	1.9	1.7	1.7	1.5
Fixed asset turnover (times)	2.1	2.3	2.5	—
Trade receivables turnover (months)	3.1	2.8	2.9	2.5

Note: Figures as of September 30 are based on results for the first six months of the fiscal year. The targets are for the full year.

Free cash flows:

FY2002 interim period: -14.6 billion Yen  
 FY2003 interim period: +30.7 billion Yen  
 Improvement: +45.3 billion Yen

# Progress With Selection and Concentration

## Details of Investor Presentation in May 2002

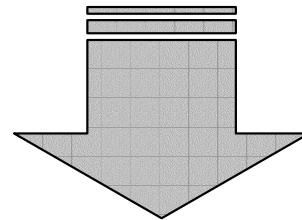
- Identify Critical Business Units using TVA and NPV
- Withdraw from product segments in the first half of fiscal 2003 that account for a combined ¥6.2 billion in sales annually
- Determine direction before the end of 2002 of other products accounting for a combined ¥61.0 billion in sales annually

## Progress Made

- Ceased production in fiscal 2003 first half of products accounting for combined sales of ¥6.2 billion as planned
- Withdrawal from other products in fiscal 2003 ¥5.0 billion
- Products that have improved according to plan ¥15.0 billion
- Products that will make a complete recovery or be exited by Mar. 2003 ¥41.0 billion

# Growth Strategy

Three Growth Fields—IT Home Electronics Appliances; High-Speed, Large-Capacity Networks; Car Electronics



- Have narrowed down R&D activities to select themes that dovetail with customer needs and leverage TDK's technological strengths in materials, nano-processing and other areas.
- On the other hand, TDK has cancelled about 10% of existing R&D projects.

# Projections for FY2003 Consolidated

Oct. 31, 2002

(Yen millions)	FY2002 Results	FY2003 Projections	Change	Change(%)
Net sales	570,511	585,000	14,489	2.5%
Operating income (loss)	-43,722	20,000	63,722	—
Income (loss) before income taxes	-43,697	18,300	61,997	—
Net income (loss)	-25,771	13,000	38,771	—

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## Cautionary Statement With Respect to Forward-Looking Statements

This material contains forward-looking statements, including projections, plans, policies, management strategies, targets, schedules, understandings and evaluations, about TDK and its group companies that are not historical facts. These forward-looking statements are based on current forecasts, estimates, assumptions, plans, beliefs and evaluations in light of information currently available to management.

In preparing forecasts and estimates, TDK and its group companies have used as their basis, certain assumptions as necessary, in addition to confirmed historical facts. However, due to their nature, there is no guarantee that these statements and assumptions will prove to be accurate in the future. TDK therefore wishes to caution readers that these statements, facts and certain assumptions are subject to a number of risks and uncertainties and may prove to be inaccurate.

The electronics markets in which TDK and its group companies operate are highly susceptible to rapid changes. Furthermore, TDK and its group companies operate 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.