SEGMENT SALES

Consolidated net sales increased 2.3 percent to ¥689.9 billion ($5,564 million) 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 ($4,453 million). 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 the company to lose market share. Sales fell accordingly.

Recording media & systems sales decreased 7.4 percent to ¥137.7 billion ($1,111 million). 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.

SALES BY REGION

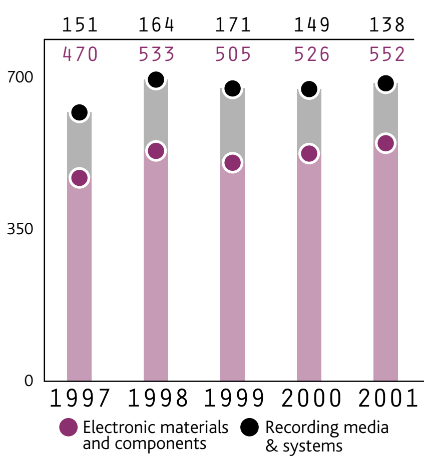
Yen in millions (%)

Years ended March 31	**2001**		2000		1999	
Japan	**¥222,090**	**(32.2)**	231,939	(34.4)	233,342	(34.5)
Americas	**131,219**	**(19.0)**	108,245	(16.1)	120,084	(17.8)
Europe	**101,018**	**(14.6)**	90,564	(13.4)	93,006	(13.7)
Asia (excluding Japan) and Oceania	**234,372**	**(34.0)**	242,438	(35.9)	227,279	(33.6)
Middle East and Africa	**1,212**	**(0.2)**	1,278	(0.2)	2,539	(0.4)
Net sales	**¥689,911**	**(100.0)**	674,464	(100.0)	676,250	(100.0)

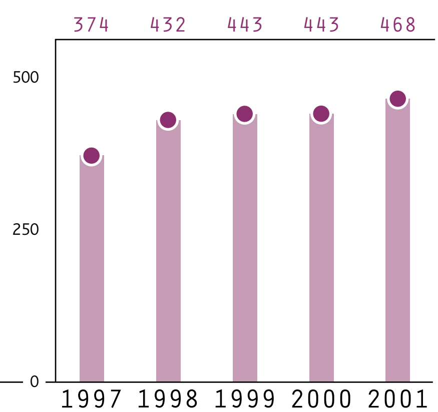
By region, sales in Japan decreased 4.2 percent to ¥222.1 billion ($1,791 million) and overseas sales rose 5.7 percent to ¥467.8 billion ($3,773 million). Overseas sales accounted for 67.8 percent of consolidated net sales.

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 & systems segment and in recording devices brought about by falling demand and prices.

NET SALES
YEN IN BILLIONS



OVERSEAS SALES
YEN IN BILLIONS



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 & 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 & systems segment. But sales decreased sharply after conversion into yen due to a 13 percent appreciation in the yen against the euro.

EFFECT OF FOREIGN EXCHANGE MOVEMENTS

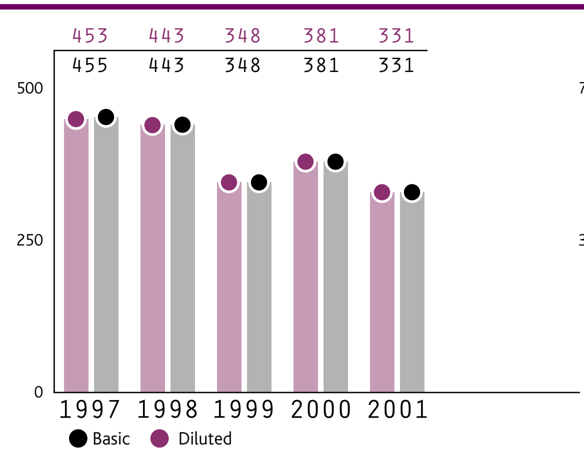
In fiscal 2001, overseas sales accounted for 67.8 percent of consolidated net sales, up 2.2 percentage points. As a result, fluctuations in foreign exchange rates have a significant effect on TDK's consolidated sales and income. During fiscal 2001, the yen gained strength against most other major currencies. 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 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 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.

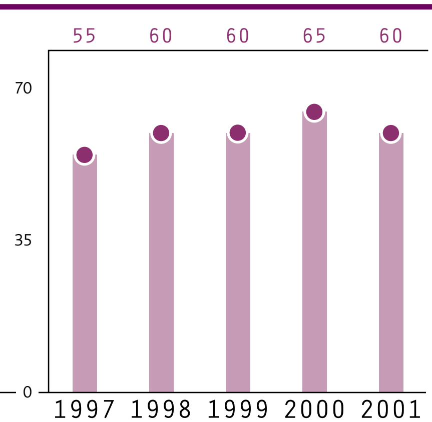
NET INCOME PER SHARE

YEN



DIVIDENDS PER SHARE

YEN



EXPENSES AND NET INCOME

Yen in millions (%)

Years ended March 31	2001		2000		1999	
Net sales	**¥689,911**	**(100.0)**	674,464	(100.0)	676,250	(100.0)
Cost of sales	**496,083**	**(71.9)**	475,340	(70.5)	473,760	(70.1)
Selling, general, and administrative expenses	**141,899**	**(20.5)**	124,517	(18.4)	126,174	(18.6)
Other revenues (other expenses)	**12,587**	**(1.8)**	(1,193)	(0.2)	(891)	(0.1)
Income taxes and minority interests	**20,533**	**(3.0)**	22,684	(3.4)	29,080	(4.3)
Net income	**¥ 43,983**	**(6.4)**	50,730	(7.5)	46,345	(6.9)

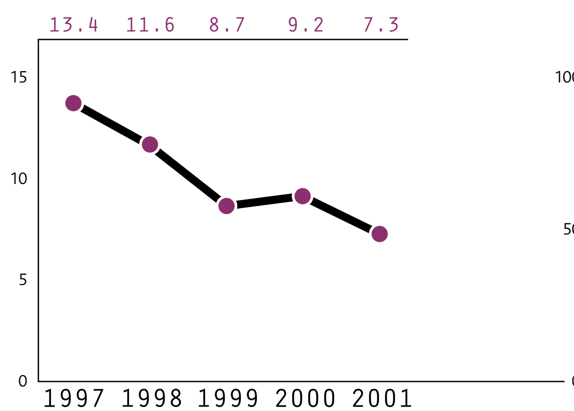
The cost of sales increased 4.4 percent and rose from 70.5 percent to 71.9 percent of net sales. This reflected strong downward pressure on prices, as well as an increase in depreciation expenses due to the high volume of capital expenditures in recent years. Gross profit declined due to the effects of price discounting and the yen's appreciation, which outweighed the benefits of higher sales of multilayer chip capacitors and cost reduction programs.

Selling, general, and administrative expenses increased ¥17.4 billion ($140 million) 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 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 ($25 million) related to the downsizing and transfer of production facilities. The charges consist of ¥0.8 billion ($7 million) and ¥2.3 billion ($18 million) in the electronic materials and components segment and recording media and systems segment, respectively.

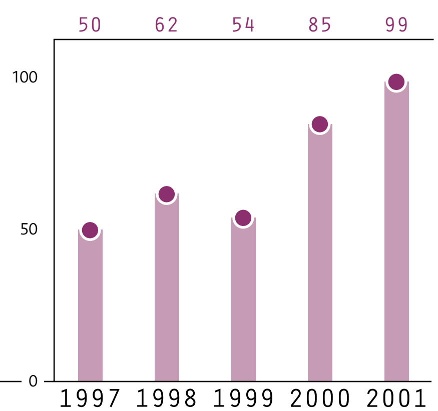
Other revenues (other expenses) contributed ¥12.6 billion ($102 million), compared with net other expenses of ¥1.2 billion in fiscal 2000. The main factors were a gain on contribution of investment securities to a pension trust of ¥12.5 billion ($101 million) and reduction of ¥3.5 billion in the foreign exchange loss.

Net income decreased 13.3 percent to ¥44.0 billion ($355 million) and net income per share was ¥330.54 ($2.67). The return on equity deteriorated from 9.2 percent to 7.3 percent. Cash dividends paid during the fiscal year totaled ¥60 ($0.48). 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.

RETURN ON EQUITY
%



CAPITAL EXPENDITURES
YEN IN BILLIONS



FISCAL 2000 VS. FISCAL 1999

Consolidated net sales declined 0.3 percent to ¥674.5 billion. Foreign exchange movements had the net effect of reducing net sales by ¥57.0 billion. Sales in Japan decreased 0.6 percent to ¥231.9 billion as demand waned across all TDK product lines, with the exception of multilayer chip capacitors, due to the prolonged recession. Overseas sales decreased 0.1 percent to ¥442.5 billion. Sales in Asia (excluding Japan) and Oceania increased on account of higher demand for multilayer chip capacitors and high-frequency components. In the Americas, sales were slightly higher in U.S. dollars but lower when translated into yen. In Europe, sales decreased as strength in the electronic materials and electronic devices sectors was insufficient to offset lower sales in the recording media & systems segment.

In the electronic materials and components segment, net sales increased 4.1 percent to ¥525.8 billion. Most of this increase was attributable to much higher sales of mobile phone components. Sales in the recording media & systems segment declined 13.1 percent to ¥148.7 billion. Audiotape sales were down due to shrinking demand worldwide. Videotape and MD sales declined because of falling sales prices. Optical disc sales continued to achieve rapid growth, despite lower unit prices.

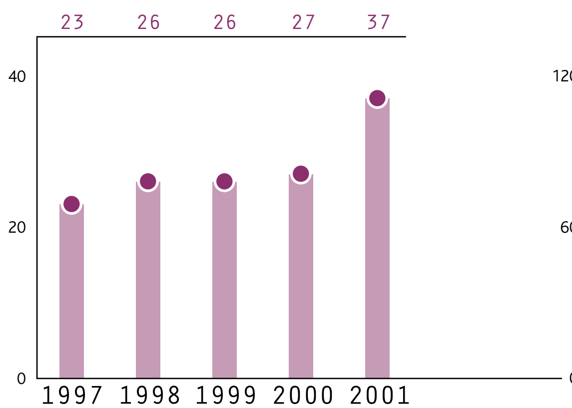
Costs and expenses increased 0.2 percent to ¥610.8 billion, reflecting the effect of the yen's appreciation and higher depreciation expenses. The effective tax rate decreased because of higher income in low-tax-rate regions and a corporate tax rate reduction in Japan. Net income increased 9.5 percent to ¥50.7 billion.

CAPITAL EXPENDITURES

In fiscal 2001, capital expenditures on a cash basis were ¥99.5 billion ($802 million), 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.

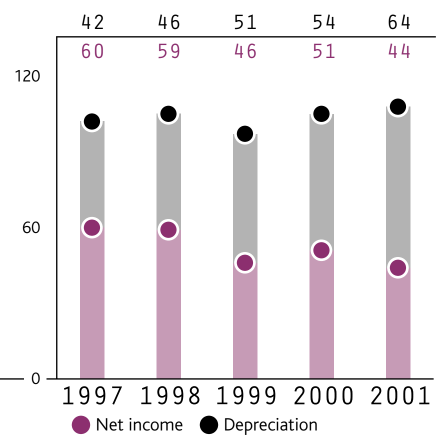
RESEARCH AND DEVELOPMENT

YEN IN BILLIONS



NET CASH FLOWS

YEN IN BILLIONS



FINANCIAL POSITION

Yen in millions (%)

March 31	2001		2000		1999	
Short-term debt	**¥ 5,120**	**(0.8)**	1,417	(0.3)	2,327	(0.4)
Current installments of long-term debt	**759**	**(0.1)**	516	(0.1)	1,490	(0.3)
Trade notes payable	**791**	**(0.1)**	722	(0.1)	691	(0.1)
Long-term debt, excluding current installments	**1,004**	**(0.2)**	46	(0.0)	1,787	(0.3)
Stockholders' equity	**637,749**	**(98.8)**	571,013	(99.5)	535,398	(98.9)
Total capital	**¥645,423**	**(100.0)**	573,714	(100.0)	541,693	(100.0)

Total assets amounted to ¥820.2 billion ($6,614 million) as of March 31, 2001, an increase of ¥44.2 billion. Cash and cash equivalents declined ¥23.6 billion to ¥150.9 billion ($1,217 million). 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 ($522 million) as orders for mobile phone components dropped sharply in the fourth quarter of fiscal 2001. Short- and long-term debt represents almost entirely 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 ($256 million). This was attributable to the establishment of a pension trust. Refer to Note 8 of the notes to the consolidated financial statements for more information. Total stockholders' equity increased 11.7 percent to ¥637.7 billion ($5,143 million). 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. 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+.

CASH FLOWS

Years ended March 31	2001	2000	1999
			Yen in millions
Net income	**¥ 43,983**	50,730	46,345
Adjustments to reconcile net income to net cash provided by operating activities	**23,614**	43,178	79,979
Net cash provided by operating activities	**67,597**	93,908	126,324
Net cash used in investing activities	**(92,538)**	(98,777)	(62,809)
Net cash used in financing activities	**(8,814)**	(12,785)	(11,120)
Effect of exchange rate changes on cash and cash equivalents	**10,153**	(7,946)	(6,742)
Net change in cash and cash equivalents	**¥(23,602)**	(25,600)	45,653

Cash and cash equivalents decreased ¥23.6 billion to ¥150.9 billion ($1,217 million). 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 ($746 million), ¥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.

TDK estimates that operating cash flows and other internal resources will provide adequate liquidity in fiscal 2002.

MARKET RISK MANAGEMENT

Market Risk Exposure

The Company 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. The Company 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, the Company uses derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes.

Stock Price Risk

The Company's exposure to market risk involving changes in stock prices relates to its equity securities categorized as available-for-sale securities. The Company holds these securities in order to maintain business relationships with investee companies for the Company's activities and has a policy and control procedures for these stock holdings. The aggregate cost and fair value of these equity securities were ¥3.9 billion ($31 million) and ¥3.3 billion ($27 million) as of March 31, 2001, and ¥24.1 billion and ¥36.8 billion as of March 31, 2000, respectively. As of March 31, 2001, the industries in which the issuers operate consist mainly of technology, and the cost and fair value of the equity securities was ¥3.4 billion ($27 million) and ¥3.0 billion ($24 million), respectively. As of March 31, 2000, the industries in which the issuers operate consist mainly of electrical machinery and financial services, and the cost and fair value of the equity securities were ¥21.0 billion and ¥33.7 billion, respectively.

Foreign Exchange Risk

The Company's international operations, foreign exchange indebtedness and intercompany loans expose the Company to the risk of changes in foreign currency exchange rates. In order to limit this exposure, the Company enters into currency swaps, foreign exchange contracts and currency option contracts. Management expects that gains and losses on derivative financial instruments should offset most of the corresponding gains and losses on long-term debt and intercompany loans being hedged, and does not expect net gains or losses on these instruments to have a material effect on the Company's financial results.

Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to its debt securities and debt obligations. The Company has debt securities with fixed rates and long-term debt with both fixed rates and floating rates. Interest rate swap contracts are used by the Company to offset changes in the rates paid on long-term debt. The Company believes that the fair values of interest rate sensitive instruments as of March 31, 2001 and 2000, and potential, near-term losses affecting future earnings, fair values, and/or cash flows from reasonable near-term changes in interest rates are immaterial.

Forward-Looking Statements

This report contains forward-looking statements based on assumptions and beliefs of the Company and its group companies in accordance with data currently available. Consequently, these projections should not be relied upon as the sole basis for evaluating the Company. Actual results may differ substantially from the projections depending on a number of factors.

The electronics markets in which the Company operates are highly susceptible to rapid changes. Furthermore, the Company 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.

SEGMENT INFORMATION

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

Industry Segment Information

Years ended March 31	Yen (Millions) 2001		2000		U.S. Dollars (Thousands) 2001		Change (%)
ELECTRONIC MATERIALS AND COMPONENTS							
Net sales							
Unaffiliated customers	¥552,195		525,807		$4,453,185		5.0
Intersegment	–		–		–		
Total revenue	552,195	(100.0%)	525,807	(100.0%)	4,453,185	(100.0%)	5.0
Operating expenses	486,837	(88.2%)	453,694	(86.3%)	3,926,104	(88.2%)	7.3
Operating profit	¥ 65,358	(11.8%)	72,113	(13.7%)	$ 527,081	(11.8%)	-9.4
Identifiable assets	572,087		485,255		4,613,605		
Depreciation and amortization	55,472		45,059		447,355		
Capital expenditures	91,509		75,483		737,976		
RECORDING MEDIA AND SYSTEMS							
Net sales							
Unaffiliated customers	¥137,716		148,657		$1,110,613		-7.4
Intersegment	–		–		–		
Total revenue	137,716	(100.0%)	148,657	(100.0%)	1,110,613	(100.0%)	-7.4
Operating expenses	146,751	(106.6%)	146,163	(98.3%)	1,183,476	(106.6%)	0.4
Operating profit (loss)	¥ (9,035)	(-6.6%)	2,494	(1.7%)	$ (72,863)	(-6.6%)	–
Identifiable assets	114,182		107,593		920,823		
Depreciation and amortization	8,107		8,787		65,379		
Capital expenditures	7,943		9,297		64,056		
ELIMINATIONS AND CORPORATE							
Corporate assets	¥133,908		183,144		$1,079,903		
TOTAL							
Net sales							
Unaffiliated customers	¥689,911		674,464		$5,563,798		2.3
Intersegment	–		–		–		
Total revenue	689,911	(100.0%)	674,464	(100.0%)	5,563,798	(100.0%)	2.3
Operating expenses	633,588	(91.8%)	599,857	(88.9%)	5,109,580	(91.8%)	5.6
Operating profit	¥ 56,323	(8.2%)	74,607	(11.1%)	$ 454,218	(8.2%)	-24.5
Identifiable and corporate assets	820,177		775,992		6,614,331		
Depreciation and amortization	63,579		53,846		512,734		
Capital expenditures	99,452		84,780		802,032		

Notes: 1. The Company adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities", from the fiscal year beginning April 1, 2000, and has applied SFAS 115 retroactively.

2. Effective from the fiscal year ended March 31, 2001, certain products that had been included in Electronic materials and components are now included in Recording media and systems. Results in the previous fiscal year have been restated accordingly. The effect of this change for the previous fiscal year is not material.

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

4. Depreciation and amortization does not include the amortization of identifiable intangibles.

Geographic Segment Information

Years ended March 31	Yen (Millions) 2001	2000	U.S. Dollars (Thousands) 2001	Change (%)
JAPAN				
Net sales	¥459,685	440,258	$3,707,137	4.4
Operating profit	39,504	28,075	318,581	40.7
Identifiable assets	389,195	360,255	3,138,670	8.0
AMERICAS				
Net sales	136,342	116,888	1,099,532	16.6
Operating profit	(1,394)	2,302	(11,242)	-
Identifiable assets	94,166	52,162	759,403	80.5
EUROPE				
Net sales	100,258	87,300	808,532	14.8
Operating profit	2,236	3,248	18,032	-31.2
Identifiable assets	62,618	48,388	504,984	29.4
ASIA AND OTHERS				
Net sales	299,015	307,482	2,411,412	-2.8
Operating profit	20,982	40,704	169,210	-48.5
Identifiable assets	197,502	189,907	1,592,758	4.0
ELIMINATIONS AND CORPORATE				
Net sales	305,389	277,464	2,462,815	
Operating profit	5,005	(278)	40,363	
Identifiable assets	76,696	125,280	618,516	
TOTAL				
Net sales	¥689,911	674,464	$5,563,798	2.3
Operating profit	56,323	74,607	454,218	-24.5
Identifiable assets	820,177	775,992	6,614,331	5.7

Overseas Sales	Yen 2001	%	2000	%	U.S. Dollars 2001	%	Change (%)
Americas	¥131,219	(19.0%)	108,245	(16.1%)	$1,058,218	(19.0%)	21.2
Europe	101,018	(14.6%)	90,564	(13.4%)	814,661	(14.6%)	11.5
Asia and others	235,584	(34.2%)	243,716	(36.1%)	1,899,871	(34.2%)	-3.3
Overseas sales total	¥467,821	(67.8%)	442,525	(65.6%)	$3,772,750	(67.8%)	5.7

Notes: 1. The Company adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities", from the fiscal year beginning April 1, 2000, and has applied SFAS 115 retroactively.

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