

### **3) Summary**

Consolidated results for the first half of fiscal 2001, the six-month period from April 1, 2000 through September 30, 2000, are as follows:

TDK Corporation today announced its consolidated business results for the first half of fiscal 2001, the six-month period ended September 30, 2000. Net sales rose 6.8% to ¥352,026 million (US\$3,259,500 thousand) and operating profit was up 0.4% compared with the first half of fiscal 2000 to ¥36,449 million (US\$337,491 thousand). Income before income taxes increased 40.6% to ¥47,831 million (US\$442,880 thousand), net income climbed 39.6% to ¥32,605 million (US\$301,898 thousand) and net income per common share was ¥244.96 (US\$2.27). Results for the period include a gain of ¥12,518 million (US\$115,907 thousand) resulting from the establishment of a trust to fund pension liabilities.

Average exchange rates for the yen were ¥107 and ¥99 versus the U.S. dollar and euro, respectively, as the yen strengthened by 9% and 20% in relation to these two currencies. TDK estimates that the appreciation of the yen had the net effect of reducing net sales by ¥24.5 billion and operating profit by ¥10.1 billion.

Effective from the current fiscal year, TDK has revised its presentation for sector information. Based on this new reporting system, net sales in the electronic materials and components segment increased 11.7% to ¥289,239 million (US\$2,678,139 thousand).

Within this segment, sales in the electronic materials sector were up 29.8% to ¥109,323 million (US\$1,012,250 thousand). This growth was primarily attributable to a large increase in sales of multilayer chip capacitors for use in mobile phones, PCs and peripherals, and digital devices. Orders for ferrite cores also rose, mainly from manufacturers of audio and visual products, PCs and data-communications devices. Magnet sales declined slightly as the impact of the strong yen on overseas results outweighed an increase in sales volume.

In the electronic devices sector, sales increased 19.9% to ¥75,068 million (US\$695,074 thousand) as several key product categories performed well. Sales of high-frequency components for mobile phones rose substantially. This was due to TDK's development of new high-frequency modules that target the expanding mobile phone market along with investments to step up output capacity of all types of high-frequency components. Sales of inductive devices increased. Rising demand in the audio and visual products, office equipment and communications markets led to higher orders for coils. Noise reduction components also benefited

from expansion in output of office and communications equipment. Holding back growth in inductive device sales were transformers, where sales declined as downsizing led to lower unit prices and some products lost market share. In sensors and actuators, robust demand for mobile phone components led to higher sales. Power systems sales also rose, chiefly for use in industrial machinery, communications equipment and semiconductor production equipment.

Recording devices sales decreased 9.3% to ¥91,757 million (US\$849,602 thousand). As in the year's first quarter, results felt the effects of falling unit prices and a strong yen. In addition, performance in the second quarter was impacted by a downturn in shipments of new GMR heads due to lower production yields caused by the advanced technology required by these heads. Further limiting sales was a six-day suspension in production at TDK's Kofu Plant in September because of heavy rain.

Sales in the semiconductors & others sector climbed 20.6% to ¥13,091 million (US\$121,213 thousand). Growth was driven mainly by higher sales of semiconductors for LAN products and set-top box modems.

In the recording media & systems segment, sales were down 11.0% to ¥62,787 million (US\$581,361 thousand). Expansion in sales volumes of CD-R optical disks continued but sales fell as an oversupply of these disks exerted severe pressure on prices. Also bringing down segment sales was declining demand for audiotapes and lower sales prices in the videotape and MD markets. The rapid decline in CD-R sales prices resulted in an operating loss in this segment.

By region, sales in Japan increased 5.0% to ¥120,582 million (US\$1,116,500 thousand). Sales of electronic materials, notably multilayer chip capacitors, and electronic devices were higher while sales of recording media & systems fell. In Europe, sales climbed 15.3% to ¥45,732 million (US\$423,445 thousand), mostly the result of strength in multilayer chip capacitors and high-frequency components for GSM-format mobile phones. Growth in the electronic materials and electronic devices sectors, mainly for products used in audio and visual products and PCs and peripherals, was mainly responsible for a 7.2% increase in sales in Asia (excluding Japan) and Oceania to ¥129,925 million (US\$1,203,009 thousand). In the Americas, sales increased 3.7% to ¥55,787 million (US\$516,546 thousand). Growth in the electronic materials and components segment was smaller than in other regions as TDK designs many components in the Americas but manufactures them in Asia. Sales of recording media & systems declined. Total overseas sales rose 7.8% to ¥231,444 million (US\$2,143,000 thousand) and increased from 65.2% to 65.7% of total consolidated net sales.

On a parent-company basis, net sales increased 10.0% to ¥233,970 million (US\$2,166,388 thousand). The main contributors were multilayer chip capacitors and high-frequency components. Operating profit surged 42.4% to ¥11,710 million (US\$108,425 thousand) and current income increased 16.6% to ¥35,009 million (US\$324,157 thousand). On the other hand, net income fell 88.3% to ¥2,190 million (US\$20,277 thousand). TDK posted an expense of ¥34,644 million (US\$320,777 thousand) due to the adoption of a new accounting method for retirement liabilities. This expense is net of a gain of ¥15,245 million (US\$141,157 thousand) resulting from the establishment of a trust to fund these liabilities.

At today's meeting of TDK's board of directors, an interim dividend of ¥30 per share of common stock was approved.