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NORTHROP GRUMMAN CORP /DE/
Form 11-K
June 30, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended: December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 1-2384

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

THE TRW EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

NORTHROP GRUMMAN CORPORATION
1840 Century Park East
Los Angeles, California 90067

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the

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undersigned hereunto duly authorized.

THE TRW EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN

Dated: June 30, 2003

/s/ J. Michael Hateley

By J. Michael Hateley

THE TRW EMPLOYEE STOCK OWNERSHIP AND SAVINGS PLAN

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Report of Independent Auditors

Board of Administration
The TRW Employee Stock Ownership
and Savings Plan

We have audited the accompanying statements of net assets available for benefits of The TRW Employee Stock Ownership and Savings Plan as of December 31, 2002 and 2001, and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our

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opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of The TRW Employee Stock Ownership and Savings Plan as of December 31, 2002 and 2001, and the changes in its net assets available for benefits for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2002 and reportable transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Cleveland, Ohio
May 21, 2003

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The TRW Employee Stock Ownership and Savings Plan

Statements of Net Assets Available for Benefits

| | December 31 | |
|---|-----------------|-----------------|
| | 2002 | 2001 |
| | ----- | |
| ASSETS | | |
| Investments: | | |
| TRW Inc. common stock | \$ - | \$ 803,311,425 |
| Northrop Grumman Corporation common stock | 951,008,588 | - |
| Guaranteed investment contracts | 559,930,307 | 513,028,461 |
| Registered investment companies | 468,660,781 | 505,785,759 |
| Common trust funds | 646,837,472 | 861,475,391 |
| Self-directed brokerage accounts | 22,629,763 | 24,810,660 |
| Participant loans receivable | 51,161,068 | 57,761,473 |
| | ----- | |
| Total investments | 2,700,227,979 | 2,766,173,169 |
| Receivable for investments sold | - | 100,697 |
| Employer contribution receivable | 3,218,975 | - |
| Receivable from other funds | 122,868 | 714,752 |
| | ----- | |
| Total assets | 2,703,569,822 | 2,766,988,618 |
| LIABILITIES | | |
| Accrued expenses | 727,727 | 356,303 |
| Payable for portfolio shares redeemed | - | 694,434 |
| | ----- | |
| Total liabilities | 727,727 | 1,050,737 |
| | ----- | |
| Net assets available for benefits | \$2,702,842,095 | \$2,765,937,881 |
| | ===== | |

See accompanying notes.

The TRW Employee Stock Ownership and Savings Plan
Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2002

| | |
|---|------------------|
| ADDITIONS | |
| Investment income: | |
| Dividends | \$ 53,384,429 |
| Interest | 4,373,219 |
| Net appreciation in fair value of investments | 16,981,359 |
| | ----- |
| Total investment income | 74,739,007 |
| Contributions: | |
| Employer | 60,989,401 |
| Employee | 168,998,760 |
| Rollovers | 8,458,886 |
| | ----- |
| Total contributions | 238,447,047 |
| Transfers from other plans | 2,368,348 |
| | ----- |
| Total additions | 315,554,402 |
| DEDUCTIONS | |
| Distributions | 371,833,591 |
| Participant loans deemed distributions | 5,651,604 |
| Administrative expenses | 1,164,993 |
| | ----- |
| Total deductions | 378,650,188 |
| | ----- |
| Net decrease | (63,095,786) |
| Net assets available for benefits at beginning of year | 2,765,937,881 |
| | ----- |
| Net assets available for benefits at end of year | \$ 2,702,842,095 |
| | ===== |

See accompanying notes.

The TRW Employee Stock Ownership and Savings Plan

Notes to Financial Statements

December 31, 2002 and 2001 and
Year ended December 31, 2002

1. Description of the Plan

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The following description of The TRW Employee Stock Ownership and Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. The Plan is governed by the Internal Revenue Code and related legislation.

The Plan is a qualified employee stock ownership plan sponsored by Northrop Grumman Space and Mission Systems Corp (the "Company"), which was formerly known as TRW Inc. (TRW). The Plan was initially established on January 1, 1968 and amended on January 1, 1987 to constitute a combined profit sharing and employee stock ownership plan, and covers substantially all domestic employees who have been employed for at least three months. The Plan's assets are held by Putnam Investment Company, as Trustee of the Plan.

On December 11, 2002, Northrop Grumman Corporation (Northrop Grumman) completed the purchase of 100% of the common stock of TRW. Effective February 28, 2003, Northrop Grumman sold the Company's automotive business to The Blackstone Group. Former employees of the Company and certain of its subsidiaries associated with the sold automotive business terminated their participation in the Plan as of that date and will be eligible for a distribution from the Plan.

Participant Contributions

The Plan allows eligible employees to contribute up to 16% of qualifying compensation on a pre-tax basis by way of salary reduction; such contributions are made in increments of 1% of qualifying compensation and cannot exceed \$11,000 for participants under the age of 50 and \$12,000 for participants age 50 or over in 2002. Participants may also elect to contribute, in increments of 1%, up to 10% of qualifying compensation on an after-tax basis. The combined contribution cannot exceed 22% of their qualifying compensation. Participants can make unlimited contribution percentage changes per month. Annual contributions to a participant's account (including pre-tax, after-tax and Company matching contributions) and to any other defined contribution plan are limited to the lesser of \$40,000 or 100% of the participant's annual compensation.

Participants determine the funds in which to invest their contributions. Employee contributions may be invested, in multiples of 1%, in one or more of the investment funds. Fund elections may be changed at any time. Employee contributions are not eligible to be invested in the Northrop Grumman Stock Fund.

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The TRW Employee Stock Ownership and Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Employer Contributions

The Company contributes to the Plan, out of current or accumulated earnings, an amount equal to 100% of each participant's before-tax contributions to a maximum of 3% of each participant's qualifying compensation. Participants immediately vest in the TRW matching contributions. Prior to December 11, 2002, all matching contributions were invested in the TRW Stock Fund and were not eligible to be transferred, except under special circumstances. As of December 11, 2002, assets of the TRW Stock Fund were transferred to the Northrop Grumman Stock Fund at a

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ratio of 0.5357 Northrop Grumman share per TRW share.

After December 11, 2002, employer contributions are allocated by participants among the investment options offered by the Plan, excluding the Northrop Grumman Stock Fund.

Withdrawals and Distributions

Upon termination of employment, participants may elect to receive his or her account, less the unpaid balance of any loan outstanding, in a single sum, except a participant whose account balance exceeds \$5,000 may defer his or her payments until he or she reaches age 70-1/2. Participants receive the value of their TRW or Northrop Grumman shares in cash unless they elect to receive shares. If a participant elects to defer payment of his or her account, the undistributed account balance remains invested in the Plan.

Participants who have attained age 55 as of the end of the preceding fiscal year-end and participated in the Plan at least ten years may elect, within an election period during each of the succeeding six consecutive plan years, to receive a special ESOP distribution or may transfer the applicable amount to one or more investment funds under the Plan. The number of shares eligible for the annual election is 50% of the total number of shares of TRW or Northrop Grumman common stock attributable to TRW matching contributions made after 1986, less the equivalent number of shares distributed as a result of any prior ESOP election, as determined on the preceding December 31.

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The TRW Employee Stock Ownership and Savings Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Participant Loans

Participants can borrow from \$1,000 to \$50,000 (in increments of \$100) of their pre-tax contributions, but such borrowings in the aggregate cannot exceed 50% of a participant's total Plan balance. The interest rate is fixed (prime rate at the end of the last business day of the preceding quarter plus 1%) and the repayment period cannot be less than one year or more than five years.

Other

Although it has not expressed any intent to do so, the Company reserves the right to suspend or terminate the Plan. In the event of termination, the amount of each participant's account may be retained in trust for the benefit of the participant.

The above description of the Plan provides only general information. Participants should refer to the Summary Plan Description, which is available from the Plan's Participant Service Center and the Plan's website, and annual prospectus for a more complete description of the Plan's provisions.

2. Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting.

Investments, other than guaranteed investment contracts, are stated at fair value. Investments in common and preferred stock are valued at the last reported

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sales price of the stock on the last business day of the plan year. The shares of registered investment companies are valued at quoted market prices that represent the net asset values of shares held by the Plan at year-end. Investments in common trust funds are valued based on the redemption price of units owned by the Plan, which is based on the current fair value of the underlying assets of the fund. The participant loans are valued at their outstanding balances, which approximate fair value.

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The TRW Employee Stock Ownership and Savings Plan

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Guaranteed investment contracts are stated at contract value, which represent contributions made under the contract, plus income received thereon, less distributions and administrative expense payments. Contract value approximates fair value. All separate account and synthetic contracts have a guaranteed return of principal. As of December 31, 2002 and 2001, approximately \$49 million and \$43 million was invested in general account assets, \$70 million and \$80 million in separate account assets, and \$441 million and \$390 million in investment contracts owned directly by the Plan, respectively. The weighted average yield (excluding administrative expenses) for all investment contracts was 5.54% and 6.39% in 2002 and 2001, respectively. The crediting interest rate for all investment contracts was 5.15% at December 31, 2002 and 6.00% at December 31, 2001.

The cost of securities sold is determined by the average cost method for purposes of determining realized gains and losses.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

3. Investments

During the year ended December 31, 2002, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in fair value as determined by quoted market prices as follows:

| | |
|---|----------------|
| TRW Inc. common stock | \$ 311,594,368 |
| Northrop Grumman Corporation common stock | 6,131,427 |
| Common trust funds | (176,431,959) |
| Shares of registered investment companies | (112,954,014) |
| Brokerage account | (11,358,463) |
| | ----- |
| Net appreciation | \$ 16,981,359 |
| | ===== |

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The TRW Employee Stock Ownership and Savings Plan

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Notes to Financial Statements (continued)

3. Investments (continued)

The self-directed brokerage account investments are held in the Harris Direct (formerly CSFB Direct) Securities Account. As of December 31, 2002, these investments consisted of \$16,014,323 of stocks--common and preferred, \$6,007,294 of shares of registered investment companies, and \$608,146 of bonds and notes.

The fair value of individual investments that represent 5% or more of the Plan's net assets are as follows:

| | December 31 | |
|--|----------------|----------------|
| | 2002 | 2001 |
| TRW Inc. common stock* | | \$ 803,311,425 |
| Northrop Grumman Corporation common stock* | \$ 951,008,588 | |
| Putnam S&P 500 Index Fund (TRW) | 503,680,544 | 687,506,657 |
| PIMCO Total Return Fund | 142,457,358 | |
| Putnam Small Company Equity Portfolio Fund (TRW) | | 140,856,954 |

* Nonparticipant-directed

4. Nonparticipant-Directed Investments

The TRW and Northrop Grumman Stock Funds contain participant account balances related to the TRW matching contribution which is considered nonparticipant-directed.

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The TRW Employee Stock Ownership and Savings Plan

Notes to Financial Statements (continued)

4. Nonparticipant-Directed Investments (continued)

The following represents the net assets and the significant components of the changes in net assets for nonparticipant-directed investments:

| | December 31 | |
|---|----------------|----------------|
| | 2002 | 2001 |
| Net assets: | | |
| Assets: | | |
| Northrop Grumman Corporation common stock | \$ 648,757,923 | \$ - |
| TRW Inc. common stock | - | 483,816,936 |
| Liability: | | |
| Accrued expenses | 153,348 | 18,862 |
| | \$ 648,604,575 | \$ 483,798,074 |
| | ===== | |

Year ended
December 31,

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| | 2002 |
|--|----------------|
| | ----- |
| Changes in net assets: | |
| Additions: | |
| Employer contributions | \$ 53,563,840 |
| Dividends | 8,892,423 |
| Net appreciation in fair value of common stock | 195,605,682 |
| | ----- |
| | 258,061,945 |
| Deductions: | |
| Distributions | 83,903,808 |
| Administrative expenses | 386,250 |
| Transfers to participant directed funds | 8,965,386 |
| | ----- |
| | 93,255,444 |
| | ----- |
| | \$ 164,806,501 |
| | ===== |

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The TRW Employee Stock Ownership and Savings Plan

Notes to Financial Statements (continued)

5. Administrative Expenses

Generally, trustee and custodian fees, investment manager fees, brokerage fees, certain plan administration costs incurred by the Company, and other fund-related expenses are charged back to the funds for which the expenses are incurred. The charges to audit the Plan, the administrative expenses of operating the Plan, and any other charges that cannot be directly related to a specific fund will be charged back to the funds on a quarterly basis in proportion to the ratio of the net asset value of each fund to the value of all funds invested in the Plan as of the previous quarter-end.

6. Federal Income Tax Status of the Plan

The Plan has received a determination letter from the Internal Revenue Service dated August 21, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determined letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

7. Transactions with Parties-in-Interest

Party-in-interest transactions include the purchase and sale of investments managed by the Plan's Trustee, Putnam Investments; any transactions with TRW or Northrop Grumman common stock, and payments to the Company for certain plan administrative costs.

Putnam Investments managed assets of the Plan of \$813,847,501 and \$1,054,745,176 as of December 31, 2002 and 2001, respectively. No trustee fees were paid to Putnam in 2002. During 2002, the Plan received \$12,422,534 in dividends related to investments in TRW common stock.

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8. Transfer of Assets from Other Plans

During 2002, assets from the 401(k) plans associated with the Network 6 acquisition by TRW Systems in 2001, were merged into the Plan. The transfer of assets of \$2,368,348 is shown on the financial statements as "Transfer from Other Plan."

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The TRW Employee Stock Ownership and Savings Plan

EIN: 34-0575430 Plan Number: 027

Schedule H, Line 4(i)-Schedule of Assets
(Held at End of Year)

December 31, 2002

| Description | Number of Shares | Cost** | Current Value |
|---|---------------------|----------------|------------------|
| Common Stock | | | |
| * Northrop Grumman Corporation Common Stock | 9,804,212 | \$ 946,106,458 | \$ 951,008,588 |
| Guaranteed Investment Contracts | | | |
| Security Backed Investments: | | | |
| INVESCO Group Trust | | | |
| Beta Fund-INVESCO: | | | |
| Continental Assurance Co., Contract | | | |
| 63005575, due December 15, 2020, 6.01% | | | 6,645,225 |
| Gamma Fund-INVESCO: | | | |
| JPMorgan Chase Bank, Contract | | | |
| 401743-G, 5.77%, set annually | | | 20,400,765 |
| Theta Fund-PIMCO: | | | |
| JPMorgan Chase Bank, Contract | | | |
| ATRW-TH, 6.93%, set annually | | | 72,239,862 |
| Kappa Fund-Putnam: | | | |
| Bank of America NT & SA, Contract | | | |
| 02-028, 5.87%, set annually | | | 29,271,482 |
| Omicron Fund-INVESCO: | | | |
| Caisse des Depots (CDC), Contract | | | |
| 1115-01, 2.11%, set annually | | | 11,091,070 |
| Intermediate Government Fund-INVESCO: | | | |
| State Street Bank & Trust, Contract | | | |
| 102059, 3.14%, set annually | | | 10,100,452 |
| High Quality Structured Securities-INVESCO: | | | |
| Allstate Life Ins. Co., Contract | | | |
| 77182, 4.32%, set annually | | | 115,427,201 |

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The TRW Employee Stock Ownership and Savings Plan

EIN: 34-0575430 Plan Number: 027

Schedule H, Line 4(i)-Schedule of Assets
(Held at End of Year) (Continued)

| Description | Number of Shares | Cost** | Current Value |
|---|---------------------|--------|------------------|
| ----- | | | |
| Guaranteed Investment Contracts (continued) | | | |
| Short Term Bond Fund-INVESCO: | | | |
| State Street Bank & Trust, Contract 102,070, 1.99%, set annually | | | 31,036,102 |
| | | | ----- |
| | | | 296,212,159 |
| Separate Accounts: | | | |
| ING Life Ins. & Ann. Co.: | | | |
| Contract 14612, 5.45%, set annually | | | 34,387,141 |
| John Hancock Mutual Life: | | | |
| Contract 8712, due June 30, 2003, 6.60% | | | 2,400,420 |
| Contract 7441, 7.24%, set annually | | | 33,493,293 |
| | | | ----- |
| | | | 70,280,854 |
| Synthetics: | | | |
| Monumental Life Ins. Co.: | | | |
| Contract 00090TR, 6.35%, set annually | | | 36,867,463 |
| Rabobank Nederland: | | | |
| Contract TRW090001, 4.88%, set annually | | | 45,128,145 |
| State Street Bank & Trust: | | | |
| Contract 98149, 6.22%, set annually | | | 22,429,288 |
| UBS AG | | | |
| Contract 5086, 5.59%, set annually | | | 39,522,548 |
| | | | ----- |
| | | | 143,947,444 |
| General Account Investments: | | | |
| Fixed Rate & Fixed Term: | | | |
| GE Life & Annuity Asr Co. | | | |
| Contract GS-3534, due March 29, 2004, 5.43% | | | 8,784,833 |
| Metropolitan Life Ins. Co. | | | |
| Contract 25814, due February 18, 2003, 5.74% | | | 7,765,864 |

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The TRW Employee Stock Ownership and Savings Plan

EIN: 34-0575430 Plan Number: 027

Schedule H, Line 4(i)-Schedule of Assets
(Held at End of Year) (Continued)

| Description | Number of Shares | Cost** | Current Value |
|-------------|---------------------|--------|------------------|
|-------------|---------------------|--------|------------------|

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Guaranteed Investment Contracts (continued)

General Account Investments:

Fixed Rate & Fixed Term:

Monumental Life Ins. Co.

Contract MDA263FR, due September 6, 2005, 5.51% 5,363,831

Travelers Ins. Companies

Contract GR-18404, due September 26, 2005, 3.26% 5,044,139

26,958,667

Variable Rate & Fixed Term:

John Hancock Mutual Life:

Contract 14909GAC, due May 1, 2003, 2.15% 6,021,338

Cash & equivalents:

* Putnam Fiduciary Trust, Contract

100232, due January 1, 2003 1.37% 16,509,845

Total Guaranteed Investment Contracts 559,930,307

Common Trust Funds

* Putnam S&P 500 Index Fund (TRW) 503,680,544

* Putnam Small Company Equity Portfolio Fund (TRW) 112,095,171

Alliance Bernstein Strategic Bank Collective Trust 1,179,477

* Putnam Bond Index Fund 29,882,280

646,837,472

Shares of Registered Investment Companies

PBHG Emerging Growth Fund 36,062,924

Bernstein International Value Portfolio II 23,464,119

* Putnam Investors Fund 90,276,321

PIMCO Total Return Fund 142,457,358

* Putnam International Growth Fund 26,379,789

* Putnam Vista Fund 26,544,144

Fidelity Magellan Fund 105,549,927

Alliance Bernstein Small-Cap Value Fund 1,806,635

Ariel Appreciation Fund 3,844,058

Lord Abbett Mid-Cap Value Fund 3,796,099

* Putnam Voyager Fund 1,267,436

* Putnam Money Market Fund 7,211,971

468,660,781

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The TRW Employee Stock Ownership and Savings Plan

EIN: 34-0575430 Plan Number: 027

Schedule H, Line 4(i)-Schedule of Assets

(Held at End of Year) (Continued)

| Description | Number of Shares | Cost** | Current Value |
|--|---------------------|--------|------------------|
| Harris Direct Securities Brokerage Account | | | 22,629,763 |

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| | | |
|---------------------|---|------------------|
| * Participant Loans | At interest rates ranging from 5.25% to 11.5% | 51,161,068 |
| | | ----- |
| Total assets held | | \$ 2,700,227,979 |
| | | ===== |

* Indicates party-in-interest.

** Cost presented for nonparticipant-directed investments only.

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The TRW Employee Stock Ownership and Savings Plan

EIN: 34-0575430 Plan Number: 027

Schedule H, Line 4(j)-Schedule of Reportable Transactions

Year ended December 31, 2002

| Description of Assets | Purchase Price | Selling Price | Cost of Asset |
|-----------------------|----------------|---------------|---------------|
|-----------------------|----------------|---------------|---------------|

Category (i)-Single transactions in excess of 5 percent of plan assets

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| | | |
|---|----------------|----------------|
| TRW Inc. Common Stock | \$ 950,960,238 | \$ 731,935,259 |
| Northrop Grumman Corporation Common Stock | \$ 949,952,776 | 949,952,776 |
| Category (iii)-Series of transactions in excess of 5 percent of plan assets | | |
| TRW Inc. Common Stock | 154,032,118 | 154,032,118 |
| | 1,268,937,904 | 982,110,195 |
| Northrop Grumman Corporation Common Stock | 950,370,999 | 950,370,999 |
| | 5,493,837 | 4,301,056 |

There were no category (ii) or (iv) reportable transactions for the year ended December 31, 2002.

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EXHIBIT INDEX

| Exhibit No. ----- | Document ----- |
|----------------------|---|
| 23 | Consent of Independent Auditors |
| 99.1 | Certification pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.2 | Certification pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |