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

The Company 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 the Company 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 the Company and its subsidiaries. The investments in affiliates in which the Company'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

The Company 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 the Company 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

The Company 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 the Company'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 the Company 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

The Company'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 asssets 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.

The Company 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. The Company 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. The company 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, the company 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 the Company.

(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. The Company 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 the Company'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 superceded 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. The Company adopted EITF 01-9 on April 1, 2002. The adoption of EITF 01-9 did not have a material effect on the Company'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. The Company is required to adopt the provisions of SFAS 143 on April 1, 2003. Currently, the effect on the Company'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. The Company adopted the provision of SFAS 144 on April 1, 2002. The Company does not expect the adoption of SFAS 144 to have a material effect on the Company'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:

	2002				2001			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Yen (Millions):								
Investments and advances:								
Equity securities	¥ 4,389	596	–	4,985	3,903	35	(592)	3,346
Debt securities	3,274	24	–	3,298	2,851	32	–	2,883
	¥ 7,663	620	–	8,283	6,754	67	(592)	6,229
US Dollars (Thousands):								
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, the Company 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

The Company 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 the Company 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 the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company 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

The Company 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 the Company 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. The Company's funding is in accordance with income tax and welfare pension regulations. In addition, in September 2000, the Company contributed equity securities with a fair value of ¥34,573 million and cash of ¥15,315 million to the pension trust. The Company 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 the Company's stock option plan for Directors and certain employees of the Company, and to purchase the Company'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 the Company. To cover these options the Company 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 the Company's stock option plan for Directors and certain employees of the Company, and to purchase the Company'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 the Company. To cover these options the Company 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. The Company 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 the Company's stock option plan been determined consistent with SFAS 123, the Company'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 the Company'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

	US 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 the Company's employees and affiliates amounted to approximately ¥8,224 million ($61,835 thousand).

Several claims and legal actions against the Company 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 the Company.

14. Risk Management Activities and Derivative Financial Instruments

The Company 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. The Company and its subsidiaries do not hold or issue financial instruments for trading purposes. The Company 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.

The Company 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 the Company 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 the Company 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, the Company 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 the Company's long-term debts are estimated based on the amount of future cash flows associated with each instrument discounted using the Company'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 the Company's financial instruments at March 31, 2002 and 2001, are summarized as follows:

	Yen (Millions)				U.S. Dollars (Thousands)	
	2002		2001		**2002**	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Nonderivatives:						
Assets:						
Investments and advances for which it is:						
Practicable to estimate fair value	**¥10,507**	**10,507**	7,638	7,638	**$79,000**	**79,000**
Not practicable to estimate fair value	**4,864**	**–**	2,319	–	**36,571**	**–**
Liability:						
Long-term debt	**(140)**	**(140)**	(365)	(365)	**(1,053)**	**(1,053)**
Derivatives:						
Currency and interest rate swaps in a:						
Gain position	**64**	**64**	26	24	**481**	**481**
Loss position	**(379)**	**(379)**	(507)	(590)	**(2,850)**	**(2,850)**
Forward foreign exchange contracts in a:						
Gain position	**1**	**1**	125	1	**8**	**8**
Loss position	**(60)**	**(60)**	(461)	(405)	**(451)**	**(451)**
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)	**–**	**–**

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 the Company'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, the Company 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 US 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 the Company. Under the circumstances, the Company believes offering competitive pricing is essential to maintaining its advantageous position in the market of electronic components. Additionally, many of the Company's customers who manufacture consumer products have transferred their manufacturing facilities to Asian countries, in particular China. As a result, the Company, 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, the Company 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. The Company recorded a workforce reduction charge of approximately ¥19,884 million ($149,503 thousand) relating primarily to severance and fringe benefits. In Japan, the Company 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).

The Company 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. The Company 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)		
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, the Company has paid or incurred ¥14,600 million ($109,774 thousand) of the ¥25,872 million ($194,526 thousand) restructuring charges. The Company 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

The Company 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, the Company ceased amortization of goodwill as of April 1, 2001. As of March 31, 2002, the Company 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 ($10,481 thousand) 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)			U.S. Dollars (Thousands)		
	Electronic materials and components	Recording media and systems	Total	Electronic materials and components	Recording media and systems	Total
Balance as of April 1, 2001	¥11,002	497	11,499	$82,722	3,737	86,459
Goodwill acquired during year	106	–	106	797	–	797
Impairment losses	–	–	–	–	–	–
Goodwill written off related to sale of business unit	–	–	–	–	–	–
Translation adjustment	(105)	–	(105)	(790)	–	(790)
Balance as of March 31, 2002	¥11,003	497	11,500	$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, the Company contributed equity securities of ¥34,573 million to a pension trust.

The Board of Directors
TDK Corporation:

We have audited the accompanying consolidated balance sheets of TDK Corporation and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended March 31, 2002, 2001, and 2000, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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.

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