SEGMENT SALES

Consolidated net sales decreased 16.7 percent to ¥575.0 billion ($4,324 million) in fiscal 2002, the year ended March 31, 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 been 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 year, reflecting two factors: TDK lost market share in mainstream 30 gigabyte/disk HDD heads and demand dropped as customers reduced inventories. In the 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 limited 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.

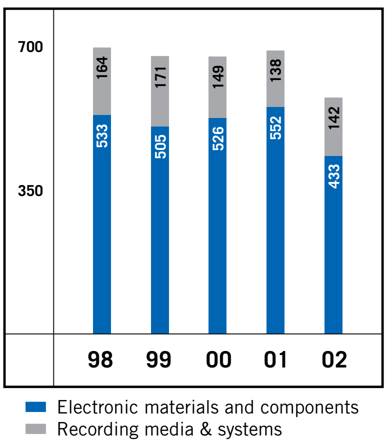
Recording media & systems sales increased 3.2 percent to ¥142.1 billion ($1,068 million). In addition to the yen's depreciation, this rise can be attributed to higher sales of recording equipment, which TDK started to sell in the second half of the previous fiscal year. Audiotape and videotape sales 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.

SALES BY REGION

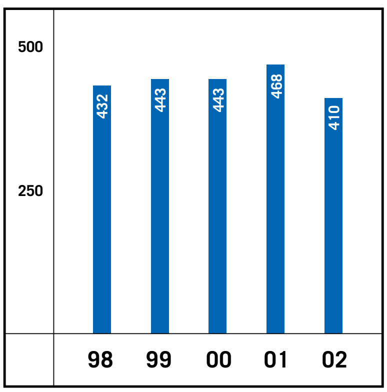
Yen in millions (%)

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

NET SALES
Yen in billions



OVERSEAS SALES
Yen in billions



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 & 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 & 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 & systems segment and depreciation of the yen against the euro.

EFFECT OF FOREIGN EXCHANGE MOVEMENTS

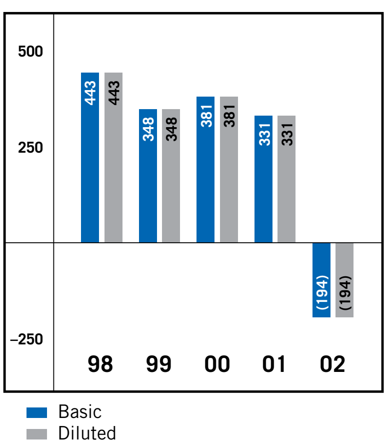
In fiscal 2002, overseas sales accounted for 71.3 percent of consolidated net sales, up 3.5 percentage points. As a result, fluctuations in foreign exchange rates have a significant effect on TDK's consolidated sales and income. During fiscal 2002, the yen weakened against most other major currencies. 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 & 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.

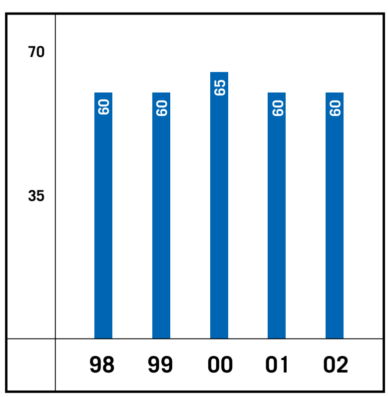
NET INCOME PER SHARE

Yen



DIVIDEND PER SHARE

Yen



EXPENSES AND NET INCOME (LOSS)

Yen in millions (%)

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

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.

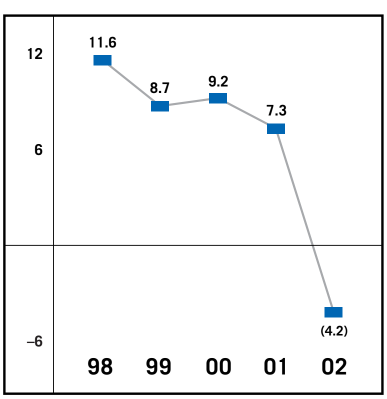
Selling, general and administrative expenses decreased ¥13.6 billion, but increased from 20.5 percent to 22.3 percent of net sales. This was primarily because the 6.3 percent fall in cost of sales was small relative to the large 16.7 percent drop in net sales. Research and development expenses represented 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.

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

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.

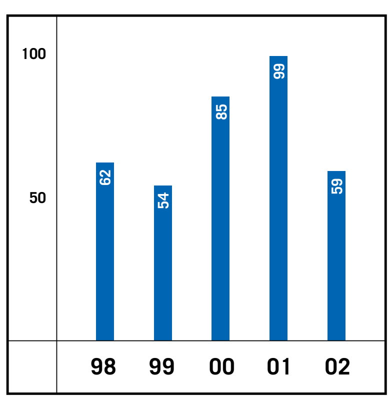
RETURN ON EQUITY

%



CAPITAL EXPENDITURES

Yen in billions



FISCAL 2001 VS. FISCAL 2000

Consolidated net sales increased 2.3 percent to ¥689.9 billion. Foreign exchange movements had the net effect of reducing net sales by ¥12.7 billion. Sales in Japan decreased 4.2 percent to ¥222.1 billion. Although orders increased for multilayer chip capacitors and high-frequency components for mobile phones, this failed to offset the decrease in sales of recording devices and in the recording media & systems segment. Overseas sales increased 5.7 percent to ¥467.8 billion. Sales in Asia (excluding Japan) and Oceania decreased on account of a drop in sales of recording devices, which outweighed an increase in sales of multilayer chip capacitors. In the Americas, sales were sharply higher because of strong sales of all TDK products. In Europe, sales were sharply lower when translated into yen, even though orders increased for electronic components for mobile phones and sales of electronic materials and electronic devices increased.

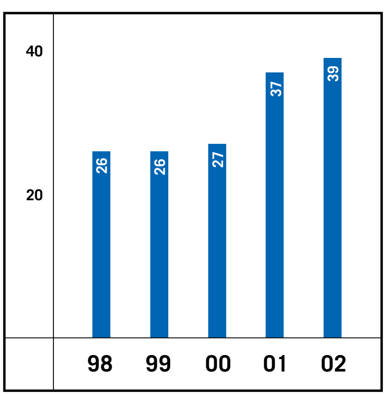
In the electronic materials and components segment, net sales rose 5.0 percent to ¥552.2 billion. Most of this increase was attributable to much higher sales of mobile phone components. Orders were strong for multilayer chip capacitors and high-frequency components. In HDD heads, TDK's misjudgment of the technological direction of the market and manufacturing process problems caused TDK to lose market share. Sales fell accordingly. Sales in the recording media & systems segment decreased 7.4 percent to ¥137.7 billion. Audiotape sales were down due to the increasingly widespread use of optical media. Sales of CD-Rs were lower due to a sharp drop in prices.

The cost of sales increased 4.4 percent to ¥496.1 billion. This reflected strong downward pressure on prices, as well as an increase in depreciation expenses due to the high volume of capital expenditures over several years. Higher research and development expenses resulted in a 14.0 percent increase in selling, general and administrative expenses to ¥141.9 billion.

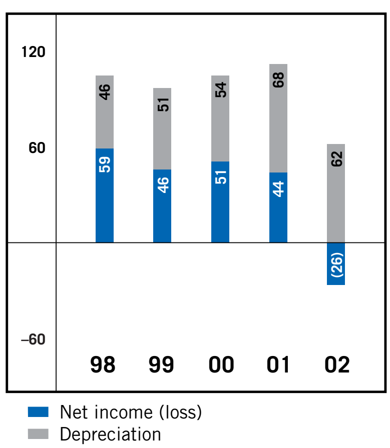
CAPITAL EXPENDITURES

In fiscal 2002, capital expenditures on a cash basis were ¥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 on 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.

RESEARCH AND DEVELOPMENT
Yen in billions



NET CASH FLOWS
Yen in billions



FINANCIAL POSITION

March 31	2002		2001		2000	
					Yen in millions (%)	
Short-term debt	**¥ 1,655**	**(0.3)**	5,120	(0.8)	1,417	(0.3)
Current installments of long-term debt	**657**	**(0.1)**	759	(0.1)	516	(0.1)
Trade notes payable	**849**	**(0.1)**	791	(0.1)	722	(0.1)
Long-term debt, excluding current installments	**459**	**(0.1)**	1,004	(0.2)	46	–
Stockholders' equity	**583,927**	**(99.4)**	637,749	(98.8)	571,013	(99.5)
Total capital	**¥587,547**	**(100.0)**	645,423	(100.0)	573,714	(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, prepaid pension cost of ¥41.3 billion was reversed in accordance with accounting standards 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+.

CASH FLOWS

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

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.

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.

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 and foreign exchange 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.

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 ¥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.

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, 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.

Forward-Looking Statements

This report contains forward-looking statements based on assumptions and beliefs of the Company and its subsidiaries 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 due to 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) 2002		2001		U.S. Dollars (Thousands) 2002		Change (%)
ELECTRONIC MATERIALS AND COMPONENTS							
Net sales							
Unaffiliated customers	¥432,951		552,195		$3,255,270		–21.6
Intersegment	–		–		–		
Total revenue	432,951	(100.0%)	552,195	(100.0%)	3,255,270	(100.0%)	–21.6
Operating expenses	469,297	(108.4%)	486,837	(88.2%)	3,528,549	(108.4%)	–3.6
Operating profit (loss)	¥ (36,346)	(–8.4%)	65,358	(11.8%)	$ (273,279)	(–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	(100.0%)	137,716	(100.0%)	1,068,256	(100.0%)	3.2
Operating expenses	149,454	(105.2%)	146,751	(106.6%)	1,123,714	(105.2%)	1.8
Operating profit (loss)	¥ (7,376)	(–5.2%)	(9,035)	(–6.6%)	$ (55,458)	(–5.2%)	18.4
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	(100.0%)	689,911	(100.0%)	4,323,526	(100.0%)	–16.7
Operating expenses	618,751	(107.6%)	633,588	(91.8%)	4,652,263	(107.6%)	–2.3
Operating profit (loss)	¥ (43,722)	(–7.6%)	56,323	(8.2%)	$ (328,737)	(–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, selling, general and administrative expenses (excluding the amortization of certain identifiable intangibles in 2001), and restructuring costs.

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

Geographic Segment Information

Years ended March 31	Yen (Millions) 2002	2001	U.S. Dollars (Thousands) 2002	Change (%)
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 profit (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 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 assets	**749,910**	820,177	**5,638,421**	–8.6

Overseas Sales							
Americas	**¥113,346**	(19.7%)	131,219	(19.0%)	**$852,225**	(19.7%)	–13.6
Europe	**80,027**	(13.9%)	101,018	(14.6%)	**601,707**	(13.9%)	–20.8
Asia and others	**216,744**	(37.7%)	235,584	(34.2%)	**1,629,654**	(37.7%)	–8.0
Overseas sales total	**¥410,117**	(71.3%)	467,821	(67.8%)	**$3,083,586**	(71.3%)	–12.3

Note: Operating profit (loss) is defined as net sales less cost of sales, selling, general and administrative expenses (excluding the amortization of certain identifiable intangibles in 2001), and restructuring costs.