

[Summary Information and Financial Statements]

1. Summary Information Regarding Financial Results for the First Quarter of Fiscal 2020

(1) Summary Information Regarding Consolidated Business Results

Consolidated results for the first three months of fiscal 2020, the period from April 1 to June 30, 2019, are as follows.

During the first quarter of fiscal 2020, the global economy witnessed an escalation in trade friction between the U.S. and China. This led to a stronger deceleration in the Chinese economy and a larger overall impact on the global economy.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, the automotive market saw a year-on-year decrease in automobile sales volume mainly due to sluggish sales in China, the world's largest automobile market, while there was a continued increase in the number of components installed per vehicle. In the industrial equipment market, the semiconductor market slowed down due to the trade friction between the U.S. and China, and demand for related equipment was subdued. In the Information and Communications Technology (ICT) market, overall smartphone production was slightly higher than the level in the first quarter of fiscal 2019, despite a deceleration in production at a smartphone manufacturer.

In this business environment, the TDK's consolidated operating results for the first quarter of fiscal 2020 were as follows.

Term Item	1Q of FY2019 (April. 1, 2018 - June. 30, 2018)		1Q of FY2020 (April 1, 2019 - June 30, 2019)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	343,068	100.0	336,815	100.0	3,118,657	(6,253)	-1.8
Operating income	25,420	7.4	24,980	7.4	231,296	(440)	-1.7
Income before income taxes	23,735	6.9	24,703	7.3	228,731	968	4.1
Net income attributable to TDK	16,197	4.7	15,588	4.6	144,333	(609)	-3.8
Per common share :							
Net income attributable to TDK / Basic	Yen 128.29		Yen 123.43		U.S.\$ 1.14		
Net income attributable to TDK / Diluted	Yen 127.94		Yen 123.15		U.S.\$ 1.14		

Note:

U.S.\$1=Yen 108, for convenience only.

Average yen exchange rates for the U.S. dollar and the euro during the first quarter of fiscal 2020 were ¥110.10 and ¥123.57, respectively, as the yen depreciated 0.9% against the U.S. dollar and the yen appreciated 5.1% against the euro. This decreased net sales by approximately ¥3.9 billion and increased operating income by approximately ¥0.6 billion.

Sales by Product

Term Product	1Q of FY2019 (April 1, 2018 - June 30, 2018)		1Q of FY2020 (April 1, 2019 - June 30, 2019)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	44,461	13.0	39,279	11.7	363,695	(5,182)	-11.7
Inductive Devices	38,938	11.4	34,149	10.1	316,194	(4,789)	-12.3
Other Passive Components	29,323	8.5	24,841	7.4	230,009	(4,482)	-15.3
Passive Components	112,722	32.9	98,269	29.2	909,898	(14,453)	-12.8
Sensor Application Products	18,869	5.5	18,142	5.4	167,982	(727)	-3.9
Magnetic Application Products	70,476	20.5	55,529	16.5	514,157	(14,947)	-21.2
Energy Application Products	125,587	36.6	144,513	42.9	1,338,083	18,926	15.1
Other	15,414	4.5	20,362	6.0	188,537	4,948	32.1
Total	343,068	100.0	336,815	100.0	3,118,657	(6,253)	-1.8
Overseas sales	314,891	91.8	310,439	92.2	2,874,435	(4,452)	-1.4

Notes:

1. U.S.\$1=Yen 108, for convenience only.
2. In accordance with the reorganization in 1Q of FY2020, certain products of Inductive Devices were reclassified into Other Passive Components.
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 ¥98,269 million (U.S.\$ 909,898 thousand), down 12.8% year on year from ¥112,722 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥39,279 million (U.S.\$ 363,695 thousand), down 11.7% year on year from ¥44,461 million. Sales of Ceramic Capacitors increased to the automotive and the ICT markets, while decreased to the industrial equipment market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors decreased to the industrial equipment and the automotive markets.

Sales of Inductive Devices decreased by 12.3% year on year from ¥38,938 million to ¥34,149 million (U.S.\$ 316,194 thousand). Sales decreased mainly to the automotive market.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products, and Circuit Protection Components. Sales of Other Passive Components decreased by 15.3% year on year from ¥29,323 million to ¥24,841 million (U.S.\$ 230,009 thousand). Sales decreased mainly to the ICT market.

2) Sensor Application Products Segment

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors, and MEMS Sensors. Segment sales decreased by 3.9% from ¥18,869 million to ¥18,142 million (U.S.\$ 167,982 thousand). Sales decreased to the automotive market.

3) Magnetic Application Products Segment

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales decreased 21.2% year on year, from ¥70,476 million to ¥55,529 million (U.S.\$ 514,157 thousand). Sales of HDD Heads and HDD Suspension Assemblies decreased to the ICT market. Sales of Magnets decreased to the industrial equipment market.

4) Energy Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries) and Power Supplies. Segment sales increased by 15.1% from ¥125,587 million to ¥144,513 million (U.S.\$ 1,338,083 thousand). Sales of Energy Devices increased significantly to the ICT market.

5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales increased by 32.1% from ¥15,414 million to ¥20,362 million (U.S.\$ 188,537 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, Magnets
Energy Application Products	Energy Devices (Rechargeable Batteries), Power Supplies
Other	Mechatronics (Production Equipment), Others

[Sales by Region]

Overseas sales decreased by 1.4% year on year from ¥314,891 million to ¥310,439 million (U.S.\$ 2,874,435 thousand). Overseas sales accounted for 92.2% of consolidated net sales, a 0.4 percentage point increase from 91.8% in the first quarter of fiscal 2019. Detailed information on sales by region can be found in the consolidated supplementary information on page 16.

(2) Summary Information Regarding Consolidated Financial Position

1) The following table summarizes TDK's consolidated balance sheet as of June 30, 2019.

Total assets	¥2,017,384 million	(1.2% increase)
Total TDK stockholders' equity	¥846,104 million	(3.6% decrease)
Stockholders' equity ratio	41.9%	(2.1 point decrease)

As of June 30, 2019, total assets increased by ¥24,904 million compared with March 31, 2019. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) decreased by ¥32,835 million, while right-of-use assets of operating leases and net trade receivables increased by ¥37,091 million, ¥22,472 million, respectively.

Total liabilities increased by ¥56,402 million from March 31, 2019. Operating lease obligations (including current portion of operating lease obligations) and short-term debt increased by ¥34,928 million, ¥32,805 million, respectively.

Total TDK stockholders' equity, which is included in total equity, decreased by ¥31,186 million from March 31, 2019. Accumulated other comprehensive income (loss) decreased by ¥36,862 million, due to a decrease in foreign currency translation adjustments compared with March 31, 2019.

2) Cash Flows

(Yen millions)

	FY 2019 1Q	FY 2020 1Q	Change
Net cash used by operating activities	(36,284)	7,803	44,087
Net cash used in investing activities	(23,494)	(45,408)	(21,914)
Net cash provided by financing activities	26,020	22,626	(3,394)
Effect of exchange rate changes on cash and cash equivalents	5,511	(11,905)	(17,416)
Net decrease in cash and cash equivalents	(28,247)	(26,884)	1,363
Cash and cash equivalents at beginning of period	279,624	289,175	9,551
Cash and cash equivalents at end of period	251,377	262,291	10,914

Operating activities used net cash of ¥7,803 million (U.S.\$72,250 thousand), changed by ¥44,087 million year on year. It mainly came from an increase in working capital.

Investing activities used net cash of ¥45,408 million (U.S.\$420,444 thousand), an increase of ¥21,914 million year on year. It mainly came from a decrease in proceeds from sales and maturity of short-term investments.

Financing activities provided net cash of ¥22,626 million (U.S.\$209,500 thousand), a decrease of ¥3,394 million year on year. It mainly came from a decrease in proceeds from debt.

(3) Summary Information Regarding Consolidated Projections

(Fiscal 2020 Consolidated Projections)

TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2020, the year ending March 31, 2020, are as follows.

Term Item	FY2020 (April 1, 2019 - March 31, 2020)	FY2019 (April 1, 2018 - March 31, 2019)	vs FY2019 Changes	
	Projection in April '19	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	1,420,000	1,381,806	38,194	2.8
Operating income	120,000	107,823	12,177	11.3
Income before income taxes	118,000	115,554	2,446	2.1
Net income attributable to TDK	84,000	82,205	1,795	2.2
Capital expenditures	200,000	173,592	26,408	15.2
Depreciation and amortization	130,000	106,631	23,369	21.9
Research and development	120,000	115,155	4,845	4.2

(Notes)

Management has judged that there are no major changes from TDK's projections as of April 26, 2019, 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 ¥108 and ¥122 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

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02 “Leases (Topic 842)”.

This ASU requires lessees to recognize most leases on their consolidated balance sheets but recognize expenses on their consolidated statements of income in a manner similar to the previous guidance. Additionally, this ASU expands qualitative and quantitative disclosures related to leases.

TDK adopted this ASU from April 1, 2019. TDK applied the package of practical expedients that allows us not to reassess whether any existing contracts at or expired contracts prior to the adoption date are or contain leases, lease classification and whether any initial direct costs qualify for capitalization, to use hindsight in determining the lease term and in assessing impairment of the right-of-use assets, in addition to applying the short term lease exception. TDK also adopted the transition method which no restatement of comparative periods and no reassessment of land easements not previously accounted for as a lease that exist at or expired prior to the adoption date are required. The right-of-use assets of operating leases and operating lease obligations recognized at April 1, 2019 was ¥38,016 million and ¥35,690 million, respectively and are included in Noncurrent assets and liabilities in the accompanying consolidated balance sheets.

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

Targeted Improvements to Accounting for Hedging Activities

In August 2017, FASB issued ASU 2017-12 “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities”. This ASU amends existing guidance to simplify the application of hedge accounting in certain situations and enables an entity to better portray the economic results of an entity’s risk management activities in its financial statements. This ASU eliminates the requirement to separately measure and report hedge ineffectiveness, and requires an entity to present the earnings effect of the hedging instrument in the same line item of the consolidated statements of income in which the earnings effect of the hedged item is reported. TDK adopted this ASU from April 1, 2019.

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

(4) Fundamental Policy for Distribution of Earnings, and Fiscal 2020 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 2020 are as follows. TDK keeps initial dividend forecast unchanged.

(Yen)

	FY2020 Forecast	FY2019 Actual
Interim dividend	90.00	80.00
Year-end dividend	90.00	80.00
Annual dividend	180.00	160.00