

**[Summary Information and Financial Statements]**

**1. Summary Information Regarding Financial Results for the First Quarter of Fiscal 2017**

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

Consolidated results for the first three months of fiscal 2017, the period from April 1 to June 30, 2016, are as follows.

During the first quarter of fiscal 2017, the global economy maintained a gradual growth overall, driven by employment growth and continued strong personal consumption in the U.S. On the downside, the national vote for the departure of the U.K. from the European Union increased the risk of a downturn in the U.K and European economies, while growth in Asia showed signs of slowing.

The electronics market, which has a large bearing on the consolidated performance of TDK, saw production levels differ by finished product. Production of smartphones increased from the same period of the previous fiscal year, driven by sustained growth in demand in the Chinese market. Production in the automobile market was slightly higher than in the same period of the previous fiscal year, driven mainly by solid automobile sales in Europe and the U.S. Meanwhile, production of PCs declined compared to the same period of the previous fiscal year. Production of hard disk drives (HDDs) declined substantially compared to the same period of the previous fiscal year due to the decreased demand for PCs and the continued replacement of the HDDs inside PCs by solid state drives (SSDs).

In this business environment, the TDK’s consolidated operating results for the first quarter of fiscal 2017 were as follows.

Term Item	1Q of FY2016 (April. 1, 2015 - June. 30, 2015)		1Q of FY2017 (April. 1, 2016 - June. 30, 2016)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	279,556	100.0	278,769	100.0	2,706,495	(787)	-0.3
Operating income	18,140	6.5	16,502	5.9	160,214	(1,638)	-9.0
Income before income taxes	18,935	6.8	16,382	5.9	159,049	(2,553)	-13.5
Net income attributable to TDK	13,099	4.7	12,401	4.4	120,398	(698)	-5.3
Per common share :							
Net income attributable to TDK / Basic	Yen 103.96		Yen 98.32		U.S.\$ 0.95		
Net income attributable to TDK / Diluted	Yen 100.73		Yen 96.69		U.S.\$ 0.94		

**Note:**

U.S.\$1=Yen 103, for convenience only.

Average yen exchange rates for the U.S. dollar and the euro during the first quarter of fiscal 2017 were ¥108.37 and ¥122.41, respectively, as the yen appreciated 10.7% against the U.S. dollar and 8.8% against the euro. This decreased net sales by approximately ¥31.9 billion and operating income by approximately ¥5.9 billion.

## Sales by Product

Term Product	1Q of FY2016 (April 1, 2015 - June 30, 2015)		1Q of FY2017 (April 1, 2016 - June 30, 2016)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	39,126	14.0	34,356	12.3	333,554	(4,770)	-12.2
Inductive Devices	39,713	14.2	35,706	12.8	346,660	(4,007)	-10.1
Other Passive Components	71,441	25.5	67,599	24.3	656,301	(3,842)	-5.4
Passive Components	150,280	53.7	137,661	49.4	1,336,515	(12,619)	-8.4
Recording Devices	54,585	19.5	60,977	21.8	592,010	6,392	11.7
Other Magnetic Applicaton Products	24,773	8.9	21,423	7.7	207,990	(3,350)	-13.5
Magnetic Application Products	79,358	28.4	82,400	29.5	800,000	3,042	3.8
Film Application Products	42,931	15.4	51,812	18.6	503,029	8,881	20.7
Other	6,987	2.5	6,896	2.5	66,951	(91)	-1.3
Total	279,556	100.0	278,769	100.0	2,706,495	(787)	-0.3
Overseas sales	257,012	91.9	254,633	91.3	2,472,165	(2,379)	-0.9

**Notes:**

1. U.S.\$1=Yen 103, for convenience only.
2. In accordance with the reorganization in 1Q of FY2017, certain products of Other were reclassified into Inductive Devices and Other Passive Components and certain products of Film Application Products were reclassified into Other.  
The prior year's sales are also reclassified to conform to the new segmentation.

### 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 ¥137,661 million (U.S.\$ 1,336,515 thousand), down 8.4% year on year from ¥150,280 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥34,356 million (U.S.\$ 333,554 thousand), down 12.2% year on year from ¥39,126 million. Sales of Ceramic Capacitors increased to the automotive market, while decreased to the ICT (Information and Communications Technology) market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors decreased mainly to the industrial equipment market.

Sales of Inductive Devices decreased by 10.1% year on year from ¥39,713 million to ¥35,706 million (U.S.\$ 346,660 thousand). Sales increased to the automotive market, while decreased to the ICT market.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products, Circuit Protection Components, and Sensors. Sales of Other Passive Components decreased by 5.4% year on year from ¥71,441 million to ¥67,599 million (U.S.\$ 656,301 thousand). Sales of High-Frequency Devices were level to the ICT market, their major market. Sales of Piezoelectric Material Products, Circuit Protection Components and Sensors decreased to the ICT market.

## 2) Magnetic Application Products Segment

This segment is made up of (1) Recording Devices, and (2) Other Magnetic Application Products. Segment sales increased 3.8% year on year, from ¥79,358 million to ¥82,400 million (U.S.\$ 800,000 thousand).

Recording Devices comprises mainly HDD Heads, HDD Suspension Assemblies and Magnetic Sensors. It recorded sales of ¥60,977 million (U.S.\$ 592,010 thousand), up 11.7% from ¥54,585 million. Sales of HDD Heads and HDD Suspension Assemblies increased despite the slump in the HDD market. The sales of Magnetic Sensors made by Micronas Semiconductor Holding AG were included within the sales of Recording Devices in the first quarter of fiscal 2017 following its acquisition in March 2016.

Other Magnetic Application Products include Power Supplies and Magnets. Sales decreased by 13.5% year on year from ¥24,773 million to ¥21,423 million (U.S.\$ 207,990 thousand).

Sales of Power Supplies decreased mainly to the industrial equipment market. Also, sales of Magnets decreased mainly to the ICT market for use in HDDs.

## 3) Film Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries). Segment sales increased by 20.7% from ¥42,931 million to ¥51,812 million (U.S.\$ 503,029 thousand).

Sales of Energy Devices increased significantly to the ICT market.

## 4) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales decreased by 1.3% from ¥6,987 million to ¥6,896 million (U.S.\$ 66,951 thousand).

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

New 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	HDD Heads, HDD Suspension Assemblies, Magnetic Sensors, Power Supplies, Magnets
Film Application Products	Energy Devices (Rechargeable Batteries)
Other	Mechatronics (Production Equipment), Others

**[Sales by Region]**

Overseas sales decreased by 0.9% year on year from ¥257,012 million to ¥254,633 million (U.S.\$ 2,472,165 thousand). Overseas sales accounted for 91.3% of consolidated net sales, a 0.6 percentage point decrease from 91.9% in the first quarter of fiscal 2016. Detailed information on sales by region can be found in the consolidated supplementary information on page 17.

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

1) The following table summarizes TDK's consolidated balance sheet as of June 30, 2016.

Total assets	¥1,416,003 million	(2.4% decrease)
Total TDK stockholders' equity	¥599,281 million	(11.3% decrease)
Stockholders' equity ratio	42.3%	(4.3 point decrease)

As of June 30, 2016, total assets decreased by ¥34,561 million compared with March 31, 2016. Net liquidity (cash and cash equivalent, short-term investments) decreased by ¥29,251 million. In addition, inventories decreased by ¥4,561 million.

Total liabilities increased by ¥42,348 million from March 31, 2016. Short-term debt, trade payables and long-term debt increased by ¥21,840 million, ¥15,324 million and ¥14,734 million, respectively, while retirement and severance benefits decreased by ¥6,772 million.

Total TDK stockholders' equity, which is included in total equity, decreased by ¥76,080 million from March 31, 2016. Accumulated other comprehensive income (loss) decreased by ¥80,958 million, mainly due to a decrease in foreign currency translation adjustments compared with March 31, 2016.

## 2) Cash Flows

(Yen millions)

	FY 2016 1Q	FY 2017 1Q	Change
Net cash provided by operating activities	26,557	8,731	(17,826)
Net cash used in investing activities	(25,681)	(48,242)	(22,561)
Net cash provided by financing activities	10,481	37,312	26,831
Effect of exchange rate changes on cash and cash equivalents	5,690	(24,918)	(30,608)
Net increase (decrease) in cash and cash equivalents	17,047	(27,117)	(44,164)
Cash and cash equivalents at beginning of period	265,104	285,468	20,364
Cash and cash equivalents at end of period	282,151	258,351	(23,800)

Operating activities provided net cash of ¥8,731 million (U.S.\$84,767 thousand), a decrease of ¥17,826 million year on year. There was an increase in net trade receivables.

Investing activities used net cash of ¥48,242 million (U.S.\$468,369 thousand), an increase of ¥22,561 million year on year. It mainly came from an increase in capital expenditures.

Financing activities provided net cash of ¥37,312 million (U.S.\$362,252 thousand), an increase of ¥26,831 million year on year. It mainly came from increases in long-term debt and short-term debt.

### (3) Summary Information Regarding Consolidated Projections

(Fiscal 2017 Consolidated Projections)

TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2017, the year ending March 31, 2017, are as follows. TDK keeps initial projections unchanged.

Term  Item	FY2017 (April 1, 2016 - March 31, 2017)	FY2016 (April 1, 2015 - March 31, 2016)	vs FY2016 Changes	
	Projection in April '16	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	1,160,000	1,152,255	7,745	0.7
Operating income	74,000	93,414	(19,414)	-20.8
Income before income taxes	73,000	91,839	(18,839)	-20.5
Net income attributable to TDK	50,000	64,828	(14,828)	-22.9
Capital expenditures	200,000	160,674	39,326	24.5
Depreciation and amortization	95,000	83,224	11,776	14.1
Research and development	90,000	84,920	5,080	6.0

(Notes)

Management has judged that there are no major changes from TDK's projections as of April 28, 2016, having reviewed demand and other factors for electronic components used in major finished products. The review was based on production forecasts and other information currently available to TDK (as defined below) regarding the electronics market and major finished products.

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥110 and ¥125 respectively will be assumed from the second quarter onward.

### 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 Corporation and/or its group companies ("TDK"). These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs, and evaluations of TDK in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors.

TDK therefore wishes to caution readers that, being subject to risks, uncertainties and other factors, TDK'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 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 operates are highly susceptible to rapid changes. Risks, uncertainties and other factors that can have significant effects on TDK 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**

#### Simplifying the Presentation of Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03 “Simplifying the Presentation of Debt Issuance Costs”.

The amendments in this Update require debt issuance costs to be presented as a deduction from the related debt liability. TDK adopted this Update on April 1, 2016. As a result, the bond issuance cost that used to be a part of Other assets is presented as a deduction from Long-term debt in the prior year’s consolidated financial statement.

The adoption of this Update did not have a material impact on TDK’s results of operations or financial position.

#### Simplifying the Accounting for Measurement – Period Adjustments

In September 2015, the FASB issued ASU 2015-16 “Simplifying the Accounting for Measurement – Period Adjustments”. The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This Update is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. TDK adopted this Update prospectively for adjustments to provisional amounts that occur after the effective date of this Update.

The effect of adopting this Update on TDK’s results of operations and financial position depends on the status of the business combinations with measurement periods ending on or after April 1, 2016.

**(4) Fundamental Policy for Distribution of Earnings, and Fiscal 2017 Dividends**

TDK recognizes that achieving increase in corporate value over the medium- and long-term ultimately translates into higher shareholder value. In line with this understanding, 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 innovation in the electronics industry, TDK is aiming to increase a medium- and long-term corporate value. Accordingly, TDK actively reinvests its earning in business activities and determines its dividends taking into consideration comprehensive factors, including 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 2017 are as follows. TDK keeps initial dividend forecast unchanged.

(Yen)

	FY2017 Forecast	FY2016 Actual
Interim dividend	60.00	60.00
Year-end dividend	60.00	60.00
Annual dividend	120.00	120.00

**(5) Other**

On July 26, 2016, the Japan Fair Trade Commission started an investigation of TDK Corporation based on suspicion of a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in connection with the HDD suspension assembly business. At this stage, it is not possible to rationally estimate the result of the investigation and the impact on TDK's management performance.