

□ CONSOLIDATED STATEMENTS OF CASH FLOWS

TDK Corporation and Subsidiaries years ended March 31, 2005, 2004 and 2003

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2005	2004	2003	2005
Cash flows from operating activities:				
Net income	¥ 33,300	42,101	12,019	\$ 311,215
Loss from discontinued operations, net of tax	3,665	1,254	1,574	34,252
Income from continuing operations	36,965	43,355	13,593	345,467
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	52,806	50,726	57,132	493,514
Loss on disposal of property and equipment	1,190	1,363	4,589	11,121
Deferred income taxes	(5,532)	1,858	4,913	(51,701)
Loss (gain) on securities, net	142	1,093	3,298	1,327
Gain on sale of a subsidiary	(1,799)	(567)	-	(16,813)
Changes in assets and liabilities:				
Increase in trade receivables	(7,343)	(7,680)	(2,654)	(68,626)
Decrease (increase) in inventories	3,461	(7,868)	13,533	32,346
Increase in trade payables	245	8,200	6,742	2,290
Increase (decrease) in accrued expenses	(2,496)	8,878	(5,226)	(23,327)
Increase (decrease) in income taxes payables, net	14,464	5,704	2,901	135,178
Increase (decrease) in retirement and severance benefits, net ..	2,519	9,285	7,639	23,542
Other – net	(1,040)	(527)	(544)	(9,720)
Net cash provided by operating activities	93,582	113,820	105,916	874,598
Cash flows from investing activities:				
Capital expenditures	(61,005)	(44,471)	(41,026)	(570,140)
Proceeds from sale and maturities of investments in securities	1,788	1,814	1,511	16,710
Payment for purchase of investments in securities	(2,424)	(1)	(700)	(22,654)
Payment for purchase of other investments	(221)	(442)	(6,606)	(2,065)
Proceeds from sales of property, plant and equipment	999	4,299	4,590	9,336
Acquisition of minority interests	-	(366)	(3,967)	-
Proceeds from sale of a subsidiary	-	1,523	-	-
Other – net	-	(3)	(22)	-
Net cash used in investing activities	(60,863)	(37,647)	(46,220)	(568,813)
Cash flows from financing activities:				
Proceeds from long-term debt	218	69	211	2,037
Repayment of long-term debt	(164)	(479)	(646)	(1,533)
Increase (decrease) in short-term debt, net	(330)	(1,047)	(254)	(3,084)
Sale (purchase) of treasury stock, net	(1,244)	(1,579)	(1,263)	(11,626)
Dividends paid	(7,938)	(6,625)	(5,973)	(74,187)
Net cash used in financing activities	(9,458)	(9,661)	(7,925)	(88,393)
Net cash provided by (used in) discontinued operations	(1,625)	761	(1,983)	(15,187)
Effect of exchange rate changes on cash and cash equivalents	2,717	(10,669)	(4,998)	25,393
Net increase in cash and cash equivalents	24,353	56,604	44,790	227,598
Cash and cash equivalents at beginning of period	227,155	170,551	125,761	2,122,944
Cash and cash equivalents at end of period	¥251,508	227,155	170,551	\$2,350,542

See accompanying notes to consolidated financial statements.