

## **[Summary Information and Financial Statements]**

### **1. Summary Information Regarding Financial Results for the Third Quarter of Fiscal 2014**

#### **(1) Summary Information Regarding Consolidated Business Results**

Consolidated results for the first nine months of fiscal 2014, the period from April 1 to December 31, 2013, are as follows.

Looking at the world economy in the first nine months of fiscal 2014, the U.S. economy continued to see healthy economic activity, with a visible improvement seen in the employment environment and a recovery in personal spending. Furthermore, the European economy, which had endured sluggish economic activity caused by the sovereign debt problem, finally saw an end to the recession and began to slowly show signs of an economic upturn. Moreover, while some concerns surfaced concerning lower economic growth rates and economic indicators, and certain other areas, emerging countries such as China and India continued to enjoy generally strong economic conditions.

Under these world economic circumstances, the electronics market, which has a large bearing on the consolidated performance of TDK, saw production levels differ by finished product. Production of smartphones, for which demand is expanding, was much higher than in the same period of fiscal 2013, driven by the launch of new mobile handsets by major manufacturers. Production of tablet devices, for which demand is expanding like smartphones, was much higher year on year. Production in the automobile market as a whole rose year on year, with continued momentum driven mainly by solid auto sales in the U.S. However, PC production was down year on year, and production of hard disk drives (HDDs) was lower than a year earlier when there was temporary demand from the impact of major flooding in Thailand. This large drop in HDD production came despite demand for use in next-generation game consoles and higher demand for PCs spurred by the end of support for Windows XP.

Consolidated operating results for the first nine months of fiscal 2014 were as follows:

Term Item	The 9-month-period of FY2013 (April 1, 2012 - Dec. 31, 2012)		The 9-month-period of FY2014 (April 1, 2013 - December 31, 2013)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	625,354	100.0	743,375	100.0	7,079,762	118,021	18.9
Operating income	25,328	4.1	34,352	4.6	327,162	9,024	35.6
Income from continuing operations before income taxes	21,344	3.4	34,912	4.7	332,495	13,568	63.6
Net income attributable to TDK	10,144	1.6	15,713	2.1	149,648	5,569	54.9
Per common share :							
Net income attributable to TDK / Basic	Yen 80.59		Yen 124.90		U.S.\$ 1.19		
Net income attributable to TDK / Diluted	Yen 77.16		Yen 119.52		U.S.\$ 1.14		

**Notes:**

1. U.S.\$1=Yen 105, for convenience only.
2. In accordance with the FASB Accounting Standards Codification ("ASC") No.205-20, "Presentation of Financial Statements - Discontinued Operations", operating results relating to the data tape business are separately presented as discontinued operations in quarterly consolidated statements of income for FY2014. Also reclassifications are made to quarterly consolidated statements of income for FY2013 to conform to the presentation used for FY 2014.

Average yen exchange rates for the U.S. dollar and the euro during the first nine months of fiscal 2014 were ¥99.38 and ¥132.22, respectively, as the yen depreciated 24.2% against the U.S. dollar and 29.3% against the euro. This increased net sales by approximately ¥126.0 billion and operating income by approximately ¥21.1 billion.

**Sales by Sector**

Term Product	The 9-month-period of FY2013 (April 1, 2012 - December 31, 2012)		The 9-month-period of FY2014 (April 1, 2013 - December 31, 2013)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	87,280	14.0	103,540	13.9	986,095	16,260	18.6
Inductive devices	88,408	14.1	105,421	14.2	1,004,010	17,013	19.2
Other Passive Components	99,543	15.9	144,607	19.4	1,377,209	45,064	45.3
Passive Components	275,231	44.0	353,568	47.5	3,367,314	78,337	28.5
Recording devices	175,901	28.1	195,504	26.3	1,861,943	19,603	11.1
Other Magnetic Application Products	79,926	12.8	79,285	10.7	755,095	(641)	-0.8
Magnetic Application Products	255,827	40.9	274,789	37.0	2,617,038	18,962	7.4
Film Application Products	78,299	12.5	101,565	13.7	967,286	23,266	29.7
Other	15,997	2.6	13,453	1.8	128,124	(2,544)	-15.9
Total	625,354	100.0	743,375	100.0	7,079,762	118,021	18.9
Overseas sales	541,716	86.6	672,593	90.5	6,405,648	130,877	24.2

**Notes:**

1. U.S.\$1=Yen 105, for convenience only.
2. The figures for FY2013 are restated based on current calculation method for sales by region.
3. Net sales relating to the data tape business are excluded since it turned discontinued operations in the second quarter of FY2014. The prior year's sales are also excluded to conform to the presentation used for the 9-month-period of FY2014.

**(1) Passive Components Segment**

This segment is made up of (1) capacitors, (2) inductive devices, and (3) other passive components. Sales in the passive components segment were ¥353,568 million (U.S.\$3,367,314 thousand), up 28.5% year on year from ¥275,231 million.

The capacitors business is made up of ceramic capacitors, aluminum electrolytic capacitors, and film capacitors. Sales in the capacitors business were ¥103,540 million (U.S.\$986,095 thousand), up 18.6% year on year from ¥87,280 million. Sales of ceramic capacitors increased to the automotive market, and sales of aluminum electrolytic capacitors and film capacitors increased to the automotive and industrial equipment markets.

Sales of inductive devices increased 19.2% year on year from ¥88,408 million to ¥105,421 million (U.S.\$1,004,010 thousand). Sales increased for use in automobiles and communications equipment.

Other passive components include high-frequency devices, piezoelectric material products, circuit protection components, and sensors. Sales of other passive components climbed 45.3% year on year from ¥99,543 million to ¥144,607 million (U.S.\$1,377,209 thousand). Sales of high-frequency devices rose sharply to the communications equipment and the home information appliances markets. Sales of piezoelectric material products and circuit protection components increased to the communications equipment and automotive markets. Sales of sensors increased to the automotive market.

## (2) Magnetic Application Products Segment

This segment is made up of (1) recording devices, and (2) other magnetic application products. Segment sales increased 7.4% year on year, from ¥255,827 million to ¥274,789 million (U.S.\$2,617,038 thousand).

The recording devices business is comprised mainly of HDD heads and HDD suspension assemblies. It recorded sales of ¥195,504 million (U.S.\$1,861,943 thousand), up 11.1% from ¥175,901 million. In HDD heads and HDD suspension assemblies, sales volumes declined due to the absence of the temporary demand resulting from the impact of the major flooding in Thailand in the same period of the previous fiscal year and lackluster HDD production levels. However, the weaker yen against the U.S. dollar lifted sales in monetary terms.

Other magnetic application products include power supplies and magnets. Sales decreased 0.8% year on year from ¥79,926 million to ¥79,285 million (U.S.\$755,095 thousand). Sales of power supplies increased slightly to the industrial equipment market. On the other hand, sales of magnets decreased to the automotive market, partly due to the impact of lower prices.

**(3) Film Application Products Segment**

This segment includes energy devices (rechargeable batteries) and applied films. Segment sales increased 29.7% from ¥78,299 million to ¥101,565 million (U.S.\$967,286 thousand).

Sales of energy devices increased substantially to the communications equipment market, particularly for smartphone and tablet applications, and the home information appliances market. Sales of applied films rose slightly to the home information appliances market.

**(4) Other**

Other includes mechatronics (production equipment) and other businesses. Segment sales decreased 15.9% from ¥15,997 million to ¥13,453 million (U.S.\$128,124 thousand).

The main businesses making up the three reporting segments and Other, which includes products not included in these reporting segments, are as follows:

Classification	Constituent Main Business
Passive Components	Ceramic capacitors, Aluminum electrolytic capacitors, Film capacitors, Inductive devices (Coils/Ferrite cores/Transformers), High-frequency devices, Piezoelectric material products, Circuit protection components, Sensors
Magnetic Application Products	Recording devices, Power supplies, Magnets,
Film Application Products	Energy devices (rechargeable batteries), Applied films
Other	Mechatronics (production equipments), other

(Note) The data tape business, which has been classified as discontinued operations since the first half of fiscal 2014, had been included in applied films of the film application products segment.

**[Sales by Region]**

Overseas sales increased 24.2% year on year from ¥541,716 million to ¥672,593 million (U.S.\$6,405,648 thousand). Overseas sales accounted for 90.5% of consolidated net sales, a 3.9 percentage point increase from 86.6% in the same period of fiscal 2013. Detailed information on sales by region can be found in the consolidated supplementary information on page 17. Please note that figures for the first nine months of fiscal 2013 have been restated due to a partial change in the method for aggregating overseas sales from the first quarter of fiscal 2014.

## **(2) Summary Information Regarding Consolidated Financial Position**

(1) The following table summarizes TDK's consolidated balance sheet as of December 31, 2013.

Total assets	¥1,311,823 million	(12.2% increase)
Total TDK stockholders' equity	¥645,865 million	(15.1% increase)
Stockholders' equity ratio	49.2%	(1.2 point increase)

As of December 31, 2013, total assets had increased ¥142,181 million compared with March 31, 2013. This increase mainly reflected a ¥51,675 million increase in terms of net liquidity (cash and cash equivalents, short-term investments and marketable securities), a ¥38,405 million increase in net trade-receivables, a ¥13,724 million increase in inventories and a ¥19,017 million increase in net property, plant and equipment.

Total liabilities increased ¥59,699 million from March 31, 2013. Trade payables increased ¥21,483 million, short-term and long-term debts increased 9,675 million, accrued expenses increased ¥8,105 million and retirement and severance benefits increased ¥7,699 million.

TDK stockholders' equity, which is included in total equity, increased ¥84,696 million from March 31, 2013. Accumulated other comprehensive income (loss) increased ¥83,725 million, mainly due to a upturn in foreign currency translation adjustments compared with March 31, 2013 as a result of the yen's depreciation.

(2) Cash Flows

(Yen millions)

	FY 2013 3Q	FY 2014 3Q	Change
Net cash provided by operating activities	67,680	85,477	17,797
Net cash used in investing activities	(68,712)	(43,092)	25,620
Net cash provided by (used in) financing activities	1,067	(19,383)	(20,450)
Effect of exchange rate changes on cash and cash equivalents	7,904	27,592	19,688
Net increase in cash and cash equivalents	7,939	50,594	42,655
Cash and cash equivalents at beginning of period	167,015	213,687	46,672
Cash and cash equivalents at end of period	174,954	264,281	89,327

Operating activities provided net cash of ¥85,477 million (U.S.\$814,067 thousand), a year on year increase of ¥17,797 million. TDK recorded a net income of ¥17,169 million (U.S.\$163,514 thousand), an increase of ¥4,225 million year on year. Depreciation and amortization increased ¥5,591 million to ¥61,752 million (U.S.\$588,114 thousand). In changes in assets and liabilities, a ¥10,281 million increase in trade receivables reduced operating cash flows. However, a ¥7,822 million increase in trade payables contributed to the increase of operating cash flows.

Investing activities used net cash of ¥43,092 million (U.S.\$410,400 thousand), a decrease of ¥25,620 million year on year. There was a ¥15,386 million decrease in capital expenditures and a ¥6,512 million increase in proceeds from sale and maturity of short-term investments, which outweighed a ¥6,601 million increase in payment for purchase of short-term investments.

In fiscal 2014, TDK used net cash in financing activities, which provided net cash in fiscal 2013. The net change year on year was ¥20,450 million. In fiscal 2013, there were repayments of long-term debt of ¥36,670 million. On the other hand, ¥40,038 million was provided by proceeds from long-term debt. TDK provided net cash of ¥1,067 million in these and other financing activities. In fiscal 2014, there were proceeds from long-term debt of ¥33,619 million (U.S.\$320,181 thousand). On the other hand, there were a net decrease in short-term debt of ¥27,687 million (U.S.\$263,686 thousand) and acquisition of noncontrolling interests of ¥13,981 million (U.S.\$133,152 thousand). TDK used net cash of ¥19,383 million (U.S.\$184,600 thousand) in these and other financing activities.

### (3) Summary Information Regarding Consolidated Projections

(Fiscal 2014 Consolidated Projections)

TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2014, the year ending March 31, 2014, are as follows.

Term  Item	FY2014 (April 1, 2013 - March 31, 2014)	FY2014 (April 1, 2013 - March 31, 2014)	FY2013 (April 1, 2012 - March 31, 2013)	vs FY2013 Changes	
	Forecast in January '14	Forecast in April '13	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	985,000	930,000	844,182	140,818	16.7
Operating income	37,000	30,000	21,682	15,318	70.6
Income from continuing operations before income taxes	38,000	28,000	19,200	18,800	97.9
Net income attributable to TDK	16,000	13,000	1,195	14,805	-
Capital expenditures	72,000	73,000	85,606	(13,606)	-15.9
Depreciation and amortization	83,000	84,000	77,598	5,402	7.0
Research and development	63,000	57,000	53,662	9,338	17.4

(Notes)

In the electronics market, TDK expects sales of electronic components for the automotive market, HDD heads and rechargeable batteries, which particularly impact TDK's results, to be stronger than assumed in the previously announced consolidated projections, and the yen is also expected to grow weaker against the U.S. dollar than previously assumed. Furthermore, the Blu-ray Disc business will become a discontinued operation, because TDK plans to exit it as part of structural reforms in the fourth quarter. In light of the aforementioned circumstances, TDK has revised its consolidated projections, as outlined above. Regarding fiscal 2013 results, figures have been restated with the data tape business included in discontinued operations. However, the Blu-ray Disc business is included in continuing operations.

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥102 and ¥135 respectively will be assumed in the fourth quarter.

### Cautionary Statements with Respect to Forward-Looking Statements

This material contains forward-looking statements, including projections, plans, policies, management strategies, targets, schedules, understandings and evaluations, about TDK or 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 positions could be materially different from any future results, performance, achievements or financial positions 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 material 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.

## **2. Other Information**

### **(1) Changes in Significant Subsidiaries**

Nothing to report

### **(2) Simplified Accounting Treatment and Special Accounting Treatment**

Nothing to report

### **(3) Accounting Policy Changes, Accounting Estimate Changes and Restatements**

Previously, TDK used the declining-balance method for calculating the depreciation of property, plant and equipment located in Japan and certain foreign subsidiaries. Effective April 1, 2013, TDK changed it to the straight-line method as a result of reviewing the depreciation method per change in business structure. Concurrently, estimated useful lives for certain assets were also changed. Because TDK thinks that the straight-line method better reflects the pattern of consumption of estimated future benefits to derive from those assets being depreciated and provides a better matching of cost and revenues over the assets' estimated useful lives. The effect of change in depreciation method is recognized prospectively as a change in accounting estimate in accordance with the provisions of ASC No. 250 "Accounting Changes and Error Corrections". The change in depreciation did not have a material impact on TDK's financial statements for the first nine months of fiscal 2014.

**(4) Fundamental Policy for Distribution of Earnings, and Fiscal 2014 Dividends**

TDK recognizes that achieving growth in corporate value over the long term ultimately translates into higher shareholder value. In line with this recognition, TDK's fundamental policy is to work to consistently increase dividends through growth in earnings per share. By actively investing for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to rapid technological advances in the electronics industry, TDK is aiming to increase long-term corporate value. Accordingly, TDK actively reinvests its profits in business activities and sets dividends taking comprehensively into consideration the return on equity (ROE) and dividends on equity (DOE) on a consolidated basis, as well as changes in the business environment, among other factors.

Projected dividends per share for fiscal 2014 are as follows. TDK keeps initial dividend forecast unchanged.

(Yen)

	FY2014	FY2013 Actual
Interim dividend	(Results) 30.00	40.00
Year-end dividend	(Forecast) 40.00	30.00
Annual dividend	(Forecast) 70.00	70.00