UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal period ended March 31, 2002
Commission file number 2-76735

TDK KABUSHIKI KAISHA
(Exact name of Registrant as specified in its charter)

TDK CORPORATION
(Translation of Registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8272, Japan
(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Common stock*
(Title of Class)

* Common stock for 4,000,000 shares and American Depositary Receipts to be issued on deposit thereof, or of other shares of common stock of TDK Corporation were registered under the Securities Act of 1933, Registration No.2-76735. This Annual Report on Form 20-F is filed pursuant to the undertaking made in connection with the registration.

Indicate the number of outstanding shares of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common stock
Outstanding as of March 31, 2002: 132,859,576 shares

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___.

Indicate by a check mark which financial statement item the registrant has elected to follow.
Item 17 X Item 18 ___.

All information contained in this Report is as of March 31, 2002 unless otherwise specified. Fiscal 1999, fiscal 2000, fiscal 2001 and fiscal 2002 of this Report indicate TDK Corporation's fiscal period of the fiscal years ended March 31, 1999, 2000, 2001 and 2002, respectively.

The figures in this Report are expressed in yen and, solely for the convenience of the reader, are translated into United States dollars at the rate of ¥133 = U.S.$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 29, 2002. (See Note 2 of the Notes to Consolidated Financial Statements.) On August 30, 2002 the noon buying rate for yen cable transfers in New York City as reported by the Federal Reserve Bank of New York was ¥118.76 = $1.

Forward-Looking Statements

This report contains forward-looking statements based on assumptions and beliefs of TDK Corporation ("TDK") and its subsidiaries (TDK and its subsidiaries are referred to also as "TDK" where the context so requires) 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 due to a number of factors.

The electronic 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.

PART 1

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected financial data

	Millions of yen, except per share amounts					*Thousands of dollars, except per share amounts (1)*
	1998	1999	2000	2001	2002	*2002*
Net sales	¥696,677	¥676,250	¥674,464	¥689,911	¥575,029	*$4,323,526*
Cost of sales	469,872	473,760	475,340	496,083	464,620	*3,493,384*
Selling, general, and administrative expenses	128,501	126,174	124,517	141,899	128,259	*964,353*
Restructuring cost	-	-	-	-	25,872	*194,526*
Income (loss) before income taxes	99,620	75,425	73,414	64,516	(43,697)	*(328,549)*
Net income (loss)	59,053	46,345	50,730	43,983	(25,771)	*(193,767)*
Per Common Share:						
Net income (loss) /Basic	¥443.38	¥347.96	¥380.89	¥330.54	¥(193.91)	*$(1.46)*
Net income (loss) /Diluted	¥443.38	¥347.96	¥380.89	¥330.54	¥(193.91)	*$(1.46)*
Cash dividends	60.00	60.00	65.00	60.00	60.00	
U.S. Dollar equivalents (2)	*$0.45*	*$0.50*	*$0.58*	*$0.55*	*$0.45*	

	Millions of yen, except per share amounts and exchange rate for yen					*Thousands of dollars (1)*
	1998	1999	2000	2001	2002	*2002*
Net working capital	¥315,858	¥331,750	¥310,842	¥306,771	¥288,865	*$2,171,917*
Total assets	733,104	743,512	775,992	820,177	749,910	*5,638,421*
Short-term indebtedness	5,918	3,817	1,933	5,879	2,312	*17,384*
Long-term indebtedness	3,145	1,787	46	1,004	459	*3,451*
Stockholders' Equity	530,791	535,398	571,013	637,749	583,927	*4,390,428*
Number of shares outstanding (in thousands)	133,190	133,190	133,190	133,019	132,860	

Yen exchange rates per U.S. dollar (3)	Average	Term end	High	Low
Year ended March 31:				
1998	123.56	133.20	111.42	133.99
1999	128.10	118.43	108.83	147.14
2000	110.02	102.73	101.53	124.45
2001	111.65	125.54	104.19	125.54
2002	125.64	132.70	115.89	134.77
- March		132.70	127.07	133.46
- April		128.45	128.13	133.40
- May		124.13	123.08	128.66
- June		119.85	119.38	125.64
- July		119.77	115.71	120.19
- August		118.76	116.53	121.14

Notes:

(1) Translated, except for cash dividend amounts, for convenience into U.S. dollars at the rate of ¥133 = $1, the approximate rate on the Tokyo Foreign Exchange Market on March 29, 2002.

(2) Computed based on the rates specified in Note (3) below on the respective dates of semi-annual payments for each year.

(3) Based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. The average rates are computed based on the exchange rates on the last day of each month during the year.

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk factors

Economic conditions

The Japanese economy has experienced a prolonged recession since the early 1990s, which has become serious. In addition, the global economy has taken a downturn, concurrently with setbacks in the global information technology industry. These recessionary conditions have resulted in sluggish consumer spending and weakened corporate capital expenditures in many industries. For example, the mobile phone market on which TDK had concentrated investment capital resources in recent years has been particularly hard hit. TDK currently does not foresee a rapid turnaround in the Japanese or global economy in the near term. As a result, these conditions could adversely affect TDK's business results and financial conditions.

Currency exchange rate fluctuations

TDK is exposed to risks of foreign currency exchange rate fluctuations as TDK's consolidated financial statements are presented in Japanese yen, which are thereby affected by foreign exchange rate changes. These changes affect TDK's international business transactions and the costs and prices of TDK's products and services in overseas countries in relation to the yen. They can also affect the yen value of TDK's investments in overseas assets and liabilities. Although TDK is taking measures to reduce or hedge against foreign currency exchange risks, foreign exchange rate fluctuations could adversely affect TDK's businesses, financial conditions or operation results.

Expectations of TDK's medium-term management plan "Exciting 108"

For the purpose of the "realization of Exciting Company and the maximization of TDK's value", TDK has been carrying out the new medium-term management plan entitled "Exciting108" which was launched in April 2000 and runs through March 2004. However, in order to attain the numerical target stated in April 2000, it is necessary for TDK to conquer various inner and external factors described in this chapter. If such factors are not resolved by TDK, there is a risk that the targeted amounts will not be achieved.

The restructuring of TDK's businesses

Reorganization of the domestic and overseas subsidiaries by restructuring production organization and the introduction of an early-retirement program was implemented by TDK by the end of the fiscal 2002 to reorganize the management structure and system. However, restructuring aimed at recovering TDK's profit resulted in a large amount of losses for fiscal 2002. As a result, TDK may not be able to improve efficiency and reduce costs and realize growth through these measures, due to unexpected additional reorganization expenses, improper allocation of operational resources and/or other unpredictable factors.

TDK's growth strategies outside of Japan

Corporate strategies include expanding TDK's businesses in markets outside of Japan. However, in many of these markets, TDK may face risks such as political instability, economic uncertainty, cultural and religious differences and labor relation problems, as well as foreign exchange risks. TDK may also face barriers in understanding the commercial and business customs in foreign countries, including difficulties in timely collection of accounts receivable or in building and expanding relationships with potential customers, subcontractors or parts suppliers. TDK may also experience various political and legal restrictions, including restrictions on foreign investment or the repatriation of profits on invested capital, nationalization of local industry, changes in export or import restrictions or foreign exchange controls, and changes in the tax system or rate of taxation in countries where TDK operates business. Moreover, the products exported overseas, may include tariffs, in addition to other barriers or shipping costs, which may make TDK's products less competitive. Furthermore, TDK may experience difficulties in managing a production facility and entering into business arrangements in China in light of unexpected events, including political or legal changes, skilled labor shortages or strikes or changes in the economic conditions in China. Finally, expanding its overseas business may require significant investments long before TDK realizes returns on such investments, and increased investments may result in expenses growing at a faster rate than revenues.

Intense competition

TDK produces a broad range of products and therefore faces many different types of competitors, from large international companies to relatively small, rapidly growing, and highly specialized organizations. TDK may choose not to fund or invest in one or more of its businesses to the same degree as its competitors in those businesses do, or it may not be able to do so in a timely manner or at all. While TDK believes it is a leading global manufacturer of advanced, high-quality and value-added electronic products, TDK cannot assure that it will be able to compete effectively in the future. These competitors may have greater financial, technical, and marketing resources available to them than TDK has in the respective businesses in which they compete.

Rapid declines in product prices

While some of the factors that drive competition vary by product area, price is a factor relevant in substantially all of TDK's businesses. For the year ending March 31, 2003, TDK expects prices in many product areas in which it deals with to decline significantly or more rapidly than in the previous fiscal years. TDK believes that this trend will affect its businesses especially those of its Recording devices and Recording media and systems segments.

Technological changes and development of new products

TDK may fail to introduce new products in response to technological changes in a timely manner. Some of TDK's core businesses are concentrated in industries where technological innovation is the central competitive factor. TDK continuously faces the challenge of developing and introducing innovative new products. TDK must predict with reasonable accuracy both future demand and new technologies that will be available to meet such demand. If TDK fails to do so, it will not be able to compete in new markets and this could adversely affect TDK's financial results and growth prospects.

Development of attractive new products

TDK derives a substantial portion of its revenues from sales of innovative new products. TDK expects that sales of its new products will continue to account for a substantial portion of its revenues, and TDK expects its future growth to rely primarily on the development and sale of innovative new products. TDK's failure to anticipate and grasp unexpected changes in the industry and the market, and to develop attractive new products may reduce its future growth and profitability and may adversely affect its business results and financial condition.

The alliances and strategic investments

In TDK's technological development process, it carries out many activities with other companies in the form of collaboration, technological tie-ups, or joint ventures to optimize management resources and to utilize the synergy of combined technologies. TDK's reliance on the strategy of partnering with third parties is increasing and TDK will continue to take a positive approach to exploiting these opportunities. However, if differences arise among the parties due to managerial, financial and/or other reasons, TDK may not enjoy results of such relationships, and thereby TDK's business results and financial condition may be adversely affected.

Product liability

TDK manufactures various products at its plants worldwide in accordance with internationally accepted quality-control standards. TDK cannot be certain, however, that all of its products are defect-free and may not be recalled at some later date. A large-scale product recall or a successful products liability claim against TDK could result in significant costs or have a negative impact on TDK's reputation, which may in turn lead to a decrease in sales, adversely affecting its business results and financial condition.

Intellectual property

TDK's success depends on its ability to obtain patents, licenses and other intellectual property rights covering its products and product design and manufacturing processes. The proceedings for obtaining intellectual property protection can be long and expensive. Patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide TDK with enough protection or commercial advantage. In addition, effective copyright and trade secret protection may be unavailable or limited in some countries, and TDK's trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors or others. Competitors or other third parties may also develop technologies that are protected by patents and other intellectual property rights, which make such technologies unavailable or available only on terms unfavorable to TDK. In certain cases, litigation may also be necessary to enforce TDK's intellectual property rights or to defend against intellectual property infringement claims brought against TDK by third parties, thereby incurring additional costs and the passage of time before TDK can secure their intellectual property rights, in addition to the possible negation of its rights.

Recruit and retain skilled employees

TDK may fail to recruit skilled employees, particularly scientific and technical personnel, which are limited in number. TDK's future success depends largely on its ability to attract and retain certain key personnel, including scientific, technical and management personnel. TDK anticipates that it will need to hire additional skilled personnel in all areas of its business. Industry demand for skilled employees, however, exceeds the number of personnel available and the competition for attracting and retaining these employees, especially scientific and technical employees, is intense. Because of this intense competition for these skilled employees, TDK may be unable to retain its existing personnel or attract additional qualified employees in the future. If TDK is unable to retain skilled employees and attract additional qualified employees to keep up with its future business needs, this may adversely affect its business and results of operations.

Dependent on the ability of third parties

TDK's manufacturing operations depend on obtaining deliveries of raw materials, components, equipment and other supplies in adequate quality and quantity in a timely manner. Since the products TDK purchases are often complex, it may be difficult for TDK to substitute one supplier for another or one component for another in a timely manner or at all. Some components are only available from a limited number of suppliers. Although TDK believes that it selects only reliable suppliers, shortages could occur in critical materials due to the interruption of supply or increased industry demand and may adversely affect TDK's operations.

Governmental regulations

TDK is subject to governmental regulations in Japan and other countries in which it conducts its business, including environmental laws and regulations, governmental approvals required for conducting business and investments, laws and regulations governing electric and electronic product safety, national security-related laws and regulations and export/import laws and regulations, as well as commercial, antitrust, patent, product liability, consumer and business taxation laws and regulations. To the extent that TDK cannot comply with these laws and regulations, TDK's activities would be limited. In addition, these laws and regulations could increase TDK's operating costs. Accordingly, these regulations could adversely affect TDK's business results and financial condition.

Interest rate fluctuations

TDK is exposed to the risk of interest rate fluctuations, which, despite the measures taken by TDK to hedge a portion of its exposure to interest rate fluctuations, may affect its overall operational costs and the value of its financial assets and liabilities.

The decrease in the value of Japanese stocks

TDK holds Japanese stocks as part of its investment securities. The value of most of these stocks, however, dropped substantially over the past year due to the decline of the Japanese economy, and may affect the value of TDK's financial results.

OEM business

TDK caters its OEM business to electronic manufacturers, personal computer (PC) makers, and other large-scale businesses worldwide. Sales to business customers in these areas are significantly affected by the respective customers' business results and by factors that are beyond TDK's control. Further, price-cutting to meet customer demands may cause a reduction in TDK's profit margin. The under-performance of a customers' business, the unexpected termination of contracts, changes in the purchasing practices of TDK's OEM customers or aggressive price cutting to satisfy a large business customer's demands may adversely affect TDK's business results and financial condition.

Item 4. Information on the Company

A. History and development of the Company

History

TDK Corporation is a corporation (*kabushiki kaisha*) formed under Japanese law. Our principal place of business is at 13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8272, Japan. The telephone number is +81-3-5201-7102.

TDK is the world's leading manufacturer of magnetic recording media and ferrite products and a major producer of inductor, ceramic and other components. TDK is a Tokyo-based company founded in 1935 to commercialize ferrite.

Historically, TDK's growth has been centered around ferrite, a material invented in 1933 by Doctor Yogoro Kato and Doctor Takeshi Takei. Ferrite is indispensable as a magnetic substance in the manufacture of electronic equipment. It is a magnetic material with a ceramic structure composed of iron oxide and other metallic oxides. Its advantages over other magnetic materials include higher resistivity and thus lower eddy current loss while maintaining superior permeability and flux density. Based on its strong materials knowledge and production technology, TDK expanded into ceramic capacitors and magnetic recording tapes in the early 1950s and ferrite magnets and coil components in the early 1960s. TDK has continued to broaden its product development programs by building up expertise in semiconductor technology and new recording-related products.

B. Business overview

Sales by product category

TDK now manufactures and sells a broad range of electronic components and magnetic recording media. TDK's sales are generated by two business segments: electronic materials and components, and recording media and systems. The following is a breakdown of consolidated net sales of TDK and its consolidated subsidiaries by business segment for fiscal 1999, 2000, 2001 and 2002:

	1999	2000	2001	2002	*2002*
		(millions of yen) (%)			*(millions of dollars)*
Electronic Materials and Components:					
Electronic materials	¥155,287 (23.0)	¥174,897 (25.9)	¥212,133 (30.7)	¥161,846 (28.1)	*$1,216.9*
Electronic devices	120,113 (17.7)	129,025 (19.1)	145,216 (21.1)	105,937 (18.4)	*796.5*
Recording devices	209,544 (31.0)	200,748 (29.8)	169,140 (24.5)	147,004 (25.6)	*1,105.3*
Semiconductors and others	20,243 (3.0)	21,137 (3.2)	25,706 (3.7)	18,164 (3.2)	*136.6*
Sub total	505,187 (74.7)	525,807 (78.0)	552,195 (80.0)	432,951 (75.3)	*3,255.3*
Recording Media and Systems	171,063 (25.3)	148,657 (22.0)	137,716 (20.0)	142,078 (24.7)	*1,068.2*
Total	¥676,250 (100.0)	¥674,464 (100.0)	¥689,911 (100.0)	¥575,029 (100.0)	*$4,323.5*

Electronic Materials and Components TDK's electronic materials and components are divided into four principal categories: (i) electronic materials; (ii) electronic devices; (iii) recording devices; and (iv) semiconductors and others.

(i) Electronic materials Capacitors and multilayer chip capacitors, which account for the majority of the sector's sales, saw sales drop markedly due to a falling demand for use in

PCs and peripherals and mobile phones (this area posted a significant rise in sales in the previous fiscal year.) Cushioning the fall somewhat was a slight rise in demand for multilayer chip capacitors for automotive applications, fueled by the increasing use of electronic systems in automobiles. But sales for this multilayer chip still constitutes only a small proportion of overall sales of this product.

In ferrite cores and magnets, ferrite cores for use in data-communications devices such as ADSL (Asymmetric Digital Subscriber Lines) devices, which saw strong demand in the previous fiscal year, recorded a sharp drop in sales. The main factor for this downturn was a drop-off in IT investment-related demand. Deflection yoke cores and flyback transformer cores, both key components in TVs and computer monitors, saw sales fall, as competition intensified. Magnet sales decreased overall, too. Lower demand for use in motors for PCs and peripheral and AV products was the main reason. During the year, sales of ferrite magnets for automotive applications were largely the same as the previous year thanks to their increasing use in automobiles and favorable exchange rates.

(ii) Electronic devices Inductive devices, the largest product category in this sector, recorded lower sales, despite a slight increase in demand for use in automotive applications. This result chiefly reflected falling demand in the key markets for audio and visual products, PCs and peripherals, and communications.

High-frequency components recorded a relatively large decrease in sales, compared with other products. Hurting sales was the marked slowdown in demand for mobile phones, which account for a high proportion of sales of these components.

In other products, sales were largely flat year on year. Falling sales of chip NTC thermistors and other products, which reflected lower mobile phone demand, were offset by strong demand for DC-DC converters for video game systems.

(iii) Recording devices In the first half of the year, HDD head sales fell on account of two main factors. One was TDK’s delay, relative to competitors, in supplying mainstream 30 gigabyte/disk HDD heads. This resulted in TDK losing market share. The other factor was the scaling back of HDD production by TDK’s customers, which was prompted by lackluster PC demand. In the second half, sales rose dramatically relative to the first half, enabling TDK to limit the extent of sale declines for the year as a whole. The second-half turnaround was attributable to TDK regaining some lost market share by gradually increasing shipments of its well-received 40 gigabyte/disk HDD heads. In other heads, a market slowdown and other factors led to a fall in sales.

During fiscal 2002, demand for HDD fell, while the demand for HDD head fell by more than 10 percent. This is a direct reflection of a rapid increase in the areal recording density of HDD heads, which has resulted in fewer HDD heads on average being used per HDD. While stronger demand for HDD is expected for use in products other than PCs and servers, the downward trend in the number of heads per HDD is likely to continue for the time being. Under these circumstances, TDK aims to capture greater market share by quickly delivering reliable products to meet customers’ needs.

(iv) Semiconductors and others Sales decrease in this sector reflected a marked decrease in sales of semiconductors for WAN/LAN and set-top box modems due to the continuing downturn in the semiconductor market. In the previous fiscal year, communications infrastructure equipment and PCs drove demand for semiconductors. Limiting the extent of the overall fall in sector sales were higher sales of anechoic chambers and measurement systems. These product lines benefited from the increasing digitalization of products and the use of higher frequencies.

Recording Media and Systems The sales of recording media and systems increased. This growth was attributable to higher sales of CD-Rs, which generate the bulk of TDK’s optical media sales. In this product category, higher volumes more than offset falling year on year sales prices. Other reasons for segment growth were the yen's depreciation and higher recording equipment sales due to the start of sales in Europe, following the launch in the U.S. in the autumn of fiscal 2001. Moreover, sales of tape-based data storage media for computers rose, spurred on by the launch of a new product line based on the LTO (Linear Tape-Open) standard, following verification of TDK's LTO products during the year. TDK intends to work on gaining verification for more new standards as a way of driving further growth in this storage media area. Hampering further growth in the segment was the long-term decline in audiotape and videotape sales due to the rising popularity of optical media and DVD software.

Marketing and Distribution in Japan

Marketing channels

TDK markets electronic materials and components in Japan through its sales division, which had approximately 370 sales representatives at March 31, 2002.

In Japan, TDK markets magnetic recording tapes, optical disks and PC cards through 18 district sales offices with a staff of 184. Approximately 48 percent of domestic sales of TDK brand products are made to approximately 169 distribution agents. These agents in turn sell TDK brand products to over 45,000 retailers in Japan. Remaining TDK brand products are sold directly to approximately 8,600 retail stores in Japan. OEM sales are made to certain manufacturers as well.

Operations outside Japan

TDK has 51 direct and indirect foreign subsidiaries as follows: 29 manufacture various product lines and distribute their products in their country of operation and other countries; 17 are sales subsidiaries which exclusively handle products manufactured by TDK; 1 is a holding company for the administration of TDK's U.S. operations; 1 is a holding company for the administration of TDK's European operations; 1 is a company for research and development in Ireland; 1 is a company for research and development in the U.S.; and 1 is a company for design and development for semiconductors in the U.S. Manufacturing or assembly operations are conducted by subsidiaries in the following countries:

China	-	GMR heads, magnetic heads, inductors, ferrite cores and capacitors
United States	-	GMR heads, capacitors, ICs, inductors and ferrite magnets
Luxembourg	-	Videotapes and CD-Rs
Taiwan	-	Capacitors, ferrite cores and power supplies
Philippines	-	GMR heads
Thailand	-	Audiotapes and rare-earth metal magnets
Malaysia	-	Capacitors and high-frequency components
Korea	-	Capacitors
Hungary	-	Capacitors
Mexico	-	Inductors
Germany	-	Inductors
Hong Kong	-	Ferrite cores
Brazil	-	Ferrite cores
United Kingdom	-	PC cards

In addition, TDK has sales subsidiaries in Germany, the United Kingdom, the United States, Hong Kong, Singapore, Australia, Sweden, Italy, Brazil, Poland, France and China.

TDK is pursuing a policy of expanding overseas production, which enables TDK to more easily adapt to fluctuating exchange rates and potential trade barriers. Production outside Japan as a percentage of sales outside Japan was approximately 87 percent in fiscal 2000, approximately 83 percent in fiscal 2001, and approximately 75 percent in fiscal 2002.

Consolidated net sales of TDK and consolidated subsidiaries by geographical area for fiscal 1999, 2000, 2001 and 2002 were as follows:

	1999		2000		2001		2002		*2002*
			(millions of yen)	(%)					*(millions of dollars)*
Japan	¥253,219	(37.4)	¥252,137	(37.4)	¥240,147	(34.8)	¥178,879	(31.1)	*$1,345.0*
North America	121,485	(18.0)	112,296	(16.6)	125,080	(18.1)	90,365	(15.7)	*679.4*
Europe	89,791	(13.3)	86,817	(12.9)	98,387	(14.3)	76,992	(13.4)	*578.9*
Other	211,755	(31.3)	223,214	(33.1)	226,297	(32.8)	228,793	(39.8)	*1,720.2*
Total	¥676,250	(100.0)	¥674,464	(100.0)	¥689,911	(100.0)	¥575,029	(100.0)	*$4,323.5*

Each geographic area is credited with sales made within the area by TDK and/or its subsidiaries operating within the area, and also with exports from the geographic area to third parties.

Competition

In electronic materials and components, rapid technological renovation makes technological improvement a particularly significant competitive factor in the industry. Product performance characteristics, reliability, price, and the diversity of product line-ups are also significant competitive factors. In general, TDK's ferrite and other products compete with similar products made of other materials. For many applications in which specific performance characteristics are required, however, competition with other materials is not significant.

In Japan and elsewhere, the markets in which TDK sells its products are highly competitive. TDK believes that the principal elements of competition in recording media and systems are brand recognition, product quality, and marketing strategy. While the Japanese, American and European optical disks markets have grown in terms of volume, they have continued to be plagued by severe price competition. However, TDK has consistently promoted internationalization in manufacturing and marketing and has maintained strategic sales in regions where high profitability is expected. Meanwhile, TDK has implemented further cost-reduction programs and is increasing its competitive strength in other ways, notably through the expansion of overseas production.

Raw Materials and Sources of Supply

TDK purchases a wide variety of raw materials, machines, tools and parts for use in the manufacture of its products. The principal raw materials purchased include polymer modules, used to mould tape cassette bodies and in packaging, iron oxide, base film for magnetic tape and various electronic and mechanical parts. For manufacture in Japan, TDK purchases such raw materials from approximately 2,200 different sources, primarily in Japan. However, TDK purchases base tape from mainly three suppliers in Japan, although alternative sources of supply do exist. Recently TDK increased its purchases from overseas and also increased local procurement of raw materials. No single source accounted for more than 5 percent of total purchases for fiscal 2002.

Environmental Protection Activities

With a view to becoming an environmentally conscious company that actively contributes to a society that recycles resources, TDK is putting in place environmental management systems ("EMS"). In August 2001, TDK Recording Media Europe S.A. ("TRE"), an overseas subsidiary of TDK, became the first subsidiary to achieve zero emissions. While only TRE has secured zero emissions certification by conscientiously implementing the three R's – reduce, reuse, recycle– ten TDK facilities now reuse or recycle 90 percent or more of the waste they generate. As of March 31, 2002, approximately 78 percent of the waste generated throughout TDK as a whole was being reused or recycled. TDK also began introducing environmental accounting in order to clarify the relationship between environmental spending and environmental impact and to promote more effective environmental measures. And by March 2002, it completed the implementation of the accounting system at all divisions throughout TDK. In addition, TDK actively discloses relevant environmental information in such media as environmental reports and TDK's Web site.

C. Organizational structure

The following table lists the significant subsidiaries owned by TDK.

Name of company	Head office location	Percentage owned
SAE Magnetics (H.K.) Ltd.	Hong Kong	100.0%
TDK Recording Media Europe S.A.	Luxembourg	100.0%
TDK U.S.A. Corporation	New York, U.S.A.	100.0%

D. Property, plants and equipment

TDK's manufacturing operations are conducted primarily at 37 plants in Japan and 26 plants overseas.

The following table sets forth information, as of March 31, 2002, with respect to TDK's manufacturing facilities, approximately 86 percent [in terms of floor space] of which are owned by TDK.

Location	Number of Principal factories	Floor space (thousands of square feet)	Principal products manufactured
Japan			
Akita	19	2,587	Capacitors, ferrite cores, inductors and high-frequency components
Nagano	4	1,291	GMR heads and optical disks
Chiba	2	713	Rare-earth metal magnets and ferrite cores
Yamanashi	3	603	GMR heads and data storage tapes
Shizuoka	4	566	Ferrite magnets
Oita	1	471	Videotapes
Yamagata	3	311	Inductors
Ibaraki	1	112	Display and high-frequency components

Overseas			
China	5	2,283	GMR heads, magnetic heads, inductors, ferrite cores and capacitors
United States of America	6	1,002	GMR heads, capacitors, ICs, inductors and ferrite magnets
Luxembourg	1	361	Videotapes and CD-Rs
Taiwan	1	344	Capacitors, ferrite cores and power supplies
Philippines	1	344	GMR heads
Thailand	1	285	Audiotapes and rare-earth metal magnets
Malaysia	2	281	Capacitors and high-frequency components
Korea	1	164	Capacitors
Hungary	1	160	Capacitors
Mexico	1	135	Inductors
Germany	1	121	Inductors
Hong Kong	3	42	Ferrite cores
Brazil	1	31	Ferrite cores
United Kingdom	1	2	PC cards
Total	63	12,209	

TDK considers all of its principal manufacturing facilities and other significant properties to be in good condition and adequate to meet the needs of its operations. TDK owns each of its significant properties.

In addition, TDK utilizes additional floor space at the above plants and elsewhere for laboratories, office buildings, and employee housing and welfare facilities with an aggregate floor space of 5,980 thousand square feet, of which approximately 51 percent are owned by TDK and the remaining balances are leased to TDK.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

Results of Operations

	Years ended March 31,			
	2000	2001	2002	*2002*
		(millions of yen) (%)		*(millions of dollars)*
Net sales	¥674,464	¥689,911	¥575,029	*$4,323.5*
	(100.0)	(100.0)	(100.0)	
Cost of sales	475,340	496,083	464,620	*3,493.4*
	(70.5)	(71.9)	(80.8)	
Selling, general and administrative expenses	124,517	141,899	128,259	*964.4*
	(18.4)	(20.5)	(22.3)	
Restructuring cost	-	-	25,872	*194.5*
	-	-	(4.5)	
Other income (other deductions)	(1,193)	12,587	25	*0.2*
	(0.2)	(1.8)	-	
Income taxes and minority interests	22,684	20,533	(17,926)	*(134.8)*
	(3.4)	(3.0)	(3.1)	
Net income (loss)	¥50,730	¥43,983	¥(25,771)	*$(193.8)*
	(7.5)	(6.4)	(4.5)	

Sales by Region

	Years ended March 31,			
	2000	2001	2002	*2002*
		(millions of yen)		*(millions*
		(%)		*of dollars)*
Japan	¥231,939	¥222,090	¥164,912	*$1,239.9*
	(34.4)	(32.2)	(28.7)	
Americas	108,245	131,219	113,346	*852.2*
	(16.1)	(19.0)	(19.7)	
Europe	90,564	101,018	80,027	*601.7*
	(13.4)	(14.6)	(13.9)	
Asia (excluding Japan) and Oceania	242,438	234,372	214,505	*1,612.8*
	(35.9)	(34.0)	(37.3)	
Middle East and Africa	1,278	1,212	2,239	*16.9*
	(0.2)	(0.2)	(0.4)	
Net sales	¥674,464	689,911	575,029	*$4,323.5*
	(100.0)	(100.0)	(100.0)	

This summary of sales by region is based on the location of the customer.

Fiscal 2002 Compared to Fiscal 2001

Sales

Consolidated net sales decreased 16.7 percent to ¥575.0 billion ($4,324 million) in fiscal 2002, despite an increase of sales in the recording media & systems segment. This result reflected sharply lower sales in the electronic materials and components segment. Sales were affected by inventory corrections at TDK’s customers in a broad range of categories. These corrections were prompted by two main factors: the slowdown in the U.S. economy from the fourth quarter of fiscal 2001, and a global downturn in IT investment. Prolonging the correction period has created a huge surplus of inventories across a broad spectrum of electronic components. An overly optimistic outlook for worldwide demand for mobile phones and PCs was to blame for this situation.

In the electronic materials and components segment, net sales fell 21.6 percent to ¥433.0 billion ($3,255 million). The majority of the decrease reflected sharply lower sales of components for use in mobile phones and PCs. Sales were substantially lower for multilayer chip capacitors and high-frequency components used in mobile phones and other communications equipment on account of a dramatic drop-off in orders. Sales of ferrite cores and magnets also fell for use in data-communications devices, such as ADSL (Asymmetric Digital Subscriber Lines) devices, PCs and peripherals, and AV products. In HDD heads, sales dropped in the first half of the fiscal year, reflecting two factors: TDK lost market share in mainstream 30 gigabyte/disk HDD heads and demand dropped as customers reduced inventories. In the fiscal year’s second half, however, TDK regained some lost market share on strong demand for its next-generation 40 gigabyte/disk HDD heads, which helped to limit the overall decrease in sector sales. Semiconductor and others recorded a sharp drop in sales due to a continuation of sluggish demand for communications infrastructure equipment and PCs, which drove demand for TDK’s products in the previous fiscal year.

Recording media and systems sales increased 3.2 percent to ¥142.1 billion ($1,068 million). In addition to the yen’s depreciation, this rise can be attributed to higher sales of recording equipment, which TDK started to sell in the second half of the previous fiscal year. Audiotape and videotape sales declined due to the increasingly widespread use of optical media. However, sales of CD-Rs, which account for a substantial proportion of TDK’s optical media sales, rose as higher volumes outweighed price falls.

By region, sales in Japan decreased 25.7 percent to ¥164.9 billion ($1,240 million) and overseas sales fell 12.3 percent to ¥410.1 billion ($3,084 million). Overseas sales accounted for 71.3 percent of consolidated net sales.

In Japan, sales of multilayer chip capacitors and high-frequency components for mobile phones decreased amid generally lackluster demand. Sales of PC- and peripheral-related products, including recording devices, also dropped. Moreover, the recording media and systems segment posted lower sales due to falling demand and prices.

In Asia (excluding Japan) and Oceania, sales were hit hard by slumping demand for electronic materials and electronic devices, as well as lower sales of recording devices, which represent a high share of total sales.

In the Americas, sales dropped due to a dramatic fall in sales of semiconductors and electronic components for communications equipment and PCs, amid a market downturn. The extent of the decline, however, was limited by higher sales in the recording media and systems segment, which got a boost from recording equipment sales, and the beneficial effect of the yen's depreciation against the U.S. dollar.

In Europe, orders slumped for multilayer chip capacitors and high-frequency components for GSM-format mobile phones, resulting in sharply lower sales of electronic materials and electronic devices. This decrease outweighed higher sales in the recording media and systems segment and depreciation of the yen against the euro.

In fiscal 2002, overseas sales accounted for 71.3 percent of consolidated net sales, up 3.5 percentage points. As a result, fluctuations in foreign exchange rates had a significant effect on TDK's consolidated sales and income. During fiscal 2002, the yen weakened against most other major currencies. The yen depreciated 13 percent in relation to the U.S. dollar and 10 percent in relation to the euro, based on TDK's average internal exchange rates. Overall, TDK estimates that exchange rate movements during fiscal 2002 had the net effect of increasing net sales by ¥40.8 billion in relation to the prior fiscal year.

TDK conducts a large share of business activities outside Japan as one way to offset the impact of exchange-rate fluctuations. Such activities include manufacturing and sales, as well as research, design and procurement. In-region production in fiscal 2002 represented [114.9] percent of sales in Asia (excluding Japan) and Oceania, 26.4 percent in the Americas, and 43.2 percent in Europe. Overseas production accounted for 53.4 percent of total sales in fiscal 2002, compared with 56.5 percent one year earlier, and for 74.9 percent of overseas sales, compared with 83.3 percent one year earlier. The fall in the percentage of overseas production in fiscal 2002 is mainly due to lower production in the U.S. and the switch in the recording media and systems segment to purchasing externally produced recording media.

TDK and its overseas subsidiaries hedge exposure to foreign exchange movements by entering into forward foreign exchange contracts and swaps for some foreign currency-denominated obligations. Refer to Note 14 of the notes to the consolidated financial statements for more information. Due to the global nature of operations, management realizes that currency movements continue to have the potential to exert a material influence on consolidated performance.

<u>Cost and expenses</u>

The cost of sales decreased 6.3 percent, but rose from 71.9 percent to 80.8 percent of net sales. This reflected both the deterioration in the capacity utilization rate due to lower sales caused by a sharp decrease in orders, and the strong downward pressure on prices. Gross profit declined 43.0 percent, as cost-cutting efforts and the beneficial effects of the yen's depreciation were outweighed by negative factors.

Selling, general and administrative expenses decreased ¥13.6 billion, but increased from 20.5 percent to 22.3 percent of net sales. This was primarily because the 6.3 percent fall in cost of sales was small relative to the large 16.7 percent drop in net sales. Research and development expenses represented 6.7 percent of net sales, compared with 5.4 percent in the previous year. In addition, TDK booked restructuring costs of ¥25.9 billion ($195 million) for business structural reforms, which increased the extent of the net loss. As a result of the restructuring, a total of 5,066 regular employees were terminated across all business functions, operating units and geographic regions through March 31, 2002. TDK recorded a workforce reduction charge of approximately ¥19.9 billion ($150 million) relating primarily to severances. In Japan, TDK released 853 employees and domestic subsidiaries released 1,709 employees. Overseas subsidiaries released 2,504 employees mainly in the U.S. and Asia (excluding Japan). TDK also recorded a restructuring charge of ¥6.0 billion ($45 million) mainly relating to losses in the disposal of property, plant and equipment in Japan and in the U.S. TDK reorganized several production lines to strengthen the competitive power of the existing plant in Asia.

Other income and deductions

Other income (other deductions) reflected the absence of a gain on contributions of investment securities to a pension trust of ¥12.5 billion recorded in fiscal 2001.

Income (loss) before income taxes

As a result of the above factors, income (loss) before income taxes turned to a loss of ¥43.7 billion, compared with a pretax profit of ¥64.5 billion in fiscal 2001.

Net income (loss)

TDK posted a net loss of ¥25.8 billion ($194 million), resulting in a net loss per share of ¥193.91. The return on equity deteriorated from 7.3 percent to minus 4.2 percent. Cash dividends paid during the fiscal year totaled ¥60 ($0.45). This dividend is the sum of the June 2001 year-end dividend of ¥30 and the November 2001 interim dividend of ¥30. Shareholders of record on March 31, 2002 received a cash dividend of ¥20 per share at the end of June 2002.

Segment Information

The following industry and geographic segment information is required by the Japanese Securities Exchange Law. The segment information is unaudited.

Industry Segment Information

	Years ended March 31			
	2002	2001	2002	Change
	(millions of yen)		*(thousands of dollars)*	(%)
ELECTRONIC MATERIALS AND COMPONENTS				
Net sales				
Unaffiliated customers	¥432,951	¥552,195	*$3,255,270*	-21.6
Intersegment	-	-	*-*	
Total revenue	432,951	552,195	*3,255,270*	-21.6
	(100.0%)	(100.0%)	*(100.0%)*	
Operating expenses	469,297	486,837	*3,528,549*	-3.6
	(108.4%)	(88.2%)	*(108.4%)*	
Operating profit (loss)	¥(36,346)	¥65,358	*$(273,279)*	-
	(-8.4%)	(11.8%)	*(-8.4%)*	
Identifiable assets	513,218	572,087	*3,858,782*	
Depreciation and amortization	56,031	55,472	*421,286*	
Capital expenditures	55,046	91,509	*413,880*	
RECORDING MEDIA AND SYSTEMS				
Net sales				
Unaffiliated customers	¥142,078	¥137,716	*$1,068,256*	3.2
Intersegment	-	-	*-*	
Total revenue	142,078	137,716	*1,068,256*	3.2
	(100.0%)	(100.0%)	*(100.0%)*	
Operating expenses	149,454	146,751	*1,123,714*	1.8
	(105.2%)	(106.6%)	*(105.2%)*	
Operating loss	¥(7,376)	¥(9,035)	*$(55,458)*	18.4
	(-5.2%)	(-6.6%)	*(-5.2%)*	
Identifiable assets	109,055	114,182	*819,962*	
Depreciation and amortization	5,889	8,107	*44,278*	
Capital expenditures	3,731	7,943	*28,052*	
ELIMINATIONS AND CORPORATE				
Corporate assets	¥127,637	¥133,908	*$959,677*	
TOTAL				
Net sales				
Unaffiliated customers	¥575,029	¥689,911	*$4,323,526*	-16.7
Intersegment	-	-	*-*	
Total revenue	575,029	689,911	*4,323,526*	-16.7
	(100.0%)	(100.0%)	*(100.0%)*	
Operating expenses	618,751	633,588	*4,652,263*	-2.3
	(107.6%)	(91.8%)	*(107.6%)*	
Operating profit (loss)	¥(43,722)	¥56,323	*$(328,737)*	-
	(-7.6%)	(8.2%)	*(-7.6%)*	
Identifiable and corporate assets	749,910	820,177	*5,638,421*	
Depreciation and amortization	61,920	63,579	*465,564*	
Capital expenditures	58,777	99,452	*441,932*	

Notes:

(1) Operating profit (loss) is defined as net sales less cost of sales and selling, general and administrative expenses (excluding the amortization of identifiable intangibles in 2001), and restructuring costs. Under accounting principles generally accepted in the United States of America, the amortization of identifiable intangibles is included as part of operating profit (loss).

(2) Depreciation and amortization in 2001 does not include the amortization of identifiable intangibles.

Geographic Segment Information

	Years ended March 31			
	2002	2001	2002	Change
	(millions of yen)		*(thousands of dollars)*	(%)
JAPAN				
Net sales	¥328,322	¥459,685	*$2,468,586*	-28.6
Operating profit (loss)	(33,252)	39,504	*(250,015)*	-
Identifiable assets	341,815	389,195	*2,570,038*	-12.2
AMERICAS				
Net sales	105,804	136,342	*795,519*	-22.4
Operating loss	(12,712)	(1,394)	*(95,579)*	-
Identifiable assets	84,403	94,166	*634,609*	-10.4
EUROPE				
Net sales	79,329	100,258	*596,459*	-20.9
Operating profit (loss)	(3,184)	2,236	*(23,940)*	-
Identifiable assets	52,188	62,618	*392,391*	-16.7
ASIA AND OTHERS				
Net sales	268,492	299,015	*2,018,737*	-10.2
Operating profit	1,700	20,982	*12,782*	-91.9
Identifiable assets	194,057	197,502	*1,459,075*	-1.7
ELIMINATIONS AND CORPORATE				
Net sales	206,918	305,389	*1,555,775*	
Operating profit (loss)	(3,726)	5,005	*(28,015)*	
Identifiable and corporate assets	77,447	76,696	*582,308*	
TOTAL				
Net sales	¥575,029	¥689,911	*$4,323,526*	-16.7
Operating profit (loss)	(43,722)	56,323	*(328,737)*	-
Identifiable and corporate assets	749,910	820,177	*5,638,421*	-8.6
OVERSEAS SALES				
Americas	¥113,346	¥131,219	*$852,225*	-13.6
Europe	80,027	101,018	*601,707*	-20.8
Asia and others	216,744	235,584	*1,629,654*	-8.0
Overseas sales total	¥410,117	¥467,821	*3,083,586*	-12.3
Percentage of consolidated sales	71.3%	67.8%	*71.3%*	

Notes:

Operating profit (loss) is defined as net sales less cost of sales and selling, general and administrative expenses (excluding the amortization of identifiable intangibles in 2001), and restructuring costs. Under accounting principles generally accepted in the United States of America, the amortization of identifiable intangibles is included as part of operating profit (loss).

Fiscal 2001 Compared to Fiscal 2000

Sales

Consolidated net sales increased 2.3 percent to ¥689.9 billion in fiscal 2001, the year ended March 31, 2001. This was mainly the result of strong sales to manufacturers of mobile phones, PCs and PC peripherals in the electronic materials and components segment during the year's first three quarters. The increase in net sales for the year was limited, however, by a rapid slowdown in orders in the fourth quarter.

In the electronic materials and components segment, net sales rose 5.0 percent to ¥552.2 billion. The majority of the increase reflected sharply higher sales of components for use in mobile phones. Demand was particularly strong for multilayer chip capacitors and high-frequency components, which are used in mobile phones and other communications equipment. TDK ramped up production capacity to respond to this demand. Other products contributing to the segment's sales increase were coils and DC-DC converters. Ferrite cores and magnets, however, recorded lower sales as competition intensified and sales prices decreased. In HDD heads, TDK's misjudgment of the technological direction of the market and manufacturing process problems caused TDK to lose market share and sales fell accordingly.

Recording media and systems sales decreased 7.4 percent to ¥137.7 billion. Audiotape sales declined due to the increasingly widespread use of optical media. Sales of CD-Rs, which account for well over half of TDK's optical media sales, were lower due to a sharp drop in prices, despite higher volumes.

By region, sales in Japan decreased 4.2 percent to ¥ 222.1 billion and overseas sales rose 5.7 percent to ¥467.8 billion. Overseas sales accounted for 67.8 percent of consolidated net sales.

In Japan, orders for multilayer chip capacitors and high-frequency components for mobile phones increased, as did sales of related products, amid generally lackluster demand. These gains, however, could not offset decreases in the recording media and systems segment and in recording devices brought about by falling demand and prices.

In Asia (excluding Japan) and Oceania, electronic components represent a high share of total sales. In fiscal 2001, the decrease in sales was mainly due to lower sales of recording devices, which outweighed higher sales of multilayer chip capacitors and growth in a few other product categories. Another factor was the appreciation of the yen in relation to the U.S. dollar, the main currency used for sales in this region.

In the Americas, sales rose mainly on account of two factors. One was the first full year of sales at Headway Technologies, Inc., which was acquired in March 2000, in the recording devices sector. The other was higher sales of recording media and systems products and electronic components for mobile phones and PCs.

In Europe, orders rose for multilayer chip capacitors and high-frequency components for GSM-format mobile phones, resulting in higher sales in the electronic materials and electronic devices sectors. This increase outweighed lower sales in the recording media and systems segment. But sales decreased sharply after conversion into yen due to a 13 percent appreciation in the yen against the euro.

In fiscal 2001, overseas sales accounted for 67.8 percent of consolidated net sales, up 2.2 percentage points. As a result, fluctuations in foreign exchange rates had a significant effect on TDK's consolidated sales and income. During fiscal 2001, the yen gained strength against most other major currencies. The yen appreciated 1 percent in relation to the U.S. dollar and 13 percent in relation to the euro, based on TDK's average internal exchange rates.

Overall, TDK estimates that exchange rate movements during fiscal 2001 had the net effect of reducing net sales by ¥12.7 billion in relation to the prior fiscal year.

TDK conducts a large share of business activities outside Japan as one way to offset the impact of exchange-rate fluctuations. Such activities include manufacturing and sales, as well as research, design and procurement. In-region production in fiscal 2001 represented 116.9 percent of sales in Asia (excluding Japan) and Oceania, 60.9 percent in the Americas, and 40.0 percent in Europe. Overseas production accounted for 56.5 percent of total sales in fiscal 2001, compared with 56.8 percent one year earlier, and for 83.3 percent of overseas sales, compared with 86.6 percent one year earlier. The March 2000 acquisition of Headway Technologies, Inc. increased TDK's production in the U.S. During fiscal 2001, other investments increased capacity and added new product lines at several overseas production facilities during the year.

TDK and its overseas subsidiaries hedge exposure to foreign exchange movements by entering into forward foreign exchange and other contracts, including swaps and options for some foreign currency-denominated obligations. Refer to Note 14 of the notes to the consolidated financial statements in Item 17 for more information. Due to the global nature of operations, management realizes that currency movements continue to have the potential to exert a material influence on consolidated performance.

Cost and expenses

The cost of sales increased 4.4 percent and rose from 70.5 percent to 71.9 percent of net sales. This reflected strong downward pressure on prices, as well as an increase in depreciation expenses due to the high volume of capital expenditures in recent years.

Selling, general, and administrative expenses increased ¥17.4 billion and increased from 18.4 percent to 20.5 percent of net sales. This was primarily on account of higher research and development expenses, which rose primarily due to Headway Technologies, Inc. and Data Storage Technology Center and Telecom Technology Development Center in Japan. Research and development expenses represented 5.4 percent of net sales, compared with 4.0 percent in the previous year. The increase in selling, general, and administrative expenses also reflects restructuring charges of ¥3.1 billion related to the downsizing and transfer of production facilities. The charges consist of ¥0.8 billion and ¥2.3 billion in the electronic materials and components segment and the recording media and systems segment, respectively.

Other income and deductions

Other income (other deductions) contributed ¥12.6 billion, compared with net other deductions of ¥1.2 billion in fiscal 2000. The main factors were a gain in contribution of investment securities to a pension trust of ¥12.5 billion and reduction of ¥3.5 billion in the foreign exchange loss.

Income before income taxes

Income before income taxes for fiscal 2001 decreased 12.1 percent to ¥64.5 billion from ¥73.4 billion for fiscal 2000, as a result of the above factors.

Net income

Net income decreased 13.3 percent to ¥44.0 billion and net income per share was ¥330.54. The return on equity deteriorated from 9.2 percent to 7.3 percent. Cash dividends paid during the fiscal year totaled ¥60. This dividend is the sum of the June 2000 year-end dividend of ¥30 and the November 2000 interim dividend of ¥30. Shareholders of record on March 31, 2001 received a cash dividend of ¥30 per share at the end of June 2001.

B. Liquidity and capital resources

Operating capital requirements

TDK's requirements for operating capital primarily are for the purchase of raw materials and parts for use in the manufacture of our products. Also, operating expenses, including manufacturing expenses and SGA expenses require a substantial amount of operating capital. Payroll and payroll-benefits, and marketing expenses, such as those incurred for advertising and sales promotion, account for a significant portion of operating expenses. TDK's expenditure for R&D is recorded as a part of various operating expenses, and payroll for R&D-related personnel accounts for a material portion of R&D expenses.

Capital Expenditures

In fiscal 2002, capital expenditures on a cash basis was ¥58.8 billion ($442 million), compared with ¥99.5 billion in fiscal 2001. Due to the significant uncertainty about the future amid the prolonged worldwide recession, TDK emphasized cash flows and concentrated capital expenditures in strategically important business fields. Among major overseas projects were HDD head facility expansions and upgrades in China and the U.S., and the expansion of production facilities for electronic materials and components in China. In Japan, multilayer chip capacitors and other electronic materials and components production and research facilities, and production and research facilities for HDD heads were significant elements of capital outlays.

At March 31, 2002, commitments outstanding for the purchase of property, plant and equipment approximated ¥2.6 billion ($20 million). Contingent liabilities for guarantees of loans of TDK's employees and affiliates amounted to approximately ¥8 billion ($62 million). TDK forecasts the use of ¥50 billion in capital expenditures for fiscal 2003, primarily for production facilities and rationalization measures.

Contractual obligations at March 31, 2002 are summarized as follows:

	Payments Due by Period (Yen millions)			
	Total	Less than 1 year	1 to 5 years	After 5 years
Contractual obligations:				
Long-term debt	1,116	657	459	0
Operating leases	14,958	4,968	8,780	1,210

Fiscal 2001 capital expenditures on a cash basis was ¥99.5 billion, compared with ¥84.8 billion in fiscal 2000. The large increase represents TDK's aggressive actions to move rapidly to take advantage of opportunities in strategic market sectors. Among major overseas projects were HDD head facility expansions and upgrades in China and the U.S., and expansion of production facilities for electronic materials and components in China. In Japan, multilayer chip capacitors and other electronic materials and components production facilities, including construction of a new plant, and production and research facilities for HDD heads were significant elements of capital outlays.

Fiscal 2000 capital expenditures totaled ¥84.8 billion. Growth in the capital budget is also a reflection of a heightened commitment to research and development programs to sustain long-term growth. Among major overseas projects were HDD head facility expansions and upgrades in China and the Philippines, and CD-R production facilities in Luxembourg and the U.S. In Japan, HDD head facilities, multilayer chip capacitor production facilities, metal magnet production facilities and a new research building at TDK's Technical Center were significant elements of capital outlays.

Financial Management

The operating capital and capital expenditures are cash generated through operating activities in principle. TDK made it a rule that a portion of TDK's capital expenditures is to be expended to the extent of the range of the operating cash flow, and cash, which is available to TDK's group, is utilized to the extent possible to finance subsidiaries, which cannot provide an operating capital or capital expenditures themselves. Short-term and long-term debts from the bank may merely remain by agreement in debt generating. Short-term debt balance including current installments is ¥2.3 billion yen as of March 31, 2002. And long-term debt balance is ¥0.5 billion yen as of March 31, 2002. TDK has planed to improve the efficiency of cash flow by reduction of inventories and careful selection of capital expenditure in order to utilize its cash flow for research and development and for the future growth of TDK.

Cash flows for fiscal 2000, 2001 and 2002 are summarized as follows:

	Years ended March 31,			
	2000	2001	2002	*2002*
		(millions of yen)		*(millions of dollars)*
Net income (loss)	¥50,730	¥43,983	¥(25,771)	*$(193.8)*
Adjustments to reconcile net income (loss) to net cash provided by operating activities	43,178	23,614	67,275	*505.9*
Net cash provided by operating activities	93,908	67,597	41,504	*312.1*
Net cash used in investing activities	(98,777)	(92,538)	(57,903)	*(435.3)*
Net cash used in financing activities	(12,785)	(8,814)	(13,202)	*(99.3)*
Effect of exchange rate changes on cash and cash equivalents	(7,946)	10,153	4,445	*33.4*
Net change in cash and cash equivalents	¥(25,600)	¥(23,602)	¥(25,156)	*$(189.1)*

Fiscal 2002 cash and cash equivalents decreased ¥25.2 billion to ¥125.8 billion. Operating activities provided cash of ¥41.5 billion, ¥26.1 billion less than a year earlier. The main reason for the decrease was the net loss of ¥25.8 billion, which partly resulted from the implementation of structural reforms. Investing activities used net cash of ¥57.9 billion, a decrease of ¥34.6 billion year on year. The main factor was a decrease in capital expenditures of ¥40.7 billion. Financing activities used net cash of ¥13.2 billion, ¥4.4 billion more than in the previous fiscal year. This mainly represented the repayment of ¥4.3 billion in short- and long-term debt at overseas subsidiaries. Cash dividends paid were ¥8.0 billion, the same level as in the previous fiscal year. TDK estimates that operating cash flows and other internal resources will provide adequate liquidity in fiscal 2003.

Fiscal 2001 cash and cash equivalents decreased ¥23.6 billion to ¥150.9 billion. Net cash provided by operating activities was ¥26.3 billion less than in fiscal 2000. Depreciation and amortization increased ¥14.1 billion, but this was offset by a ¥6.7 billion decrease in net income and a net ¥6.4 billion increase in cash used by changes in trade receivables, inventories and trade payables. In addition, the overall decrease in net cash provided by operating activities reflected adjustments for a gain on contribution of equity securities to a pension trust of ¥12.5 billion and contribution of cash and cash equivalents to a pension trust of ¥15.3 billion. Investing activities used net cash of ¥92.5 billion, ¥6.2 billion less than in fiscal 2000. Although capital expenditures increased ¥14.7 billion over the previous year, there was a decrease in payment for purchase of investments of ¥16.5 billion and proceeds from maturities of marketable securities of ¥3.8 billion. Net cash used in financing activities was ¥4.0 billion lower than in fiscal 2000 due to an increase of ¥4.5

billion in short-term debt. As in fiscal 2000, dividends paid accounted for the majority of financing cash requirements.

Fiscal 2000 cash and cash equivalents decreased ¥25.6 billion to ¥174.5 billion. Net cash provided by operating activities decreased ¥32.4 billion. Although net income and depreciation and amortization both increased, trade receivables, payables and inventories used net cash of ¥13.8 billion compared with a net contribution of ¥23.4 billion by these three items. This chiefly reflects the growth in orders for mobile phone components in the fourth quarter. Investing activities used net cash of ¥98.8 billion. This is almost entirely due to a ¥30.5 billion increase in capital expenditures. Further contributing to this increase were payments for investments in Vertex Networks, Inc. and Headway Technologies, Inc. Net cash used in financing activities was ¥12.8 billion as the repayment of long-term debt increased. Dividends paid were the largest component of financing cash requirements.

Capital resources at March 31, 2000, 2001 and 2002 are summarized as follows:

	Years ended March 31,			
	2000	2001	2002	*2002*
		(millions of yen) (%)		*(millions of dollars)*
Short-term debt	¥1,417	¥5,120	¥1,655	*$12.4*
	(0.3)	(0.8)	(0.3)	
Current installments of long term debt	516	759	657	*4.9*
	(0.1)	(0.1)	(0.1)	
Trade notes payable	722	791	849	*6.4*
	(0.1)	(0.1)	(0.1)	
Long-term debt,	46	1,004	459	*3.5*
excluding current installments	(-)	(0.2)	(0.1)	
Stockholders' equity	571,013	637,749	583,927	*4,390.4*
	(99.5)	(98.8)	(99.4)	
Total capital	¥573,714	¥645,423	¥587,547	*$4,417.6*
	(100.0)	(100.0)	(100.0)	

Total assets amounted to ¥749.9 billion ($5,638 million) as of March 31, 2002, a decrease of ¥70.3 billion. Among current assets, cash and cash equivalents declined ¥25.2 billion. Net trade receivables decreased ¥13.8 billion, and inventories were down ¥25.3 billion. In addition, no prepaid pension cost was recognized as of March 31, 2002, which amounted to ¥41.3 billion as of March 31, 2001, and there was a ¥34.3 billion increase in long-term deferred income taxes.

Total liabilities decreased ¥17.6 billion. An ¥18.2 billion increase in retirement and severance benefits was offset by decreases of ¥12.1 billion in trade payables and ¥17.1 billion in income taxes. In addition, debt, accrued expenses and other items decreased. Total stockholders' equity declined by a total of ¥53.8 billion. This reflected a decrease of ¥36.0 billion in retained earnings, mainly due to the net loss for fiscal 2002. Accumulated other comprehensive loss increased ¥19.1 billion due to an increase in minimum pension liability adjustments and a decrease in foreign currency translation adjustments. Although there is currently no capital market debt outstanding, TDK maintains long-term corporate credit ratings of AA- and A1 from Standard & Poor's and Moody's, respectively. Standard & Poor's gives TDK their highest short-term credit rating, A-1+.

Total assets amounted to ¥820.2 billion as of March 31, 2001, an increase of ¥44.2 billion. Cash and cash equivalents declined by ¥23.6 billion to ¥150.9 billion. Net trade receivables decreased by ¥6.0 billion, but inventories increased ¥31.6 billion, mainly due to a sudden drop in orders for mobile phone components in the fiscal year's fourth quarter.

Current liabilities increased due to an increase in income taxes and other factors, although trade payables decreased ¥6.1 billion to ¥64.7 billion as orders for mobile phone components dropped sharply in the fourth quarter of fiscal 2001. Short- and long-term debt represents almost entirely the loans that TDK is obligated to hold until contractual repayment dates. The increase in fiscal 2001 primarily reflects debt at Headway Technologies. Retirement and severance benefits fell by ¥25.1 billion to ¥31.8 billion. This was attributable to the establishment of a pension trust. Refer to Note 8 of the notes to the consolidated financial statements in Item 17 for more information. Total stockholders' equity increased 11.7 percent to ¥637.7 billion. Foreign currency translation adjustments decreased as a weaker yen increased yen translations of overseas assets. The change also reflected movements in the minimum pension liability adjustments

Total assets amounted to ¥776.0 billion as of March 31, 2000, an increase of ¥32.5 billion. Current assets decreased by ¥5.1 billion. Cash and cash equivalents declined by ¥25.6 billion to ¥174.5 billion, but net trade receivables increased by ¥13.0 billion and inventories increased by ¥3.4 billion. Both increases are mainly attributable to a rapid growth in orders for components used in mobile phones during the fourth quarter of fiscal 2000. Investments and advances increased by ¥21.8 billion to ¥66.3 billion, the result of an investment in Vertex Networks, Inc., and the March 2000 acquisition of Headway Technologies, Inc. Net property, plant and equipment increased by ¥23.6 billion to ¥234.3 billion, primarily the result of the high level of capital expenditures in fiscal 2000.

Current liabilities increased mainly because of a ¥13.5 billion increase in trade payables to ¥70.8 billion, as orders for mobile phone components rose sharply in the fourth quarter of fiscal 2000. Short-term and long-term debt represents loans that TDK is obligated to hold until contractual repayment dates. Retirement and severance benefits and others fell by ¥17.4 billion to ¥57.3 billion. This is the result of an increase in the actual return on plan assets, chiefly due to the improvement in Japanese share prices during fiscal 2000. Growth in retained earnings was responsible for the 6.7 percent increase in stockholders' equity to ¥571.0 billion. However, foreign currency translation adjustments increased as the yen's strength reduced yen translations of overseas assets.

For a discussion of financial instruments, see Note 14 "Risk Management Activities and Derivative Financial Instruments", Note 15 "Fair Value of Financial Instruments" and Note 6 "Short-Term and Long-Term Debt" in Item 17 "Financial Statements".

C. Research and development, patents and licenses, etc.

R&D expenditures amounted to ¥38.6 billion ($290 million), 6.7 percent of net sales in fiscal 2002, ¥37.0 billion, 5.4 percent of net sales in fiscal 2001 and ¥26.9 billion, 4.0 percent of net sales in fiscal 2000. The strategic fields are in both recording and communications. Both fields are essential to future advances in today's networked society. However, the four domains of recording, communications, energy and interfaces will remain areas of strategic importance for TDK because all are markets with significant growth potential. These are also areas where TDK has many technological resources that can produce distinctive and competitive new products. This is why the R&D plan positions interfaces and energy as strategic fields secondary only to recording and communications. Research and development functions are the Corporate Research and Development Center, the Material Research Center, the Information Technology Research Center, the HMS (Hybrid Material Solutions) Research Center, the New Business Development Department and the Factory Center.

Although TDK has a variety of patents in Japan and other countries, and licenses from others, it believes that termination of any one of its patents or licenses or related group of patents or licenses would not materially adversely affect its business. Total income from its patents and licenses was ¥433 million in fiscal 2000, ¥375 million in fiscal 2001 and ¥295 million ($2.2 million) in fiscal 2002. TDK paid ¥5,041 million in fiscal 2000, ¥5,078 million in fiscal 2001 and ¥3,436 million ($25.8 million) in fiscal 2002 mainly for the royalties under the optical disk license.

D. Trend information

Economic environment

In fiscal 2002, ended March 31, 2002, consolidated net sales decreased 16.7 percent to ¥575,029 million. And fiscal 2001's net income of ¥43,983 million was followed by a net loss of ¥25,771 million in fiscal 2002.

Lower sales can be linked to several factors, such ass a large decline in both sales and earnings in the electronic materials and components segment. This was the result of a sudden drop-off in IT demand, particularly for mobile phones and PCs. It also reflected the protracted nature of inventory corrections by customers; overly optimistic forecasts for mobile phone and PC demand left the customers holding large quantities of stock. The U.S. economic slowdown in the second half of fiscal 2002 also took its toll.

The deterioration in TDK's operating results is due in part to a host of external factors, including the U.S. economic downturn, the post-IT bubble correction, and stiff competition from China and Taiwan. But internal issues hampered TDK, too. In particular, TDK was slow to identify and react to market shifts. Recognizing this, TDK set into motion a series of countermeasures. To quickly lower TDK's break-even point in the future, TDK reduced both fixed and variable expenses and raised efficiency by integrating domestic and overseas production subsidiaries. As TDK pursued what were essentially restructuring measures it did not lose sight of the necessity to meet market needs. TDK realigned its organization to make it run faster and TDK undertook a thorough review of how it would develop new products. TDK took restructuring charges of ¥25,872 million to implement all of the above restructuring measures during the year under review.

While economic indicators point to an upturn in the U.S., the recovery is expected to be tenuous and gradual. TDK is seeing orders start to slowly pick up both in Japan and overseas. That said, there does not appear to be any products that will stimulate new demand and sustain a full-scale recovery in electronic components and semiconductors. The speed and intensity of competition in today's networked society, the growing presence of China, the presence of EMS, the implications for the industry of ICs, and a supply glut are adding to the difficulties faced in the electronic components industry. The area of greatest uncertainty surrounds the direction of prices and foreign exchange rates.

TDK feels that fiscal 2003 marks a critical juncture for it. TDK must lower its break-even point as far as it can to restore profitability. And it must move faster to develop products that can hold their own against TDK's competitors. Moreover, TDK must wisely invest the money that is entrusted to it by its shareholders. TDK is determined to carry out these imperatives in tandem and with the utmost speed.

There are two overriding goals. First, create a structure that remains profitable even when sales are not growing. Second, swiftly shift resources from unprofitable, low-growth fields to more-profitable, high-growth fields through a process of selection and concentration.

Looking forward

Fundamental management policy

TDK was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has conducted research and development programs in ferrite and a variety of other electronic materials and components.

This drive was based on TDK's founding spirit: "Contributes to culture and industry through creativity." To preserve its identity as a dynamic company, TDK is dedicated to creating value for all stakeholders by drawing on innovative thinking and a willingness to tackle new challenges. TDK firmly believes that it must remain an organization that is a constant source of exciting ideas.

Fundamental policy for distribution of earnings

Returning earnings to shareholders is one of TDK's highest management priorities. As such, TDK allocates earnings based on a broad range of factors including the return on equity (ROE), dividends as a percentage of equity (DOE) and TDK's performance. Retained earnings are used in many ways to make TDK more competitive. Funds are required to support research and development programs to respond to the rapid technological advances in the electronic industry. TDK must also create new technologies in such fields as optical and magnetic recording media, mobile communications, large-capacity recording devices, semiconductor-related products and data communications. In addition, TDK works to develop new products and technologies to respond to increasingly borderless nature of markets.

Medium- and long-term management strategy

Information technology, notably the Internet, is bringing about dramatic increases in the speed at which companies must act. At the same time, market participants are now able to quickly distinguish between products of value and those offering no value. TDK has entered an age when only companies able to provide genuine value will survive. TDK is taking a fresh look at its unique attributes and strengths. By further refining specialized skills in these areas, TDK intends to become a company capable of increasing its value in the 21^{st} century.

To meet the challenges of this operating environment, TDK launched its Exciting 108 medium-term management plan in April 2000. Scheduled to end in March 2004, the plan is structured to transform TDK into an exciting company and increase TDK's value. There are three fundamental elements:

I. Become an e-material solution provider

TDK must be a speedy and dynamic company able to anticipate the needs of its customers. By drawing on its core expertise in electronic materials, TDK will then quickly formulate the value-added products required to solve customer's problems. This process is the essence of providing e-material solutions. During Exciting 108, priority will be placed on recording and communications.

II. Build a world-class management system

Management systems just as businesses themselves are becoming increasingly borderless. Personnel management practices are also on the verge of dramatic change. TDK needs to move swiftly to implement the necessary management systems.

III. Aim for zero emissions

TDK’s goal is to operate “eco-factories” with zero emissions. Doing so mandates that factories generate less waste, use more recycled materials and expand their own recycling. Eventually, TDK wants to reach the point where its plants rely completely on recycled materials and generate no emissions at all.

By accomplishing these three objectives, TDK intends to maximize its corporate value, bring its activities in closer step with the environment and make greater contributions to society.

While TDK intends to adhere closely to the above policies, the difficult nature of its markets at present mandates that the company respond flexibly when implementing them.

Corporate ethics

Fully aware that unethical acts can compromise a company’s ability to continue doing business, TDK recently established a corporate code of ethics. TDK is committed to upholding corporate ethical standards and improving risk management.

Strategy to improve corporate governance

Improving the soundness and transparency of the company and increasing shareholder value is partly dependent on improving corporate governance. That’s why TDK planed to implement the following measures, subject to approval at its ordinary annual general meeting of shareholders on June 27, 2002 with respect to the reduction of the number of Directors and at a subsequent meeting of the Board of Directors.

I. Energize the board of directors:

To strengthen the Board’s supervisory functions, TDK will appoint one outside director and reduce the present number of directors from 12 to 7.

II. Introduce the post of corporate officer:

TDK will introduce a corporate officer system, which will see the company appoint 18 corporate officers, with the view to improving execution of day-to-day operations and increasing management efficiency. The introduction of this system is intended to speed up decision-making by delegating greater authority to corporate officers and to clearly define responsibilities and authority with respect to the execution of day-to-day operations.

III. Establish a remuneration committee:

Chaired by the outside director, a Remuneration Committee, made up of the corporate officer in charge of personnel and outside experts, will be formed to act as an advisory organ to the Board of Directors. And to align the interests of directors and corporate officers with those of shareholders, TDK will introduce a remuneration system that more closely links pay with business results by increasing the weight of performance-linked compensation. TDK will also cease providing for retirement allowances for directors. Furthermore, corporate officers as well as high-ranking managers of group companies will be made eligible to receive stock options, which are currently granted only to directors and high-ranking managers of the parent company.

Critical accounting policies

Impairment of long-lived assets

TDK's long-lived assets and certain identifiable intangibles are reviewed for impairment whether events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying amount of the asset is considered to be impaired, impairment charge is recorded for the amount by which the carrying value of asset exceeds its fair value. Management believes that the estimates of future cash flows and fair values are reasonable, however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuation of those long-lived assets.

Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated cost necessary to make a sale. TDK routinely reviews its inventories for their salability and for indications of obsolescence to determine if inventories should be written-down to net realizable value. In estimating the net realizable value of its inventories, TDK considers the age of the inventory and likelihood of spoilage on changes in market demand for its inventories. Management believes the judgments and estimates are reasonable, however, changes in actual future demand or market conditions could require additional inventory write-downs.

Goodwill and other intangible assets

Goodwill and other intangible assets that are determined to have an indefinite life are not amortized and are tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of these assets below their carrying amount. Fair value for these assets is determined using a discounted cash flow analysis, which is based on an authorized business plan. Management believes that the estimates of future cash flows and fair value are reasonable, however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumption could negatively affect the valuations.

Pension benefit costs

Employee pension benefit costs and obligations are dependent on assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, retirement rates and mortality rates which are based upon current statistical data, as well as salary growth, long-term return on plan assets and other factors. Management believes that the assumptions are appropriate, however, if actual results differ from the assumptions are changed, the resulted effects are accumulated and systematically recognized over future periods, and therefore, generally affect recognized expense and the recorded obligations in future periods.

Deferred tax assets

TDK has significant deferred tax assets, which are subject to realizability assessment. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the schedule reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes that it is more likely than not that all of the deferred tax assets less valuation allowance will be realized. However, in cases where management changes the assessment of realization of deferred tax assets, it would be charged to income in the period such determination is made, which may negatively affect net income.

New accounting pronouncements

New Accounting Standard

In May 2000, the Emerging Issues Task Force reached a final consensus on Issue 00-14 ("EITF 00-14"), "Accounting for Certain Sales Incentives". EITF 00-14 addresses accounting and reporting standards for sales incentives such as coupons or rebates that are provided by vendors or manufacturers and are exercisable by customers at the point of sale.

In April 2001, the Emerging Issues Task Force also reached a final consensus on a portion of Issue 00-25 ("EITF 00-25"), "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services". EITF 00-25 addresses the income statement characterization of consideration, other than that directly addressed in EITF 00-14, from a vendor (typically a manufacturer or distributor) to a customer (typically a retailer or wholesaler) in connection with the sale to the customer of the vendor's products or promotion of sales of the vendor's products by the customer.

In November 2001, EITF 00-14 and EITF 00-25 were subsequently codified in and superseded by Issue 01-9 ("EITF 01-9"), "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" on which the Emerging Issue Task Force reached a final consensus. TDK adopted EITF 01-9 on April 1, 2002. The adoption of EITF 01-9 did not have a material effect on TDK's consolidated financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.143 ("SFAS 143"), "Accounting for Asset Retirement Obligations". SFAS 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of long-lived assets, except for certain obligations of lessees. SFAS 143 requires that the fair value of liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. TDK is required to adopt the provisions of SFAS 143 on April 1, 2003. Currently, the effect on TDK's consolidated financial statements of adopting SFAS 143 has not been determined.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets" which supersedes both Statement of Financial Accounting Standards No.121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No.30 ("Opinion 30"), "Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). SFAS 144 retains the fundamental provisions in SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS 121. TDK adopted SFAS 144 on April 1, 2002. The adoption of SFAS 144 did not have a material effect on TDK's consolidated financial position or results of operations.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.146 (“SFAS 146”), “Accounting for Costs Associated with Exit or Disposal Activities”. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No.94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. Currently, the effect on TDK’s consolidated financial statements of adopting SFAS 146 has not been determined.

Item 6. Directors, Senior Management and Employees

A. Directors and senior management

Directors, corporate officers and corporate auditors of TDK as of June 27, 2002 and their respective business experience are listed below.

Directors

Name (Date of birth)	Position, responsibility and brief personal record
Hajime Sawabe (Jan. 9, 1942)	Representative Director, President and CEO – since June 1998 - 1996 Director of TDK
Hirokazu Nakanishi (Mar. 13, 1944)	Director, Senior Vice President – since June 2002 In charge of General Manager of China Business Development Group - 1996 Director of TDK
Jiro Iwasaki (Dec. 6, 1945)	Director, Senior Vice President – since June 2002 In charge of General Manager of Administration Group and Environment - 1996 Director of TDK
Shinji Yoko (Jan. 2, 1948)	Director, Senior Vice President – since June 2002 In charge of General Manager of Electronic Components Sales & Marketing Group - 1998 Director of TDK
Takeshi Nomura (Mar. 8, 1952)	Director, Senior Vice President – since June 2002 In charge of General Manager of Material Research Center and General Manager of Intellectual Properties Center - 1998 Director of TDK
Mitsuaki Konno (Dec. 28, 1944)	Director – since June 2002 In charge of General Manager of Management Review & Support Department - 2001 General Manager of Management Review & Support Department
Yasuhiro Hagiwara (Oct, 19, 1937)	Director* – since June 2002 - 1971 Registration as a lawyer in Washington D.C., U.S.A. - 2000 Partner of Squire, Sanders & Dempsey L.L.P.

Corporate Officers

Name (Date of birth)	Position, responsibility and brief personal record
Joichiro Ezaki (Oct. 21, 1940)	Corporate Officer, Senior Vice President – since June 2002 In charge of General Manager of Information Technology Research Center and Thin-film Technology - 1992 Director of TDK
Kiyoshi Ito (May 28, 1944)	Corporate Officer, Senior Vice President – since June 2002 In charge of General Manager of Circuit Devices Business Group - 2000 Director of TDK
Katsuhiro Fujino (Sep. 27, 1944)	Corporate Senior Officer – since June 2002 In charge of General Manager of Ferrite & Magnet Products Business Group - 2000 Director of TDK
Takeshi Ohwada (Jul. 18, 1944)	Corporate Senior Officer – since June 2002 In charge of General Manager of SCM Group - 1998 Director of TDK
Kunihiro Fukushima (Feb. 26, 1945)	Corporate Officer – since June 2002 In charge of President of Osaka Regional Headquarters, Deputy General Manager of Electronic Components Sales & Marketing Group and General Manager of West Japan Sales Department - 2002 President of Osaka Regional Headquarters and General Manager of West Japan Sales Department
Yukio Hirokawa (Feb. 19, 1947)	Corporate Officer – since June 2002 In charge of General Manager of Network Devices Business Group - 2002 General Manager of Network Devices Business Group
Takehiro Kamigama (Jan. 12, 1958)	Corporate Officer – since June 2002 In charge of General Manager of Data Storage Components Business Group - 2001 General Manager of Data Storage Components Business Group
Masatoshi Shikanai (Oct. 3, 1949)	Corporate Officer – since June 2002 In charge of General Manager of Recording Media & Solutions Business Group - 2001 General Manager of Recording Media & Solutions Business Group
Yukio Harada (Oct. 1, 1945)	Corporate Officer – since June 2002 In charge of General Manager of Power Systems Business Group - 2001 General Manager of Power Systems Business Group

Yoshitomo Suzuki (Jan. 21, 1944)	Corporate Officer – since June 2002 In charge of General Manager of Akita General Affairs Department - 2001 General Manager of Material Products Division
Michinori Katayama (Dec. 9, 1946)	Corporate Officer – since June 2002 In charge of General Manager of Corporate Communications Department - 2001 General Manager of Corporate Communications Department
Kenryo Namba (Jan. 6, 1947)	Corporate Officer – since June 2002 In charge of General Manager of Corporate Research & Development Center - 2001 General Manager of Corporate Research & Development Center

Corporate Auditors

Name (Date of birth)	Position, responsibility and brief personal record
Takuma Otsuka (Feb. 23, 1944)	Corporate Auditor – since June 2000 - 1998 Director of TDK
Yutaka Mori (May 1, 1941)	Corporate Auditor – since June 2000 - 1996 General Manager of Corporate Planning Office - 1997 Associate Director
Hiromi Kitagawa (Apr. 24, 1935)	Corporate Auditor* – since June 2000 - 1992 Senior Managing Director of The Asahi Bank, Ltd. - 1994 President of Asahi Bank Research Institute - 1996 Chairman of the Board of Asahi Research Institute
Osamu Nakamoto (Apr. 8, 1942)	Corporate Auditor* – since June 2000 - 1974 Registration as a Lawyer - 1981 Partner of the Law Firm of Hamada & Matsumoto

Notes(*)

All of TDK's Directors (except Yasuhiro Hagiwara), Corporate Officers and Corporate Auditors (except Hiromi Kitagawa and Osamu Nakamoto) have been engaged on a full-time basis.

B. Compensation

(a) The aggregate direct remuneration, including bonuses but excluding retirement allowances, paid by TDK during the years ended March 31, 2001 and 2002 to all Directors and Corporate Auditors of TDK who served during each of those years was approximately ¥298 million and ¥256 million ($1.9 million), respectively.

(b) In accordance with customary Japanese business practice, when a Director or Corporate Auditor retires, a proposal to pay a lump sum retirement allowance is submitted to the general meeting of shareholders for approval. After shareholder approval is obtained, the amount of the retirement allowance for a Director or Corporate Auditor is fixed by the Board of Directors and generally reflects his position at the time of retirement, the length of his service as a Director or Corporate Auditor and his contribution to TDK's performance. The aggregate amount set aside as lump sum retirement allowance by TDK during fiscal 2001 and fiscal 2002 for Directors and Corporate Auditors of TDK totaled approximately ¥130 million and ¥131 million ($1.0 million), respectively. In addition, with introduction of a Corporate Officer system (See Item 6C "Board practices"), the remuneration system at large was looked over again and a lump sum retirement allowance for directors was abolished. As decided by the director of the present office at the meeting of shareholders held on June 27, 2002, the conventional retirement reserve fund shall be frozen, and it shall be paid after a general meeting of shareholders have approved to make payment, which vote shall take place at the time of the directors retirement.

TDK has a stock option plan for directors and any other employees. See Item 6E "Share ownership".

C. Board practices

TDK's Articles of Incorporation provide for a Board of Directors of not more than ten members. Directors are elected at the general meeting of shareholders for a two-year term of office and may serve any number of consecutive terms. The Board of Directors has the ultimate responsibility for the administration of the affairs of TDK.

The Board of Directors must appoint from among its members a President and may also appoint a Chairman of the Board. The Board of Directors may also appoint from among the Directors referred to above one or more Representative Directors. Each of the Representative Directors has the authority to represent TDK generally in the conduct of its affairs.

TDK introduced a Corporate Officer system in June 2002 to improve management efficiency and speed up decision-making. Corporate Officers are basically elected at the meeting of the Board of Directors held immediately after the ordinary general meeting of shareholders. In general, the term of office of Corporate Officers expires at the conclusion of the next ordinary general meeting of shareholders. With respect to each expiration of the term of office of Corporate Officers, see "Item 6.A. Directors and senior management." The Board of Directors may elect from among Corporate Officers one or more Senior Vice Presidents and Corporate Senior Officers. Each of the Corporate Officers has the authority individually to operate businesses of which he or she is in charge under the control of the Board of Directors and Representative Directors.

The Corporate Auditors of TDK, which are elected at the general meeting of shareholders and whose number shall not exceed five, are not required to be and are not certified public accountants. One or more Standing Corporate Auditors is required to be elected from among Corporate Auditors. Each Corporate Auditor has the statutory duty to examine the financial statements and business reports to be submitted by the Board of Directors to the general meeting of shareholders and also to supervise the administration by Directors but is not entitled to vote. TDK established a Board of Corporate Auditors (at least one of which must be from outside TDK) and under the amendments to the Commercial Code effective from April 1, 2002 the term of the Corporate Auditors is four years, except for those appointed under the Commercial Code prior to the aforesaid amendments whose three-year term has not expired.

In addition to Corporate Auditors, TDK is required to appoint independent certified public accountants. The primary duty of certified public accountants is to examine the financial statements proposed to be submitted by the Board of Directors to the general meetings of shareholders and the reporting of their opinion thereon to the Corporate Auditors as well as to the Directors.

There are no family relationships between any Director or Corporate Officer or Corporate Auditor and any other Director or Corporate Officer or Corporate Auditor of TDK.

D. Employees

The following table lists the number of TDK full-time employees as of March 31, 2001 and 2002.

As of March 31, 2001	Japan	Overseas	Total
Electronic materials and components	10,324	21,948	32,272
Recording media and systems	1,523	2,322	3,845
Corporate	1,105	29	1,134
Total	12,952	24,299	37,251

As of March 31, 2002	Japan	Overseas	Total
Electronic materials and components	8,298	18,794	27,092
Recording media and systems	1,362	2,197	3,559
Corporate	1,568	30	1,598
Total	11,228	21,021	32,249

The number of full-time employees as of March 31, 2000 is 34,321. Segment information is not available.

TDK considers its employee relations to be excellent; there have been no significant strikes or labor disputes.

All full-time employees in Japan, except management and certain other personnel, must become union members. Approximately 83 percent of full-time employees of TDK are members of the TDK Labor Union, which is affiliated with ZENKIN RENGO. About 53 percent of the full-time employees of TDK and its domestic subsidiaries are members of unions affiliated with ZENKIN RENGO.

As is customary in Japan, TDK negotiates with the TDK Labor Union for annual wage increases, and twice a year for bonuses. TDK also renews the terms and conditions of labor contracts, other than those relating to wage and bonuses, every year.

The number of voluntary retirees of the special early retirement programs implemented for the employees of TDK in Japan in fiscal 2002 was approximately 2,562. They all retired by March 31, 2002. TDK also reduced the number of employees of overseas subsidiaries by 2,504 in fiscal 2002.

E. Share ownership

The following table lists the number of shares owned by the directors, corporate officers and corporate auditors of TDK as of June 27, 2002. The total number is 18,500 as shown below, and this number constituted 0.01% of all outstanding shares.

Name	Position	Number of shares
Hajime Sawabe	Representative Director, President and CEO	5,000
Hirokazu Nakanishi	Director, Senior Vice President	1,000
Jiro Iwasaki	Director, Senior Vice President	1,300
Shinji Yoko	Director, Senior Vice President	1,000
Takeshi Nomura	Director, Senior Vice President	1,000
Mitsuaki Konno	Director, Corporate Officer	1,000
Yasuhiro Hagiwara	Director (outside)	0

Joichiro Ezaki	Corporate Officer, Senior Vice President	1,000
Kiyoshi Ito	Corporate Officer, Senior Vice President	1,000
Katsuhiro Fujino	Corporate Senior Officer	1,100
Takeshi Ohwada	Corporate Senior Officer	1,000
Kunihiro Fukushima	Corporate Officer	0
Yukio Hirokawa	Corporate Officer	0
Takehiro Kamigama	Corporate Officer	0
Masatoshi Shikanai	Corporate Officer	0
Yukio Harada	Corporate Officer	0
Yoshitomo Suzuki	Corporate Officer	0
Michinori Katayama	Corporate Officer	0
Kenryo Namba	Corporate Officer	1,000
Takuma Otsuka	Corporate Auditor	1,000
Yutaka Mori	Corporate Auditor	1,100
Hiromi Kitagawa	Corporate Auditor (outside)	1,000
Osamu Nakamoto	Corporate Auditor (outside)	0
Total		18,500

Stock option plans

The Ordinary General Meeting of Shareholders held on June 29, 2000 approved to implement TDK's stock option plan for Directors and certain employees of TDK, and to purchase TDK's own shares for transfer to them under the plan, pursuant to Article 210-2 of the Japanese Commercial Code. Stock options (rights to purchase common shares) were provided to the then 13 Directors on the Board and 191 associate directors and officials in amounts ranging from 500 to 10,000 common shares each, exercisable from August 1, 2002 to April 30, 2006, at an exercise price of ¥15,640 per share, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at price less than the current market price of the shares of TDK. To cover these options TDK purchased on the Tokyo Stock Exchange (the "TSE") a total of 170,400 common shares with an aggregate purchase price of ¥2,665 million from July 3, 2000 through August 2, 2000.

The Ordinary General Meeting of Shareholders held on June 28, 2001 approved to implement TDK's stock option plan for Directors and certain employees of TDK, and to purchase TDK's own shares for transfer to them under the plan, pursuant to Article 210-2 of the Japanese Commercial Code. Stock options (rights to purchase common shares) were provided to the then 12 Directors on the Board and 184 associate directors and officials in amounts ranging from 500 to 10,000 common shares each, exercisable from August 1, 2003 to April 30, 2007, at an exercise price of ¥6,114 per share, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at price less than the current market price of the shares of TDK. To cover these options TDK purchased on the TSE a total of 158,000 common shares with an aggregate purchase price of ¥917 million from July 2, 2001 through July 23, 2001.

TDK obtained approval of the ordinary general meeting of shareholders held on June 27, 2002 regarding the issue of stock acquisition rights as stock options (the Stock Acquisition Rights) for Board members and select senior executives, pursuant to Articles 280-20 and 280-21 of the Japanese Commercial Code, as amended. Upon approval, the Board of Directors has adopted resolutions to issue at no charge an aggregate of 2,236 Stock Acquisition Rights, each representing a stock option to purchase 100 share of common stock of TDK, to the current 7 Directors on the Board and 190 select senior executives. The Stock Acquisition Rights issued on August 9, 2002 are exercisable during the period from August

1, 2004 to July 31, 2008. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥5,909 ($44.43) per share of common stock, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of TDK. To cover these options TDK purchased on the TSE a total of 223,600 common shares with an aggregate purchase price of ¥1,209 million ($9.1 million) from August 12, 2002 through August 19, 2002.

Employees Shareholding Association

As at March 31, 2002, the number of members of the TDK Employees Shareholding Association totaled 2,075. The Employees Shareholding Association accepts new memberships in March and September of every year. Members are entitled to purchase shares of TDK, the maximum amount being ¥50,000 a month. In addition, members have received a monthly subsidy equivalent to 5% of the purchase price of shares. The subsidy amounted to ¥25 million ($188 thousand) for fiscal 2002. The total amount of the Company's shares having voting rights owned by the TDK Employees Shareholding Association was as follows:

Title of class	Identity of person or group	Amount owned	Percent of class
Common stock	TDK Employees Shareholding Association	513,791 shares	0.39 %

Item 7. Major Shareholders and Related Party Transaction

A. Major shareholders

The table below lists the number of TDK shares held by holders of 5% or more of TDK shares and their percentage ownership as of March 31, 2002:

Name of major shareholder	Shares owned (in thousands)	Percentage
Japan Trustee Services Bank, Ltd. (trust account)	8,226	6.17%

The major shareholder does not have different voting rights from the other shareholders, subject to the limitation on exercise as set forth in "Item 10. B. Memorandum and Articles of Association – Common Stock – Voting rights."

At March 31, 2002, there were 5,361,685 registered ADRs outstanding and 265 registered holders, of which 5,361,193 ADRs were held by 116 registered U.S. holders.

The Depositary of ADRs of TDK is Morgan Guaranty Trust Company of New York.

TDK is not, directly or indirectly, owned or controlled by another corporation or by any foreign government.

B. Related party transaction

Since the beginning of TDK's last full fiscal year, TDK has not transacted with, nor does TDK currently plan to transact with a related party.

C. Interests of experts and counsel

Not applicable.

Item 8. Financial Information

A. Consolidated statements and other financial information

Consolidated statements

Refer to Consolidated Financial Statements and Notes to Consolidated Financial Statements (See Item 17).

Finished goods and materials sent out of Japan are mainly bound for consolidated subsidiaries of TDK, and are not, therefore, recorded as exports on a consolidated basis. For this reason, the proportion of exports to total net sales is not significant.

Legal proceedings

There are no material pending legal proceedings, other than ordinary routine litigations incidental to the business, to which TDK or any of its subsidiaries is a party or of which any of their property is the subject.

Dividend policy

TDK considers that to return profits to its shareholders is one of the important matters of management, and will distribute such profit with comprehensive reference to the level of return on equity (ROE), dividends on equity (DOE) and trends hereafter in the business results. However, due to factors including the severe economic conditions outlined in Section A of Item 5, as well as unsatisfactory business results for fiscal 2002, the Board of Directors resolved to decrease the annual cash dividend. At the ordinary general meeting of shareholders held on June 27, 2002, a year-end cash dividend per share was approved at the rate of 20.0 yen. TDK had already paid an interim dividend of 30.0 yen per share to each shareholder; accordingly the annual cash dividend per share was 50.0 yen.

B. Significant changes

No significant change has occurred since the date of the annual financial statements.

Item 9. The Offer and Listing

A. Offer and listing details

The primary market for TDK's shares of common stock (Common Stock) is the Tokyo Stock Exchange (the “TSE”). The shares are traded on the First Section of that exchange and are also listed on the Osaka Securities Exchange in Japan. In addition, TDK's shares are listed on the New York Stock Exchange in the form of American Depositary Receipts ("ADRs"), on the Euronext Amsterdam Stock Exchange in the form of Continental Depositary Receipts ("CDRs"), on the Euronext Brussels Stock Exchanges in the form of Bearer Depositary Receipts, on the Euronext Paris Stock Exchange and the London Stock Exchange in the form of shares of TDK, on the Frankfurt Stock Exchange in the form of Global Bearer Certificate and on the Swiss Stock Exchange in the form of Swiss Bearer Depositary Receipts.

The following table sets forth for the periods indicated the reported high and low sales prices of TDK's shares of common stock on the TSE (both in yen and translated into U.S. dollars per American Depositary Share) and the reported high and low bid prices for American Depositary Shares of which each represents one share of common stock, as reported by the New York Stock Exchange.

Calendar year		Yen per share of common stock (1)		*Translated into U.S. dollars per American Depositary Share (2)*		*U.S. market price per American Depositary Share (3)*	
		High	Low	*High*	*Low*	*High*	*Low*
1997	Year	11,900	7,020	*96.91*	*59.90*	*95.00*	*58.50*
1998	Year	11,350	6,700	*87.90*	*56.28*	*90.25*	*58.00*
1999	Year	15,010	8,160	*145.16*	*68.11*	*143.00*	*67.00*
2000	1st Quarter	15,270	9,400	*148.90*	*85.53*	*141.00*	*89.13*
	2nd Quarter	17,010	11,530	*159.12*	*109.03*	*144.00*	*112.00*
	3rd Quarter	17,200	13,260	*159.63*	*121.15*	*157.50*	*120.00*
	4th Quarter	14,300	10,120	*129.71*	*93.53*	*130.25*	*94.75*
2001	1st Quarter	11,510	6,600	*98.12*	*53.12*	*103.00*	*54.00*
	2nd Quarter	8,670	5,740	*70.49*	*45.77*	*69.00*	*47.15*
	3rd Quarter	6,950	5,000	*56.92*	*41.53*	*56.40*	*41.25*
	4th Quarter	7,000	4,800	*56.07*	*39.74*	*54.81*	*40.75*
2002	1st Quarter	7,810	5,320	*60.68*	*39.67*	*59.00*	*40.00*
	2nd Quarter	7,380	5,340	*56.23*	*43.70*	*57.00*	*44.90*
Period							
2002	March	7,810	5,940	*60.68*	*44.18*	*59.00*	*45.00*
	April	7,380	6,450	*56.23*	*48.42*	*56.25*	*49.65*
	May	7,210	6,660	*55.50*	*52.05*	*57.00*	*52.40*
	June	6,990	5,340	*55.72*	*43.70*	*55.70*	*44.90*
	July	5,970	5,280	*49.56*	*44.13*	*49.65*	*44.81*
	August	5,930	5,060	*49.21*	*41.92*	*49.50*	*42.50*

Notes:

(1) As reported by the Tokyo Stock Exchange.

(2) Translated at the spot selling rate for dollars prevailing in Tokyo on the date when each such high or low price was reported.

(3) As reported by the New York Stock Exchange.

B. Plan of distribution

Not applicable.

C. Markets

See Item 9A "Offer and listing details".

D. Selling shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the issue

Not applicable.

Item 10. Additional Information

A. Share capital

Not applicable.

B. Memorandum and articles of association

Organization

TDK is a joint stock corporation *(kabushiki kaisha)* incorporated in Japan under the Commercial Code *(shoho)* of Japan. It is registered in the Commercial Register *(shogyo tokibo)* maintained by the Tokyo Legal Affairs Bureau.

Objects and purposes

Article 2 of the Articles of Incorporation of TDK provides that its purpose is to engage in the following lines of business:

• Manufacture and sale of electric machinery and appliances;

• Manufacture and sale of magnetic materials such as ferrite and magnet;

• Manufacture and sale of electronic machinery and appliances such as automatic inserting machine for electronic components, automatic mounter for electronic components, and electronic measuring equipment and of components thereof;

• Manufacture and sale of recording media such as magnetic tape, floppy disk and optical disk and of data writing, reading and storage equipment therefor;

• Manufacture and sale of ceramic materials such as electricity inductive ceramics, piezoelectric ceramics, semiconductor ceramics and electricity insulating ceramics;

• Manufacture and sale of circuit components such as coil and transformers;

• Manufacture and sale of semiconductor;

• Manufacture and sale of stabilizing power supplies (units to stabilize electric current or voltage);

• Manufacture and sale of machinery and appliances for medical use and medical instruments and of components thereof;

• Manufacture and sale of single crystal materials and each product applying the same;

• Manufacture and sale of precious metals, precious stones, artificial precious stones and each product applying or utilizing the same;

• Manufacture and sale of outer wall materials of buildings and structures;

• Designing and contracting of construction work;

• Development, production, sale and grant of license of software;

• Manufacture, sale and contracting of applied product, machinery and tools and equipment of each of the foregoing; and

• Any and all businesses incidental or relating to each of the foregoing.

Common Stock

General

Set forth below is information relating to TDK's Common Stock, including brief summaries of the relevant provisions of TDK's Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Commercial Code of Japan and related legislation. The discussion of the Commercial Code below reflects certain amendments to the Commercial Code, which became effective on October 1, 2001 (the "2001 Amendments") and April 1, 2002 (the "2002 Amendments").

In order to assert shareholders' rights against TDK, a shareholder must have its name and address registered on TDK's register of shareholders, in accordance with TDK's Share Handling Regulations. The registered beneficial holder of deposited shares underlying the ADSs is the Depositary for the ADSs. Accordingly, holders of ADSs will not be able directly to assert shareholders' rights to TDK.

Authorized capital

Article 5 of the Articles of Incorporation of TDK provides that the total number of shares authorized to be issued by TDK is four hundred and eighty million (480,000,000) shares.

As of March 31, 2002, 133,189,659 shares of Common Stock without having any par value were issued and outstanding.

The 2001 Amendments eliminated the concept of "par value" of shares of capital stock. Thus, all shares of capital stock of TDK have no par value.

Dividends

The Articles of Incorporation of TDK provide that the accounts shall be closed on March 31 of each year and that dividends, if any, shall be paid to shareholders, beneficial shareholders and pledgees of record as of the end of such day. After the close of the fiscal period, the Board of Directors prepares, among other things, a proposed allocation of profits for dividends and other purposes; this proposal is submitted to the Board of Corporate Auditors of TDK and to independent certified public accountants and then submitted for approval to the ordinary general meeting of shareholders, which is normally held in June each year. In addition to provisions for dividends, if any, and for the legal reserve and other reserves, the allocation of profits customarily includes a bonus to Directors. In addition to year-end dividends, the Board of Directors may by its resolution declare a cash distribution pursuant to Article 293-5 of the Commercial Code (an "interim dividend") to shareholders, beneficial shareholders and pledgees of record as of the end of each September 30, without shareholders' approval, but subject to the limitations described below.

The Commercial Code provides that a company may not make any distribution of profit by way of dividends or interim dividends for any fiscal period unless it has set aside in its legal reserve an amount equal to at least one-tenth of the amount paid by way of appropriation of retained earnings for such fiscal period or of the amount of such interim dividends until the aggregate amount of additional paid-in capital and legal reserve equals to one-quarter of its stated capital. Under the Commercial Code, TDK is permitted to distribute profits by way of year-end or interim dividends out of the excess of its net assets over the aggregate of:

(i) its stated capital;

(ii) its additional paid-in capital;

(iii) its accumulated legal reserve;

(iv) the legal reserve to be set aside in respect of the fiscal period concerned;

(v) the excess, if any, of unamortized expenses incurred in preparation for commencement of business and in connection with research and development over the aggregate of amounts referred to in (ii), (iii) and (iv) above; and

(vi) if certain assets of TDK are stated at market value on such balance sheet pursuant to the provisions of the Commercial Code, the excess, if any, of the aggregate amount of their market value over the aggregate acquisition cost thereof.

In the case of interim dividends, the net assets are calculated by reference to the non-consolidated balance sheet as at the last closing of TDK's accounts, but adjusted to reflect; (x) any subsequent payment by way of appropriation of retained earnings and transfer to legal reserve in respect thereof; (y) any subsequent transfer of retained earnings to stated capital; and (z) if TDK has been authorized, pursuant to a resolution of an ordinary general meeting of shareholders, to purchase shares of its Common Stock (see *Acquisition by TDK of its Common Stock*), the total amount of the purchase price of such shares so authorized by such resolution that may be paid by TDK, provided that interim dividends may not be paid where there is a risk that at the end of the fiscal year there might not be any excess of net assets over the aggregate of the amounts referred to in (i) through (vi) above.

In Japan the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid.

Under its Articles of Incorporation, TDK is not obligated to pay any dividends which are left unclaimed for a period of three years after the date on which they first became payable.

Stock splits

TDK may at any time split shares in issue into a greater number of shares by resolution of the Board of Directors, and may amend its Articles of Incorporation to increase the number of the authorized shares to be issued in proportion to the relevant stock split in principle pursuant to a resolution of the Board of Directors rather than a special resolution of a general meeting of shareholders which is otherwise required for amending the Articles of Incorporation.

In the event of a stock split, generally, shareholders will not be required to exchange share certificates for new share certificates, but certificates representing the additional shares resulting from the stock split will be issued to shareholders. When a stock split is to be made, TDK must give public notice of the stock split, specifying the record date therefor, at least two weeks prior to such record date. In addition, promptly after the stock split takes effect, TDK must give notice to each shareholder specifying the number of shares to which such shareholder is entitled by virtue of the stock split.

General meeting of shareholders

The ordinary general meeting of shareholders of TDK for each fiscal year is normally held in June in each year in Ichikawa-shi, Chiba, Japan. In addition, TDK may hold an extraordinary general meeting of shareholders whenever necessary by giving notice of convocation thereof at least two weeks prior to the date set for the meeting.

Notice of convocation of a shareholders' meeting setting forth the place, time and purpose thereof, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Under the 2002 Amendments, such notice may be given to shareholders by electronic means, subject to the consent by the relevant shareholders. The record date for an ordinary general meeting of shareholders is March 31 of each year.

Any shareholder or group of shareholders holding at least 3 percent of the total number of voting rights for a period of six months or more may require the convocation of a general meeting of shareholders for a particular purpose. Unless such shareholders' meeting is convened promptly or a convocation notice of a meeting which is to be held not later than six weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such shareholders' meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or 1 percent of the total number of voting rights for a period of six months or more may propose a matter to be considered at a general meeting of shareholders by submitting a written request to a Representative Director at least six weeks prior to the date set for such meeting.

Voting rights

So long as TDK maintains the unit share system (see *New "Unit" share system*) a holder of shares constituting one or more whole units is entitled to one voting right per unit of shares subject to the limitations on voting rights set forth in the following paragraph. If TDK eliminates from its Articles of Incorporation the provisions relating to the unit of shares, holders of Common Stock will have one voting right for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights of all the shareholders represented at the meeting. The Commercial Code and TDK's Articles of Incorporation provide, however, that the quorum for the election of Directors and Corporate Auditors shall not be less than one-third of the total number of voting rights of all the shareholders. TDK's shareholders are not entitled to cumulative voting in the election of Directors and Corporate Auditors. A corporate shareholder who holds more than one-quarter of the total voting rights that are directly or indirectly owned by TDK may not exercise its voting rights with respect to shares of Common Stock of TDK that it owns. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. TDK's shareholders also may cast their votes in writing. Under the 2002 Amendments, Shareholders may also exercise their voting rights by electronic means when the Board of Directors decides to permit such method of exercising voting rights.

The Commercial Code provides that in order to amend the Articles of Incorporation and in certain other instances, including a reduction of stated capital, the removal of a Director or Corporate Auditor, dissolution, merger or consolidation with a certain exception under which shareholders' resolution is not required, the transfer of the whole or an important part of the business, the taking over of the whole of the business of any other corporation with a certain exception under which shareholders resolution is not required, share exchange or share transfer for the purpose of establishing 100 % parent-subsidiary relationships with a certain exception under which shareholders resolution is not required, splitting of the corporation into two or more corporations with a certain exception under which shareholders resolution is not required, or any offering of new shares at a "specially favorable" price (or any offering of share acquisition rights to subscribe for or acquire shares of capital stock ("stock acquisition rights") or bonds with share acquisition rights at a "specially favorable" exercise conditions) to any persons other than shareholders, the quorum shall be a majority of the total voting rights of all the shareholders and the approval by at least two-thirds of the voting rights of all the shareholders represented at the meeting is required (the "special shareholders resolutions").

Issue of additional shares and pre-emptive rights

Holders of TDK's shares of Common Stock have no pre-emptive rights under its Articles of Incorporation. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a "specially favorable" price mentioned under *"Voting rights"* above. The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date of which not less than two weeks' prior public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

Rights to subscribe for new shares may be made generally transferable by the Board of Directors. Whether TDK will make subscription rights generally transferable in future rights offerings will depend upon the circumstances at the time of such offerings. If subscription rights are not made generally transferable, transfers by a non-resident of Japan or a corporation organized under the laws of a foreign country or whose principal office is located in a foreign country will be enforceable against TDK and third parties only if TDK's prior written consent to each such transfer is obtained. When such consent is necessary in the future for the transfer of subscription rights, TDK intends to consent, on request, to all such transfers by such a non-resident or foreign corporation.

Under the 2002 Amendments, subject to certain requirements, TDK may issue share acquisition rights by a resolution of the Board of Directors. Holders of share acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their share acquisition rights. Upon exercise of share acquisition rights, TDK will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of existing shares held by it (treasury stock).

Liquidation rights

In the event of a liquidation of TDK, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among shareholders in proportion to the respective numbers of shares of common stock held.

Record date

March 31 is the record date for TDK's year-end dividends. So long as TDK maintains in its Articles of Incorporation a provision for the unit of shares, the shareholders and beneficial shareholders who are registered as the holders of one unit of shares or more in TDK's registers of shareholders and/or beneficial shareholders at the end of each March 31 are also entitled to exercise shareholders' rights at the ordinary general meeting of shareholders with respect to the fiscal year ending on such March 31. September 30 is the record date for interim dividends. In addition, TDK may set a record date for determining the shareholders and/or beneficial shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

The price of shares generally goes ex-dividends or ex-rights on Japanese stock exchanges on the third business day prior to a record date (or if the record date is not a business day, the fourth business day prior thereto), for the purpose of dividends or rights offerings.

Acquisition by TDK of its Common Stock

TDK may acquire its own shares through a stock exchange on which such shares are listed (pursuant to an ordinary resolution of an ordinary general meeting of shareholders), by way of tender offer (pursuant to an ordinary resolution of an ordinary general meeting of shareholders), or by purchase from a specific party other than a subsidiary of TDK (pursuant to a special resolution of an ordinary general meeting of shareholders) or from a subsidiary of TDK (pursuant to a resolution of the Board of Directors). When such acquisition is made by TDK from a specific party other than a subsidiary of TDK, any other shareholder may make a demand to a Representative Director, more than five calendar days prior to the relevant shareholders' meeting, that TDK also purchase the shares held by such shareholder. Any such acquisition of shares must satisfy certain requirements, including that the total amount of the purchase price may not exceed the amount of the retained earnings available for dividend payments after taking into account any reduction, if any, of the stated capital, additional paid-in capital or legal reserve (if such reduction of the stated capital, additional paid-in capital or legal reserve has been authorized pursuant to a resolution of the relevant ordinary general meeting of shareholders), minus the amount to be paid by way of appropriation of retained earnings for the relevant fiscal year and the amount to be transferred to stated capital. However, if it is anticipated that the net assets on the balance sheet as at the end of the immediately following fiscal year will be less than the aggregate amount of the stated capital, additional paid-in capital and other items as described in (i) through (vi) of *"Dividends"* above, TDK may not acquire such shares.

Shares acquired by TDK may be held by it for any period or may be cancelled by resolution of the Board of Directors. TDK may also transfer to any person the shares held by it, subject to a resolution of the Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in *"Issue of additional shares and pre-emptive rights"* above. TDK may also utilize its treasury stock for the purpose of transfer to any person upon exercise of share acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

New "Unit" share system

The 2001 Amendments introduced a new unit share system called "tangen-kabushiki."

Pursuant to these amendments and the Articles of Incorporation of TDK, 100 shares constitutes one unit. Although the number of shares constituting a new unit is included in the Articles of Incorporation, any amendment to the Articles of Incorporation reducing (but not increasing) the number of shares constituting a unit or eliminating the provisions for the unit of shares may be made by the resolution of the Board of Directors rather than by the special shareholders resolution, which is otherwise required for amending the Articles of Incorporation. The number of shares constituting one new unit, however, cannot exceed 1,000 or one two-hundredth (1/200) of all issued shares.

—Voting rights under the new unit share system

Under the new unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights.

—Share certificates for less than a unit

Unless TDK's Board of Directors adopts a resolution to eliminate the provision for the unit shares from the Articles of Incorporation or the shareholders amend the Articles of Incorporation by a special shareholders resolution to eliminate the provision not to issue share certificates for less than a unit of shares, a share certificate for any number of shares less than a unit will in general not be issued. As the transfer of shares normally requires the delivery of the share certificates therefor, any fraction of a unit for which no share certificates are issued is not transferable.

—Repurchase by TDK of shares constituting less than a unit

A holder of shares constituting less than one unit may require TDK to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of TDK.

—Effect of the unit share system on holders of ADRs

A holder who owns ADRs evidencing less than 100 ADSs will indirectly own less than a whole unit of shares of Common Stock. Although, as discussed above, under the unit share system holders of less than a unit have the right to require TDK to purchase their shares, holders of ADRs evidencing ADSs that represent other than integral multiples of whole units are unable to withdraw the underlying shares of Common Stock representing less than a unit and, therefore, are unable, as a practical matter, to exercise the rights to require TDK to purchase such underlying shares unless TDK's Articles of Incorporation are amended to eliminate the provision not to issue share certificates for the numbers of shares less than a unit. As a result, access to the Japanese markets by holders of ADRs through the withdrawal mechanism will not be available for dispositions of shares of Common Stock in lots less than a unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

Reporting of substantial shareholdings

The Securities and Exchange Law of Japan and regulations thereunder require any person who has become, beneficially and solely or jointly, a holder of more than 5 percent of the total issued shares of capital stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan to file with the Director-General of a competent Local Finance Bureau of the Ministry of Finance within five business days a report concerning such shareholdings.

A similar report must also be filed in respect of any subsequent change of 1 percent or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of share subscription warrants or share acquisition rights are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Copies of such report must also be furnished to the issuer of such shares and all Japanese stock exchanges on which the shares are listed or (in the case of shares traded over-the-counter) the Japan Securities Dealers Association.

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, and except for general limitations under the Commercial Code or TDK's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to TDK or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold the shares of Common Stock of TDK or exercise voting rights thereon.

There is no provision in TDK's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of TDK and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving TDK.

C. Material contracts

None.

D. Exchange controls

Japanese Foreign Exchange Regulations

The Foreign Exchange and Foreign Trade Law of Japan, frequently referred to as the Foreign Exchange Law, and the cabinet orders and ministerial ordinances thereunder govern the issuance of shares by companies and the acquisition and holding of shares by "exchange non-residents" and "foreign investors" under the Foreign Exchange Law.

Exchange non-residents are:

- individuals who do not reside in Japan; and
- corporations whose principal offices are not located in Japan.

Generally, branches and other offices located within Japan of non-resident corporations are regarded as exchange residents of Japan and branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents of Japan.

Foreign investors are:

- individuals who do not reside in Japan;
- corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan; and
- corporations in which more than 50% of the shares are held by individuals who do not reside in Japan and/or corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan or a majority of the officers (or officers having the power of representation) are persons who do not reside in Japan.

Due to the amendments to the Foreign Exchange Law effective on April 1, 1998, all aspects of foreign exchange and foreign trade transactions that were previously subject to licensing or other prior notifications or approvals, with minor exceptions, were changed to require only post-transaction reporting. However, the Minister of Finance of Japan will have the power to impose licensing requirements for transactions in limited circumstances.

Potential Consequences Resulting from an Acquisition of Listed Shares

In the event that a foreign investor acquires shares of a Japanese company listed on a Japanese stock exchange or traded on an over-the-counter market in Japan ("listed shares") and if the foreign investor's direct and indirect total holdings are 10% or more of the issued shares of the company after the acquisition, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Minister within 15 days from and including the date of such acquisition. However, in certain limited circumstances (including the case where the acquisition of the shares reaches 10%), a prior notification of such an acquisition must be filed with the Minister of Finance and any other competent Minister, who may then modify or prohibit the proposed acquisition. The acquisition of shares by exchange non-residents as a result of stock splits is not subject to any of the foregoing requirements.

Potential Consequences Resulting from Dividends and Proceeds of Sales

Under the current Foreign Exchange Law, dividends paid on, and the proceeds of sales in Japan of, shares held by exchange non-residents may, in general, be converted into foreign currency and repatriated abroad.

Potential Consequences Resulting from the Sale of Securities to Exchange Non-Resident

A Japanese resident is required to file a report with the Minister of Finance concerning the transfer of securities for value exceeding ¥100 million to an exchange non-resident within 20 days of the date of the transfer. If an exchange resident issues or offers its securities for value of ¥1 billion or more outside Japan, the exchange resident must file a report of the issuance or offering of securities with the Minister of Finance within 20 days of the date of the closing.

American Depositary Shares

The deposit of shares of Common Stock by a non-resident of Japan, the issuance of ADRs in exchange therefor and the withdrawal of the underlying shares of Common Stock upon surrender of ADRs are not subject to any formalities or restrictions referred to under " Potential Consequences Resulting from an Acquisition of Listed Shares" above, except where, as a result of such deposit or withdrawal, the aggregate number of shares held by the depositary (or its nominee) or the holder surrendering ADRs, as the case may be, would be 10% or more of the total outstanding shares of Common Stock, in which event the reporting to the Minister of Finance of Japan may be required as outlined in the second sentence under the same heading.

Reporting of Substantial Shareholdings

The Securities and Exchange Law of Japan, as amended, requires any person who has become a beneficial holder (including certain sole or joint holders) of more than five percentof the total outstanding voting shares of a company listed on any Japanese stock exchange or traded on the over-the-counter markets in Japan, to file with the Minister of Finance of Japan, within five business days, a report concerning such share holdings, with certain exceptions in case the issuer thereof is a foreign company. A similar report must also be made (with certain exceptions) if the ratio of such holding subsequently changes by one percent or more. Copies of any such report must also be furnished to the issuer of such shares and to all Japanese stock exchanges on which the shares are listed or the Japan Securities Dealers Association in the case of over-the-counter shares. For this purpose, shares issuable upon conversion of convertible securities or exercise of warrants are taken into account in determining both the number of shares held by such holder and the issuer's total number of outstanding shares.

E. Taxation

Dividends, Stock Splits and Repurchase

Generally, a non-resident of Japan or a non-Japanese corporation is subject to Japanese withholding tax on dividends paid by Japanese corporations. Stock splits are not subject to Japanese income tax. However, a transfer of retained earnings or legal reserve (but, in general, not additional paid-in capital) to stated capital (whether made in connection with a stock split or otherwise) is treated as a dividend payment to shareholders for Japanese tax purposes and is, in general, subject to Japanese income tax. No such transfer would be necessary in connection with a stock split if the total par value of the shares in issue after the stock split does not exceed the stated capital. Further, purchase and cancellation of shares pursuant to a resolution of an ordinary general meeting of shareholders using distributable profits, which is transacted after 1st October, 1994 under the Commercial Code of Japan as amended 1994, is treated as a dividend payment to shareholders in the amount of the stated capital corresponding to the shares so purchased and canceled for Japanese tax purposes and is, in general, subject to Japanese income tax payable otherwise than by way of withholding.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to a non-resident or non-Japanese corporation, is 20 percent. At the date of this document Japan has reduced this, generally to 15 percent for portfolio investors, in an agreement with the United States of America.

Acquisition or Disposal of Shares or ADRs

Gains derived by a non-resident of Japan or a non-Japanese corporation from the sale outside Japan of Shares or ADRs, or from the sale of Shares or ADRs within Japan by a non-resident of Japan or a non-Japanese corporation not having a permanent establishment in Japan are in general not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares or ADRs as a legatee, heir or donee.

F. Dividends and paying agents

Not applicable.

G. Statements by experts

Not applicable.

H. Documents on display

According to the Securities Exchange Act of 1934, as amended, TDK is subject to the requirements of informational disclosure. TDK files various reports and other information, including Form 20-F and Annual Reports, to the Securities Exchange Commission and the New York Stock Exchange. These reports may be inspected at the following sites.

Securities Exchange Commission:
450 Fifth Street, N.W., Washington D.C. 20549

New York Stock Exchange:
20 Broad Street, New York, New York 10005

I. Subsidiary information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Market risk exposure

TDK is subject to market risk associated with changes in stock prices, interest rates and foreign currency exchange rates. Foreign exchange risk is considered as the primary market risk exposure. TDK has a policy for the procedures and controls to manage market risk sensitive instruments. In order to hedge interest rate risk and foreign currency exchange rate risk, TDK uses derivative financial instruments. TDK does not hold or issue derivative financial instruments for trading purposes.

Foreign exchange and interest rate risk

Forward exchange contracts and currency option contracts have been entered into to hedge adverse effects of foreign currency exchange rate fluctuations mainly on foreign-currency-denominated trade receivables and foreign-currency-denominated forecasted transactions.

At March 31, 2002 and 2001, TDK and certain of its subsidiaries had forward exchange contracts to sell and buy foreign currencies (principally U.S. dollars, Euro and Malaysian ringgit) for a contract amount of ¥7,577 million ($56,970 thousand) and ¥16,264 million, respectively.

Written foreign currency option contracts are entered into in combination with purchased option contracts to offset premium amounts to be paid for purchased option contracts. Notional amounts, exercise dates and exercise prices of both written and purchased contracts are the same. Notional amounts of purchased foreign currency option contracts as of March 31, 2001 totaled ¥26,019 million. Notional amounts of written foreign currency option contracts as of March 31, 2001 totaled ¥18,585 million. All foreign currency option contracts and forward exchange contracts are measured at their fair values by recognizing a foreign exchange gain or loss on the consolidated statements of income, and such gains or losses are included in prepaid expenses and other current assets or other current liabilities, as the case may be, in the consolidated balance sheet.

TDK and one of its subsidiaries have currency swaps and interest rate and currency swaps with certain financial institutions to limit their exposure to fluctuations in foreign exchange rates and interest rates involved mainly in loans made by TDK to its subsidiaries in a total amount of ¥13,269 million ($99,767 thousand) and ¥20,323 million at March 31, 2002 and 2001, respectively. These swaps require TDK and the subsidiary to pay principally euros and U.S. dollars and to receive Japanese yen at a specified rate on specific dates. The remaining terms of these swaps range from one month to 3.5 years as of March 31, 2002.

TDK's exposure to market risk for changes in interest rates relates primarily to its debt securities and debt obligations. TDK has debt securities with fixed rates and long-term debt with both fixed rates and floating rates. Interest rate swap contracts are used by TDK to offset changes in the rates paid on long-term debt. TDK believes that the fair values of interest rate sensitive instruments as of March 31, 2002 and 2001, and potential, near-term losses affecting future earnings, fair values, and/or cash flows from reasonable near-term changes in interest rates are immaterial.

Stock price risk

TDK's exposure to market risk involving changes in stock prices relates to its equity securities categorized as available-for-sale securities. TDK holds these securities in order to maintain business relationships with investee companies for TDK's activities and has a policy and control procedures for these stock holdings. The aggregate cost and fair value of these equity securities were ¥4.4 billion ($33 million) and ¥5.0 billion ($37 million) as of March 31, 2002, and ¥3.9 billion and ¥3.3 billion as of March 31, 2001, respectively. As of March 31, 2002 and March 31, 2001, the industry in which the issuers operate was mainly communications equipment, and the cost and fair value of the equity securities were ¥3.7 billion ($28 million) and ¥3.9 billion ($29 million), and ¥3.4 billion and ¥3.0 billion, respectively.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART 2

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. **[Reserved]**

Item 16. **[Reserved]**

PART 3

Item 17. Financial Statements

Index of Consolidated Financial Statements of TDK Corporation and subsidiaries:

Schedules other than that listed above have been omitted as they are not applicable.

Financial statements of 50 percent or less owned persons accounted for by the equity method have been omitted as, in the aggregate, they do not meet the tests of a significant subsidiary at a 20 percent level as of or for the years ended March 31, 2002, 2001 and 2000.

Independent Auditors' Report

The Board of Directors and Stockholders
TDK Corporation:

We have audited the consolidated financial statements of TDK Corporation and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The segment information required to be disclosed in financial statements under accounting principles generally accepted in the United States of America is not presented in the accompanying consolidated financial statements. Foreign issuers are presently exempted from such disclosure requirement in Securities Exchange Act filings with the United States Securities and Exchange Commission.

In our opinion, except for the omission of the segment information that results in an incomplete presentation, as discussed in the third paragraph, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of TDK Corporation and subsidiaries at March 31, 2002 and 2001, and the results of their operations and their cash flows for the years ended March 31, 2002, 2001, and 2000, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The consolidated financial statements as of and for the year ended March 31, 2002, have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in note 2 to the consolidated financial statements.

KPMG
Tokyo, Japan
May 24, 2002

Consolidated balance sheets

ASSETS	Yen (Millions) 2002	2001	U.S. Dollars (Thousands) (Note 2) 2002
Current assets:			
Cash and cash equivalents	**¥125,761**	150,917	**$945,572**
Trade receivables:			
Notes	**8,219**	11,799	**61,797**
Accounts	**138,378**	147,526	**1,040,436**
Allowance for doubtful receivables	**(3,770)**	(2,740)	**(28,346)**
Net trade receivables	**142,827**	156,585	**1,073,887**
Inventories (Note 5)	**91,149**	116,423	**685,331**
Income tax receivables (Note 7)	**8,289**	247	**62,323**
Prepaid expenses and other current assets (Notes 7)	**31,180**	28,741	**234,436**
Total current assets	**399,206**	452,913	**3,001,549**
Investments and advances (Notes 4, 7 and 12)	**24,265**	21,143	**182,444**
Property, plant, and equipment, at cost:			
Land	**23,739**	21,705	**178,489**
Buildings	**183,450**	175,463	**1,379,323**
Machinery and equipment	**507,589**	499,331	**3,816,459**
Construction in progress	**13,301**	28,838	**100,007**
	728,079	725,337	**5,474,278**
Less accumulated depreciation	**462,489**	446,712	**3,477,361**
Net property, plant, and equipment	**265,590**	278,625	**1,996,917**
Goodwill (Note 17)	**11,500**	11,499	**86,466**
Intangible assets (Note 8 and 17)	**7,265**	7,842	**54,624**
Prepaid pension cost (Note 8)	-	41,290	**-**
Deferred income taxes (Note 7)	**37,021**	2,690	**278,353**
Other assets	**5,063**	4,175	**38,068**
	¥749,910	820,177	**$5,638,421**

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Yen (Millions) 2002	2001	U.S. Dollars (Thousands) (Note 2) 2002
Current liabilities:			
Short-term debt (Note 6)	**¥1,655**	5,120	**$12,444**
Current installments of long-term debt (Note 6)	**657**	759	**4,940**
Trade payables:			
Notes	**849**	791	**6,383**
Accounts	**51,760**	63,882	**389,173**
Accrued salaries and wages	**11,247**	8,334	**84,564**
Other accrued expenses	**12,510**	26,248	**94,060**
Income taxes (Note 7)	**2,546**	19,638	**19,143**
Other current liabilities (Note 7 and 16)	**29,117**	21,370	**218,925**
Total current liabilities	**110,341**	146,142	**829,632**
Long-term debt, excluding current installments (Note 6)	**459**	1,004	**3,451**
Retirement and severance benefits (Notes 7 and 8)	**49,992**	31,755	**375,880**
Deferred income taxes (Note 7)	**598**	93	**4,496**
Total liabilities	**161,390**	178,994	**1,213,459**
Minority interests	**4,593**	3,434	**34,534**
Stockholders' equity :			
Common stock			
Authorized 480,000,000 shares;			
Issued 133,189,659 shares in 2002 and 2001	**32,641**	32,641	**245,421**
Additional paid-in capital	**63,051**	63,051	**474,068**
Legal reserve (Note 9)	**15,683**	13,409	**117,917**
Retained earnings (Note 9)	**520,143**	556,165	**3,910,849**
Accumulated other comprehensive income (loss) (Notes 7, 8 and 11)	**(43,999)**	(24,851)	**(330,820)**
Treasury stock at cost; 330,083 shares in 2002 and 170,462 shares in 2001 (Note 10)	**(3,592)**	(2,666)	**(27,007)**
Total stockholders' equity	**583,927**	637,749	**4,390,428**
Commitments and contingent liabilities (Note 13)			
	¥749,910	820,177	**$5,638,421**

Consolidated statements of income

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2002	2001	2000	**2002**
Revenues:				
Net sales	**¥575,029**	689,911	674,464	**$4,323,526**
Interest and dividend income	**2,033**	5,089	5,227	**15,286**
Gain on securities (net of loss) (Note 4)	**-**	13,450	1,452	**-**
Other income	**2,284**	2,437	3,027	**17,173**
Total revenues	**579,346**	710,887	684,170	**4,355,985**
Costs and expenses:				
Cost of sales	**464,620**	496,083	475,340	**3,493,384**
Selling, general and administrative expenses	**128,259**	141,899	124,517	**964,353**
Restructuring cost (Note 16)	**25,872**	-	-	**194,526**
Interest expense	**1,264**	490	568	**9,504**
Loss on securities (net of gain) (Note 4)	**207**	-	-	**1,556**
Other deductions	**2,821**	7,899	10,331	**21,211**
Total costs and expenses	**623,043**	646,371	610,756	**4,684,534**
Income (loss) before income taxes	**(43,697)**	64,516	73,414	**(328,549)**
Income taxes (Note 7)	**(16,994)**	19,792	22,245	**(127,774)**
Income (loss) before minority interests	**(26,703)**	44,724	51,169	**(200,775)**
Minority interests	**932**	(741)	(439)	**7,008**
Net income (loss)	**¥(25,771)**	43,983	50,730	**$(193,767)**

Amounts per share:	Yen (except number of common shares outstanding)			U.S. Dollars
Basic and diluted net income (loss) per share	**¥(193.91)**	330.54	380.89	**$(1.46)**
Weighted average and diluted common shares outstanding in thousands	**132,900**	133,064	133,190	
Cash dividends paid during the year (Note 9)	**¥60.00**	60.00	65.00	**$0.45**

See accompanying notes to consolidated financial statements.

Consolidated statements of stockholders' equity

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2002	2001	2000	**2002**
Common stock:				
Balance at beginning of period	**¥32,641**	32,641	32,641	**$245,421**
Balance at end of period	**32,641**	32,641	32,641	**245,421**
Additional paid-in capital:				
Balance at beginning of period	**63,051**	63,051	63,051	**474,068**
Balance at end of period	**63,051**	63,051	63,051	**474,068**
Legal reserve (Note 9)**:**				
Balance at beginning of period	**13,409**	13,302	12,674	**100,819**
Transferred from retained earnings	**2,274**	107	628	**17,098**
Balance at end of period	**15,683**	13,409	13,302	**117,917**
Retained earnings (Note 9)**:**				
Balance at beginning of period	**556,165**	520,276	478,832	**4,181,692**
Net income (loss)	**(25,771)**	43,983	50,730	**(193,767)**
Cash dividends	**(7,977)**	(7,987)	(8,658)	**(59,978)**
Transferred to legal reserve	**(2,274)**	(107)	(628)	**(17,098)**
Balance at end of period	**520,143**	556,165	520,276	**3,910,849**
Accumulated other comprehensive income (loss) (Notes 7,8 and 11)**:**				
Balance at beginning of period	**(24,851)**	(58,257)	(51,800)	**(186,850)**
Other comprehensive income (loss) for the period, net of tax	**(19,148)**	33,406	(6,457)	**(143,970)**
Balance at end of period	**(43,999)**	(24,851)	(58,257)	**(330,820)**
Treasury stock (Note 10)**:**				
Balance at beginning of period	**(2,666)**	-	-	**(20,045)**
Acquisition of treasury stock	**(926)**	(2,666)	-	**(6,962)**
Balance at end of period	**(3,592)**	(2,666)	-	**(27,007)**
Total stockholders' equity	**¥583,927**	637,749	571,013	**$4,390,428**
Disclosure of comprehensive income (loss):				
Net income (loss) for the period	**¥(25,771)**	43,983	50,730	**$(193,767)**
Other comprehensive income (loss) for the period, net of tax (Note 11)	**(19,148)**	33,406	(6,457)	**(143,970)**
Total comprehensive income (loss) for the period	**¥(44,919)**	77,389	44,273	**$(337,737)**

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2002	2001	2000	**2002**
Cash flows from operating activities:				
Net income (loss)	**¥(25,771)**	43,983	50,730	**$(193,767)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	**61,920**	67,973	53,846	**465,564**
Loss on disposal of property and equipment	**6,436**	5,144	2,156	**48,391**
Deferred income taxes	**(13,797)**	(10,986)	(3,375)	**(103,737)**
Loss (gain) on securities	**207**	(13,450)	(1,452)	**1,556**
Contribution of cash and cash equivalents to pension trust	**-**	(15,315)	-	**-**
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	**18,517**	22,365	(24,427)	**139,226**
Decrease (increase) in inventories	**28,776**	(23,607)	(9,408)	**216,361**
Increase (decrease) in trade payables	**(14,806)**	(18,969)	20,002	**(111,323)**
Increase (decrease) in income taxes	**(17,181)**	4,766	2,566	**(129,181)**
Other - net	**(2,797)**	5,693	3,270	**(21,030)**
Net cash provided by operating activities	**41,504**	67,597	93,908	**312,060**
Cash flows from investing activities:				
Capital expenditures	**(58,777)**	(99,452)	(84,780)	**(441,932)**
Proceeds from sale of investments	**323**	2,492	4,256	**2,429**
Payment for purchase of investments	**(3,116)**	(692)	(17,189)	**(23,429)**
Proceeds from maturities of marketable securities	**-**	3,761	-	**-**
Payment for purchase of marketable securities	**-**	-	(1,993)	**-**
Other - net	**3,667**	1,353	929	**27,571**
Net cash used in investing activities	**(57,903)**	(92,538)	(98,777)	**(435,361)**
Cash flows from financing activities:				
Proceeds from long-term debt	**46**	614	72	**346**
Repayment of long-term debt	**(777)**	(1,536)	(2,505)	**(5,842)**
Increase (decrease) in short-term debt	**(3,568)**	2,761	(1,694)	**(26,827)**
Payment to acquire treasury stock	**(926)**	(2,666)	-	**(6,962)**
Dividends paid	**(7,977)**	(7,987)	(8,658)	**(59,978)**
Net cash used in financing activities	**(13,202)**	(8,814)	(12,785)	**(99,263)**
Effect of exchange rate changes on cash and cash equivalents	**4,445**	10,153	(7,946)	**33,421**
Net decrease in cash and cash equivalents	**(25,156)**	(23,602)	(25,600)	**(189,143)**
Cash and cash equivalents at beginning of period	**150,917**	174,519	200,119	**1,134,715**
Cash and cash equivalents at end of period	**¥125,761**	150,917	174,519	**$945,572**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Nature of Operations

TDK is a multinational manufacturer of ferrite products and a producer of inductor, ceramic and other components and recording media and systems. TDK, a Tokyo-based company founded in 1935 to commercialize ferrite, now manufactures and sells a broad range of products. TDK's two business segments are electronic materials and components, and recording media and systems, which accounted for 75% and 25% of net sales, respectively, for the year ended March 31, 2002. Main products which are manufactured and sold by the two business segments are as follows:

a) Electronic materials and components products:

Ferrite cores, Ceramic capacitors, High-frequency components, Inductors, GMR heads, and Semiconductors

b) Recording media and systems products:

Audio tapes, Video tapes, CD-Rs, MDs, DVDs, and PC cards

TDK sells electronic materials and components products to electric and communication equipment manufacturers and audio equipment manufacturers, mainly in Asia and Japan, and recording media and systems products to distribution agents and audio equipment manufacturers, mainly in Japan, Europe, and North America.

(b) Basis of Presentation

TDK and its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein reflect certain adjustments, not recorded on the books of TDK and subsidiaries, to present the financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. Such adjustments relate principally to accounting for issue costs for debt with stock purchase warrants and retirement and severance benefits.

(c) Consolidation Policy

The consolidated financial statements include the accounts of TDK and its subsidiaries. The investments in affiliates in which TDK's ownership is 20% to 50% are accounted for by the equity method.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(d) Cash Equivalents

Cash equivalents include all highly liquid debt instruments purchased with an original maturity of three months or less.

(e) Marketable Securities

TDK classifies its debt and equity securities into one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which TDK has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income until realized.

(f) Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average method.

(g) Depreciation

Depreciation of property, plant, and equipment is principally computed by the declining-balance method for assets located in Japan and of certain foreign subsidiaries and by the straight-line method for assets of other foreign subsidiaries based on the following estimated useful lives:

Buildings	3 to 60 years
Machinery and equipment	2 to 22 years

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(i) Retirement and Severance Benefits

TDK accounts for and provides disclosures about its defined benefit pension and retirement plans in accordance with Statement of Financial Accounting Standards No. 87, “Employers’ Accounting for Pensions” and with Statement of Financial Accounting Standards No. 132, “Employers’ Disclosures about Pensions and Other Postretirement Benefits”.

(j) Advertising Costs

Advertising costs are expensed as incurred.

(k) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with Statement of Financial Accounting Standards No. 52 (“SFAS52”), “Foreign Currency Translation”. Under SFAS 52, the assets and liabilities of TDK’s subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements are generally excluded from the statements of income and are accumulated in stockholders’ equity as foreign currency translation adjustments.

(l) Use of Estimates

Management of TDK has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles in the United States of America. Actual results could differ from those estimates.

(m) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

TDK’s long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(n) Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.141 ("SFAS 141"), "Business Combinations", and Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets". SFAS 141 requires the use of the purchase method of accounting for business combinations. SFAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill and those acquired intangible assets that are required to be included in goodwill. Under SFAS 142 goodwill is no longer amortized, but instead is tested for impairment at least annually. Intangible assets are amortized over their respective estimated useful lives and reviewed for impairment in accordance with Statement of Financial Accounting Standards No.121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". Any recognized intangible asset determined to have an indefinite useful life will not be amortized, but instead is tested for impairment until its life is determined to no longer be indefinite.

TDK adopted early the provisions of SFAS 142 on April 1, 2001.

(o) Derivative Financial Instruments

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the Financial Accounting Standards Board also issued Statement of Financial Accounting Standards No. 138 ("SFAS 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133". Both standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. SFAS 133, as amended, and 138 are effective for fiscal years beginning after June 15, 2000. TDK adopted SFAS 133 and 138 as of April 1, 2001. The cumulative effect adjustment upon the adoption of SFAS 133 and 138, net of the related income tax effect, resulted in a decrease to other comprehensive income of approximately ¥90 million. This amount was reclassified from other comprehensive income to earnings during the year ended March 31, 2002. TDK has not elected to apply hedge accounting subsequent to the adoption of SFAS 133 and 138, and changes in the fair value of derivatives are recognized in earnings in the period of the changes.

Prior to the adoption of SFAS 133 and 138, TDK and certain of its subsidiaries used derivative financial instruments with off-balance-sheet risk, such as currency swaps, interest rate swaps, forward foreign exchange contracts and currency option contracts, to limit their exposure to fluctuations in foreign exchange rates and interest rates. Gains and losses on foreign exchange instruments that qualified for hedge accounting treatment were recognized in the same period in which gains or losses from the transaction being hedged were recognized. The differential to be paid or received on interest rate swap agreements was recognized over the life of the agreement as an adjustment to interest expense. Derivative financial instruments that did not meet the criteria for hedge accounting were marked to market.

(p) Net Income per Share

Basic net income per share has been computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the income of TDK.

(q) Revenue Recognition

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 (“SAB 101”), “Revenue Recognition in Financial Statements”. SAB 101 summarizes certain of the SEC’s views in applying generally accepted accounting principles to revenue recognition in financial statements and provides guidance on revenue recognition issues in the absence of authoritative literature addressing a specific arrangement or a specific industry. TDK adopted SAB 101 in the year ended March 31, 2001 and recognizes revenue when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is probable. Adoption of this guidance did not have a material effect on TDK’s consolidated financial position and results of operations.

(r) New Accounting Standards Not Yet Adopted

In May 2000, the Emerging Issues Task Force reached a final consensus on Issue 00-14 (“EITF 00-14”), “Accounting for Certain Sales Incentives”. EITF 00-14 addresses accounting and reporting standards for sales incentives such as coupons or rebates that are provided by vendors or manufacturers and are exercisable by customers at the point of sale.

In April 2001, the Emerging Issues Task Force also reached a final consensus on a portion of Issue 00-25 (“EITF 00-25”), “Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor’s Products or Services”. EITF 00-25 addresses the income statement characterization of consideration, other than that directly addressed in EITF 00-14, from a vendor (typically a manufacturer or distributor) to a customer (typically a retailer or wholesaler) in connection with the sale to the customer of the vendor’s products or promotion of sales of the vendor’s products by the customer. EITF 00-14 and EITF 00-25 were subsequently codified in and superseded by Issue 01-9(“EITF 01-9”), “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products)” on which the Emerging Issue Task Force reached a final consensus. TDK adopted EITF 01-9 on April 1, 2002. The adoption of EITF 01-9 did not have a material effect on TDK’s consolidated financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.143 (“SFAS 143”), “Accounting for Asset Retirement Obligations”. SFAS 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived assets, except for certain obligations of lessees. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset’s useful life. TDK is required to adopt the provisions of SFAS 143 on April 1, 2003. Currently, the effect on TDK’s consolidated financial statements of adopting SFAS 143 has not been determined.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 (“SFAS 144”), “Accounting for the Impairment or Disposal of Long-Lived Assets” which supersedes both Statement of Financial Accounting Standards No.121 (“SFAS 121”), “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of” and the accounting and reporting provisions of APB Opinion No.30 (“Opinion 30”), “Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions”, for the disposal of a segment of a business (as previously defined in that Opinion). SFAS 144 retains the fundamental provisions in SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS 121. TDK adopted the provision of SFAS 144 on April 1, 2002. TDK does not expect the adoption of SFAS 144 to have a material effect on TDK’s consolidated financial position or results of operations.

(s) Reclassifications

Certain reclassifications have been made to the prior year’s consolidated financial statements to conform to the presentation used for the year ended March 31, 2002.

2. Financial Statement Translation

The consolidated financial statements are expressed in yen in accordance with accounting principles generally accepted in the United States of America. Supplementally, however, the Japanese yen amounts as of and for the year ended March 31, 2002, have also been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥133=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 29, 2002. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Foreign Operations

Amounts included in the consolidated financial statements relating to subsidiaries operating in foreign countries are summarized as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2002	2001	2000	**2002**
Net assets	**¥311,145**	317,844	276,998	**$2,339,436**
Net sales	**396,150**	449,764	422,327	**2,978,571**
Net income (loss)	**(20,519)**	(5,239)	41,332	**(154,278)**

4. Marketable Securities and Investments and Advances

Marketable securities and investments and advances consist of available-for-sale securities. Information with respect to such securities at March 31, 2002 and 2001, is as follows:

As of March 31, 2002

Yen (Millions):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Investments and advances:				
Equity securities	**¥4,389**	**596**	**-**	**4,985**
Debt securities	**3,274**	**24**	**-**	**3,298**
	¥7,663	**620**	**-**	**8,283**

As of March 31, 2001

Yen (Millions):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Investments and advances:				
Equity securities	¥3,903	35	(592)	3,346
Debt securities	2,851	32	-	2,883
	¥6,754	67	(592)	6,229

As of March 31, 2002

U.S. Dollars (Thousands):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Investments and advances:				
Equity securities	**$33,000**	**4,481**	**-**	**37,481**
Debt securities	**24,617**	**180**	**-**	**24,797**
	$57,617	**4,661**	**-**	**62,278**

Debt securities classified as available-for-sale at March 31, 2002 mature in fiscal 2003 through 2005 (weighted average remaining term of 1.3 years).

The proceeds from sale and settlement of available-for-sale securities are ¥326 million ($2,451 thousand), ¥2,492 million and ¥4,044 million for the years ended March 31, 2002, 2001 and 2000, respectively. The gross realized gains on the sale of available-for-sale securities are ¥120 million ($902 thousand), ¥999 million and ¥1,623 million for the years ended March 31, 2002, 2001 and 2000, respectively. The gross realized losses on the sale and settlement of available-for-sale securities are ¥74 million and ¥47 million for the years ended March 31, 2001 and 2000, respectively. During 2001, TDK contributed equity securities of ¥34,573 million to a pension trust. The gross realized gains and losses on this contribution are ¥13,329 million and ¥811 million, respectively.

5. Inventories

Inventories at March 31, 2002 and 2001, are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2002	2001	**2002**
Finished goods	**¥38,671**	53,724	**$290,759**
Work in process	**25,348**	29,755	**190,587**
Raw materials	**27,130**	32,944	**203,985**
	¥91,149	116,423	**$685,331**

6. Short-Term and Long-Term Debt

Short-term debt and weighted average interest rates at March 31, 2002 and 2001, are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	Weighted average interest rate	
	2002	2001	**2002**	**2002**	2001
Short-term bank loans	**¥1,655**	5,120	**$12,444**	**4.35%**	5.54%

At March 31, 2002, unused short-term credit facilities for issuance of commercial paper amounted to ¥39,975 million ($300,564 thousand).

Long-term debt at March 31, 2002 and 2001, is set forth below:

	Yen (Millions)		U.S. Dollars (Thousands)
	2002	2001	**2002**
Loans from banks, unsecured, due fiscal 2003, interest 9.50%-14.28% (weighted average 2002-13.79%; 2001-12.60%)	**¥140**	365	**$1,053**
Other	**976**	1,398	**7,338**
	1,116	1,763	**8,391**
Less current installments	**657**	759	**4,940**
	¥459	1,004	**$3,451**

The aggregate annual maturities of long-term debt outstanding at March 31, 2002, are as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2003	¥657	$4,940
2004	447	3,361
2005	10	75
Later years	2	15
	¥1,116	$8,391

As is customary in Japan, short-term and long-term bank loans are made under general agreements that provide that under certain circumstances security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due the bank.

7. Income Taxes

TDK and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a statutory rate of approximately 41% in the years ended March 31, 2002, 2001 and 2000.

The effective tax rate of the companies for the years ended March 31, 2002, 2001 and 2000, are reconciled with the Japanese statutory tax rate in the following table:

	2002	2001	2000
Japanese statutory tax rate	**(41.0)%**	41.0%	41.0%
Expenses not deductible for tax purposes	**0.2**	0.3	0.3
Amortization of goodwill	**-**	1.4	0.6
Difference in statutory tax rates of foreign subsidiaries	**(3.0)**	(14.1)	(8.4)
Change in the valuation allowance at the beginning of the year	**4.8**	(0.3)	(0.5)
Other	**0.1**	2.4	(2.7)
Effective tax rate	**(38.9)%**	30.7%	30.3%

Total income taxes for the years ended March 31, 2002, 2001 and 2000 are allocated as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2002	2001	2000	**2002**
Income (loss) before income taxes	**¥(16,994)**	19,792	22,245	**$(127,774)**
Stockholders' equity:				
Foreign currency translation adjustments	**642**	(1,893)	(1,339)	**4,827**
Net unrealized gains (losses) on securities	**436**	(6,404)	2,900	**3,278**
Minimum pension liability adjustments	**(24,901)**	9,587	8,487	**(187,226)**
Total income taxes	**¥(40,817)**	21,082	32,293	**$(306,895)**

Income (loss) before income taxes and income taxes for the years ended March 31, 2002, 2001 and 2000, are summarized as follows:

	Income (loss) Before Income Taxes	Income Taxes		
		Current	Deferred	Total
Yen (Millions): 2002				
Japanese	**¥(20,395)**	**(660)**	**(14,483)**	**(15,143)**
Foreign	**(23,302)**	**(2,537)**	**686**	**(1,851)**
	¥(43,697)	**(3,197)**	**(13,797)**	**(16,994)**
2001				
Japanese	¥64,394	25,832	(10,662)	15,170
Foreign	122	4,946	(324)	4,622
	¥64,516	30,778	(10,986)	19,792
2000				
Japanese	¥25,810	19,582	(3,231)	16,351
Foreign	47,604	6,038	(144)	5,894
	¥73,414	25,620	(3,375)	22,245

U.S. Dollars (Thousands): 2002

Japanese	**$(153,346)**	**(4,962)**	**(108,895)**	**(113,857)**
Foreign	**(175,203)**	**(19,075)**	**5,158**	**(13,917)**
	$(328,549)	**(24,037)**	**(103,737)**	**(127,774)**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2002 and 2001, are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2002	2001	**2002**
Deferred tax assets:			
Trade accounts receivable, principally due to allowance for doubtful debt	**¥609**	121	**$4,579**
Inventories, principally due to elimination of intercompany profit	**2,426**	4,752	**18,241**
Accrued business tax	**-**	1,530	**-**
Accrued expenses	**3,042**	3,765	**22,872**
Retirement and severance benefits	**5,374**	5,447	**40,406**
Net operating loss carryforwards	**16,494**	2,837	**124,015**
Tax credit carryforwards	**2,294**	2,779	**17,248**
Net unrealized losses on securities	**-**	196	**-**
Minimum pension liability adjustments	**28,615**	3,714	**215,150**
Other	**1,890**	1,635	**14,211**
Total gross deferred tax assets	**60,744**	26,776	**456,722**
Less valuation allowance	**(7,444)**	(5,646)	**(55,970)**
Net deferred tax assets	**¥53,300**	21,130	**$400,752**
Deferred tax liabilities:			
Investments, principally due to undistributed earnings of foreign subsidiaries and differences in valuation	**(6,870)**	(14,141)	**(51,654)**
Property, plant, and equipment, principally due to differences in depreciation	**(1,334)**	(577)	**(10,030)**
Net unrealized gains on securities	**(241)**	-	**(1,812)**
Other	**(1,025)**	(1,486)	**(7,707)**
Total gross deferred tax liabilities	**(9,470)**	(16,204)	**(71,203)**
Net deferred tax assets	**¥43,830**	4,926	**$329,549**

The net changes in the total valuation allowance for the years ended March 31, 2002, 2001 and 2000, are an increase of ¥1,798 million ($13,519 thousand), increase of ¥4,687 million and decrease of ¥1,427 million, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not TDK will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2002.

At March 31, 2002, certain subsidiaries have net operating loss carryforwards for income tax purposes of ¥27,220 million ($204,662 thousand) which are available to offset future taxable income, if any. Approximately ¥220 million ($1,654 thousand) and ¥20,015 million ($150,489 thousand) of the operating loss carryforwards expire in fiscal 2003 and through 2021, while the remainder have an indefinite carryforward period. Certain subsidiaries also have tax credit carryforwards for income tax purposes of ¥2,294 million ($17,248 thousand) which are available to reduce future income taxes, if any. Approximately ¥274 million ($2,060 thousand) and ¥2,020 million ($15,188 thousand) of the tax credit carryforwards expire in fiscal 2005 and through 2020.

Net deferred income tax assets and liabilities at March 31, 2002 and 2001, are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (Millions)		U.S. Dollars (Thousands)
	2002	2001	**2002**
Prepaid expenses and other current assets	**¥7,961**	4,266	**$59,857**
Deferred income taxes (noncurrent assets)	**37,021**	2,690	**278,353**
Other current liabilities	**(554)**	(1,937)	**(4,165)**
Deferred income taxes (noncurrent liabilities)	**(598)**	(93)	**(4,496)**
	¥43,830	4,926	**$329,549**

Income taxes have not been accrued for undistributed earnings of domestic subsidiaries and affiliates as distributions of such earnings are not taxable under present circumstances.

Japanese income taxes have not been provided for certain earnings of foreign subsidiaries and affiliates because TDK currently does not expect those unremitted earnings to reverse and become taxable to TDK in the foreseeable future. A deferred tax liability will be recognized when TDK expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 31, 2002, the undistributed earnings of these subsidiaries and affiliates are approximately ¥148,573 million ($1,117,090 thousand).

8. Retirement and Severance Benefits

TDK and certain subsidiaries have noncontributory retirement and severance plans that provide for pension or lump-sum payment benefits, based on length of service and certain other factors, to employees who retire or terminate their employment for reasons other than dismissal for cause. In addition, the majority of the employees of TDK are covered by a contributory pension plan, whose benefits are based on length of service and certain other factors and include a portion representing the government social security welfare pension. TDK's funding is in accordance with income tax and welfare pension regulations. In addition, in September 2000, TDK contributed equity securities with a fair value of ¥34,573 million and cash of ¥15,315 million to the pension trust. TDK also has an unfunded retirement plan for directors and statutory auditors.

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2002	2001	**2002**
Change in benefit obligations:			
Benefit obligations at beginning of period	**¥230,733**	218,470	**$1,734,835**
Service cost	**8,924**	10,923	**67,098**
Interest cost	**6,359**	6,390	**47,812**
Plan participants' contributions	**660**	662	**4,962**
Plan amendments	**(16,816)**	-	**(126,436)**
Actuarial loss (gain)	**21,359**	(1,559)	**160,594**
Benefits paid	**(12,752)**	(4,771)	**(95,880)**
Translation adjustment	**371**	618	**2,789**
Benefit obligations at end of period	**238,838**	230,733	**1,795,774**
Change in plan assets:			
Fair value of plan assets at beginning of period	**179,558**	141,755	**1,350,060**
Actual return on plan assets	**(15,584)**	(15,549)	**(117,173)**
Employer contributions	**9,564**	55,845	**71,910**
Plan participants' contributions	**660**	662	**4,962**
Benefits paid	**(8,154)**	(3,599)	**(61,308)**
Translation adjustment	**209**	444	**1,571**
Fair value of plan assets at end of period	**166,253**	179,558	**1,250,022**
Funded status	**(72,585)**	(51,175)	**(545,752)**
Unrecognized net transition obligation being recognized over 18 years	**(7,708)**	(9,039)	**(57,955)**
Unrecognized net actuarial loss	**117,092**	80,084	**880,391**
Unrecognized prior service benefit	**(16,816)**	-	**(126,436)**
Net amount recognized	**¥ 19,983**	19,870	**$ 150,248**
Amounts recognized in consolidated balance sheets consist of:			
Prepaid pension cost	**-**	41,290	**-**
Retirement and severance benefits	**(49,992)**	(31,755)	**(375,880)**
Intangible assets	**134**	1,276	**1,008**
Accumulated other comprehensive income	**69,841**	9,059	**525,120**
Net amount recognized	**¥ 19,983**	19,870	**$ 150,248**
Actuarial present value of accumulated benefit obligations at end of period	**¥215,808**	209,503	**$1,622,617**

Net periodic benefit cost for the years ended March 31, 2002, 2001 and 2000, consisted of the following:

	Yen (Millions)			U.S. Dollars (Thousands)
	2002	2001	2000	**2002**
Components of net periodic benefit cost:				
Service cost	**¥ 8,924**	10,923	9,404	**$ 67,098**
Interest cost	**6,359**	6,390	6,070	**47,812**
Expected return on plan assets	**(4,321)**	(4,417)	(3,566)	**(32,489)**
Amortization of transition assets	**(1,331)**	(1,331)	(1,331)	**(10,008)**
Recognized actuarial loss	**3,461**	2,598	3,963	**26,023**
Net periodic benefit cost	**¥13,092**	14,163	14,540	**$ 98,436**

The weighted-average discount rates used in determining the present value of benefit obligations and expected long-term rate of return on assets were 2.5% and 3.0% for 2002 and 2001, respectively. The rates of increase in future compensation levels were 3.0% for 2002 and 2001.

Plan assets comprise primarily listed stock, bonds and other interest-bearing securities.

9. Legal Reserve and Dividends

The Japanese Commercial Code provided that dividends be paid based on retained earnings determined in conformity with financial accounting standards of Japan, with certain restrictions, and that an amount equal to at least 10% of cash dividends and of certain other items be appropriated as a legal reserve until such reserve equals 25% of common stock. The Japanese Commercial Code, amended effective on October 1, 2001, provides that an amount equal to at least 10% of cash dividends and of certain other items be appropriated as a legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equals 25% of common stock. The portion of such aggregated amount in excess of 25% of common stock may become available for dividends subsequent to release to retained earnings. Certain foreign subsidiaries are also required to appropriate earnings to legal reserves under the laws of the respective countries.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the periods represent dividends paid out during the periods and related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the dividend proposed by the Board of Directors of ¥20 ($0.15) per share aggregating ¥2,657 million ($19,977 thousand) in respect of the year ended March 31, 2002, or for the related appropriation to the legal reserve.

Cash dividends per common share are computed based on dividends paid for the year.

10. Stock Option Plan

The Ordinary General Meeting of Shareholders held on June 28, 2001 approved to implement TDK’s stock option plan for Directors and certain employees of TDK, and to purchase TDK’s own shares for transfer to them under the plan, pursuant to Article 210-2 of the Japanese Commercial Code. Stock options (rights to purchase common shares) were provided to the then 12 Directors on the Board and 184 associate directors and officials in amounts ranging from 500 to 10,000 common shares each, exercisable from August 1, 2003 to April 30, 2007, at an exercise price of ¥6,114 ($45.97) per share, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at price less than the current market price of the shares of TDK. To cover these options TDK purchased on the Tokyo Stock Exchange a total of 158,000 common shares with an aggregate purchase price of ¥917 million ($6,895 thousand) from July 2, 2001 through July 23, 2001.

The Ordinary General Meeting of Shareholders held on June 29, 2000 approved to implement TDK’s stock option plan for Directors and certain employees of TDK, and to purchase TDK’s own shares for transfer to them under the plan, pursuant to Article 210-2 of the Japanese Commercial Code. Stock options (rights to purchase common shares) were provided to the then 13 Directors on the Board and 191 associate directors and officials in amounts ranging from 500 to 10,000 common shares each, exercisable from August 1, 2002 to April 30, 2006, at an exercise price of ¥15,640 per share, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at price less than the current market price of the shares of TDK. To cover these options TDK purchased on the Tokyo Stock Exchange a total of 170,400 common shares with an aggregate purchase price of ¥2,665 million from July 3, 2000 through August 2, 2000.

Statement of Financial Accounting Standards No. 123 (“SFAS 123”), “Accounting for Stock-Based Compensation” defines a fair value based method of accounting for a stock option. SFAS 123 gives an entity a choice of recognizing related compensation expense by adopting the new fair value method or to continue to measure compensation using the intrinsic value-based method under Accounting Principles Board Opinion No.25 (“APB 25”), “Accounting for Stock Issued to Employees”, the former standard. TDK chose to use the measurement prescribed by APB 25, and no compensation cost for the stock option plan has been incurred in fiscal 2002 and fiscal 2001. Had compensation cost for TDK’s stock option plan been determined consistent with SFAS 123, TDK’s net loss would have been ¥26,051 million ($195,872 thousand) for the year ended March 31, 2002 and net income would have been ¥43,776 for the year ended March 31,2001. Net loss per share would have been ¥196.02 ($1.47) for the year ended March 31, 2002 and net income per share would have been ¥328.98 for the year ended March 31, 2001.

A summary of the status of TDK’s two stock option plans as of March 31, 2002 and 2001, and of the activity during the years ending on those dates is as follows:

	2002		2001		**2002**
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Weighted average exercise price
		Yen		Yen	U.S. Dollars
Outstanding at beginning of year	**170,400**	**15,640**	-	-	**117.59**
Granted	**158,000**	**6,114**	170,400	15,640	**45.97**
Exercised	**-**	**-**	-	-	**-**
Forfeited or Expired	**-**	**-**	-	-	**-**
Outstanding at end of year	**328,400**	**11,057**	170,400	15,640	**83.14**
Exercisable at end of year	**-**	**-**	-	-	**-**

Information about stock options outstanding at March 31, 2002 is as follows:

	Options Outstanding			
Range of exercise prices	Number outstanding at March 31, 2002	Weighted average remaining contractual life	Weighted average exercise price	
Yen			Yen	U.S. Dollars
6,114	**158,000**	5.1	6,114	45.97
15,640	**170,400**	4.1	15,640	117.59
6,114 to 15,640	**328,400**	4.6	11,057	83.14

The fair value of these stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2002	2001
Grant-date fair value	**¥1,567 ($11.78)**	**¥4,127**
Expected life	**3.9 years**	**3.9 years**
Risk-free interest rate	**0.34%**	**0.89%**
Expected volatility	**39.86%**	**37.92%**
Expected dividend yield	**1.03%**	**0.40%**

11. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) for the years ended March 31, 2002, 2001 and 2000, are as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2002	2001	2000	**2002**
Foreign currency translation adjustments:				
Balance at beginning of period	**¥(23,798)**	(50,237)	(27,333)	**$(178,932)**
Adjustments for period	**16,025**	26,439	(22,904)	**120,489**
Balance at end of period	**(7,773)**	(23,798)	(50,237)	**(58,443)**
Net unrealized gains (losses) on securities:				
Balance at beginning of period	**(329)**	6,499	2,267	**(2,474)**
Adjustments for period	**708**	(6,828)	4,232	**5,323**
Balance at end of period	**379**	(329)	6,499	**2,849**
Minimum pension liability adjustments:				
Balance at beginning of period	**(724)**	(14,519)	(26,734)	**(5,444)**
Adjustments for period	**(35,881)**	13,795	12,215	**(269,782)**
Balance at end of period	**(36,605)**	(724)	(14,519)	**(275,226)**
Total accumulated other comprehensive income (loss):				
Balance at beginning of period	**(24,851)**	(58,257)	(51,800)	**(186,850)**
Adjustments for period	**(19,148)**	33,406	(6,457)	**(143,970)**
Balance at end of period	**¥(43,999)**	(24,851)	(58,257)	**$(330,820)**

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2002, 2001 and 2000, are as follows:

	Yen (Millions)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
2002			
Foreign currency translation adjustments	**¥ 16,667**	**(642)**	**16,025**
Unrealized gains (losses) on securities:			
Unrealized holding gains arising for period	**1,144**	**(436)**	**708**
Minimum pension liability adjustments	**(60,782)**	**24,901**	**(35,881)**
Other comprehensive income (loss)	**¥(42,971)**	**23,823**	**(19,148)**
2001			
Foreign currency translation adjustments	¥ 24,546	1,893	26,439
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	(691)	242	(449)
Reclassification adjustments for (gains) losses realized in net income	(12,541)	6,162	(6,379)
Net unrealized gains (losses)	(13,232)	6,404	(6,828)
Minimum pension liability adjustments	23,382	(9,587)	13,795
Other comprehensive income (loss)	¥ 34,696	(1,290)	33,406
2000			
Foreign currency translation adjustments	¥(24,243)	1,339	(22,904)
Unrealized gains (losses) on securities:			
Unrealized holding gains arising for period	7,153	(2,913)	4,240
Reclassification adjustments for (gains) losses realized in net income	(21)	13	(8)
Net unrealized gains (losses)	7,132	(2,900)	4,232
Minimum pension liability adjustments	20,702	(8,487)	12,215
Other comprehensive income (loss)	¥ 3,591	(10,048)	6,457

	U.S. Dollars (Thousands)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
2002			
Foreign currency translation adjustments	**$ 125,316**	**(4,827)**	**120,489**
Unrealized gains (losses) on securities:			
Unrealized holding gains arising for period	**8,601**	**(3,278)**	**5,323**
Minimum pension liability adjustments	**(457,008)**	**187,226**	**(269,782)**
Other comprehensive income (loss)	**$(323,091)**	**179,121**	**(143,970)**

12. Leases

The companies occupy offices and other facilities under various cancellable lease agreements expiring in fiscal 2003 through 2004. Lease deposits made under such agreements, aggregating ¥1,896 million ($14,256 thousand) and ¥1,900 million, at March 31, 2002 and 2001, respectively, are included in investments and advances on the accompanying consolidated balance sheets.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 2002:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2003	¥ 4,968	$ 37,353
2004	3,725	28,008
2005	2,319	17,436
2006	1,492	11,218
2007	1,244	9,353
Later years	1,210	9,098
	¥14,958	$112,466

13. Commitments and Contingent Liabilities

At March 31, 2002, commitments outstanding for the purchase of property, plant, and equipment approximated ¥2,641 million ($19,857 thousand). Contingent liabilities for guarantees of loans of TDK's employees and affiliates amounted to approximately ¥8,224 million ($61,835 thousand).

Several claims and legal actions against TDK and certain subsidiaries are pending. Provision has been made for the estimated liabilities for certain items. In the opinion of management, based upon discussion with counsel, any additional liability will not materially affect the consolidated financial position and results of operations of TDK.

14. Risk Management Activities and Derivative Financial Instruments

TDK and its subsidiaries operate internationally which exposes them to the risk of changes in foreign exchange rates and interest rates, and therefore utilize derivative financial instruments to reduce these risks. TDK and its subsidiaries do not hold or issue financial instruments for trading purposes. TDK is exposed to credit related losses in the event of nonperformance by the counterparties to those financial instruments, but does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure of currency swaps, interest rate and currency swaps, interest rate swaps, forward foreign exchange contracts and currency option contracts is represented by the fair values of contracts with a positive fair value at the reporting date.

TDK and one of its subsidiaries have currency swaps and interest rate and currency swaps with certain financial institutions to limit their exposure to fluctuations in foreign exchange rates and interest rates involved mainly in loans made by TDK to its subsidiaries in a total amount of ¥13,269 million ($99,767 thousand) and ¥20,323 million at March 31, 2002 and 2001, respectively. These swaps require TDK and the subsidiary to pay principally euros and U.S. dollars and to receive Japanese yen at a specified rate on specific dates. The remaining terms of these swaps range from one month to 3.5 years as of March 31, 2002. In fiscal 2002, gains or losses on currency swaps are included in interest expense, other income or other deductions in the consolidated statements of income. The Swap contracts are measured at fair value and are included in prepaid expenses and other current assets or other current liabilities, as the case may be, in the consolidated balance sheets. In fiscal 2001, gains or losses on these swaps are included in other income or other deductions in the consolidated statements of income in the period in which the exchange rates change and are included in prepaid expenses and other current assets, other assets, or other current liabilities, as the case may be, in the consolidated balance sheets depending on the remaining term of the swaps.

Forward exchange contracts and currency option contracts have been entered into to hedge adverse effects of foreign currency exchange rate fluctuations mainly on foreign-currency-denominated trade receivables and foreign-currency-denominated forecasted transactions.

At March 31, 2002 and 2001, TDK and certain of its subsidiaries had forward exchange contracts to sell and buy foreign currencies (principally U.S. dollars, Euro and Malaysian ringgit) for a contract amount of ¥7,577 million ($56,970 thousand) and ¥16,264 million, respectively.

Written foreign currency option contracts are entered into in combination with purchased option contracts to offset premium amounts to be paid for purchased option contracts. Notional amounts, exercise dates and exercise prices of both written and purchased contracts are the same. Notional amounts of purchased foreign currency option contracts as of March 31, 2001 totaled ¥26,019 million. Notional amounts of written foreign currency option contracts as of March 31, 2001 totaled ¥18,585 million. All foreign currency option contracts and forward exchange contracts are measured at their fair values by recognizing a foreign exchange gain or loss on the consolidated statements of income, and such gains or losses are included in prepaid expenses and other current assets or other current liabilities, as the case may be, in the consolidated balance sheet.

15. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable:

(a) Cash and cash equivalents, Trade receivables, Short-term debt, Trade payables, Accrued salaries and wages, Other accrued expenses, and Other current liabilities.

The carrying amount approximates fair value because of the short maturity of these instruments.

(b) Investments and advances

The fair values of most of investments and advances are estimated based on quoted market prices for these instruments. For other securities for which there are no quoted market prices, a reasonable estimate of fair values could not be made without incurring excessive costs. Additional information pertinent to the value of unquoted investments is provided below.

(c) Long-term debt

The fair values of each of TDK's long-term debts are estimated based on the amount of future cash flows associated with each instrument discounted using TDK's current borrowing rate for similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues.

(d) Currency Swaps, Currency and Interest Rate Swaps, Interest Rate Swaps, Forward Foreign Exchange Contracts and Foreign Currency Option Contracts

The fair values of currency swaps, currency and interest rate swaps, interest rate swaps, forward foreign exchange contracts and foreign currency option contracts are estimated by obtaining quotes from financial institutions.

The carrying amounts and estimated fair values of TDK's financial instruments at March 31, 2002 and 2001, are summarized as follows:

As of March 31, 2002	Yen (Millions)	
	Carrying amount	Estimated fair value
Nonderivatives:		
Assets:		
Investments and advances for which it is:		
Practicable to estimate fair value	**¥10,507**	**10,507**
Not practicable to estimate fair value	**4,864**	**-**
Liability:		
Long-term debt	**(140)**	**(140)**
Derivatives:		
Currency and interest rate swaps in a:		
Gain position	**64**	**64**
Loss position	**(379)**	**(379)**
Forward foreign exchange contracts in a:		
Gain position	**1**	**1**
Loss position	**(60)**	**(60)**

As of March 31, 2001	Yen (Millions)	
	Carrying amount	Estimated fair value
Nonderivatives:		
Assets:		
Investments and advances for which it is:		
Practicable to estimate fair value	¥7,638	7,638
Not practicable to estimate fair value	2,319	-
Liability:		
Long-term debt	(365)	(365)
Derivatives:		
Currency and interest rate swaps in a:		
Gain position	26	24
Loss position	(507)	(590)
Forward foreign exchange contracts in a:		
Gain position	125	1
Loss position	(461)	(405)
Currency option contracts - purchased in a:		
Gain position	136	136
Loss position	(158)	(158)
Currency option contracts - written in a:		
Loss position	(1,055)	(1,055)

As of March 31, 2002	U.S. Dollars (Thousands)	
	Carrying amount	Estimated fair value
Nonderivatives:		
Assets:		
Investments and advances for which it is:		
Practicable to estimate fair value	**$79,000**	**79,000**
Not practicable to estimate fair value	**36,571**	**-**
Liability:		
Long-term debt	**(1,053)**	**(1,053)**
Derivatives:		
Currency and interest rate swaps in a:		
Gain position	**481**	**481**
Loss position	**(2,850)**	**(2,850)**
Forward foreign exchange contracts in a:		
Gain position	**8**	**8**
Loss position	**(451)**	**(451)**

The carrying amounts of the nonderivative assets and liabilities are included in the consolidated balance sheets under the indicated captions. The carrying amounts of the currency swaps, the currency and interest rate swaps, the interest rate swaps, forward foreign exchange contracts and currency option contracts in a gain position are included in prepaid expenses and other current assets, while those in a loss position are included in other current liabilities.

It is not practicable to estimate the fair value of investments in untraded companies. Management believes that the carrying amounts approximate fair value. Additionally, it is not practicable to estimate the fair value of the loan guarantees disclosed in note 13. However, management believes that such guarantees, and the performance thereunder, will not have a material adverse effect on TDK's consolidated financial statements.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

16. Restructuring Charges

During the year ended March 31, 2002, TDK recorded a restructuring charge of ¥25,872 million ($194,526 thousand). This restructuring charges consisted of ¥19,884 million ($149,503 thousand) workforce reduction and ¥5,988 million ($45,023 thousand) property, plant and equipment write-downs.

The downturn in the U.S. economy from the fourth quarter ended March 31, 2001 and the recent reduction in IT investment volume on a world-wide basis had an adverse effect on TDK. Under the circumstances, TDK believes offering competitive pricing is essential to maintaining its advantageous position in the market of electronic components. Additionally, many of TDK's customers who manufacture consumer products have transferred their manufacturing facilities to Asian countries, in particular China. As a result, TDK, as a supplier of electronic components to these customers, will be required to transfer certain of its factories to these Asian countries in order to meet the customers' logistical needs. Given the global economic conditions, TDK decided to restructure its organization to improve its competitive and financial position on a world-wide basis.

As a result of the restructuring, a total of 5,066 regular employees were terminated across all business functions, operating units and geographic regions through March 31, 2002. TDK recorded a workforce reduction charge of approximately ¥19,884 million ($149,503 thousand) relating primarily to severance and fringe benefits. In Japan, TDK reduced 853 employees, and domestic subsidiaries reduced 1,709 employees. Oversea subsidiaries reduced 2,504 employees mainly in the U.S. and Asia (excluding Japan).

TDK recorded a restructuring charge of ¥5,988 million ($45,023 thousand) mainly relating to losses on disposal of property, plant and equipment in Japan and the U.S. TDK reorganized several production lines to strengthen competitive power of the existing plant in Asia.

A summary of the restructuring charge is outlined as follows:

	Yen (Millions)		
	Total Charge	Incurred in 2002	Restructuring Liabilities at March 31,2002
Workforce reduction	¥19,884	8,612	11,272
Loss on disposal of property, plant and equipment	5,988	5,988	-
Total	¥25,872	14,600	11,272

	U.S. Dollars (Thousands)		
	Total Charge	Incurred in 2002	Restructuring Liabilities at March 31,2002
Workforce reduction	$149,503	64,751	84,752
Loss on disposal of property, plant and equipment	45,023	45,023	-
Total	$194,526	109,774	84,752

Restructuring liabilities are included in other current liabilities in the consolidated balance sheet.

Through March 31,2002, TDK has paid or incurred ¥14,600 million ($109,774 thousand) of the ¥25,872 million ($194,526 thousand) restructuring charges. TDK anticipates that substantially all of the remaining restructuring costs will be paid by the end of first quarter of fiscal 2003.

17. Goodwill and Other Intangible Assets

TDK adopted Statement of Financial Accounting Standards No.142 (“SFAS 142”), “Goodwill and Other Intangible Assets”, effective April 1, 2001. Under SFAS 142, goodwill is no longer amortized but is reviewed for impairment annually, or more frequently if certain indicators arise. In addition, the statement requires reassessment of the useful lives of previously recognized intangible assets. With the adoption of SFAS 142, TDK ceased amortization of goodwill as of April 1, 2001. As of March 31, 2002, TDK completed a goodwill impairment test. No impairment was indicated at that time.

The components of acquired intangible assets excluding goodwill at March 31, 2002, and April 1, 2001, are as follows:

	Yen (Millions)				U.S. Dollars (Thousands)	
	As of March 31, 2002		As of April 1, 2001		**As of March 31, 2002**	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Software	**¥ 6,401**	**2,672**	¥5,682	2,210	**$48,128**	**20,090**
Other	**4,032**	**1,376**	3,769	1,201	**30,316**	**10,346**
Total	**10,433**	**4,048**	9,451	3,411	**78,444**	**30,436**
Unamortized intangible assets	**¥ 880**		1,802		**$ 6,616**	

Aggregate amortization expense for the years ended March 31, 2002 and 2001 are ¥1,394 million ($10,481thousand) and ¥1,027 million, respectively. Estimated amortization expense for the next five years is: ¥1,458 million in 2003, ¥1,266 million in 2004, ¥882 million in 2005, ¥693 million in 2006, and ¥320 million in 2007.

The changes in the carrying amount of goodwill by segment for the year ended March 31, 2002 is as follows:

	Yen (Millions)		
	Electronic materials and components	Recording media and systems	Total
Balance as of April 1, 2001	¥11,002	497	11,499
Goodwill acquired during year	106	-	106
Impairment losses	-	-	-
Goodwill written off related to sale of business unit	-	-	-
Translation adjustment	(105)	-	(105)
Balance as of March 31, 2002	¥11,003	497	11,500

	U.S. Dollars (Thousands)		
	Electronic materials and components	Recording media and systems	Total
Balance as of April 1, 2001	$82,722	3,737	86,459
Goodwill acquired during year	797	-	797
Impairment losses	-	-	-
Goodwill written off related to sale of business unit	-	-	-
Translation adjustment	(790)	-	(790)
Balance as of March 31, 2002	$82,729	3,737	86,466

Reconciliation of reported net income (loss) and net income (loss) per share to the amounts adjusted for the exclusion of goodwill amortization for the years ended March 31, 2002, 2001 and 2000, are as follows:

	Yen (Millions except per share amounts)			U.S. Dollars (Thousands except per share amounts)
	2002	2001	2000	**2002**
Net income (loss):				
Reported net income (loss)	**¥(25,771)**	43,983	50,730	**$(193,767)**
Goodwill amortization (net of tax)	**-**	2,149	1,206	**-**
Adjusted net income (loss)	**¥(25,771)**	46,132	51,936	**$(193,767)**
Basic and diluted net income (loss) per share:				
Reported net income (loss)	**¥(193.91)**	330.54	380.89	**$ (1.46)**
Goodwill amortization (net of tax)	-	16.15	9.05	**-**
Adjusted net income (loss)	**¥(193.91)**	346.69	389.94	**$ (1.46)**

18. Supplementary Information

	Yen (Millions)			U.S. Dollars (Thousands)
	2002	2001	2000	**2002**
(a) Statement of Income				
Research and development	**¥ 38,630**	36,970	26,948	**$290,451**
Rent	**11,538**	9,616	8,174	**86,752**
Maintenance and repairs	**11,437**	14,649	13,058	**85,992**
Advertising costs	**10,489**	12,398	13,175	**78,865**
(b) Statement of Cash Flows				
Cash paid during year for:				
Interest	**¥ 1,162**	555	553	**$ 8,737**
Income taxes	**¥22,026**	26,163	22,804	**$165,609**

Noncash activities

In 2002 and 2000, there were no material noncash investing and financing activities. In 2001, TDK contributed equity securities of ¥34,573 million to a pension trust.

Schedule II

TDK CORPORATION AND SUBSIDIARIES

Reserves

(In millions of yen)

Years ended March 31, 2002, 2001 and 2000

		Balance at beginning of period	Charged to earnings	Bad debts written off	Translation adjustment	Balance at end of period
Year ended March 31, 2002:						
Allowance for doubtful receivables						
	Yen	2,740	917	90	203	3,770
Year ended March 31, 2001:						
Allowance for doubtful receivables						
	Yen	2,945	(329)	160	284	2,740
Year ended March 31, 2000:						
Allowance for doubtful receivables						
	Yen	3,149	494	384	(314)	2,945

Item 18. Financial Statements

Not applicable.

Item 19. Exhibits

Documents filed as exhibits to this annual report are as follows:

1.(a) Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of CEO of the Company
1.(b) Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of CFO of the Company
2. ARTICLES OF INCORPORATION (English translation)
3. SHARE HANDLING REGULATIONS (English translation)

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all the requirements for filing of Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

TDK Corporation
(Registrant)

Date: September 19, 2002

By: /S/Hajime Sawabe
Hajime Sawabe
President and CEO