



TDK Corporation

Annual Review 2008

Year ended March 31, 2008

The background of the lower half of the cover is a dynamic, abstract blue design. It features numerous bright, white and light blue streaks radiating from the center, creating a sense of motion and energy. The overall color palette is various shades of blue, from deep navy to bright cyan.

Challenging the Future

About TDK

TDK was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has developed and commercialized electronic materials, electronic devices, recording devices and recording media, among other products. This drive has been based on the company's founding spirit: "Contribute to culture and industry through creativity."

To preserve its identity as a dynamic company, TDK believes that it must remain an organization that constantly delivers even higher corporate value for all stakeholders, including shareholders, customers, suppliers, employees and society, by drawing on innovative thinking and a willingness to tackle new challenges.

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Cautionary Statements With Respect to Forward-Looking Statements

This booklet contains forward-looking statements, including projections, plans, policies, management strategies, targets, schedules, understandings and evaluations, about TDK and its group companies (TDK Group). These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs and evaluations of TDK Group in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors. TDK Group therefore wishes to caution readers that, being subject to risks, uncertainties and other factors, TDK Group's actual results, performance, achievements or financial position could be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements, and TDK Group undertakes no obligation to publicly update or revise any forward-looking statements after the issue of this booklet except as provided for in applicable laws and ordinances.

The electronics markets in which TDK Group operates are highly susceptible to rapid changes. Risks, uncertainties and other factors that can have significant effects on TDK Group include, but are not limited to, shifts in technology, fluctuations in demand, prices, interest and foreign exchange rates, and changes in economic environments, conditions of competition, laws and regulations.

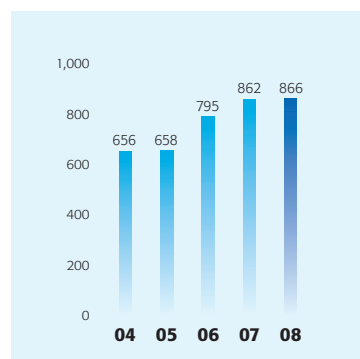
Financial Highlights

Years ended March 31 or as of March 31	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)	Change (%)
	2008	2007	2008	
OPERATING RESULTS				
Net sales	¥866,285	862,025	\$8,662,850	0.5
Electronic Materials and Components	818,115	758,821	8,181,150	7.8
Electronic materials	200,101	199,243	2,001,010	0.4
Electronic devices	209,089	198,199	2,090,890	5.5
Recording devices	334,734	304,822	3,347,340	9.8
Other electronic components	74,191	56,557	741,910	31.2
Recording Media	48,170	103,204	481,700	−53.3
(Overseas sales)	714,172	690,673	7,141,720	3.4
Net income	71,461	70,125	714,610	1.9
Net income per share:				
(basic)	551.72	529.88	5.52	
(diluted)	551.19	529.29	5.51	
Cash dividends per share (Cash flow base)	120.00	100.00	1.20	
FINANCIAL POSITION				
Total assets	¥935,533	989,304	\$9,355,330	−5.4
Stockholders' equity	716,577	762,712	7,165,770	−6.0
Long-term debt, excluding current installments	152	532	1,520	−71.4
PERFORMANCE INDICATORS				
Overseas production/net sales	70.1%	62.2		
Gross profit margin percentage	26.6	27.7		
Operating income ratio	10.1	9.2		
Return on equity	9.7	9.6		
Price-earnings ratio	10.7	19.3		

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

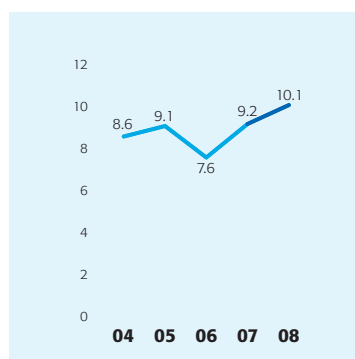
Net Sales

(Billions of yen)



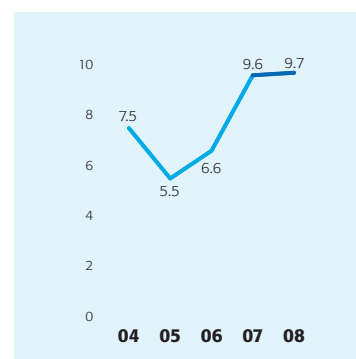
Operating Income Ratio

(%)



Return on Equity

(%)



The Management Expertise to Drive TDK's Growth

Prioritization Produces Demonstrable Results

Since the March 2003 fiscal year, TDK has worked to rebuild its business and product portfolio through greater prioritization. As part of this product and business review process, we have concentrated on three strategic areas since fiscal 2004: IT home electronic appliances; high-speed and large-capacity networks; and car electronics. We have developed products and enhanced our manufacturing structures as well as implemented business structural reforms in line with this strategic focus. Business resources have also been optimally utilized along similar lines. As a result, we have managed to grow three dependable earnings drivers in the electronic materials and components business—HDD heads, capacitors, and inductors.

Due to far-reaching structural reforms in our recording media business, the electronic materials and components business is now our main focus. With this restructuring behind us, we are now better able to respond quickly to changes in the external business environment.

Quick Management Decision-Making at Worksites

Electronic equipment is becoming more sophisticated at a faster rate than ever before, with wave after wave of products featuring new functions making their way to market. TDK supplies electronic components to manufacturers of these products, so naturally we have to provide a quick response to this trend. To meet the fast-paced demands of this era, TDK is stepping up product development by refining and sharing core technologies, namely materials and process technologies, across the Company. This approach is steadily producing results.

One of our goals is also to strengthen TDK's manufacturing (*monozukuri*) capabilities, honed through efforts to optimize our global production framework and revamping production processes and facilities on a product-by-product basis. Corporate officers, managers in charge of business units, have been empowered to make quick business decisions and to take concrete actions. This is leading to steady improvements in the rationalization and efficiency of manufacturing activities.



Powering Earnings

Electronic materials and components is TDK's core business. TDK's value lies in its ability to consistently develop and supply products in this field that help customers to grow their businesses. TDK has taken steps in recent times to bolster existing businesses and invest in growth fields where it can leverage its strengths using earnings generated from core businesses. These efforts have given TDK a springboard for growth.



A Profit Structure That Generates Cash

We are also steadily reaping the rewards of successive past improvements to our earnings structure. Our operating income ratio, for instance, rebounded to 10.1% in fiscal 2008, reaching the double-digit level for the first time in 8 years. Actions to increase the sales ratio of new products and products commanding number-one market shares—which are important for increasing our profitability—are paying off as well.

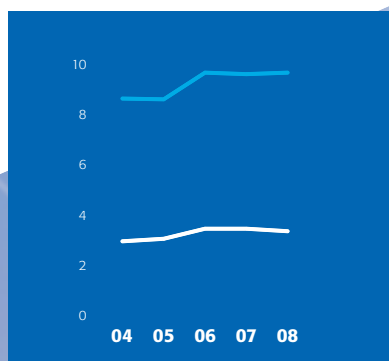
Our factories are the wellspring of value creation. Various measures taken here to reform our profit structure have yielded improvements in productivity and profitability. A case in point is the Chokai Plant, which makes compact ferrite cores. By improving production processes from molding to sintering, it has shortened production lead times and reduced work-in-process.

Moreover, we're making progress improving cash flows and the efficiency with which we use assets. In fiscal 2008, we maintained good levels of inventory turnover and fixed asset turnover of 9.7 times and 3.4 times, respectively.



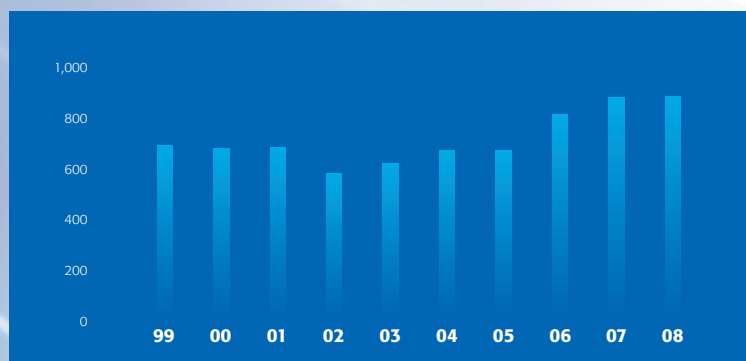
with Improved Business Structure

**Inventory Turnover and
Fixed Asset Turnover**
(Times)



— Inventory turnover
— Fixed asset turnover

10-Year Consolidated Net Sales
(Billions of yen)



Three Major Elements of Growth

1) Ongoing expansion in the electronics industry

The electronics industry in 2008 is expected to grow 7% in year-on-year terms. This growth should continue thereafter as well. In light of this ongoing expansion, TDK sees increasing business opportunities as an electronic components manufacturer.

2) Development from materials

TDK made its start in 1935 commercializing ferrite that was developed originally in Japan. The in-house development of materials that form the basis of products is a TDK hallmark. Developing and manufacturing materials that have a critical role in determining the performance of finished products is thus one of TDK's strengths.

3) The in-house development of production facilities is a major technological barrier to entry

TDK develops production facilities in-house according to the performance and production efficiency required by products. The wealth of production technologies we have assembled over

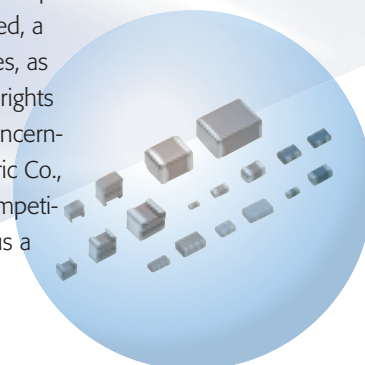
many years form an important intangible asset unique to TDK. Our products are not things that can be made simply by using facilities purchased from outside sources.

Investing Heavily in Four Main Product Businesses

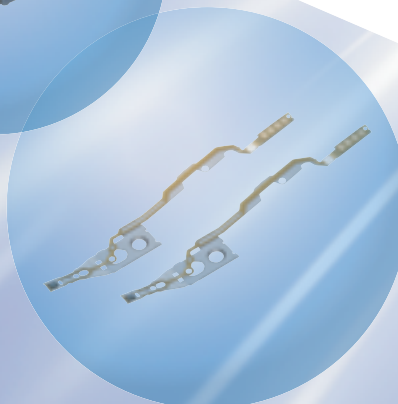
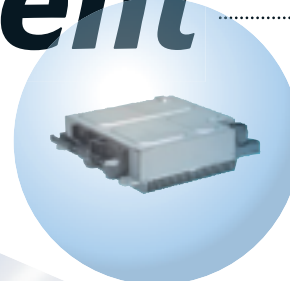
TDK views four products as key earnings drivers: HDD heads, capacitors, inductors, and power supplies. These four products promise more growth and are fields where TDK can bring to bear its technological advantages. As such, we plan to make substantial investments in these fields going forward, as we have done to date.

HDD Heads

In 2007, we acquired Thai company Magnecomp Precision Technology Public Company Limited, a manufacturer of HDD suspension assemblies, as well as equipment and intellectual property rights such as patent properties and know-how concerning the HDD head business from Alps Electric Co., Ltd. These acquisitions should boost our competitiveness in the HDD head business, giving us a leg up on the competition.



Timely Investment



Capacitors

Capacitors comprise a product field where we can leverage our core technologies and parlay our past achievements into further success. We see this as a growth field and for that reason have built a new capacitor plant. Slated to come onstream in the March 2009 fiscal year, this new integrated plant will produce mainly high-value-added products, which should raise our earnings power.

Inductors

Elevating our earnings power is also the goal of substantial investments we are making overseas in automated inductor production facilities. These investments will enable us to supply a broad range of products with shorter lead times and in a more flexible manner.

Power Supplies

In March 2008 fiscal year, we made Densai-Lambda K.K. a wholly owned subsidiary in a move geared toward strengthening and expanding our power supplies business. We command the leading share in the industrial power supplies market and want to leverage this strength to grow power supplies into a new earnings mainstay.

Active Investment Will Drive Growth

The most distinctive aspect of TDK's approach to M&As is that we seek to develop our businesses by capturing synergies with TDK Group assets. The 2005 acquisition of Hong Kong company Amperex Technology Limited demonstrates our approach. We decided to acquire this company based on our belief that there were huge benefits to be had from wedding Amperex Technology's polymer lithium battery technologies with TDK's technologies. This coalescence of TDK's distinctive technological assets and the technologies of M&A targets will continue to drive our growth going forward. We plan to invest aggressively as we have in recent times, targeting these sorts of synergies.

The newly constructed TDK-MCC Honjo factory was designed as a state-of-the-art chip capacitor production facility.



➤ **for Growth Tomorrow**

TDK is a manufacturing company. In 1935, we were established with the express purpose of commercially producing ferrite, which was invented by researchers in Japan. Creating things in entirely new ways remains our underlying philosophy today. Here, TDK is underpinned by its worksites, where actual development and manufacturing take place. Ultimately, these sites are the source of the manufacturing technology lineage born of this philosophy. Moving forward, TDK will continue to strengthen its core electronic components business to raise its earnings power and drive growth.

Message From the CEO and COO



(Left)

Hajime Sawabe
Chairman and CEO

(Right)

Takehiro Kamigama
President and COO

Faster Expansion Bursting With Value

Working Together on Two Initiatives to Sustain Growth

During the past year, TDK worked on two key initiatives under a dual top-management approach. One of those initiatives was to raise profitability through day-to-day improvement and strengthening of our manufacturing worksites, always taking the customer's perspective. The other was to reinvest our earnings in fields where we excel. As CEO, Mr. Sawabe's role is to steer the company in the direction of greater management efficiency and business expansion, using his accumulated management experience and skills. Mr. Kamigama's role as COO, meanwhile, is to ensure each business is profitable by bolstering manufacturing (*monozukuri*) capabilities.

Record-Breaking Performance Amid Challenging Conditions

The electronics market expanded in the past fiscal year, partly due to increasing demand in emerging growth markets. This expansion supported higher demand for electronic components, TDK's main market. On the other hand, TDK's earnings came under pressure during the period from soaring material prices and exchange rate fluctuations. We managed to absorb these negative factors, however, and even post record-high net income. The benefits of structural reforms we have implemented in our recording media business were one reason for this strong earnings performance. We have taken various steps to restructure these operations over the past several years and our actions in fiscal 2008 brought an end in sight. As we put the restructuring behind us and move ahead, we are determined to take full advantage of the technologies and know-how we have gained through this business in various other fields.

Stepping Up the Pace of Business Development for More Growth

We live in a world where people are demanding products and services that help them conserve energy, offer anytime, anywhere communication and ensure safety and peace of mind as they go about their daily lives. The electronics industry can make these things possible as technologies evolve. For this reason, we view the electronics industry as a growth industry. At the same time, however, it is a challenging industry that soon sorts out the winners and the losers. One must constantly watch the market and competitive landscape, pick up on those trends and be ready to respond to change. TDK is forging ahead with efforts to improve its businesses based on a simple policy of strengthening manufacturing capabilities and growing together with customers. In order to grow continuously as an electronic components manufacturer in a challenging operating environment, we believe that TDK must strengthen manufacturing capabilities as the very source of its ability to add value so as to respond to customer needs. But a well-conceived plan is worthless if the timing is off. So that we don't miss out on business opportunities, we plan to speed up our business development.

Since our foundation, we have striven to "Contribute to culture and industry through creativity." This founding spirit of TDK will continue to define our businesses in the years ahead. We are strongly committed to playing our part in spurring the development of culture and industry around the world by growing as an electronic components manufacturer that delivers highly innovative value. Expect to see us step things up to grow as we move forward.

July 2008



Hajime Sawabe
Chairman and CEO



Takehiro Kamigama
President and COO

Interview With the CEO and COO



The speed of our development is one of the strengths of TDK's HDD head business.

Fiscal 2008 was a year that saw TDK act quickly in bold ways. For instance, we conducted M&As and executed structural reforms in our recording media business. In this section, Mr. Sawabe and Mr. Kamigama look back at TDK's fiscal 2008 performance and what they have done under a dual leadership structure to steer the company in the direction of further growth and to improve frontline manufacturing capabilities.

Q1 How did TDK perform in fiscal 2008?

A1 We posted consolidated net sales of ¥866,285 million, a slight increase of 0.5% year on year. In terms of earnings, operating income rose 9.5% to ¥87,175 million, income before income taxes increased 3.2% to ¥91,505 million, and net income rose 1.9% to ¥71,461 million. We thus managed to overcome a difficult operating environment, notable for soaring material prices and foreign exchange fluctuations, to achieve year-on-year increases in sales and earnings, which were driven by HDD head business results. There were some negatives, however. Our capacitor business struggled due to delays in ramping up production. And products containing a high percentage of materials exposed to price escalation in the past year saw their profitability heavily affected. Moreover, foreign exchange fluctuations weighed heavily on our earnings in the second half of the fiscal year.

In the past fiscal year, we took actions with a focus on future growth. In the capacitor business, we constructed a new factory. Meanwhile, the power supplies business made Densai-Lambda K.K. a wholly owned subsidiary. And in HDD heads, we conducted an M&A for a related business and acquired assets from another company. The recording media business was the subject of further structural reforms.

Q2 Please tell us more about your actions that target future growth.

A2 In capacitors, the new factory we built in Akita Prefecture should expand and strengthen our business, mainly high-value-added products. This new factory will commence operations in the first half of fiscal 2009 and will help improve the earnings power of the capacitor business by raising

We took actions with a focus on future growth.



production efficiency and quality. The consolidation of Densai-Lambda in the power supplies business targets improved management efficiency across our entire operations in this area. We want to make power supplies one of our earnings drivers. The moves we made in the HDD head business were geared to strengthening our international competitiveness in a market that is undergoing rapid change. Firstly, we acquired Magnecomp Precision Technology Public Company Limited (MPT), a Thailand-based manufacturer of HDD suspension assemblies, which are a key HDD component. The other key move involved acquiring assets related to the HDD head business of Alps Electric Co., Ltd. In the recording media business, we sold our sales business of TDK brand recording media to U.S. company Imation Corp. as part of ongoing structural reforms. As a result, we improved earnings in the recording media business.

Q3 TDK's HDD head business was strong in fiscal 2008. What were the reasons for this strong showing?

A3 A major reason was that we made timely proposals in response to customer needs related to perpendicular magnetic recording heads, which hold the key to increasing HDD storage

capacity. The HDD head market is extremely competitive, so TDK has made a point of staying one step ahead of its rivals by working with HDD manufacturers from the earliest stages of development to propose heads that are already compatible with disks. The speed of our development is one of the strengths of TDK's HDD head business.

Q4 Why did capacitors struggle in the past fiscal year?

A4 We had problems with our manufacturing framework. Capacitor demand in fiscal 2008 was extremely robust and, while we ramped up output to meet it, this still wasn't enough. We are confident, however, that the new Akita factory will enable us to provide a more timely response to demand from customers. The new factory not only boasts an integrated production process, but can also produce many different types of products in small quantities. It will allow us to optimize production in line with customer needs.



You can look at *monozukuri* as a company's comprehensive competitive ability to deliver on expectations in terms of quality, price, delivery lead times and environmental responsibility.

Q5 Mr. Kamigama has visited TDK's manufacturing worksites since taking over as president in June 2006 and focused on strengthening those frontline capabilities. Why is further improvement still needed?

A5 Mr. Kamigama—Many Japanese manufacturers headed offshore in large numbers in the early 1990s as the yen appreciated. TDK was no exception, as we also relocated production bases overseas. However, this dispersing of manufacturing functions has slowly diluted recognition of the importance of innovative manufacturing. "Mother Factories" in Japan, too, have seen their capabilities weaken. As a manufacturer of electronic components, TDK must continue to accurately respond to customers' difficult demands—namely, to supply high-quality products in a timely manner at reasonable prices. Manufacturing must, therefore, take the customers' perspective. That's why I have frequently visited worksites and asked them to constantly review their development and production activities, reflecting again on what it is that makes TDK strong. It is likely that we will have to reduce our costs even further, yet raise quality at the same time. Manufacturing is the source of our ability to create value, and therefore improving our worksites holds the key to TDK's future growth.

Q6 What needs to be done to improve your manufacturing capabilities?

A6 You can look at *monozukuri* another way, that is, as a company's comprehensive competitive ability to deliver on expectations in terms of quality, price, delivery lead times and environmental responsibility. Technology is TDK's strength and so technology has been given top priority at our factories and other worksites, at the expense sometimes of taking the customers' standpoint. To raise our manufacturing capabilities, staff involved with development and production must put their heads together with staff connected with sales and materials and think like customers.

Each of these staff must look closely at the real issues. When I visit factories, I ask "why?" countless times to get people to question why a process or task is necessary. Asking this question repeatedly brings the real issues into view. Speed is also required. A prerequisite for winning over customers with our products is to build good relations and work closely with them. I believe it is important to make well-timed development proposals of products required by customers after thoroughly discussing things with them.

We invest in new businesses. This management approach should grow the company and also help society. We think it is the correct approach for TDK.



Q7 Can you give us an example of where you have successfully improved worksite capabilities?

A7 Yes, our Chinese transformer production activities. One of the key processes in manufacturing transformers is the winding process. In the past, this job was performed by hand, in part because of relatively inexpensive labor costs. However, consistent quality cannot be guaranteed performing this task by hand and costs have risen as labor costs have increased. Worksite discussions led to the idea of developing an automatic winding machine, which has been instrumental in improving the profitability of transformer manufacturing.

Q8 TDK has made news for the substantial strategic investments that it has made in recent years. What is Mr. Sawabe's personal philosophy on M&As and other strategic investments by TDK?

A8 Mr. Sawabe—When considering an M&A, I always think deeply about TDK's defining technologies as an electronic components manufacturer and how we can link those with the market of a new investment target. We have no intention of getting involved in a business that has little or

no connection with TDK's core businesses. Conversely, we will continue to look positively at businesses promising synergies in this regard. Naturally, we will also actively invest in existing businesses, as evidenced by the construction of our new capacitor production facility.

We reinvest the cash we generate from creating value in existing businesses in those existing businesses with growth prospects as well as new businesses. This management approach should grow the company and also help society. We think it is the correct approach for TDK as a manufacturer of electronic components.

Q9 TDK has made some key investments in the power supplies business, including making Densai-Lambda a wholly owned subsidiary and forming an equity-based business alliance with Tabuchi Electric Co., Ltd. Why are you focusing on the power supplies business?

A9 As long as there are electronic products, there will also be demand for power supplies. What's more, power supplies have started to attract attention as a key device for helping electronic products to conserve energy and become more



TDK is determined to continue boldly developing its businesses with speed, aware of its value. TDK has always been a company with big dreams.

environmentally friendly. Power supplies that efficiently convert power not only help end-users reduce running costs, but energy conservation has the added benefit of reducing CO₂ emissions. One of the components that has a major influence on the conversion efficiency of power supplies is transformers, and a core material of these is ferrite. TDK develops and mass-produces ferrite materials and transformers in-house, so you can see there are synergies that can be captured with power supplies. We plan to use these synergies and our position as the global No. 1 in industrial power supplies to make the power supplies business a pillar of our earnings.

Besides power supplies, TDK produces rechargeable batteries and we are also developing dye-sensitized solar cells. We have high hopes for our power supplies and battery businesses, particularly as calls grow louder for products with improved environmental performance.

Q10 TDK actively rewarded shareholders during the past year by buying back its own shares and raising the dividend. What is the company's policy on shareholder returns?

A10 I think it is important to consistently grow earnings per share. However, our industry experiences sharp upswings and downswings, so it is not always possible to avoid temporary downturns in earnings. Because of this basic assumption, it is not enough to look simply at the dividend payout ratio when discussing dividends. TDK looks to consistently increase dividends while also being aware of the payout ratio. We constantly consider capital efficiency and see share buybacks as an effective way of rewarding shareholders when the balance of cash on hand after making necessary investments to drive our growth exceeds a certain level. We will therefore continue to consider repurchasing our shares going forward.

Q11 Do you have a message for TDK's stakeholders?

A11 TDK is determined to continue boldly developing its businesses with speed, aware of its value as a manufacturer of electronic components. TDK has always been a company with big dreams. We hope to help you fulfill yours as we pursue more growth.

Main Business Group Review

HDD Heads



Atsuo Kobayashi
*Corporate Officer
General Manager
Data Storage & Thin Film Technology
Components Business Group*

HDD head demand rose 17% in fiscal 2008 and TDK captured an estimated 31% share of the market. Both of these factors underpinned higher sales in this business. We hope to expand our market share to 33% in fiscal 2009 as we are assuming that HDD head demand will continue to increase, and anticipate a shift to high areal recording density products. As we move forward, we also plan to capture synergies with Magnecomp Precision Technology Public Company Limited's (MPT) HDD suspension assemblies operations and the assets we purchased from Alps Electric Co., Ltd.

Capacitors



Takaya Ishigaki
*Senior Vice President
General Manager
Capacitors Business Group*

Capacitor demand remained strong through the first half of fiscal 2008 and this demand spurred a faster-than-expected shift to high- and large-capacitance products. Unfortunately, we were unable to increase production enough to stay in step with this fast-paced growth in demand and our sales were flat year on year. Our most important theme in fiscal 2009 is bringing our new Honjo factory onstream. Integrated processes will raise production efficiency and enable us to lift quality and pursue cost efficiency, too. Another theme is to use these benefits and other measures to improve our earnings power.

Inductive Devices



Shinichi Araya
*Senior Vice President
General Manager
Magnetics Business Group*

Sales growth in fiscal 2008 was held to single digits due to fewer components used in finished products and a drop in sales prices. In fiscal 2009, we aim to improve our earnings power in a number of ways. One is by improving our product mix in step with the shift to multilayered, thin-film products, which we will do by making devices even more compact with lower profiles. A second way is by strengthening our transformer business. We will fully review customer specifications and use these reviews as the basis for redesigning products. This refocusing of our operations is leading us to start using new materials and is yielding higher productivity.

Power Supplies



Takeo Suzuki
*Senior Vice President
General Manager
Power Systems Business Group*

Sales were flat in fiscal 2008, reflecting a sluggish semiconductor market and the termination of some products. TDK plans to step up efforts to strengthen and expand the power supplies business. In fiscal 2009, we plan to integrate TDK's power systems business with Densai-Lambda K.K. in the second half of the year and begin operations as TDK-Lambda. We will also take steps to integrate R&D resources, optimize manufacturing locations and strengthen our sales force.

TDK at a Glance

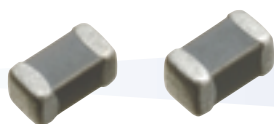


Consolidated net sales in fiscal 2008 edged up 0.5% from ¥862,025 million to ¥866,285 million.

In the electronics market, fiscal 2008 saw higher demand for flat-screen TVs, household game consoles, notebook PCs and HDDs, among other finished products. This demand, together with an increase in the number of electronic components in finished products driven

Electronic Materials and Components

Electronic Materials



● Main Products

Multilayer ceramic chip capacitors, ferrite cores for coils and transformers, ferrite magnets, and rare-earth magnets

● Fiscal 2008 Highlights

Sales in the electronic materials sector edged up 0.4%. Capacitor sales were flat as good sales to the auto market were negated by lackluster sales for use in PCs and mobile phones. Rare-earth magnet sales rose on growth in HDD applications.

Electronic Devices



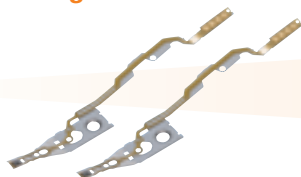
● Main Products

Inductive devices (coils and transformers), power supplies, high-frequency components, sensors, piezoelectric materials and products

● Fiscal 2008 Highlights

Sales in the electronic devices sector increased 5.5% on the back of higher sales of inductive devices for use in flat-screen TVs and automotive applications. High-frequency component sales were also up on sales for PC applications.

Recording Devices



● Main Products

Heads for hard disk drives, suspension assemblies for hard disk drives

● Fiscal 2008 Highlights

Sector sales increased 9.8% due to increased HDD head sales on higher volumes. The inclusion for the first time of sales of HDD suspension assemblies manufacturer MPT boosted sales as well.

Other Electronic Components



● Main Products

Mechatronics, anechoic chambers, rechargeable batteries

● Fiscal 2008 Highlights

Sector sales climbed 31.2%, the result of higher anechoic chamber and energy device (rechargeable batteries) sales, and strong sales of new products.

Recording Media



● Main Products

Audiotapes and videotapes, CD-Rs, DVDs, tape-based data storage media for computers

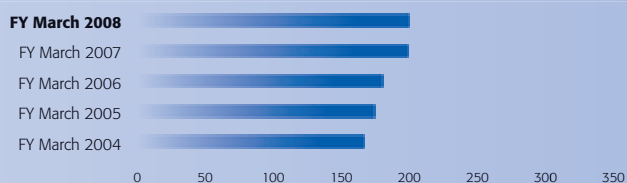
● Fiscal 2008 Highlights

Segment sales dropped 53.3% year on year due to lower sales resulting from the August 2007 transfer of the TDK brand recording media sales business to Imation Corp.

by their increasing sophistication and features, led to even higher demand for electronic components.

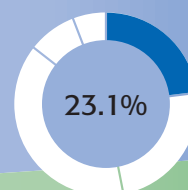
We responded to this operating environment by boosting output of multilayer ceramic chip capacitors and other products. We also made Densai-Lambda K.K. a wholly owned subsidiary with the goal of expanding the power supplies business. And to make TDK's HDD head operations more competitive, we acquired assets of an HDD head-related business from Alps Electric Co., Ltd. and also acquired suspension assemblies manufacturer Magnecomp Precision Technology Public Company Limited (MPT).

● Sales by Electronic Materials (Billions of yen)

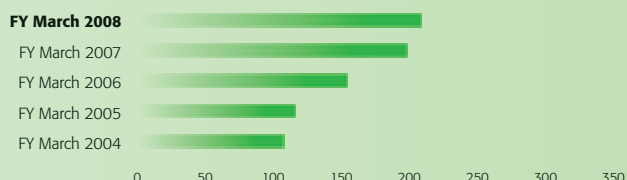


● Share of Sales by Electronic Materials

FY March 2008

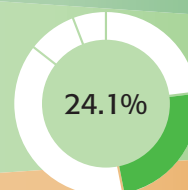


● Sales by Electronic Devices (Billions of yen)

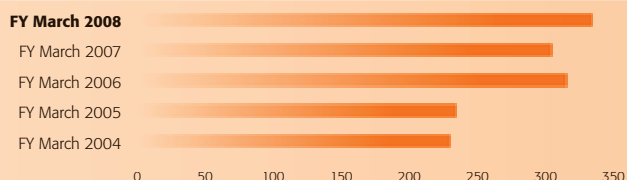


● Share of Sales by Electronic Devices

FY March 2008

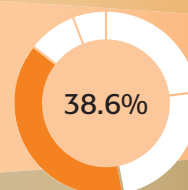


● Sales by Recording Devices (Billions of yen)

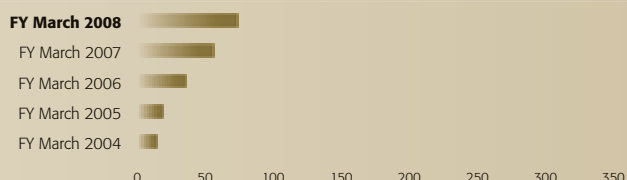


● Share of Sales by Recording Devices

FY March 2008

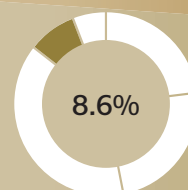


● Sales by Other Electronic Components (Billions of yen)

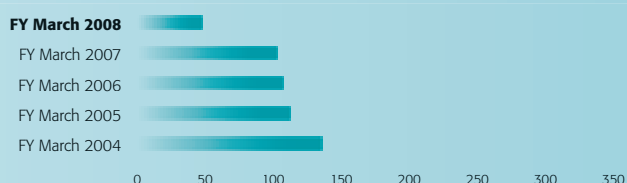


● Share of Sales by Other Electronic Components

FY March 2008

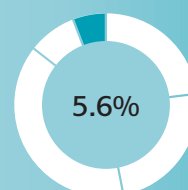


● Sales by Recording Media (Billions of yen)



● Share of Sales by Recording Media

FY March 2008



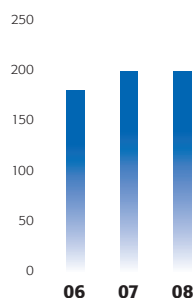
Review of Operations

Electronic Materials and Components Segment

Electronic Materials

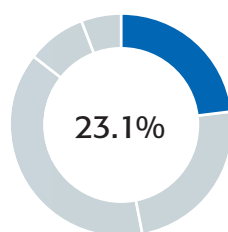
Sales

(Billions of yen)



Share of Sales

FY March 2008

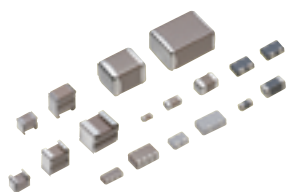


This sector is broken down into two product categories: capacitors and ferrite cores and magnets.

Sales in the electronic materials sector rose 0.4% from ¥199,243 million to ¥200,101 million (U.S.\$2,001,010 thousand).

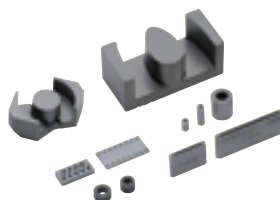
[Capacitors] Sales increased slightly year on year, reflecting higher sales of multilayer ceramic chip capacitors, the main product in the capacitors category, to the auto market and other sectors, which outweighed lower sales for use in PCs and mobile phones.

[Ferrite cores and magnets] Sales of ferrite cores and magnets rose year on year, as higher magnet sales countered lower ferrite core sales.



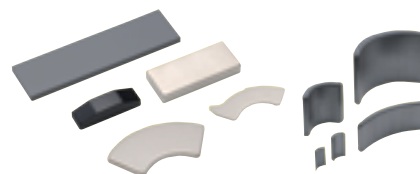
Ceramic Capacitors

Circuit components designed to store electrical energy, ceramic capacitors are made by stacking alternate layers of dielectric material and electrodes, which are then sintered (fired) to form a solid block. Due to their compactness and excellent high-frequency characteristics, ceramic capacitors are used in large quantities in mobile phones, flat-screen TVs and many other products.



Ferrite Cores

Ferrite cores are widely used to make small cores in power supply transformers and in inductors. Ferrite is a magnetic material made by mixing ferric oxide with manganese, nickel, zinc or other metals. This versatile material is ideal for transformer and inductor cores because it has a minimal power loss even at high signal frequencies.



Magnets

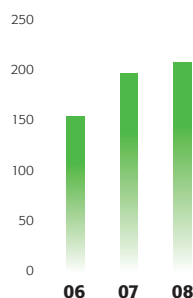
This category is broadly broken down into two products: ferrite magnets and rare-earth magnets. Ferrite magnets are made by forming and sintering a mixture consisting mainly of barium oxide and ferric oxide. Rare-earth magnets, which combine compact size with high magnetic energy, consist mainly of rare earth elements, such as samarium and neodymium, and iron.

Electronic Materials and Components Segment

Electronic Devices

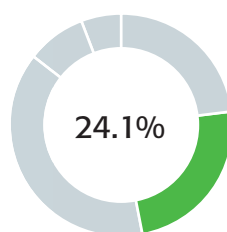
Sales

(Billions of yen)



Share of Sales

FY March 2008



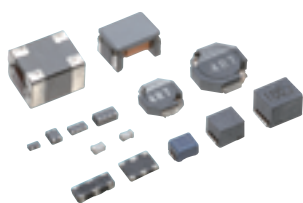
This sector has three product categories: inductive devices, high-frequency components and other products.

Sales in the electronic devices sector increased 5.5% from ¥198,199 million to ¥209,089 million (U.S.\$2,090,890 thousand).

[Inductive devices] Sales of inductive devices increased year on year, mainly as a result of higher sales of power line coils and signal line coils used in flat-screen TVs and of common mode filters for the auto market.

[High-frequency components] Sales of high-frequency components increased year on year, the result mainly of higher sales for PC applications.

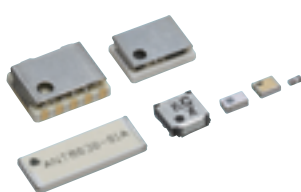
[Other products] Sales of other products were down year on year, with sensor and actuator sales falling mainly due to price declines and power supplies recording a slight drop due in part to the termination of some products.



Inductive Devices

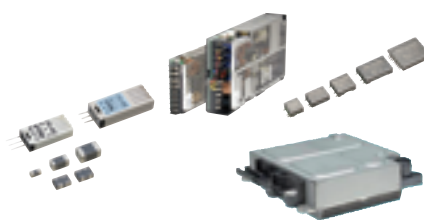
The main products in the inductive devices category are coils (inductors) and EMC components. TDK supplies coils (inductors) made by winding a wire around a ferrite core, multilayer coils (inductors) that are formed by a process similar to printing, and coils (inductors) that are made using thin-film technology.

EMC (Electromagnetic Compatibility) components are electronic components that solve the problem of electromagnetic noise given off by electronic devices.



High-frequency Components

These components are chiefly used in mobile phones and other devices that handle high-frequency signals. TDK boasts an extensive lineup, including isolators, VCOs (voltage-controlled oscillators) and duplexers.



Other Products

The main products in this category are power system products, and sensors and actuators. Power system products include switching power supplies that convert alternating current into direct current, DC-AC inverters that convert direct current into alternating current, DC-DC converters that alter DC voltages, and transformers that step up or down AC voltages.

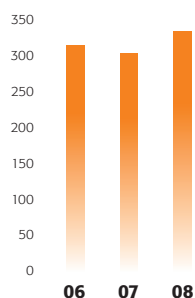
Sensors and actuators include varistors, which are effective at combating static electricity; sensors for measuring temperature, humidity, toner density and other items; and actuators such as piezoelectric buzzers.

Electronic Materials and Components Segment

Recording Devices

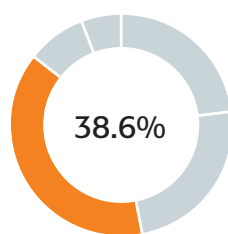
Sales

(Billions of yen)



Share of Sales

FY March 2008

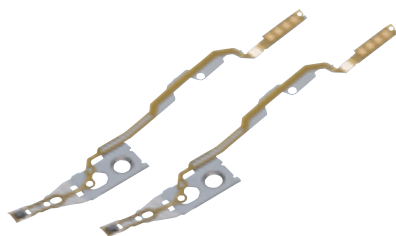


This sector has two product categories: HDD heads and other, which was previously called “other heads.” The renaming of the latter category is due to the inclusion of sales of HDD suspension assemblies manufacturer MPT.

Sector sales increased 9.8% from ¥304,822 million to ¥334,734 million (U.S.\$3,347,340 thousand).

[HDD heads] Sales increased year on year, as HDD head sales volume increased on the back of higher unit production of HDDs, which was driven by growth in demand for HDDs for use in PCs. Another factor was the increasing storage capacity of HDDs.

[Other] Category sales increased year on year, with lower other heads sales offset by the inclusion from this fiscal term of the sales of MPT, which was consolidated in November 2007.



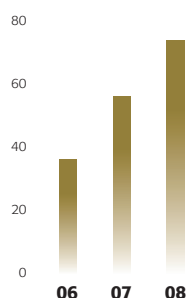
HDD Heads

HDD heads write and read signals on hard disks. GMR (Giant Magnetoresistive) heads for “reading” are gradually giving way to TMR (Tunneling GMR) heads with higher sensitivity as recording density increases. TDK is increasing shipments of heads for “writing” that use PMR (Perpendicular Magnetic Recording) technology.

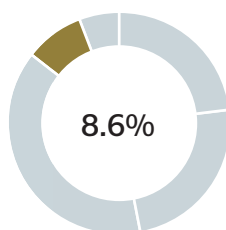
Electronic Materials and Components Segment

Other Electronic Components

Sales
(Billions of yen)



Share of Sales
FY March 2008



This sector includes all products of the electronic materials and components segment other than those in the three sectors before. These products include anechoic chambers, mechatronics (production equipment) and energy devices (rechargeable batteries).

Sector sales climbed 31.2% from ¥56,557 million to ¥74,191 million (U.S.\$741,910 thousand), the result of higher anechoic chamber and energy device sales, and strong sales of new products.

Organic EL Displays

These slender, high-resolution displays use an organic material that emits light when an electric current is applied.

Anechoic Chambers

These chambers block external electromagnetic radiation to permit the precise measurement of electromagnetic noise.

Mechatronics

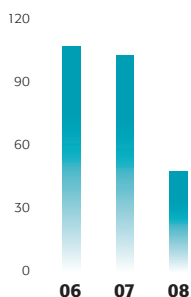
This category includes external sales of manufacturing equipment.

Energy Devices

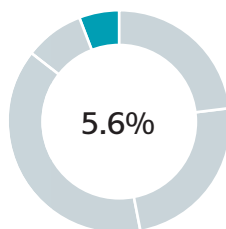
Rechargeable batteries (batteries that can be repeatedly recharged and used) using gel polymer electrolytes.

Recording Media Segment

Sales
(Billions of yen)



Share of Sales
FY March 2008



Other

TDK has commercialized LTO (Linear Tape-Open) standard data storage tapes for computers in response to the rapid growth in electronic data storage needs.

Segment sales dropped 53.3% from ¥103,204 million to ¥48,170 million (U.S.\$481,700 thousand). Sales dropped sharply year on year due to the August 2007 transfer of the TDK brand recording media sales business. **[Audiotapes and videotapes]** Sales of audiotapes and videotapes declined year on year, reflecting the effect of the sales business transfer and falling demand amid an ongoing switch to digital data storage.

[Optical media] There was a decline in optical media sales year on year, the result of lower sales of CD-Rs and DVDs following the sales business transfer. On the other hand, sales of Blu-ray Discs increased.

[Other products] Sales of other products decreased year on year despite higher sales of LTO-standard* (Linear Tape-Open) tape-based data storage media for computers on the back of rising demand. The main reason for the overall fall in sales was lower sales of accessories and other products following the sales business transfer.

* Linear Tape-Open, LTO, the LTO logo, Ultrium and the Ultrium Logo are trademarks of HP, IBM and Quantum in the U.S. and other countries.

Research and Development Activities



In its R&D activities, the TDK Group continues to work on strengthening and expanding development of new products that respond to diversification in the electronics market. In particular, the group is concentrating on next-generation recording-related products, micro electronics modules for mobile communications-related applications, and energy-efficient, environmentally friendly devices based on materials and design technologies. Furthermore, the group is using its reservoir of technologies to conduct efficient R&D activities concentrating on three strategic areas: IT home electronic appliances; high-speed and large-capacity networks; and car electronics.

Development themes include next-generation ferrite magnets that leverage core technologies in the electronic materials and components field, and development of perpendicular magnetic recording and TMR heads in the recording devices sector. In the recording media segment, TDK has made progress strengthening its lineup of next-generation DVD-related products, centered on Blu-ray Discs. Furthermore, TDK has commercialized EMC components such as EMC filters, composite magnetic sheet “Flexield”, and electromagnetic absorbers for anechoic chambers. Moreover, the company is strengthening its lineup of modules, including high-frequency modules.

R&D at TDK is conducted by the Materials & Process Development Center, Devices Development Center, Production Engineering Development Center, Materials Analysis Center, Application Center, SQ Research Center and the R&D functions of each operating group. Each facility develops new products

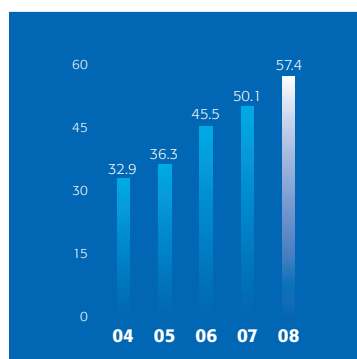
and technologies in its respective area of responsibility. The Application Center refines applied technologies with the aim of keeping TDK in step with market trends and customer needs. The Materials & Process Development Center is responsible for responding to cutting-edge materials technologies and process technologies as well as strengthening and increasing core technologies. The Devices Development Center conducts research in new devices.

In terms of overseas R&D activities, TDK conducts R&D in collaboration with leading universities in the U.S. and UK, and overseas R&D subsidiaries make use of local technological resources. In China, where TDK is aiming to establish and develop an operating base capable of supporting growth, R&D activities are being carried out in the area of electronic components and materials. In addition, consolidated subsidiary Headway Technologies, Inc. is developing next-generation HDD heads.

R&D expenditures in fiscal 2008 rose 14.6% year on year to ¥57,387 million, 6.6% of net sales.

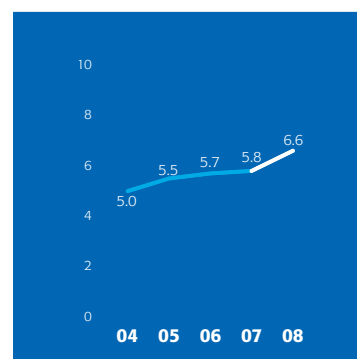
R&D expenditures

(Billions of yen)



Ratio to net sales

(%)



Corporate Social Responsibility (CSR)

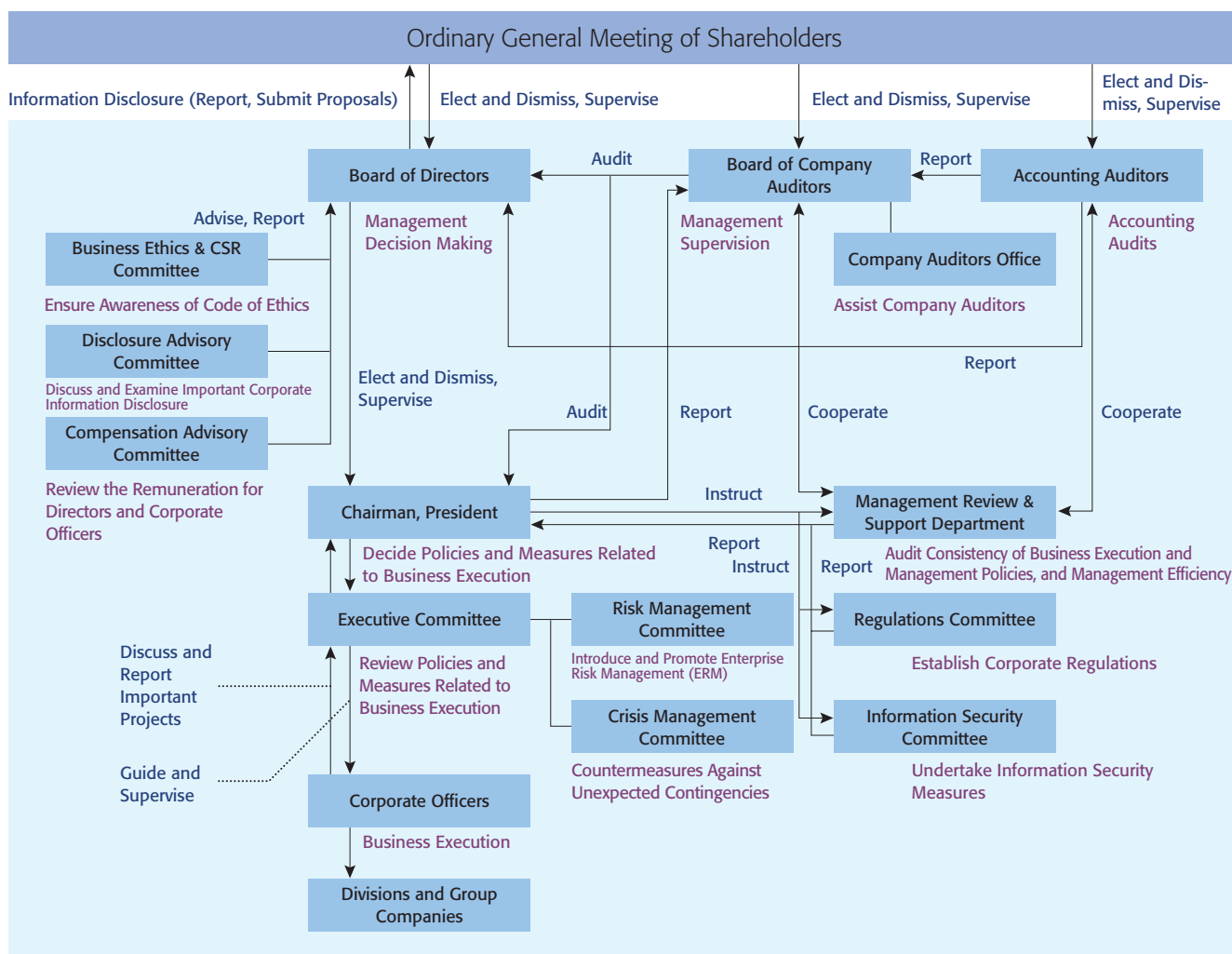
A company exists as a member of society that has relationships with all stakeholders—shareholders, customers, suppliers, employees and communities.

Based on our founding spirit—"Contribute to culture and industry through creativity"—we have been putting great emphasis on maintaining a harmonious and symbiotic relationship with society. In the electronics industry, we contribute to society by providing innovative new products exuding originality. And our corporate activities are based on the observance and enforcement of fair corporate ethics, which we recognize as a social responsibility.

Corporate Governance

The following is a summary of the resolutions regarding the system which ensures that the execution of duties by Directors complies with laws and ordinances and the Articles of Incorporation:

ration, and the system which ensures that the Company's business is duly executed:



1. Systems for ensuring the execution of duties by Directors complies with laws and ordinances, and the Articles of Incorporation:

TDK Corporation ("TDK") was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has increased corporate value through the development of a variety of products of value and originality to society, based on the founding spirit "Contribute to culture and industry through creativity" as its Corporate Motto. In addition, in the "TDK Code of Ethics," TDK has clearly stated its understanding that corporations exist in society with the support of various stakeholders, including shareholders, customers, suppliers, employees and communities. The same Code states that TDK respects the rights of all stakeholders; and that it complies with social norms, including laws and regulations, as a good corporate citizen. All members of the TDK Group behave in strict compliance with the corporate standards of business conduct prescribed by the TDK Code of Ethics.

TDK aims to achieve its management targets and further improve corporate value through the creation of products while adhering to its founding spirit. At the same time, TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, TDK will fulfill its accountability to all stakeholders through the comprehensive, timely and impartial disclosure of appropriate information.

As mentioned above, TDK sincerely and devotedly seeks to achieve its management philosophy, and to maintain the following effective and orderly corporate governance systems to continue to ensure soundness, compliance and transparency in its business operations.

1) Adoption of the Company Auditor System and Strengthening the Supervisory Function:

TDK has adopted the Company Auditor System pursuant to the Companies Act of Japan and has appointed three independent outside Company Auditors who have no conflicts of interest to constitute a majority of the five Company Auditors, in order to enhance the supervision of management.

2) Strengthening the Function of the Board of Directors and Holding Directors More Accountable:

TDK has a small number of Directors (seven) to expedite management decision-making. At the same time, TDK has appointed two Outside Directors who have no conflict of interest in order to enhance the supervision of management. In addition, the Directors' term of office is set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every business year.

3) Adoption of Corporate Officer System for Expeditious Business Execution:

TDK has adopted a Corporate Officer system that separates the management decision-making and Director supervisory functions of the Board of Directors from the execution of business. Corporate Officers are in charge of business execution and carrying out decisions by the Board of Directors, thereby expediting business execution in line with management decisions.

4) Establishment of Advisory Bodies to the Board of Directors (Business Ethics & CSR Committee, Disclosure Advisory Committee, and Compensation Advisory Committee):

The aim of the Business Ethics & CSR Committee is to ensure compliance with corporate ethics and improve awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Company Auditors, Corporate Officers and all other members of the TDK Group are made fully conversant with the TDK Corporate Motto and Corporate Principle ("Vision" "Courage" and "Trust") as TDK's management philosophy, and the TDK Code of Ethics, which stipulates concrete standards and guidelines for compliance with all laws, regulations and social norms.

The Disclosure Advisory Committee reviews and examines important corporate information and disclosure materials required for investment decisions by shareholders and investors, to ensure that TDK conducts comprehensive, appropriate, timely and impartial disclosure in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchanges where TDK's shares are listed.

The Compensation Advisory Committee, which is chaired by the Outside Directors of TDK, examines the level of remuneration and remuneration system pertaining to Directors and Corporate Officers, as well as presidents and qualifying executive officers of principal TDK subsidiaries. It also verifies whether such remuneration is reasonable in light of the transparency of the remuneration decision-making process, corporate business results, individual performance, and the general standards of other companies.

Under the foregoing corporate systems, the Company Auditors with supervisory functions over management ensure soundness, compliance and transparency in TDK's conduct of its business operations by executing their duties pursuant to the Regulations of the Company Auditors' Business and the Regulations of the Board of Company Auditors, and by auditing whether the Directors' performance is appropriate as well as in compliance with laws and regulations and the Articles of Incorporation.

Similarly, Directors in charge of management decision-making and supervision of business execution ensure compliance, transparency and soundness in TDK's conduct of its business operations by executing their duties pursuant to the Regulations of the Directors' Business and the Regulations of the Board of Directors established in accordance with laws and regulations and the Articles of Incorporation. Corporate Officers who are in charge of business execution ensure soundness, compliance and transparency in TDK's conduct of its business operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business and the Executive Committee Regulations.

TDK has established the following system to ensure compliance with all applicable securities and exchange laws and other similar laws and regulations of any country, as well as the rules and regulations of each stock exchange where TDK's shares are listed (hereinafter collectively referred to as the "Securities Regulations"), in particular, the Sarbanes-Oxley Act of the U.S.A. ("Sox Act") and the rules of the New York Stock Exchange.

- (i) TDK will collect, record, analyze, process, summarize and report all the information required to be disclosed under the Securities Regulations and has established an internal control system and other procedures to warrant timely information disclosures within the deadlines stipulated by the Securities Regulations.
- (ii) TDK has established a system to ensure that TDK has procedures designed so as to obtain reasonable assurance that all transactions are properly authorized, that its assets are protected from unauthorized or improper use, and that all trading activities are appropriately recorded and reported for the purpose of enabling TDK to prepare financial statements in accordance with applicable accounting standards.
- (iii) TDK will ensure that the above-mentioned management system is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.

2. System under which information regarding execution of business by Directors shall be maintained and controlled:

The President, who is responsible for the business execution of TDK, has established Document Control Regulations, which are applicable to the TDK Group and provide basic rules for the storage and control of information.

3. Regulations and other systems for managing the risk of losses:

With respect to overall corporate risks, TDK has established the Risk Management Committee, which is chaired by a Corporate Officer appointed in accordance with internal rules, under the direct control of the Executive Committee to promote enter-

prise risk management ("ERM") across TDK. Meanwhile, the Crisis Management Committee plays a central role in providing responses to unexpected events (risks). Furthermore, corporate regulations, bylaws, guidelines and departmental guidelines provide for operating rules for specific risks, including legal, financial, IT-related, disasters and environmental risks. These risks are managed by managers in charge of the particular areas of operation on a daily basis.

The Company Auditors and Management Review & Support Department, an internal audit organization, monitor the implementation of risk countermeasures and give advice and provide support to minimize risks. In addition, TDK receives advice from outside legal counsel from time to time regarding risks associated with its corporate activities.

4. System for ensuring Directors execute their duties efficiently:

TDK has a small number of Directors and has adopted the Corporate Officer system so as to facilitate quick and efficient management decision making by Directors.

At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing and financing of the TDK Group, are deliberated by the Executive Committee, which consists of Corporate Officers in senior positions ranking at or above the level of not lower than Senior Vice President and other Corporate Officers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. TDK ensures efficient management via proposals to the Board of Directors and regular reports from Corporate Officers to the Executive Committee.

In addition, TDK establishes medium-term management targets shared by all members of the TDK Group and strives to make them fully understand those objectives. TDK also establishes systems that enable it to quickly gather and understand the targets and implementation plans of all divisions, as well as their progress by using IT systems.

5. System for ensuring employees' performance of duties is in compliance with laws and regulations, and the Articles of Incorporation:

TDK strives to ensure that all Directors, Company Auditors, Corporate Officers and employees in the TDK Group are fully conversant with the corporate philosophy, TDK Code of Ethics and Corporate Standards of Business Conduct, in order to achieve improved soundness, compliance and transparency of management, and ensure the business execution of every TDK member complies with laws and regulations, as well as TDK's Articles of Incorporation. Furthermore, TDK has established a corporate ethics management system under the Business Ethics & CSR Committee to regularly monitor and investigate

the enforcement of and compliance with the TDK Code of Ethics by the TDK Group worldwide. A consultation office (with help lines) also enables employees to directly report any information and opinion concerning compliance within the TDK Group.

6. System for ensuring optimum business execution by the corporate group consisting of the subject company, its parent company and subsidiaries:

Each Director, Corporate Officer and executive officer strives to ensure optimum business operations by making decisions in observance of the TDK Code of Ethics, job authority regulations for the entire TDK Group and applicable corporate regulations, in order to maintain soundness, compliance and transparency in business operations and to achieve the business targets of TDK and the TDK Group.

The Company Auditors audit, on a regular basis, the conditions of business operations of each division of TDK and the TDK Group, by auditing divisions, examining important documents and attending important meetings. In addition, the Management Review & Support Department audits and supports, on a regular basis, each division of TDK and the TDK Group in order to promote consistency of the business operations and management policies, and efficiency.

TDK and the TDK Group will ensure optimum business operations under such a framework and appropriately respond to requirements and requests from outside the Company, such as in terms of the Sox Act, which is applicable to companies listed on stock exchanges in the United States.

7. Matters relating to employees when Company Auditors request full-time support for their duties:

The Company Auditors Office, consisting of designated full-time employees who do not perform any business execution duties, shall assist the Company Auditors.

8. Matters regarding the independence of employees in the preceding item from Directors:

The Company Auditors shall directly evaluate the performance of the employees in the Company Auditors Office, and any transfer or official reprimand of these employees shall be determined pursuant to the operating rules of the Company subject to consent of the Company Auditors.

Any employee who has been instructed or ordered by a Company Auditor in connection with audit duties shall not be subject to any Director's instruction or order with respect to said Company Auditor's instruction or order.

9. System for ensuring Directors or employees report to Company Auditors and for ensuring other reports to Company Auditors:

Minutes of the Management Committee and other meetings are sent immediately to the Company Auditors, and information regarding business execution by Corporate Officers and the TDK Group's approach to management policies and targets is also provided. Furthermore, Company Auditors attend important meetings, including meetings of the Business Plan Review Meeting, and receive explanations directly from Corporate Officers, as necessary. Moreover, management reports prepared by each business division executing business operations are submitted to Company Auditors, who also confirm progress with business execution across the Company in relation to such reports.

Company Auditors examine meeting minutes and other information regarding the activities of the Business Ethics & CSR Committee, the Risk Management Committee and other committees and receive explanations directly from Corporate Officers involved in such committees depending on the project, enabling Company Auditors to confirm the overall status of corporate activities.

10. System for ensuring Company Auditors conduct audits effectively:

The Company Auditors and the Board of Company Auditors meet with the Representative Directors on a regular basis to confirm management policies, exchange opinions on pressing issues of the TDK Group, risks and important matters from the perspective of Company Auditors' audits. These meetings also deepen mutual understanding between the Company Auditors and the Representative Directors.

Furthermore, the Company Auditors and the Management Review & Support Department meet regularly and also receive regular audit reports from the Accounting Auditors. Through the sharing of information regarding initial audit plans and results, Company Auditors conduct efficient audits.



The TDK Code of Ethics can be found on TDK's website at

<http://www.tdk.co.jp/teaaa01/aaa06000.htm>

The TDK Code of Ethics provides concrete standards and guidelines for compliance with all laws, regulations and social norms, to be followed by every Director, Company Auditor, Corporate Officer and employee of TDK and its consolidated subsidiaries in conducting business.



The corporate governance rules of the New York Stock Exchange require that foreign private issuers disclose any significant ways in which their corporate governance practices differ from the NYSE domestic corporate governance standards (Section 303A. 11).

TDK complies with this requirement by providing statements in its Form 20-F electronically filed with the United States Securities and Exchange Commission under the heading "Significant differences in corporate governance practices between TDK and U.S. listed companies on the New York Stock Exchange." Copies of the Form 20-F are available at the following URL:

http://www.tdk.co.jp/ir_e/library/lib50000.htm

Social Contribution Activities

TDK recognizes the importance of being a corporate citizen with a harmonious and symbiotic relationship with greater society. Considering what TDK as a company could do to benefit society, we have devised various social activities unique to TDK.

Philosophy

Based on the corporate motto of “Contribute to culture and industry through creativity,” the TDK Group will help build a healthier, richer society by carrying out creative activities, with each and every employee maintaining a keen awareness of his or her role as a corporate citizen.

Policy

TDK will channel its corporate citizenship into 4 spheres of activity: academic, research and education; sports, art and culture; environmental conservation; and social welfare and local community activities. Drawing on the various resources of the TDK Group (employees, products, capital, information, etc.), the company will conduct activities on a global scale. These activities will include cooperation with nonprofit organizations and nongovernment organizations.

Academic, Research and Education

TDK uses its knowledge, experience and skills to give back to society by providing opportunities for young people to acquire various types of knowledge and skill and gain new experiences.



Let's try! (Electronics handicraft class)
(Kofu, Yamanashi Prefecture)

Sports, Art and Culture

TDK runs sports, arts and cultural programs that inspire and excite people and give back to society.



Triple jumper Christian Olsen provides technical coaching to some aspiring student athletes (Nagai Stadium, Osaka)

Environmental Conservation

TDK is engaged in various environmental protection activities with the aim of promoting co-existence with the global environment.



“TDK Beechwood Forest” top-dressing
(Akita Prefecture)

Social Welfare and Local Community Activities

TDK draws on its resources to help address various kinds of issues in local communities as it works to help realize a better society.



Volunteers at a welfare facility (TDK FUJITSU Philippines Corporation)

Environmental Activities

TDK positions preservation of the environment as a top management priority. In line with this positioning, TDK has formulated an environmental plan based on a long-term perspective called "TDK Environmental Action 2015." We are conducting various activities in accordance with this plan. In the year ended March 31, 2007, all of TDK's facilities worldwide achieved zero emissions status. From fiscal 2008, we embarked on the company-wide policy of cutting CO₂ emissions. Our target is to reduce these emissions by at least 7% in Japan in fiscal 2011, compared with fiscal 1991.



Specific Initiatives

Global Warming Countermeasures

In December 2006, the Shizuoka Plant began switching over from kerosene and LPG to LNG, which produces low CO₂ emissions, and completed this process in January 2008.



Creating Environment-Conscious Products

TDK has worked to develop environment-conscious products by imposing a requirement that all new products being

developed undergo an assessment of environmental performance.

TDK is now working to introduce new assessment standards and a system to promote the creation of more products with an even higher level of environmental performance.

TDK has also complied with new environmental regulations. At the end of 2004, it completed compliance with the EU's RoHS Directive on general-purpose electronic components. In March 2006, it was in full conformity with China's Management Methods for Control of Pollution from Electronic Information Products (China RoHS). Moreover, TDK is making progress with efforts to ensure compliance with the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation and Eco Design of Energy-Using Products (EuP) Directive.

The Grand Prize for the Global Environment Awards

In fiscal 2008 TDK won the Grand Prize, the top award, in the 17th Global Environmental Awards, sponsored by the Fujisankei Communications Group. This prestigious award recognized the company's framework designed to prevent products containing harmful substances from finding their way to the market through the use of analysis technology with a low environmental impact.



Directors, Company Auditors and Corporate Officers (As of June 27, 2008)

Directors (*Outside Director)



Corporate Officers



Hajime Sawabe
Chairman and CEO



Takehiro Kamigama
President and COO



Seiji Enami
*Executive Vice President
CFO
Administration*



Shinji Yoko
*Senior Vice President
Electronic Components
Sales & Marketing*



Takeshi Nomura
*Senior Vice President
Ferrite & Magnet
Products*



Takaya Ishigaki
*Senior Vice President
Capacitors*



Minoru Takahashi
*Senior Vice President
Technology*



Raymond Leung
*Senior Vice President
China Operation*



Shiro Nomi
*Senior Vice President
Corporate Strategy*

Company Auditors (*Outside Company Auditor)



Yukio Yanase*
Outside Company Auditor



Kaoru Matsumoto*
Outside Company Auditor



Noboru Hara
Full-time Company Auditor



Masaaki Miyoshi
Full-time Company Auditor



Ryoichi Ohno*
Outside Company Auditor



Shinichi Araya
Senior Vice President
Magnetics



Takeo Suzuki
Senior Vice President
Power Systems



Kenichiro Fujihara
Corporate Officer
Electronic Components
Sales & Marketing



Shinya Yoshihara
Corporate Officer
Production Engineering
Development



Atsuo Kobayashi
Corporate Officer
Data Storage & Thin
Film Technology
Components



Junji Yoneyama
Corporate Officer
Human Resources

Financial Section

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Business Results

Analysis of Business Results

Consolidated results for fiscal 2008, ended March 31, 2008, were as follows.

Looking at economic conditions worldwide during the past fiscal year, the U.S. economy saw consumer spending and capital expenditures slow in the second half as a result of rising energy and material prices and other factors. This happened at the same time as housing investment continued to plummet due to a credit crunch triggered by the subprime loan problem. European economies, meanwhile, remained firm, underpinned by strong capital expenditures and increasing consumer spending. In Asia, economic conditions were healthy due to continued expansion, particularly in China. The Japanese economy, while seeing housing investment drop in the wake of amendments to The Building Standard Law of Japan, was resilient during the past fiscal year, thanks to increasing capital expenditures and exports. However, a rapid appreciation in the value of the yen from the beginning of 2008 had a negative impact on exporters.

In the electronics market, which has a major bearing on the TDK Group's performance, fiscal 2008 saw a steady increase in production of flat-screen TVs, home game consoles, notebook PCs, HDDs, and mobile phones. This growth, together with an increase in the number of electronic components in finished products driven by their increasing sophistication and features, led to higher demand for electronic components. The increasing use of electronics in automobiles also increased demand for electronic components.

In this operating environment, the TDK Group responded to this increasing demand for electronic components and stepped up efforts to prioritize businesses. Actions included boosting output of multilayer ceramic chip capacitors and other products, making Denset-Lambda K.K. a wholly owned subsidiary, purchasing assets from Alps Electric Co., Ltd., and acquiring a Thai-based manufacturer of suspension assemblies for HDDs. TDK also transferred its TDK brand recording media sales business.

TDK posted consolidated net sales of ¥866,285 million (U.S.\$8,662,850 thousand), up 0.5% year on year from ¥862,025 million in fiscal 2007. Operating income rose 9.5% from ¥79,590 million to ¥87,175 million (U.S.\$871,750 thousand). Income before income taxes was ¥91,505 million (U.S.\$915,050 thousand), up 3.2% from ¥88,665 million. Net income rose 1.9% from ¥70,125 million to ¥71,461 million (U.S.\$714,610 thousand). Basic net income per common share was ¥551.72 (U.S.\$5.52), compared with ¥529.88 in fiscal 2007.

During fiscal 2008, TDK retired 3,599,000 shares of treasury stock that it had bought back earlier on the open market. The total number of issued TDK shares after retirement is 129,590,659.

During fiscal 2008, the average yen exchange rate was ¥114.44 for the U.S. dollar and ¥161.59 for the euro, representing a 2.2% appreciation in the yen's value against the U.S. dollar and a 7.7% depreciation against the euro. Overall, exchange rate movements had the effect of decreasing net sales by approximately ¥8.1 billion and operating income by approximately ¥5.9 billion.

Years ended March 31	2008		(Thousands of U.S. dollars)	2007		Change	
	(Millions of yen)	(%)		(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	¥866,285	100.0	\$8,662,850	862,025	100.0	4,260	0.5
Operating income	87,175	10.1	871,750	79,590	9.2	7,585	9.5
Income before income taxes	91,505	10.6	915,050	88,665	10.3	2,840	3.2
Net income	71,461	8.2	714,610	70,125	8.1	1,336	1.9
Per common share:							
Net income/Basic	Yen 551.72		U.S.\$5.52	Yen 529.88			
Net income/Diluted	Yen 551.19		U.S.\$5.51	Yen 529.29			
Average rate for the period							
US\$=Yen	Yen 114.44			Yen 116.97			
Euro=Yen	Yen 161.59			Yen 150.02			

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

(Sales by Segment)

TDK's businesses are broadly classified into two business segments: the electronic materials and components segment and the recording media segment. The following is a summary of sales by segment.

Years ended March 31	2008		(Thousands of U.S. dollars)	2007		Change	
	(Millions of yen)	(%)		(Millions of yen)	(%)	(Millions of yen)	(%)
Electronic materials and components	¥818,115	94.4	\$8,181,150	758,821	88.0	59,294	7.8
Electronic materials	200,101	23.1	2,001,010	199,243	23.1	858	0.4
Electronic devices	209,089	24.1	2,090,890	198,199	23.0	10,890	5.5
Recording devices	334,734	38.6	3,347,340	304,822	35.4	29,912	9.8
Other electronic components	74,191	8.6	741,910	56,557	6.5	17,634	31.2
Recording media	48,170	5.6	481,700	103,204	12.0	(55,034)	-53.3
Total sales	866,285	100.0	8,662,850	862,025	100.0	4,260	0.5
Overseas sales	714,172	82.4	7,141,720	690,673	80.1	23,499	3.4

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

ELECTRONIC MATERIALS AND COMPONENTS SEGMENT

This segment is made up of four product sectors: electronic materials, electronic devices, recording devices, and other electronic components.

Segment net sales rose 7.8% from ¥758,821 million to ¥818,115 million (U.S.\$8,181,150 thousand), while segment operating income declined 7.1% from ¥81,775 million to ¥75,972 million (U.S.\$759,720 thousand).

Sector sales of TDK's electronic materials and components were as follows:

ELECTRONIC MATERIALS

This sector is broken down into two product categories: capacitors, and ferrite cores and magnets.

Sales in the electronic materials sector edged up 0.4% from ¥199,243 million to ¥200,101 million (U.S.\$2,001,010 thousand).

[Capacitors]

Sales increased slightly year on year, reflecting higher sales of multilayer ceramic chip capacitors, the main product in the capacitors category, to the auto market and other sectors, which outweighed lower sales for use in PCs and mobile phones.

[Ferrite cores and magnets]

Sales of ferrite cores and magnets rose year on year, as higher magnet sales countered lower ferrite core sales.

ELECTRONIC DEVICES

This sector has three product categories: inductive devices, high-frequency components and other products.

Sales in the electronic devices sector increased 5.5% from ¥198,199 million to ¥209,089 million (U.S.\$2,090,890 thousand).

[Inductive devices]

Sales of inductive devices increased year on year, mainly as a result of higher sales of power line coils and signal line coils used in flat-screen TVs and of common-mode filters for the auto market.

[High-frequency components]

Sales of high-frequency components increased year on year, the result mainly of higher sales for PC applications.

[Other products]

Sales of other products were down year on year, with sensor and actuator sales falling mainly due to price declines and power supplies recording a slight drop due in part to the termination of some products.

RECORDING DEVICES

This sector has two product categories: HDD heads and other, which was previously called "other heads." The renaming of the latter category is due to the inclusion of sales of HDD suspension assemblies manufacturer MPT.

Sector sales increased 9.8% from ¥304,822 million to ¥334,734 million (U.S.\$3,347,340 thousand).

[HDD heads]

Sales increased year on year, as HDD head sales volume increased on the back of higher unit production of HDDs, which was driven by growth in demand for HDDs for use in PCs. Another factor was the increasing storage capacity of HDDs.

[Other]

Category sales increased year on year, with lower other heads sales offset by the inclusion from this fiscal term of the sales of MPT, which was consolidated in November 2007.

OTHER ELECTRONIC COMPONENTS

This sector includes all products of the electronic materials and components segment other than those in the three sectors previously. These products include anechoic chambers, mechatronics (production equipment) and energy devices (rechargeable batteries).

Sector sales climbed 31.2% from ¥56,557 million to ¥74,191 million (U.S.\$741,910 thousand), the result of higher anechoic chamber and energy device sales, and strong sales of new products.

RECORDING MEDIA SEGMENT

This segment has three product categories: audiotapes and videotapes, optical media and other products.

Segment sales dropped 53.3% from ¥103,204 million to ¥48,170 million (U.S.\$481,700 thousand). The segment recorded operating income of ¥11,203 million, a ¥13,388 million improvement on the operating loss of ¥2,185 million in fiscal 2007.

As mentioned earlier, on August 1, 2007, TDK transferred its TDK brand product sales business for recording media to Imation Corp. At the same time, TDK granted a license to use the TDK brand for current and future recording media products to Imation Corp. This business transfer resulted in TDK recognizing a gain on transfer of ¥15,340 million (U.S.\$153,400 thousand) for the recording media business in fiscal 2008, which is included in operating income.

[Audiotapes and videotapes]

Sales of audiotapes and videotapes declined year on year, reflecting the effect of the sales business transfer and falling demand amid an ongoing switch to digital data storage.

[Optical media]

There was a decline in optical media sales year on year, the result of lower sales of CD-Rs and DVDs following the sales business transfer. On the other hand, sales of Blu-ray Discs increased.

[Other products]

Sales of other products decreased year on year despite higher sales of LTO-standard* (Linear Tape-Open) tape-based

data storage media for computers on the back of rising demand. The main reason for the overall fall in sales was lower sales of accessories and other products following the sales business transfer.

* Linear Tape-Open, LTO, the LTO logo, Ultrium and the Ultrium Logo are trademarks of HP, IBM and Quantum in the U.S. and other countries.

(Sales by Region)

Recording media segment sales decreased in all regions due to the aforementioned sales business transfer to Imation Corp.

[Japan]

Overall sales fell, with sales decreasing in all product sectors except other electronic components.

[Americas]

Sales decreased overall due to lower sales of electronic materials.

[Europe]

Sales decreased overall due to lower sales of electronic materials.

[Asia (excluding Japan) and other areas]

Sales rose overall on the back of higher sales in all four sectors of the electronic materials and components segment.

As a result, overseas sales rose 3.4% from ¥690,673 million to ¥714,172 million (U.S.\$7,141,720 thousand). Overseas sales accounted for 82.4% of consolidated net sales, a 2.3 percentage point increase from 80.1% one year earlier.

Years ended March 31	2008		2007		Change	
	(Millions of yen)	(%)	(Thousands of U.S. dollars)	(Millions of yen)	(%)	(Millions of yen)
Americas	¥ 96,287	11.1	\$ 962,870	103,124	11.9	(6,837)
Europe	59,128	6.8	591,280	83,545	9.7	(24,417)
Asia and others	558,757	64.5	5,587,570	504,004	58.5	54,753
Overseas sales total	714,172	82.4	7,141,720	690,673	80.1	23,499
Japan	152,113	17.6	1,521,130	171,352	19.9	(19,239)
Net sales	¥866,285	100.0	\$8,662,850	862,025	100.0	4,260

Notes: 1. Overseas sales are based on the location of the customers.

2. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Financial Position

The following table summarizes TDK's consolidated balance sheet at March 31, 2008, compared with March 31, 2007.

As of March 31	2008		2007		Change	
	(Millions of yen)		(Millions of yen)		(Millions of yen)	
Total assets	¥935,533		989,304		(53,771)	
Total stockholders' equity	716,577		762,712		(46,135)	
Stockholders' equity ratio	76.6%		77.1		0.5 percentage point decrease	

At the end of fiscal year, cash and cash equivalents and net trade receivables were ¥123,064 million and ¥21,196 million lower than a year ago, respectively, while net property, plant and equipment increased ¥20,446 million, investments in securities increased ¥36,073 million and other assets increased ¥42,260 million. As a result of these and other changes, total assets decreased ¥53,771 million compared with March 31, 2007.

Total liabilities increased ¥2,883 million year on year, with trade payables declining ¥5,380 million. Meanwhile, short-term debt rose ¥5,885 million and accrued expenses increased ¥2,717 million.

Total stockholders' equity decreased ¥46,135 million year on year with accumulated other comprehensive loss climbing ¥63,737 million. Meanwhile, retained earnings rose ¥17,369 million.

Cash Flows

Year ended March 31	2008	2007	(Millions of yen) Change
Net cash provided by operating activities	¥ 119,413	145,483	(26,070)
Net cash used in investing activities	(157,747)	(81,488)	(76,259)
Net cash used in financing activities	(60,086)	(15,862)	(44,224)
Effect of exchange rate changes on cash and cash equivalents	(24,644)	2,019	(26,663)
Net increase (decrease) in cash and cash equivalents	(123,064)	50,152	(173,216)
Cash and cash equivalents at beginning of period	289,169	239,017	50,152
Cash and cash equivalents at end of period	166,105	289,169	(123,064)

Operating activities provided net cash of ¥119,413 million (U.S.\$1,194,130 thousand), a year on year decrease of ¥26,070 million. Net income increased ¥1,336 million to ¥71,461 million (U.S.\$714,610 thousand) and depreciation and amortization increased ¥5,960 million to ¥71,297 million (U.S.\$712,970 thousand). In changes in assets and liabilities, trade receivables increased ¥25,032 million, inventories increased ¥15,844 million, other current assets increased ¥15,292 million and trade payables increased ¥21,995 million.

Investing activities used net cash of ¥157,747 million (U.S.\$1,577,470 thousand), ¥76,259 million more than a year earlier. Capital expenditures increased ¥13,872 million to ¥84,312 million (U.S.\$843,120 thousand). There was also an increase of ¥37,155 million for acquisition of assets, ¥14,196 million for payment for purchase of investments in securities, ¥18,182 million for acquisition of subsidiaries, net of cash acquired, ¥15,849 million for acquisition of minority interests, while payment for purchase of short-term investments decreased ¥22,549 million.

Financing activities used net cash of ¥60,086 million (U.S.\$600,860 thousand), ¥44,224 million more than a year earlier. Repayment of long-term debt increased ¥7,099 million. There was a ¥39,218 million increase in cash paid to acquire the Company's own shares, with the aim of improving capital efficiency and further raising the level of stockholder returns.

Fundamental Policy for Distribution of Earnings, and Fiscal 2008 and Fiscal 2009 Dividends

Returning earnings to shareholders is one of TDK's highest management priorities. Therefore, TDK's fundamental policy is to give consideration to a consistent increase in dividends based on factors such as the return on equity (ROE), dividends as a percentage of equity (DOE) and TDK's results of operations on a consolidated basis.

Retained earnings are used to make aggressive investments for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to the rapid technological advances in the electronics industry.

	2008	(Yen) 2007
Interim dividend	¥ 60.00	50.00
Year-end dividend	70.00	60.00
Annual dividend	130.00	110.00

Note: Above amounts are announced dividends per share.

Consolidated Balance Sheets

As of March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current assets:			
Cash and cash equivalents	¥166,105	289,169	\$1,661,050
Short-term investments	1,179	11,071	11,790
Marketable securities	3,986	1,063	39,860
Net trade receivables	157,118	178,314	1,571,180
Inventories	88,816	89,789	888,160
Income tax receivables	1,340	276	13,400
Assets held for sale	919	2,125	9,190
Prepaid expenses and other current assets	43,357	43,563	433,570
Total current assets	462,820	615,370	4,628,200
Investments in securities	68,714	32,641	687,140
Net property, plant and equipment	267,149	246,703	2,671,490
Goodwill	30,020	17,539	300,200
Intangible assets	63,322	31,005	633,220
Deferred income taxes	11,257	9,666	112,570
Other assets	32,251	36,380	322,510
Total assets	¥935,533	989,304	\$9,355,330

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current liabilities:			
Short-term debt	¥ 8,898	3,013	\$ 88,980
Current installments of long-term debt	294	514	2,940
Trade payables	76,391	81,771	763,910
Accrued expenses	63,834	61,117	638,340
Income taxes payables	7,660	13,245	76,600
Other current liabilities	4,884	5,880	48,840
Total current liabilities	161,961	165,540	1,619,610
Long-term debt, excluding current installments	152	532	1,520
Retirement and severance benefits	33,990	32,290	339,900
Deferred income taxes	5,998	7,526	59,980
Other noncurrent liabilities	13,171	6,501	131,710
Total liabilities	215,272	212,389	2,152,720
Minority interests	3,684	14,203	36,840
Stockholders' equity:			
Common stock			
Authorized 480,000,000 shares;			
issued 129,590,659 shares in 2008 and 133,189,659 shares in 2007;			
outstanding 128,955,736 shares in 2008 and 132,434,205 shares in 2007.	32,641	32,641	326,410
Additional paid-in capital	63,887	63,695	638,870
Legal reserve	19,510	18,844	195,100
Retained earnings	688,719	671,350	6,887,190
Accumulated other comprehensive income (loss)	(81,583)	(17,846)	(815,830)
Treasury stock at cost; 634,923 shares in 2008 and 755,454 shares in 2007	(6,597)	(5,972)	(65,970)
Total stockholders' equity	716,577	762,712	7,165,770
Total liabilities and stockholders' equity	¥935,533	989,304	\$9,355,330

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Consolidated Statements of Income

For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net sales	¥866,285	862,025	\$8,662,850
Cost of sales	635,529	622,819	6,355,290
Gross profit	230,756	239,206	2,307,560
Selling, general and administrative expenses	158,921	159,106	1,589,210
Gain on business transfer to Imation Corp.	(15,340)	—	(153,400)
Restructuring cost	—	510	—
Operating income	87,175	79,590	871,750
Other income (deductions):			
Interest and dividend income	8,284	7,025	82,840
Interest expense	(218)	(200)	(2,180)
Equity in earnings of affiliates	1,969	1,489	19,690
Gain (loss) on securities, net.	(2,081)	(212)	(20,810)
Foreign exchange gain (loss)	(3,670)	973	(36,700)
Other—net	46	0	460
	4,330	9,075	43,300
Income before income taxes	91,505	88,665	915,050
Income taxes	19,948	16,985	199,480
Income before minority interests	71,557	71,680	715,570
Minority interests	96	1,555	960
Net income	¥ 71,461	70,125	\$ 714,610
	Yen (except number of common shares outstanding)		U.S. dollars
Amounts per share:			
Net income per share:			
Basic	¥ 551.72	529.88	\$5.52
Diluted	551.19	529.29	5.51
Weighted average basic common shares outstanding (in thousands)	129,525	132,342	
Effect of dilutive stock options (in thousands)	124	146	
Weighted average diluted common shares outstanding (in thousands)	129,649	132,488	
Cash dividends paid during the year	¥ 130.00	110.00	\$1.30

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Consolidated Statements of Stockholders' Equity

For the years ended March 31, 2008 and 2007

	Millions of yen						
2007	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balance at March 31, 2006 (as previously reported) . .	¥32,641	¥63,237	¥17,517	¥618,259	¥(21,946)	¥(7,289)	¥702,419
Adjustment for the cumulative effect on prior years of the adoption of SAB No. 108.	—	—	—	(2,287)	—	—	(2,287)
Balance at March 31, 2006 (after adjustment)	32,641	63,237	17,517	615,972	(21,946)	(7,289)	700,132
Non-cash compensation charges under stock option plans.		458					458
Cash dividends.				(13,230)			(13,230)
Transferred to legal reserve.			1,327	(1,327)			—
Comprehensive income:							
Net income.				70,125			70,125
Foreign currency translation adjustments. . .					4,383		4,383
Minimum pension liability adjustments					2,290		2,290
Net unrealized gains (losses) on securities . .					76		76
Total comprehensive income							76,874
Adjustment to initially apply SFAS 158, net of tax. .					(2,649)		(2,649)
Acquisition of treasury stock.						(32)	(32)
Exercise of stock option.				(190)		1,349	1,159
Balance at March 31, 2007	¥32,641	¥63,695	¥18,844	¥671,350	¥(17,846)	¥(5,972)	¥762,712

	Millions of yen						
2008	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balance at March 31, 2007	¥32,641	¥63,695	¥18,844	¥671,350	¥(17,846)	¥ (5,972)	¥762,712
Non-cash compensation charges under stock option plans.		375					375
Adjustment for change in equity method interest. .		(134)					(134)
Cash dividends.				(15,683)			(15,683)
Transferred to legal reserve.			666	(666)			—
Comprehensive income:							
Net income.				71,461			71,461
Foreign currency translation adjustments. . .					(55,757)		(55,757)
Pension liability adjustments.					(4,684)		(4,684)
Net unrealized gains (losses) on securities . .					(3,296)		(3,296)
Total comprehensive income							7,724
Acquisition of treasury stock.						(39,250)	(39,250)
Retirement of treasury stock.				(37,410)		37,410	—
Exercise of stock option.				(333)		1,215	882
Adjustment for employee stock awards to be reclassified as a liability.		(49)					(49)
Balance at March 31, 2008	¥32,641	¥63,887	¥19,510	¥688,719	¥(81,583)	¥ (6,597)	¥716,577

	Thousands of U.S. dollars						
2008	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total stockholders' equity
Balance at March 31, 2007	\$326,410	\$636,950	\$188,440	\$6,713,500	\$(178,460)	\$ (59,720)	\$7,627,120
Non-cash compensation charges under stock option plans.		3,750					3,750
Adjustment for change in equity method interest. .		(1,340)					(1,340)
Cash dividends.				(156,830)			(156,830)
Transferred to legal reserve.			6,660	(6,660)			—
Comprehensive income:							
Net income.				714,610			714,610
Foreign currency translation adjustments. . .					(557,570)		(557,570)
Pension liability adjustments.					(46,840)		(46,840)
Net unrealized gains (losses) on securities . .					(32,960)		(32,960)
Total comprehensive income							77,240
Acquisition of treasury stock.						(392,500)	(392,500)
Retirement of treasury stock.				(374,100)		374,100	—
Exercise of stock option.				(3,330)		12,150	8,820
Adjustment for employee stock awards to be reclassified as a liability.		(490)					(490)
Balance at March 31, 2008	\$326,410	\$638,870	\$195,100	\$6,887,190	\$(815,830)	\$ (65,970)	\$7,165,770

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Consolidated Statements of Cash Flows

For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash flows from operating activities:			
Net income.	¥ 71,461	70,125	\$ 714,610
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	71,297	65,337	712,970
Loss on disposal of property and equipment	2,955	2,649	29,550
Deferred income taxes.	(1,885)	(1,878)	(18,850)
Loss (gain) on securities, net.	2,081	212	20,810
Gain on sale of business to Imation Corp.	(15,340)	—	(153,400)
Gain on sale of a subsidiary	(274)	—	(2,740)
Changes in assets and liabilities, net of effects of acquisition of businesses:			
Decrease (increase) in trade receivables	(13,791)	11,241	(137,910)
Decrease (increase) in inventories	(14,952)	892	(149,520)
Decrease (increase) in other current assets	(9,090)	6,202	(90,900)
Increase (decrease) in trade payables	16,723	(5,272)	167,230
Increase (decrease) in accrued expenses.	8,745	(7,068)	87,450
Increase (decrease) in income taxes payables, net	(849)	4,004	(8,490)
Increase (decrease) in other current liabilities	1,962	(1,808)	19,620
Increase (decrease) in retirement and severance benefits, net	(2,221)	(74)	(22,210)
Other—net	2,591	921	25,910
Net cash provided by operating activities	119,413	145,483	1,194,130
Cash flows from investing activities:			
Capital expenditures.	(84,312)	(70,440)	(843,120)
Proceeds from sale and maturity of short-term investments	18,508	20,046	185,080
Payment for purchase of short-term investments	(8,540)	(31,089)	(85,400)
Proceeds from sale and maturity of investments in securities	1,177	23	11,770
Payment for purchase of investments in securities	(17,834)	(3,638)	(178,340)
Acquisition of assets.	(37,155)	—	(371,550)
Proceeds from sale of businesses	3,264	—	32,640
Acquisition of subsidiaries, net of cash acquired	(18,182)	—	(181,820)
Acquisition of affiliates	(2,206)	—	(22,060)
Proceeds from sales of tangible and intangible assets	3,000	3,678	30,000
Acquisition of minority interests.	(15,855)	(6)	(158,550)
Other—net	388	(62)	3,880
Net cash used in investing activities	(157,747)	(81,488)	(1,577,470)
Cash flows from financing activities:			
Repayment of long-term debt.	(9,242)	(2,143)	(92,420)
Increase (decrease) in short-term debt, net.	3,574	(1,456)	35,740
Proceeds from exercise of stock options	882	1,159	8,820
Cash paid to acquire treasury stock	(39,250)	(32)	(392,500)
Dividends paid	(15,683)	(13,230)	(156,830)
Other—net	(367)	(160)	(3,670)
Net cash used in financing activities	(60,086)	(15,862)	(600,860)
Effect of exchange rate changes on cash and cash equivalents	(24,644)	2,019	(246,440)
Net increase (decrease) in cash and cash equivalents	(123,064)	50,152	(1,230,640)
Cash and cash equivalents at beginning of period	289,169	239,017	2,891,690
Cash and cash equivalents at end of period	¥ 166,105	289,169	\$ 1,661,050

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Summary of Significant Accounting Policies

1. The consolidated financial statements are prepared in conformity with the U.S. GAAP.

(1) Marketable Securities

Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" is adopted.

(2) Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average method.

(3) Depreciation

Depreciation of property, plant and equipment is principally computed by the declining-balance method for assets located in Japan and certain foreign subsidiaries, and by the straight-line method for assets of other foreign subsidiaries based on estimated useful lives.

(4) 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 base and operating loss and tax credit carryforwards.

The Financial Accounting Standards Board ("FASB") Interpretation No. 48 "Accounting for Uncertainty in Income Taxes—an interpretation of Statement of Financial Accounting Standards ("SFAS") No. 109" ("FIN 48") is adopted.

(5) Derivatives Financial Instruments

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133" are adopted.

(6) Goodwill and Other Intangible Assets

SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" are adopted.

(7) Retirement and Severance Benefits

SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" are adopted.

2. As of March 31, 2008, TDK had 91 subsidiaries (18 in Japan and 73 overseas). TDK also had 7 affiliates (4 in Japan and 3 overseas) whose financial statements are accounted for by the equity method.

The following industry and geographic segment information are required by the Japanese Financial Instruments Exchange Law.

Industry segment information

Years ended March 31	Millions of yen				Thousands of U.S. dollars	Change
	2008		2007		2008	
ELECTRONIC MATERIALS AND COMPONENTS						
Net sales						
External sales	¥818,115		758,821		\$8,181,150	7.8
Intersegment	—		—		—	—
Total revenue	818,115	(100.0%)	758,821	(100.0%)	8,181,150	7.8
Operating expenses	742,143	(90.7%)	677,046	(89.2%)	7,421,430	9.6
Operating income	¥ 75,972	(9.3%)	81,775	(10.8%)	\$ 759,720	−7.1
RECORDING MEDIA						
Net sales						
External sales	¥ 48,170		103,204		\$ 481,700	−53.3
Intersegment	—		—		—	—
Total revenue	48,170	(100.0%)	103,204	(100.0%)	481,700	−53.3
Operating expenses	36,967	(76.7%)	105,389	(102.1%)	369,670	−64.9
Operating income (loss)	¥ 11,203	(23.3%)	(2,185)	(−2.1%)	\$ 112,030	—
TOTAL						
Net sales						
External sales	¥866,285		862,025		\$8,662,850	0.5
Intersegment	—		—		—	—
Total revenue	866,285	(100.0%)	862,025	(100.0%)	8,662,850	0.5
Operating expenses	779,110	(89.9%)	782,435	(90.8%)	7,791,100	−0.4
Operating income	¥ 87,175	(10.1%)	79,590	(9.2%)	\$ 871,750	9.5

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Geographic segment information

Geographic Segment Information			Thousands of U.S. dollars	
Years ended March 31	Millions of yen		2008	Change
	2008	2007		
JAPAN				
Net sales	¥390,364	397,147	\$3,903,640	−1.7
Operating income	35,257	31,277	352,570	12.7
AMERICAS				
Net sales	103,248	111,689	1,032,480	−7.6
Operating income	7,905	7,869	79,050	0.5
EUROPE				
Net sales	54,418	84,329	544,180	−35.5
Operating income (loss)	(4,056)	(3)	(40,560)	—
ASIA AND OTHERS				
Net sales	636,242	572,979	6,362,420	11.0
Operating income	44,397	41,515	443,970	6.9
INTERSEGMENT ELIMINATIONS				
Net sales	317,987	304,119	3,179,870	
Operating income (loss)	3,672	(1,068)	36,720	
TOTAL				
Net sales	¥866,285	862,025	\$8,662,850	0.5
Operating income	87,175	79,590	871,750	9.5
OVERSEAS SALES				
Americas	¥ 96,287	(11.1%)	\$ 962,870	−6.6
Europe	59,128	(6.8%)	591,280	−29.2
Asia and others	558,757	(64.5%)	5,587,570	10.9
Overseas sales total	¥714,172	(82.4%)	\$7,141,720	3.4

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Fair Value of Securities

As of March 31, 2008 and 2007

	2008				2007			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Millions of yen								
Equity securities . . .	¥22,800	2,276	4,039	21,037	11,919	3,566	488	14,997
Debt securities	4,972	3	–	4,975	1,983	–	5	1,978
	¥27,772	2,279	4,039	26,012	13,902	3,566	493	16,975
Thousands of U.S. dollars								
Equity securities . . .	\$228,000	22,760	40,390	210,370				
Debt securities	49,720	30	–	49,750				
	\$277,720	22,790	40,390	260,120				

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Fair Value of Derivatives

As of March 31, 2008 and 2007

	2008			2007		
	Contract Amount	Carrying Amount	Estimated Fair Value	Contract Amount	Carrying Amount	Estimated Fair Value
Millions of yen						
Forward foreign exchange contracts	¥12,244	(50)	(50)	8,434	72	72
Currency option contracts	1,080	18	18	5,400	82	82
Thousands of U.S. dollars						
Forward foreign exchange contracts	\$122,440	(500)	(500)			
Currency option contracts	10,800	180	180			

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥100.

Cautionary Statement to Financial Section

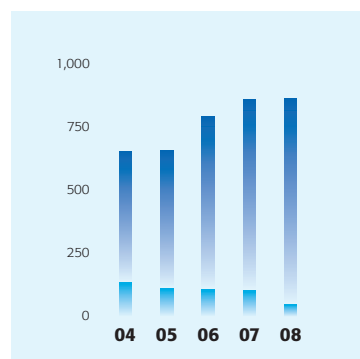
The financial section of this annual review was prepared in its entirety based on financial data announced on April 28, 2008 and is provided for the convenience of investors.

Regarding its Form 20-F annual report to the United States Securities and Exchange Commission (SEC), TDK makes this report available on its website at (http://www.tdk.co.jp/ir_e/library/lib50000.htm) as soon as it is electronically filed.

Financial Data

Net sales

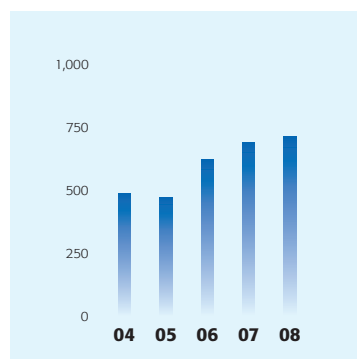
(Billions of yen)



■ Electronic materials and components
■ Recording media

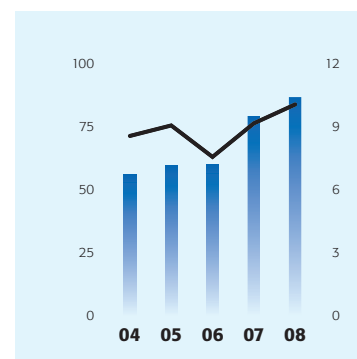
Overseas sales

(Billions of yen)



Operating income and ratio to net sales

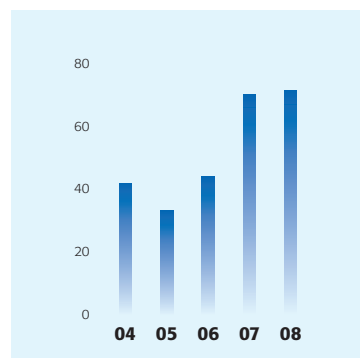
(Billions of yen, %)



■ Operating income (left scale)
— Ratio to net sales (right scale)

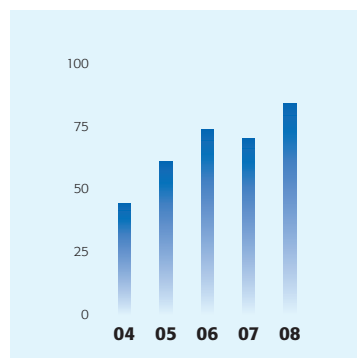
Net income

(Billions of yen)



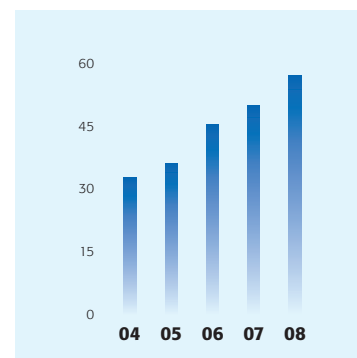
Capital expenditures

(Billions of yen)



Research and development

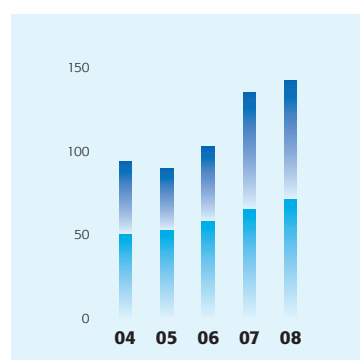
(Billions of yen)



Years ended March 31 or as of March 31	Millions of yen				
	2008	2007	2006	2005	2004
Net sales	¥866,285	862,025	795,180	657,853	655,792
Electronic materials and components	818,115	758,821	687,750	545,214	519,792
Recording media	48,170	103,204	107,430	112,639	136,000
Overseas sales	¥714,172	690,673	621,522	473,828	487,169
Operating income and ratio to net sales					
Operating income	¥ 87,175	79,590	60,523	59,830	56,510
Ratio to net sales (%)	10.1%	9.2	7.6	9.1	8.6
Net income	¥ 71,461	70,125	44,101	33,300	42,101
Capital expenditures	¥ 84,312	70,440	73,911	61,005	44,471
Research and development	¥ 57,387	50,058	45,528	36,348	32,948

Net cash flows

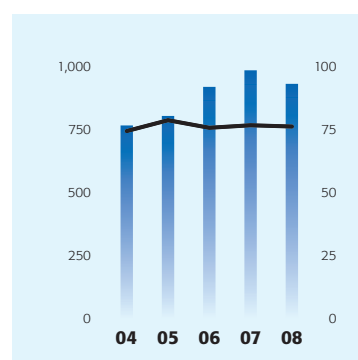
(Billions of yen)



■ Net income
■ Depreciation and amortization

Total assets and stockholders' equity ratio

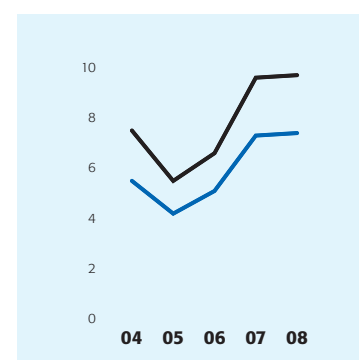
(Billions of yen, %)



■ Total assets (left scale)
— Stockholders' equity ratio (right scale)

Return on total assets and return on equity

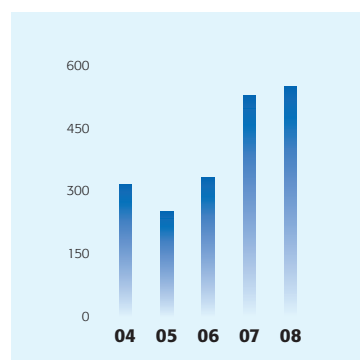
(%)



— Return on total assets
— Return on equity

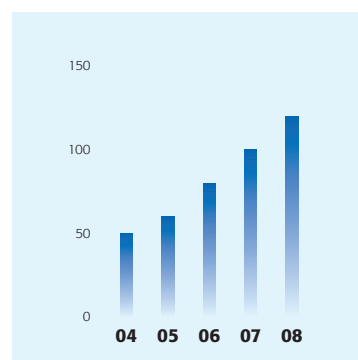
Basic net income per share

(Yen)

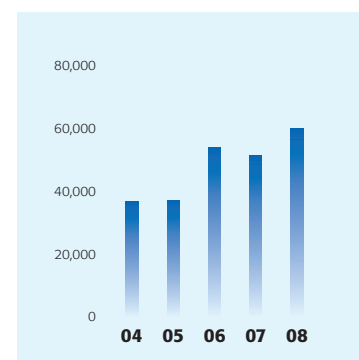


Dividend per share (Cash flow base)

(Yen)



Number of employees



	Millions of yen				
	2008	2007	2006	2005	2004
Net cash flows					
Net income	¥ 71,461	70,125	44,101	33,300	42,101
Depreciation and amortization	71,297	65,337	58,540	52,806	50,726
Total assets and stockholders' equity ratio					
Total assets	¥935,533	989,304	923,503	808,001	770,319
Stockholders' equity ratio (%)	76.6%	77.1	76.1	79.1	74.8
Return on total assets and return on equity					
Return on total assets (%)	7.4%	7.3	5.1	4.2	5.5
Return on equity (%)	9.7%	9.6	6.6	5.5	7.5
Net income per share					
Basic (Yen)	¥ 551.72	529.88	333.50	251.71	317.80
Diluted (Yen)	551.19	529.29	333.20	251.56	317.69
Dividend per share (Yen) (Cash flow base)	¥ 120.00	100.00	80.00	60.00	50.00
Number of employees	60,212	51,614	53,923	37,115	36,804

Investor Information (As of March 31, 2008)



CORPORATE HEADQUARTERS

TDK CORPORATION

1-13-1, Nihonbashi, Chuo-ku,
Tokyo 103-8272 Japan

DATE OF ESTABLISHMENT

December 7, 1935

PAID-IN CAPITAL

¥32,641,976,312

AUTHORIZED NUMBER OF SHARES

480,000,000 shares

ISSUED NUMBER OF SHARES

129,590,659

NUMBER OF SHAREHOLDERS

22,322

SECURITIES TRADED

Japan: Tokyo
Overseas: New York, London

ADMINISTRATOR OF SHAREHOLDER'S REGISTER

The Chuo Mitsui Trust & Banking Co., Ltd.
3-33-1, Shiba, Minato-ku, Tokyo 105-8574 Japan

DEPOSITORY FOR AMERICAN DEPOSITARY RECEIPTS (ADRs)

Citibank, N.A.
111 Wall Street, 20th Floor, Zone 7
New York, NY 10005 U.S.A.

INDEPENDENT AUDITORS

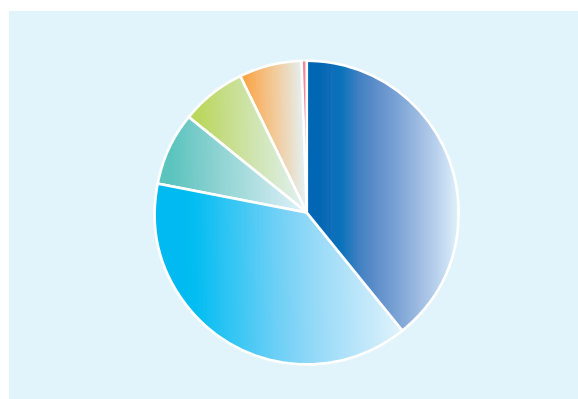
KPMG AZSA & Co.

PRINCIPAL SHAREHOLDERS (TEN LARGEST SHAREHOLDERS)

Name of shareholder	Investment in the Company	
	Number of shares held (thousands of shares)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	13,157	10.20
The Master Trust Bank of Japan, Ltd. (Trust account)	12,532	9.72
Matsushita Electric Industrial Co., Ltd.	6,250	4.85
Deutsche Securities Inc.	5,566	4.32
Societe Generale Securities, Tokyo Branch	2,378	1.84
State Street Bank and Trust Company	2,305	1.79
BNP Paribas Securities (Japan) Ltd.	2,262	1.75
Nats Cumco	2,211	1.71
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	2,209	1.71
Nippon Life Insurance Company	2,140	1.66
Total	51,009	39.56

Notes: 1. The percentage of shares held is calculated deducting 634,923 shares of treasury stock.
2. Number of shares held and percentage of shares held have been rounded to the nearest unit.

STATUS BY OWNERSHIP



FURTHER INFORMATION

For further information and additional copies of this booklet and other publications, please contact:

■ TDK Corporation

Corporate Communications Dept.
1-13-1, Nihonbashi, Chuo-ku, Tokyo 103-8272 Japan
Tel: +81 (3) 5201-7102 Fax: +81 (3) 5201-7114

■ TDK U.S.A. Corporation

901 Franklin Avenue, Garden City N.Y. 11530 U.S.A.
Tel: +1 (516) 535-2600

■ TDK Electronics Europe GmbH

Wanheimer Strasse 57, D-40472 Duesseldorf, Germany
Tel: +49 (211) 90770

■ E-mail

tdkhqir@mb1.tdk.co.jp

INTERNET ADDRESS

http://www.tdk.co.jp/ir_e/
TDK provides various investor information, including its latest earnings results, in the IR Information section of its website.

For inquiries concerning ADRs, please contact:

Citibank, N.A. Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077
U.S.A.
Tel: 1-877-248-4237 CITI-ADR (toll free)
Tel: 1-816-843-4281 (out of U.S.)
Fax: 1-201-324-3284
Internet: www.citigroup.com/adr
E-mail: citibank@shareholders-online.com



TDK Corporation

1-13-1, Nihonbashi, Chuo-ku, Tokyo 103-8272 Japan

Tel: +81 (3) 5201-7102 Fax: +81 (3) 5201-7114

<http://www.tdk.co.jp/>

