

2) Management Policies

(1) Fundamental Management Policy

TDK was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has conducted research and development programs in ferrite and a variety of other electronic materials and components. This drive was based on the company's founding spirit of "contributing to culture and industry through the process of creation."

To preserve its identity as a dynamic company, TDK is dedicated to creating value for all stakeholders by drawing on innovative thinking and a willingness to tackle new challenges. TDK firmly believes that it must remain an organization that is a constant source of exciting ideas.

(2) Fundamental Policy for Distribution of Earnings

Returning earnings to shareholders is one of TDK's highest management priorities. As such, TDK allocates earnings based on a broad range of factors including the return on equity (ROE), dividends as a percentage of equity (DOE) and the outlook for the company's performance. Retained earnings are used in many ways to make TDK more competitive. Funds are required to support research and development programs to respond to the rapid technological advances in the electronics industry. TDK must create new technologies in such fields as optical and magnetic recording media, mobile communications, large-capacity recording devices, semiconductor-related products and data communications. In addition, significant capital investments are required in Japan and overseas to develop new products and technologies as markets become increasingly borderless.

(3) Medium- and Long-Term Management Strategy

Information technology, notably the Internet, is bringing about dramatic increases in the speed at which companies must act. At the same time, market participants are now able to quickly distinguish between products of value and those offering no value. We have entered an age when only companies able to provide genuine value will survive. TDK is taking a fresh look at its unique attributes and strengths. By further refining specialized skills in these areas, TDK intends to become a company capable of increasing its value in the 21st century.

To meet the challenges of this operating environment, TDK launched its Exciting 108 medium-term management plan in April 2000. Scheduled to end in March 2004, the plan is structured to transform TDK into an exciting company and increase TDK's value. There are three fundamental elements:

I. Become an e-material solution provider

TDK must be a speedy and dynamic company able to anticipate the needs of its customers. By drawing on its core expertise in electronic materials, TDK will then

quickly formulate the value-added products required to solve customers' problems. This process is the essence of providing e-material solutions. During Exciting 108, priority will be placed on recording and communications.

II. Build a world-class management system

Management systems just as businesses themselves are becoming increasingly borderless. Personnel management practices are also on the verge of dramatic change. TDK needs to move swiftly to implement the necessary management systems.

III. Aim for zero emissions

TDK's goal is to operate "eco-factories" with zero emissions. Doing so mandates that factories generate less waste, use more recycled materials and expand their own recycling. Eventually, TDK wants to reach the point where its plants rely completely on recycled materials and generate no emissions at all.

By accomplishing these three objectives, TDK intends to maximize its corporate value, bring its activities in closer step with the environment and make greater contributions to society.

While TDK's actions will be guided by the above-mentioned policies, some flexibility in implementing strategy will be required in light of the difficulties posed by the present operating environment.