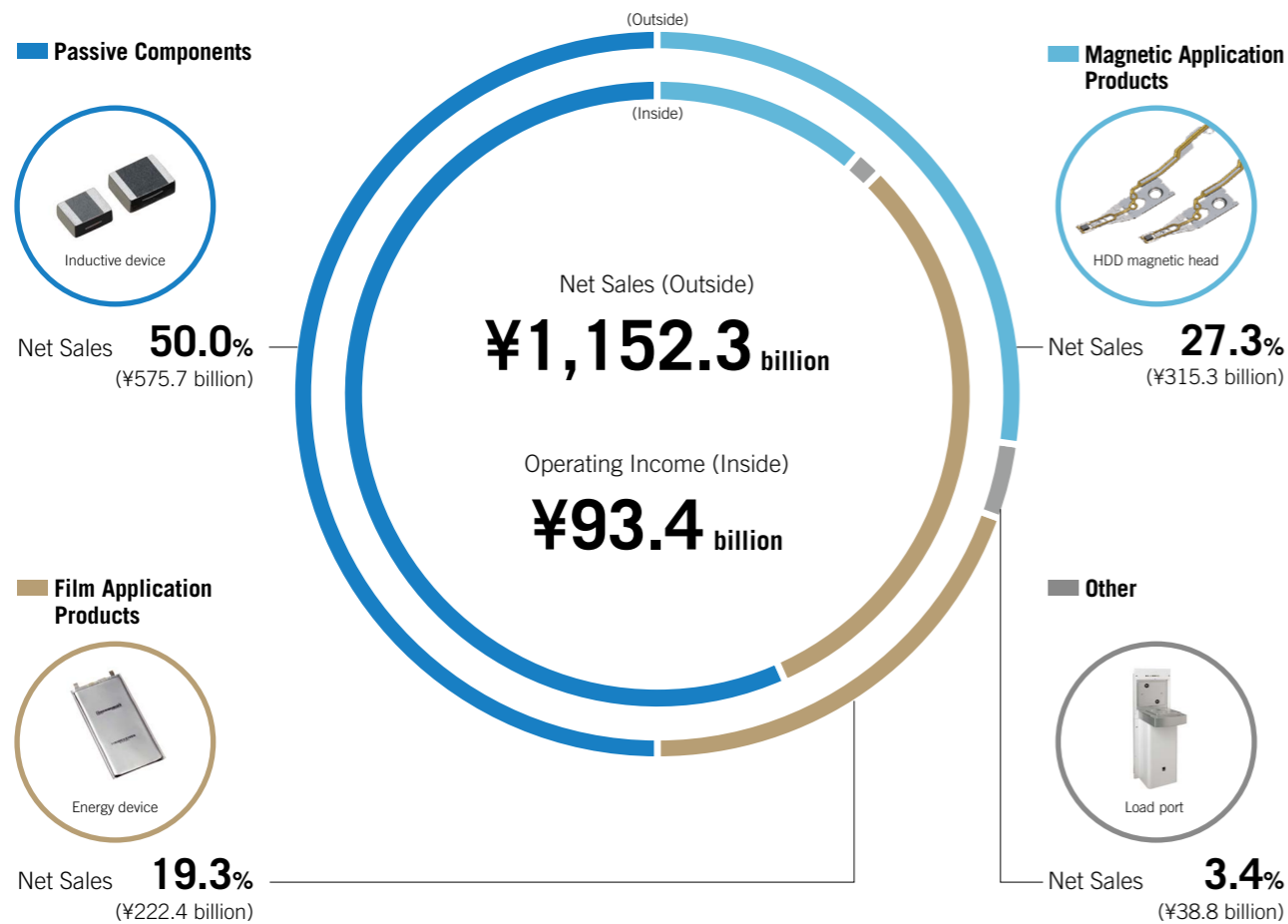


### Sales by Segment

TDK is harnessing its proprietary core technologies and *Monozukuri* power, creating innovative products in areas such as passive components, magnetic application products, film application products, and other.



#### Passive Components

The passive components segment is TDK's mainstay, generating about half of its total net sales. The segment includes the capacitors business, comprising ceramic capacitors, aluminum electrolytic capacitors, and film capacitors, the inductive devices business with coils, etc., and other passive components including high-frequency components, piezoelectric material components, circuit protection devices, and sensors. As mobile devices become more powerful and incorporate a variety of functions, and as automobiles rely ever more heavily on electrical and electronic equipment, the demand for passive components continues to expand, a trend that is expected to remain strong.

#### Magnetic Application Products

TDK's magnetic application products segment mainly comprises HDD magnetic heads, a field where we hold high worldwide market share. The segment is divided into the recording devices business, comprising HDD magnetic heads and HDD suspensions, and the other magnetic application products business including power supplies and magnets. HDD magnetic heads handle the task of writing information to the magnetic media and reading the recorded information. Our mastery of thin-film process technology on the nanometer level has brought about an amazing increase in storage capacity. High-efficiency power supplies incorporating outstanding ferrite and transformer technology, and high-performance magnets also contribute significantly to the conservation of power and resources.

#### Film Application Products

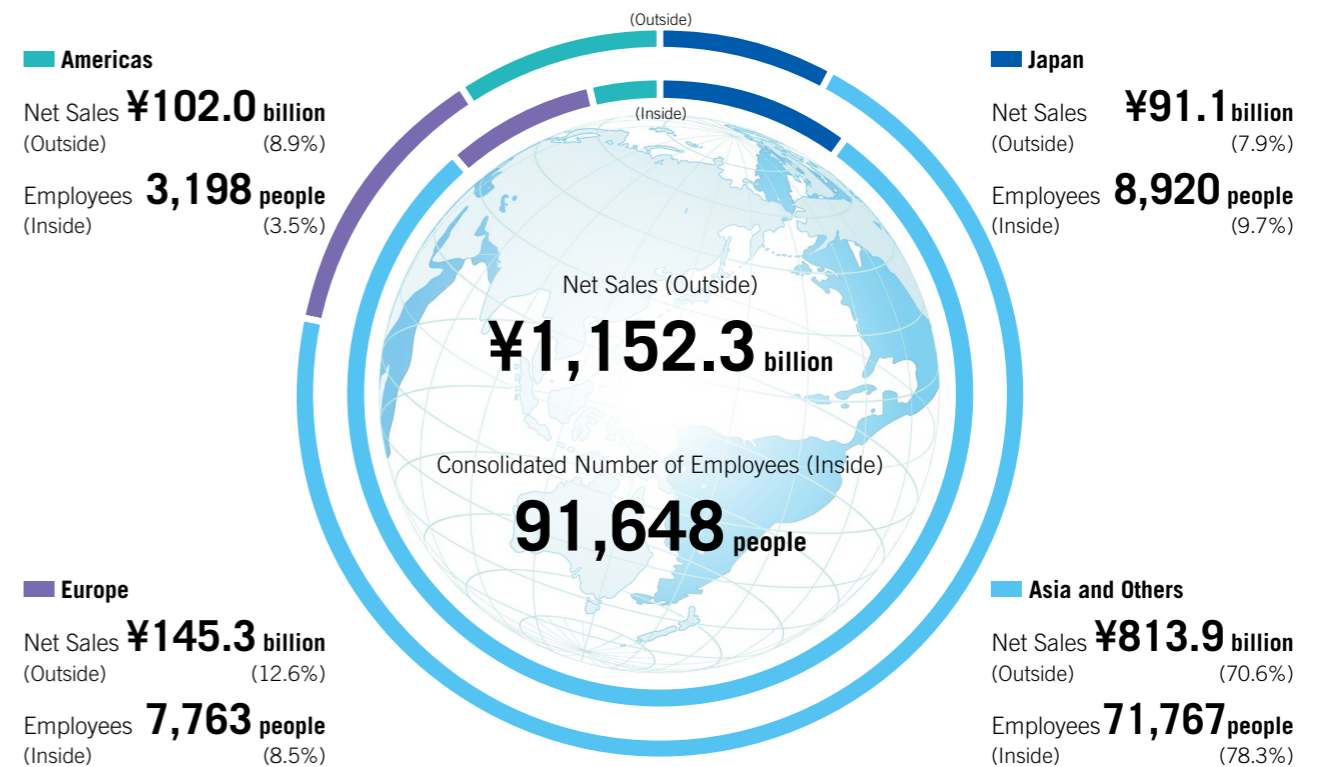
The film application products segment covers energy devices such as rechargeable batteries primarily for smartphones, tablets, notebook PCs and other ICT devices, and similar applications.

#### Other

Products that are not part of the three major segments, such as mechatronics (production equipment), anechoic chambers, and flash memory applied devices, are grouped into this category.

### High Level of Globalization

The TDK Group is active in over 30 countries and regions all over the globe, selecting suitable bases for plants, research facilities, and sales offices under the viewpoints of marketability, product range, distribution, etc. TDK has 129 consolidated subsidiaries, including 14 domestic consolidated subsidiaries and 115 overseas consolidated subsidiaries, and employs a total workforce of 91,648 people.



### Toward Genuine Globalization

#### Building Value with Our Global Partners

The TDK Group consists of numerous Group companies conducting business around the world. Group subsidiaries hire exceptional human resources without regard for nationality, race, gender, or other attributes, and some 72% have non-Japanese presidents. In fiscal 2016, overseas sales accounted for 92.1% of the TDK Group's total, and 86.3% of products were manufactured overseas. Thus, overseas production and sales are now a common feature of TDK's business. At the same time, we carry out risk countermeasures in each region in response to effects from changes in the global macro-environment and work to control those risks to the greatest extent possible.



EPCOS Group (Germany)



Headway Technologies (USA)



TDK Xiamen (China)



Technical Center (Japan)

# Consolidated Business Results Highlights

Years ended March 31

Consolidated Business Highlights	2006	2007	2008	2009	2010	2011
Net sales	¥ 795,180	¥ 862,025	¥ 866,285	¥ 727,400	¥ 792,624	¥ 862,492
(Overseas sales)	621,522	690,673	714,172	610,944	704,874	764,807
Cost of sales	585,780	622,819	635,529	605,943	604,454	645,514
Selling, general and administrative expenses	148,877	159,616	143,581	175,762	158,727	149,114
Operating income (loss)	60,523	79,590	87,175	(54,305)	29,443	67,864
Income (loss) before income taxes		88,665	91,505	(81,630)		
Income (loss) from continuing operations before income taxes	66,103				25,576	64,519
Net income (loss) attributable to TDK	44,101	70,125	71,461	(63,160)	13,520	45,264
Capital expenditures	73,911	70,440	84,312	98,425	64,370	78,638
Depreciation and amortization	58,540	65,337	71,297	89,567	83,788	77,594
R&D expenses	45,528	50,058	57,387	57,645	53,942	52,973
Ratio of overseas production to net sales (%)	61.7	62.2	70.1	74.0	80.5	83.6
Net cash provided by operating activities	89,118	145,483	119,413	59,189	118,247	101,879
Net cash used in investing activities	(104,782)	(81,488)	(141,892)	(275,410)	(105,963)	(61,341)
Net cash provided by (used in) financing activities	(7,125)	(15,862)	(75,941)	223,637	(38,369)	(31,860)
Cash and cash equivalents, end of year	239,017	289,169	166,105	165,705	132,984	129,091
Total assets	923,503	989,304	935,533	1,101,036	1,091,458	1,060,853
Stockholders' equity	702,419	762,712	716,577	554,218	543,756	534,273
Working capital	397,131	449,830	300,859	281,536	286,370	199,186
Number of shares issued (thousands)	133,190	133,190	129,591	129,591	129,591	129,591

## Per Share Data

	2006	2007	2008	2009	2010	2011
Net income (loss) attributable to TDK (Basic)	¥333.50	¥529.88	¥551.72	¥(489.71)	¥104.82	¥350.90
Net assets	5,311	5,759	5,557	4,297	4,215	4,142
Dividends	90.00	110.00	130.00	130.00	60.00	80.00
Payout ratio (%)	27.0	20.8	23.4	—	57.2	22.8

## Key Financial Ratios

	2006	2007	2008	2009	2010	2011
Overseas sales ratio (%)	78.2	80.1	82.4	84.0	88.9	88.7
SG&A ratio (%)	18.7	18.5	16.6	24.2	20.0	17.3
Operating income ratio (%)	7.6	9.2	10.1	(7.5)	3.7	7.9
ROE (%)	6.6	9.6	9.7	(9.9)	2.5	8.4
ROA (%)	5.1	7.3	7.4	(6.2)	1.2	4.2

## Non-Financial Indicators

	2006	2007	2008	2009	2010	2011
Number of employees	53,923	51,614	60,212	66,429	80,590	87,809
Overseas employees ratio (%)	81.1	80.1	82.8	84.1	87.2	88.5
CO <sub>2</sub> emissions in production activities (t-CO <sub>2</sub> )	874,996	857,213	926,695	909,747	878,303	1,095,462
CO <sub>2</sub> emissions reduction in manufacturing (t-CO <sub>2</sub> )						

## Notes:

- In accordance with the provisions of ASC No. 205-20, "Presentation of Financial Statements—Discontinued Operations," operating results relating to the data tape business and the blu-ray business are separately presented as discontinued operations in the consolidated statements of operations for the year ended March 31, 2014. Also, reclassifications are made to the consolidated statements of operations after the year ended March 31, 2010, to conform to the presentation used for the year ended March 31, 2014.
- Because the TDK Environmental Action 2020 Plan came into effect from fiscal 2011, the "CO<sub>2</sub> emissions through products (environmental contributions) (t-CO<sub>2</sub>)" figures are for fiscal 2012 onwards.

	2012	2013	2014	2015	2016
Net sales	¥ 802,534	¥ 841,847	¥ 984,525	¥1,082,560	¥1,152,255
(Overseas sales)	702,469	747,062	890,520	989,348	1,061,203
Cost of sales	624,271	668,258	763,572	802,225	831,123
Selling, general and administrative expenses	157,724	151,535	184,337	207,876	227,718
Operating income (loss)	20,539	22,054	36,616	72,459	93,414
Income (loss) before income taxes				74,517	91,839
Income (loss) from continuing operations before income taxes	14,668	19,765	39,772		
Net income (loss) attributable to TDK	(2,454)	1,195	16,288	49,440	64,828
Capital expenditures	99,653	85,606	68,606	102,525	160,674
Depreciation and amortization	80,197	77,938	83,109	80,249	83,224
R&D expenses	52,551	53,943	63,385	70,644	84,920
Ratio of overseas production to net sales (%)	80.2	81.8	86.7	87.9	86.3
Net cash provided by operating activities	55,334	108,942	127,308	142,850	151,563
Net cash used in investing activities	(29,898)	(90,156)	(55,438)	(127,312)	(140,585)
Net cash provided by (used in) financing activities	12,929	4,395	(56,118)	(35,243)	29,305
Cash and cash equivalents, end of year	167,015	213,687	250,848	265,104	285,468
Total assets	1,072,829	1,169,642	1,239,589	1,404,282	1,450,585
Stockholders' equity	498,159	561,169	635,327	738,861	675,361
Working capital	219,918	232,693	279,504	352,364	289,760
Number of shares issued (thousands)	129,591	129,591	129,591	129,591	129,591

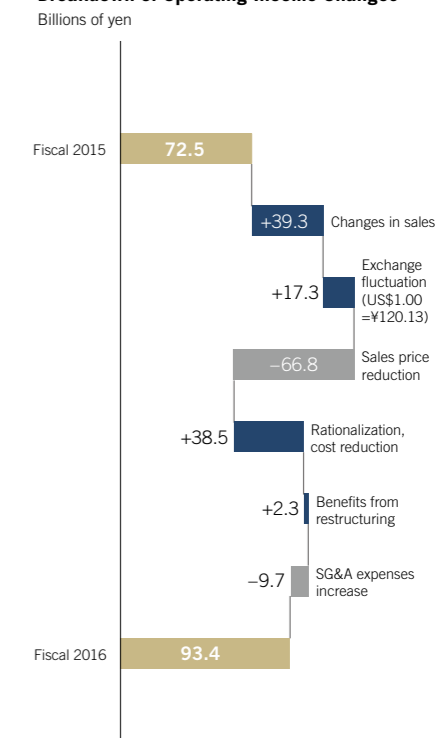
## Per Share Data

	2012	2013	2014	2015	2016
Net income (loss) attributable to TDK (Basic)	¥(19.06)	¥ 9.50	¥129.47	¥392.78	¥514.23
Net assets	3,957	4,461	5,050	5,865	5,355
Dividends	80.00	70.00	70.00	90.00	120.00
Payout ratio (%)	—	737.2	54.1	22.9	23.3

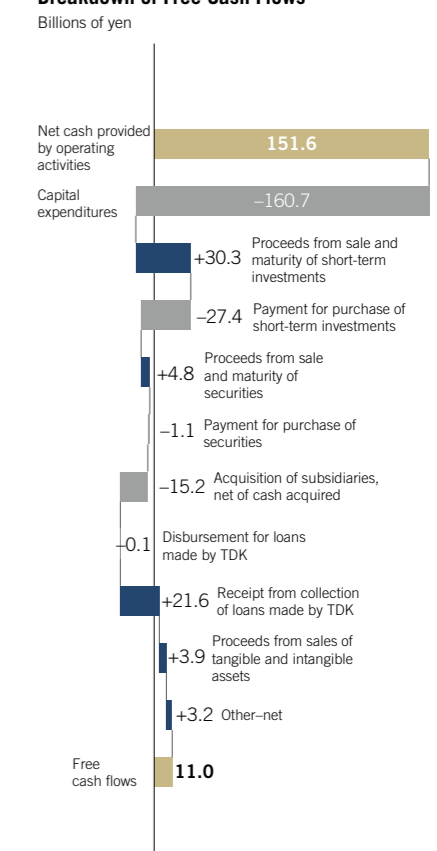
	2012	2013	2014	2015	2016
Overseas sales ratio (%)	89.8	88.7	90.5	91.4	92.1
SG&A ratio (%)	19.6	18.0	18.7	19.2	19.8
Operating income ratio (%)	2.6	2.6	3.7	6.7	8.1
ROE (%)	(0.5)	0.2	2.7	7.2	9.2
ROA (%)	(0.2)	0.1	1.4	3.7	4.5

	2012	2013	2014	2015	2016
Number of employees	79,175	79,863	83,581	88,076	91,648
Overseas employees ratio (%)	87.4	88.2	89.1	89.8	90.3
CO <sub>2</sub> emissions in production activities (t-CO <sub>2</sub> )	1,109,926	1,102,989	1,190,458	1,269,086	1,474,119
CO <sub>2</sub> emissions reduction in manufacturing (t-CO <sub>2</sub> )	321,000	498,000	886,000	1,251,000	1,580,000

## Breakdown of Operating Income Changes



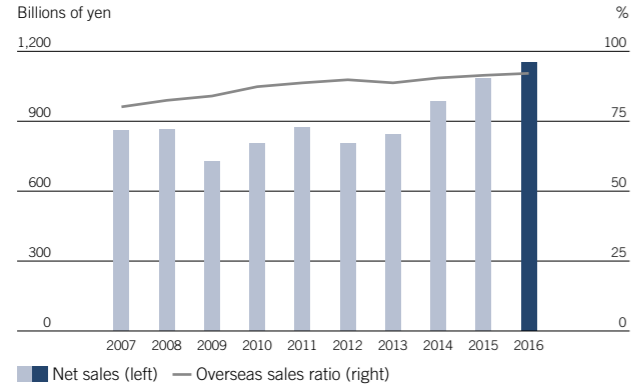
## Breakdown of Free Cash Flows



# Business Trends

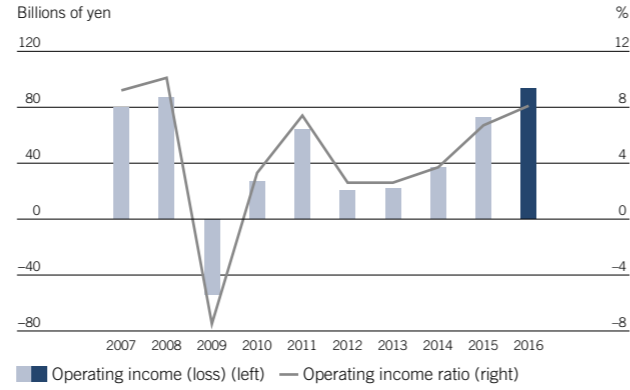
Years ended March 31

## Net Sales / Overseas Sales Ratio



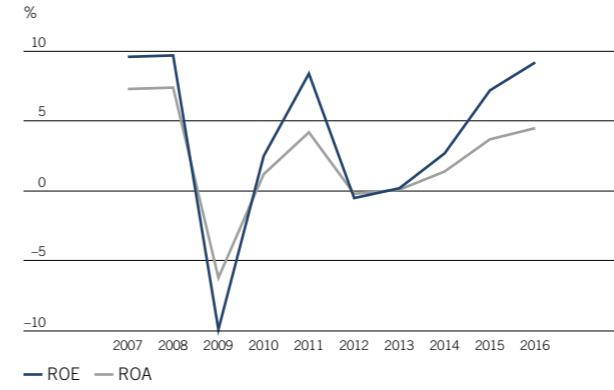
Sales of products for smartphones in the Chinese market and for automobiles in the North American market were strong, and net sales in fiscal 2016 reached ¥1,152.3 billion, a new record high. The overseas sales ratio has increased over the past 10 years, particularly in the United States and Asia; in fiscal 2016, sales outside Japan accounted for 92.1% of total net sales.

## Operating Income (Loss) / Operating Income Ratio



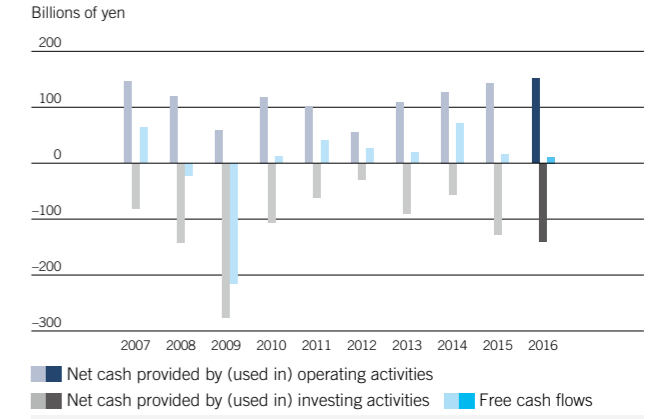
As a result of structural reforms implemented continuously from fiscal 2012, a profit structure with a good balance among the three main segments has been solidly established. In fiscal 2016, operating income was up 28.9% year on year, to ¥93.4 billion, and the operating income ratio increased 1.4 percentage points, to 8.1%.

## ROE / ROA



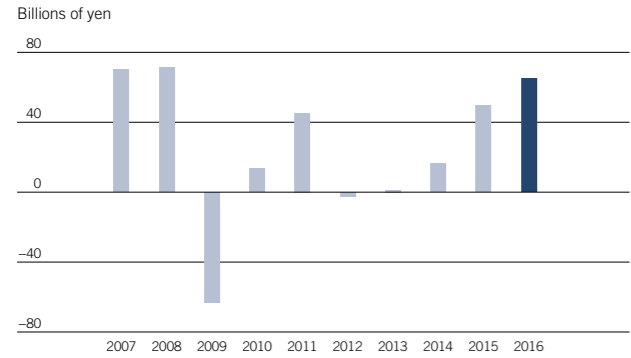
ROE declined sharply in fiscal 2009 as a result of the global economic downturn. But after the implementation of structural reforms, ROE has improved as a result of higher net income and other factors. TDK has set a target for ROE of 10% or more in fiscal 2018 and is working steadily toward achieving this goal.

## Cash Flows



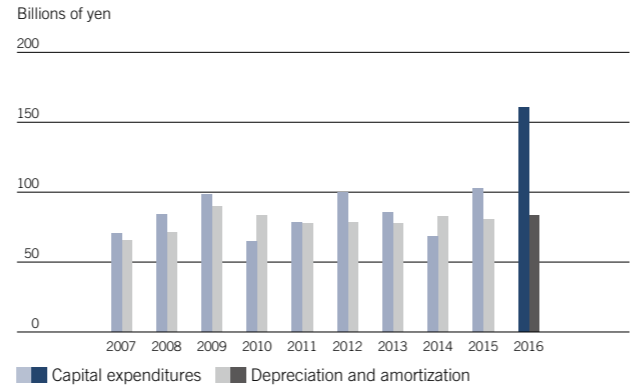
By increasing cash flows from operating activities while making active capital investments, we have maintained positive free cash flows. Free cash flows were positive even in fiscal 2016, when the Group executed large-scale M&A.

## Net Income (Loss) Attributable to TDK



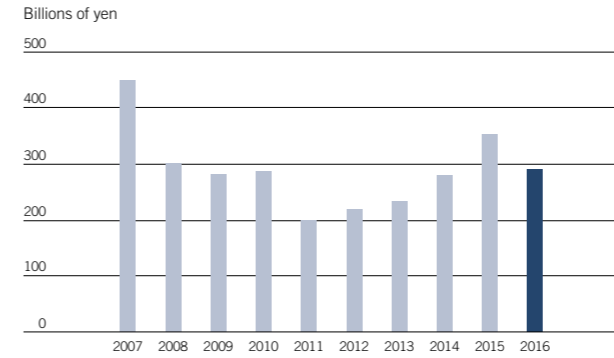
Performance was sluggish from fiscal 2009 due to poor demand for electronic components during the simultaneous slowdown of the world economy, the impact of the Great East Japan Earthquake, and other factors. But after structural reforms were implemented from fiscal 2012, results drastically improved, and net income in fiscal 2016 reached ¥64.8 billion, up 31.1% year on year.

## Capital Expenditures / Depreciation and Amortization



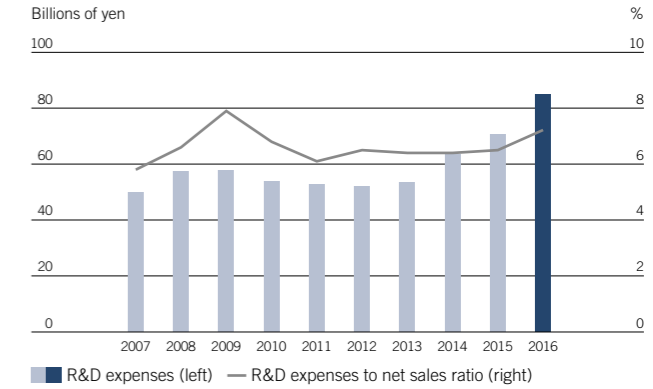
It is essential that we respond to rapid technological innovation in electronics markets and continuously make capital investments to create new products and develop new technologies. In fiscal 2016, TDK conducted active capital investment to further reinforce its position.

## Working Capital



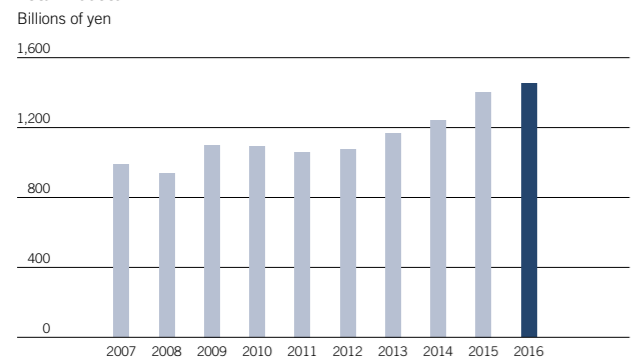
The Group's operating capital was expended primarily for the acquisition of raw materials and components used in manufacturing products, and these expenditures are reported as manufacturing expenses. Necessary capital is provided by funds generated from operating activities; working capital in fiscal 2016 was ¥289.8 billion.

## R&D Expenses / R&D Expenses to Net Sales Ratio



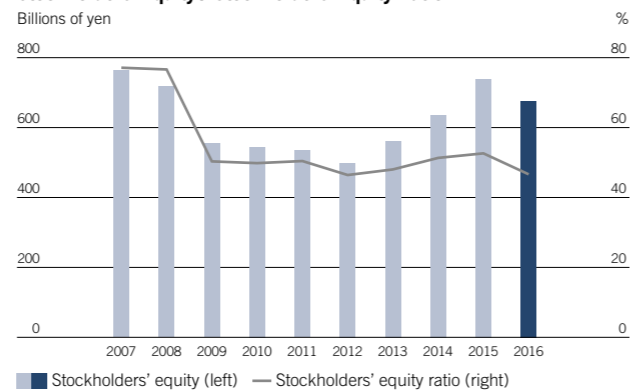
TDK has invested over ¥50 billion in research and development each year since fiscal 2007 so that it can respond to rapid technological innovation in electronics markets and maintain high competitiveness. Going forward, we will continue to actively invest in the development of new technology and further reinforce our R&D structures.

## Total Assets



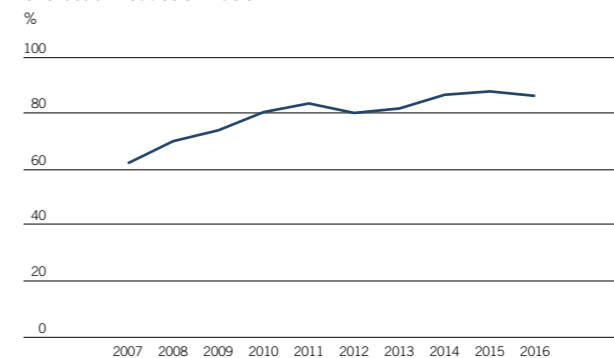
Total assets were up sharply as a result of the acquisition of EPCOS AG in fiscal 2009. Total assets have been gradually increasing since fiscal 2011 as a result of higher tangible fixed assets and investment. In fiscal 2016, total assets reached ¥1,450.6 billion, up 3.3% year on year.

## Stockholders' Equity / Stockholders' Equity Ratio



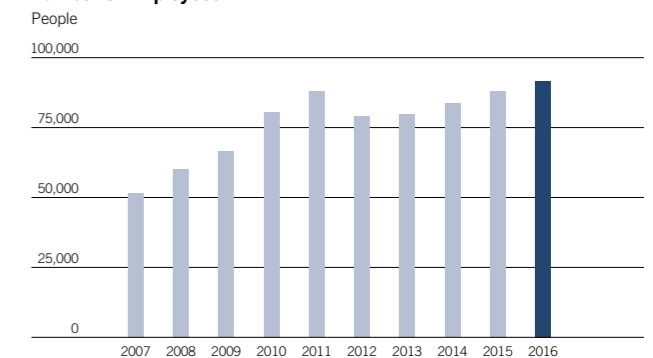
Stockholders' equity and the stockholders' equity ratio have been gradually increasing in recent years, although both figures declined due to the acquisition of EPCOS AG. There were also effects from goodwill depreciation arising from active mergers and acquisitions. As a result, stockholders' equity in fiscal 2016 was ¥675.4 billion, down 8.6% year on year.

## Overseas Production Ratio



Compared with fiscal 2007, the overseas production ratio in fiscal 2016 was up 20 percentage points, reaching 86.3%. TDK seeks to establish location-free production systems and is working to establish the ability to supply products with the same high quality from any overseas location.

## Number of Employees



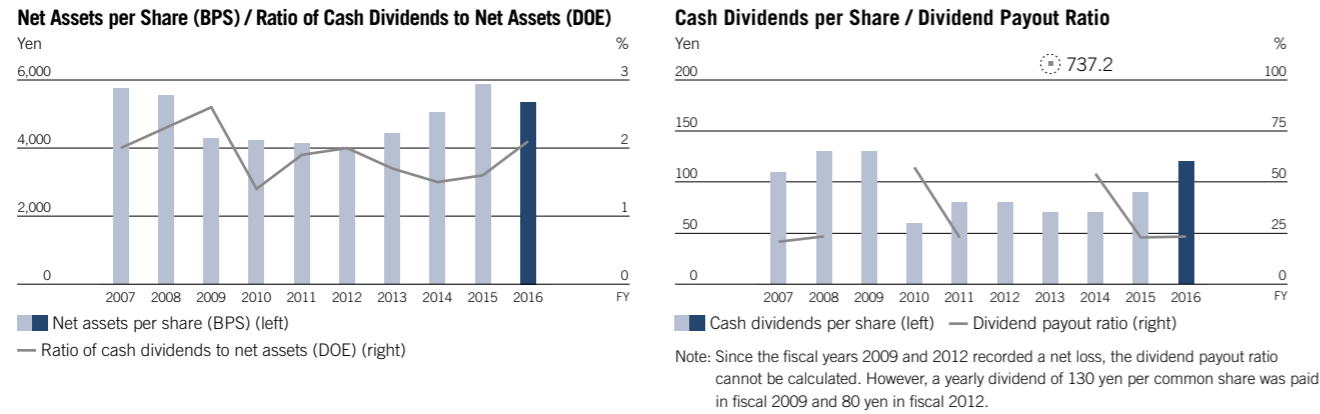
Although the number of employees showed an upward trend after the acquisition of EPCOS AG, TDK worked to streamline the workforce during the period of structural reforms undertaken from fiscal 2012. Starting in fiscal 2016, the first year of the Medium-Term Plan, TDK has been increasing personnel in order to bolster competitiveness.

### Basic Policy and Prospects for Profit Distribution

TDK's basic policy with regard to dividends is a stable increase through growth in profit per share, based on the understanding that long-term expansion of corporate value is the way to expand value to shareholders. In order to respond to rapid technological innovation in the electronics market, TDK aggressively invests for growth mainly in the priority areas of new products and new technologies. The aim is to further increase corporate value in the long term. We aggressively reinvest profits in business activities, and then base our dividends on a comprehensive evaluation, taking into account consolidated base return on equity (ROE) and dividend on equity (DOE) standards as well as changes to the business environment.

For fiscal 2016, the yearly dividend amounted to ¥120 per common share. Consequently, the dividend payout ratio was 23.3% and the ratio of dividends to stockholders' equity was 2.1%.

For the next term, an interim dividend of ¥60 and a year-end dividend of ¥60 are planned, resulting in an expected yearly dividend of ¥120 per common share.

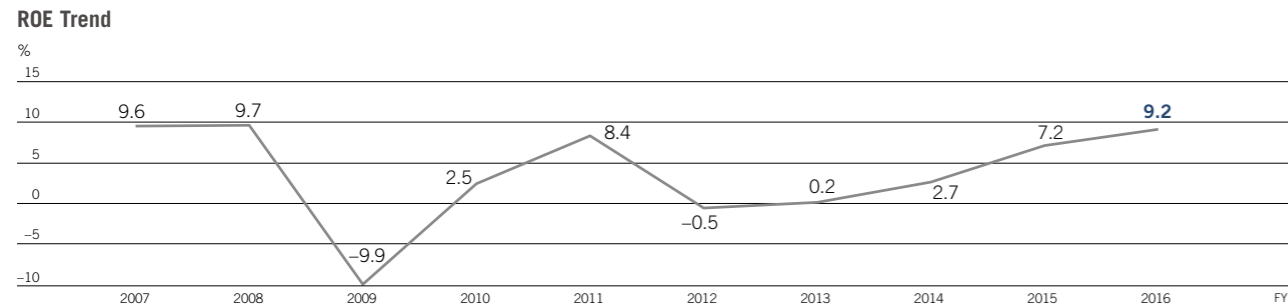
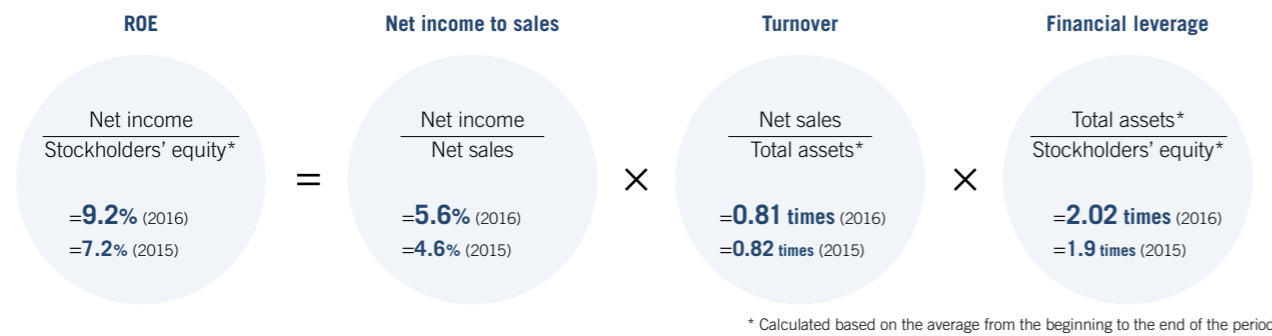


### Strategy for Increasing ROE

The Ito Report released by the Ministry of Economy, Trade and Industry in August 2014 indicated the importance of striving for ROE that exceeds capital costs, raising motivation by incorporating ROE into worksite management indicators, and seeking to increase ROE over the medium to long term.

TDK conducts management with an emphasis on ROE which is a global investment criterion. In fiscal 2016, ROE was 9.2%, up 2 percentage points over fiscal 2015. TDK is currently conducting business with a target of achieving ROE of over 10% in fiscal 2018.

#### Comparison of ROE decomposition element (2016 vs. 2015)



### Key Points for Increasing ROE

#### POINT 1 Raise Net Income

TDK is working to expand sales of high-added-value products. TDK is focusing on high-added-value strategic growth products (sensors and actuators, energy units, next-generation electronic components) in three priority markets—automotive, ICT, and industrial equipment and energy—to raise profitability.

#### POINT 2 Improve Turnover

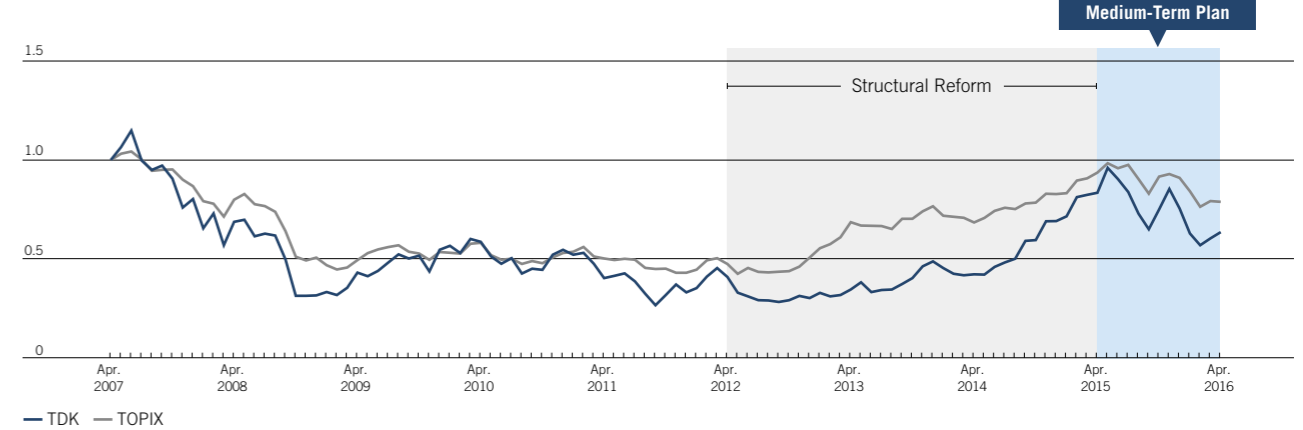
TDK is emphasizing business ROA, an indicator of yield on business division assets. TDK is taking measures to raise investment efficiency, including reducing inventory turnover periods and accounts receivable collection periods.

#### POINT 3 Stabilize Financial Leverage

In light of the difficult electronics market environment characterized by rapid technological innovation, TDK will seek to maintain the stockholders' equity ratio at approximately 50% and to stabilize management.

### Comparison of Share Price and Tokyo Stock Price Index (TOPIX)

Comparison is based on monthly closing prices and a value of 1 for the April 2007 management integration.



### Social Recognition by Outside Organizations

At a time when sustainable investment, which promotes investments that take social factors, including environmental concerns, into consideration, is expanding, TDK has been included in the Morningstar Socially Responsible Investment index (MS-SRI) and the Ethibel EXCELLENCE investment register.

TDK's SESUB won the grand prize in the technology innovation division of CEATEC AWARD 2015, presented to products that are exceptional from the perspectives of science and technology as well as future and market potential. In addition, TDK's multilayer diplexer won the Japanese Brand Prize of the 2015 Cho *Monodzukuri* Innovative Parts and Components Award.

TDK Taiwan was presented with the 2015 Innovative Application Partners Award at the 2015 Electronic and Information Global Partners Excellence Awards Ceremony, conducted by Taiwan's Ministry of Economic Affairs. TDK Taiwan has been presented with this award for the third consecutive year. In 2015, TDK also won second prize in the 18th Nikkei Annual Report Awards, which recognizes outstanding annual reports.

