

## [Summary Information and Financial Statements]

### 1. Summary Information Regarding Financial Results for the Second Quarter of Fiscal 2018

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

Consolidated results for the first half of fiscal 2018, the period from April 1 to September 30, 2017, are as follows.

During the first half of fiscal 2018, the global economy maintained a gradual pace of recovery overall. In the U.S., Europe and Japan, corporate business conditions, employment levels, and personal consumption trended firmly. The emerging economies of China, India and other countries continued to experience higher rates of growth than developed countries, despite some signs of a slight slowdown.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, there was growing demand in the automotive market, fueled by a continued increase in the number of components installed per vehicle in step with advances in the electrification of automobiles. In the industrial equipment market, demand was firm, supported mainly by surging investment in semiconductors and corporate investment in automation. In addition, demand was solid for home electric appliances such as game consoles and room air conditioners. Meanwhile, in the ICT (Information and Communications Technology) market, production of smartphones showed some signs of adjustment.

In this business environment, the TDK's consolidated operating results for the first half of fiscal 2018 were as follows.

#### Summary (April 1, 2017 - September 30, 2017)

Term Item	1H of FY2017 (Apr. 1, 2016 - Sep. 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	579,181	100.0	623,571	100.0	5,518,327	44,390	7.7
Operating income	44,313	7.7	42,269	6.8	374,062	(2,044)	-4.6
Income before income taxes	44,326	7.7	44,254	7.1	391,628	(72)	-0.2
Net income attributable to TDK	32,674	5.6	30,689	4.9	271,584	(1,985)	-6.1
Per common share :							
Net income attributable to TDK / Basic	Yen 259.01		Yen 243.15		U.S.\$ 2.15		
Net income attributable to TDK / Diluted	Yen 254.26		Yen 242.56		U.S.\$ 2.15		

**Note:**

U.S.\$1=Yen 113, for convenience only.

Average yen exchange rates for the U.S. dollar and the euro during the first half of fiscal 2018 were ¥111.08 and ¥126.16, respectively, as the yen depreciated 5.4% against the U.S. dollar and 6.6% against the euro. This increased net sales by approximately ¥27.4 billion and operating income by approximately ¥5.0 billion.

## Sales by Product

Term Product	1H of FY2017 (April 1, 2016 - September 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	68,102	11.7	75,458	12.1	667,770	7,356	10.8
Inductive Devices	71,167	12.3	78,087	12.5	691,035	6,920	9.7
Other Passive Components	132,613	22.9	61,433	9.9	543,655	(71,180)	-53.7
Passive Components	271,882	46.9	214,978	34.5	1,902,460	(56,904)	-20.9
Sensor Application Products	20,917	3.6	36,592	5.9	323,823	15,675	74.9
Recording Devices	113,220	19.6	118,552	19.0	1,049,133	5,332	4.7
Other Magnetic Application Products	43,028	7.4	47,059	7.5	416,451	4,031	9.4
Magnetic Application Products	156,248	27.0	165,611	26.5	1,465,584	9,363	6.0
Film Application Products	116,978	20.2	183,180	29.4	1,621,062	66,202	56.6
Other	13,156	2.3	23,210	3.7	205,398	10,054	76.4
Total	579,181	100.0	623,571	100.0	5,518,327	44,390	7.7
Overseas sales	529,405	91.4	569,472	91.3	5,039,575	40,067	7.6

### Notes:

1. U.S.\$1=Yen 113, for convenience only.
2. In accordance with the reorganization in 1Q of FY2018, Sensor Application Products was newly established. Certain products of Other were reclassified into Other Passive Components and certain products of Recording Devices 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 ¥214,978 million (U.S.\$ 1,902,460 thousand), down 20.9% year on year from ¥271,882 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥75,458 million (U.S.\$ 667,770 thousand), up 10.8% year on year from ¥68,102 million. Sales of Ceramic Capacitors increased to the automotive market, while decreased to the ICT market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors increased mainly to the industrial equipment market.

Sales of Inductive Devices increased by 9.7% year on year from ¥71,167 million to ¥78,087 million (U.S.\$ 691,035 thousand). Sales increased to the automotive and the industrial equipment markets, while decreased to the ICT market.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components decreased by 53.7% year on year from ¥132,613 million to ¥61,433 million (U.S.\$ 543,655 thousand). Sales to the ICT market decreased sharply due to the impact of transferring part of the high-frequency components business to RF360 Holdings Singapore PTE. Ltd., a joint venture with Qualcomm Incorporated.

## 2) Sensor Application Products Segment

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 74.9% from ¥20,917 million to ¥36,592 million (U.S.\$ 323,823 thousand).

Sales to the ICT market increased due to the consolidation of the sales of InvenSense, Inc., following the completion of its acquisition in the first quarter of fiscal 2018.

## 3) Magnetic Application Products Segment

This segment is made up of (1) Recording Devices, and (2) Other Magnetic Application Products. Segment sales increased 6.0% year on year, from ¥156,248 million to ¥165,611 million (U.S.\$ 1,465,584 thousand).

Recording Devices comprises mainly HDD (hard disk drive) Heads and HDD Suspension Assemblies. It recorded sales of ¥118,552 million (U.S.\$ 1,049,133 thousand), up 4.7% from ¥113,220 million.

Other Magnetic Application Products include Power Supplies and Magnets. Sales increased by 9.4% year on year from ¥43,028 million to ¥47,059 million (U.S.\$ 416,451 thousand).

Sales of Power Supplies increased mainly to the industrial equipment market. Also, sales of Magnets increased mainly to the industrial equipment market.

## 4) Film Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries). Segment sales increased by 56.6% from ¥116,978 million to ¥183,180 million (U.S.\$ 1,621,062 thousand).

Sales of Energy Devices increased significantly to the ICT market.

## 5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales increased by 76.4% from ¥13,156 million to ¥23,210 million (U.S.\$ 205,398 thousand).

The main businesses making up the four 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
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Power Supplies, Magnets
Film Application Products	Energy Devices (Rechargeable Batteries)
Other	Mechatronics (Production Equipment), Others

**[Sales by Region]**

Overseas sales increased by 7.6% year on year from ¥529,405 million to ¥569,472 million (U.S.\$ 5,039,575 thousand). Overseas sales accounted for 91.3% of consolidated net sales, a 0.1 percentage point decrease from 91.4% in the first half of fiscal 2017. Detailed information on sales by region can be found in the consolidated supplementary information on page 20.

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

1) The following table summarizes TDK's consolidated balance sheet as of September 30, 2017.

Total assets	¥1,944,241 million	(16.8% increase)
Total TDK stockholders' equity	¥826,286 million	( 4.1% increase)
Stockholders' equity ratio	42.5%	(5.2 point decrease)

As of September 30, 2017, total assets increased by ¥279,908 million compared with March 31, 2017. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) decreased by ¥36,838 million, while goodwill, net trade receivables, net property, plant and equipment and inventories increased by ¥128,197 million, ¥83,059 million, ¥53,674 million and ¥45,026 million, respectively. An increase of goodwill was mainly due to an acquisition of InvenSense, Inc.

Total liabilities increased by ¥249,121 million from March 31, 2017. Long-term debt, short-term debt and trade payables increased by ¥115,086 million, ¥54,258 million and ¥51,918 million, respectively.

Total TDK stockholders' equity, which is included in total equity, increased by ¥32,672 million from March 31, 2017. Retained earnings increased by ¥23,682 million.

## 2) Cash Flows

(Yen millions)

	1H of FY 2017	1H of FY 2018	Change
Net cash provided (used) by operating activities	54,600	(10,846)	(65,446)
Net cash used in investing activities	(87,542)	(198,785)	(111,243)
Net cash provided by financing activities	62,334	143,338	81,004
Effect of exchange rate changes on cash and cash equivalents	(30,140)	6,535	36,675
Net decrease in cash and cash equivalents	(748)	(59,758)	(59,010)
Cash and cash equivalents at beginning of period	285,468	330,388	44,920
Cash and cash equivalents at end of period	284,720	270,630	(14,090)

Operating activities used net cash of ¥10,846 million (U.S.\$95,982 thousand), changed by ¥65,446 million year on year. It mainly came from an increase in inventories.

Investing activities used net cash of ¥198,785 million (U.S.\$1,759,160 thousand), an increase of ¥111,243 million year on year. It mainly came from an acquisition of subsidiaries.

Financing activities provided net cash of ¥143,338 million (U.S.\$1,268,478 thousand), an increase of ¥81,004 million year on year. It mainly came from increases in long-term debt.

### (3) Summary Information Regarding Consolidated Projections

(Fiscal 2018 Consolidated Projections)

TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2018, the year ending March 31, 2018, are as follows.

Term  Item	FY2018 (April 1, 2017 - March 31, 2018)	FY2018 (April 1, 2017 - March 31, 2018)	FY2018 (April 1, 2017 - March 31, 2018)	FY2017 (April 1, 2016 - March 31, 2017)	vs FY2017 Changes	
	Projection in October '17	Projection in July '17	Projection in May '17	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	1,250,000	1,190,000	1,110,000	1,178,257	71,743	6.1
Operating income	85,000	80,000	80,000	208,660	(123,660)	-59.3
Income before income taxes	88,000	79,000	79,000	211,717	(123,717)	-58.4
Net income attributable to TDK	60,000	55,000	55,000	145,099	(85,099)	-58.6
Capital expenditures	170,000	160,000	160,000	167,631	2,369	1.4
Depreciation and amortization	90,000	88,000	88,000	87,491	2,509	2.9
Research and development	99,000	94,000	86,000	91,254	7,746	8.5

(Notes)

TDK (as defined below) has revised its performance projections from those announced on July 28, 2017, having reviewed demand and other factors for electronic components used in major finished products. The revision was based on production forecasts and other information currently available to TDK regarding the electronics market and major finished products.

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥108 and ¥127 respectively will be assumed from the third 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**

TDK acquired the whole share of InvenSense, Inc. and consolidated InvenSense, Inc. and its subsidiaries in the quarter ended June 30, 2017.

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

Nothing to report.

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

#### Simplifying the Measurement of Inventory

In July 2015, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-11 “Simplifying the Measurement of Inventory”.

This ASU applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. TDK adopted this ASU prospectively from April 1, 2017.

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

#### Simplifying the Test for Goodwill Impairment

In January 2017, FASB issued ASU 2017-04 “Simplifying the Test for Goodwill Impairment”. This ASU eliminates Step 2 of the goodwill impairment test, instead requires an entity to recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. TDK early adopted this ASU prospectively from April 1, 2017.

The adoption of this ASU did not have an impact on TDK’s results of operations and financial position for the first half of FY2018.

**(4) Fundamental Policy for Distribution of Earnings, and Fiscal 2018 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 2018 are as follows. TDK keeps initial dividend forecast unchanged.

	(Yen)	
	FY2018	FY2017 Actual
Interim dividend	60.00	60.00
Year-end dividend	(Forecast) 70.00	60.00
Annual dividend	(Forecast) 130.00	120.00