

Exciting 108 Progress Report

Exciting 108 Medium-Term Management Plan

The speed at which business must be conducted is increasing rapidly, driven by dramatic advances in the Internet and other information technologies (IT). This situation is creating a widening gulf between companies that imbue value and those that don't. Only the former will make the grade in this new era of winner takes all. To ensure that TDK remains a winner and continues to create corporate value, the Company is clearly identifying its core strengths and honing specialist skills in each.

Exciting 108 addresses the need to stay on top of change. The ultimate goal of Exciting 108, a four-year plan that runs through March 2004, is to maximize TDK's value by firmly establishing an identity as an "Exciting Company."

Progress Report on Exciting 108

Exciting 108 challenges TDK to reach several numerical targets. The following analysis shows how fiscal 2001 results stacked up.

Share of Sales and Growth Rates for Strategic Fields

In the Communications field, sales soared due to brisk demand, particularly from mobile phone manufacturers. The Recording field, however, saw sales slump as TDK lost market share following technology-related problems with HDD heads, a mainstay product in this field. Looking ahead, TDK will work to revamp its system for the development of technologies to respond to customers' needs and win their confidence.

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

Capital Expenditures

	Fiscal 2001 (Actual)	Exciting 108 Total (Planned)
Capital expenditures	¥99,452 million	¥350,000 million

Profitability and Asset Utilization

Overall earnings fell mainly because of lower earnings in the recording devices sector and an operating loss in the recording media & systems segment. Deteriorating production yields of heads for HDDs and freefalling CD-R prices hit results hard. Excluding the recording devices sector, electronic materials and components earnings improved due to the benefits derived from higher production volumes and efforts to trim costs. TDK aims to improve earnings by upgrading its system for the development of HDD head technologies, and by amalgamating production bases for recording media products.

	Fiscal 2001 (Actual)	Fiscal 2004 (Target)
Operating profit ratio	8.2%	13.0%
Return on equity	7.3%	12.0%
TDK Value Added (TVA)	-1.4%	3.0%
Asset turnover	0.9	1.0 or higher

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

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