I-1) Business Results
(1) Analysis of Business Results
Consolidated results for the first half of fiscal 2008, the six-month period from April 1, 2007 through September 30, 2007, were as follows:

In the electronics market, which has a large bearing on the TDK Group’s performance, the first half of fiscal 2008 saw year-on-year increases in production of notebook PCs, HDDs, flat-screen TVs, mobile phones and game consoles. This growth, together with an increase in the number of electronic components in finished products driven by their increasing sophistication and features, led to higher demand for electronic components. The increasing use of electronics in automobiles also lifted demand for electronic components.

TDK posted consolidated net sales of ¥433,088 million (U.S.$3,765,983 thousand), a rise of 1.9% over the ¥424,838 million recorded in the first half of the previous fiscal year. Operating income was ¥47,145 million (U.S.$409,957 thousand), up 23.2% from ¥38,264 million. Income before income taxes was ¥48,362 million (U.S.$420,539 thousand), up 17.0% from ¥41,329 million. Net income was ¥34,626 million (U.S.$301,096 thousand), up 16.9% from ¥29,622 million. Basic net income per common share was ¥266.16 (U.S.$2.31), compared with ¥223.89 in the first half of the previous fiscal year.

Average first-half yen exchange rates for the U.S. dollar and euro were ¥119.40 and ¥162.33, respectively, as the yen depreciated 3.5% and 11.2%, respectively. This had the effect of increasing net sales by approximately ¥15.2 billion and increasing operating income by approximately ¥4.9 billion.

On August 1, 2007, TDK transferred its TDK brand recording media business to U.S. company Imation Corp. for U.S.$250 million. TDK transferred 6 consolidated subsidiaries and certain assets of 3 other consolidated subsidiaries. In consideration for these transfers, TDK received Imation Corp. common stock constituting approximately 16.6% of the total outstanding Imation Corp. shares and cash of approximately U.S.$29 million.

During the interim period, TDK also retired 3,599,000 shares of treasury stock that it had bought back earlier on the open market. The total number of issued TDK shares after retirement is 129,590,659.

(Sales by Segment)
TDK’s businesses are broadly classified into two business segments: the electronic materials and components segment and the recording media segment. The following is a summary of sales by segment.

(1) Electronic materials and components segment
This segment is made up of four product sectors: (1-1) electronic materials, (1-2) electronic devices, (1-3) recording devices, and (1-4) other electronic components.

Segment net sales rose 5.8% from ¥376,707 million to ¥398,421 million (U.S.$3,464,531 thousand), while segment operating income declined 11.2% from ¥40,567 million to ¥36,040 million (U.S.$313,392 thousand).
Sector sales of TDK’s electronic materials and components were as follows.

(1-1) Electronic materials
This sector is broken down into two product categories: capacitors and ferrite cores and magnets.

Sales in the electronic materials sector rose 4.1% from ¥98,713 million to ¥102,766 million (U.S.$893,618 thousand).

[Capacitors] Sales increased year on year, mainly as a result of higher sales of multilayer ceramic chip capacitors, the main product in the capacitors category. Sales were particularly strong for notebook PCs, flat-screen TVs and game consoles.

[Ferrite cores and magnets] Sales of ferrite cores and magnets decreased year on year. Sales of magnets rose slightly, while ferrite core sales decreased in line with the termination of some products.

(1-2) Electronic devices
This sector has three product categories: inductive devices, high-frequency components and other products.

Sales in the electronic devices sector increased 8.1% from ¥96,582 million to ¥104,436 million (U.S.$908,139 thousand).

[Inductive devices] Sales of inductive devices increased year on year, mainly as a result of higher sales of power line coils used in flat-screen TVs and game consoles and of multilayered common-mode filters for mobile phones.

[High-frequency components] Sales of high-frequency components increased year on year, the result mainly of higher sales of wireless LAN components.

[Other products] Sales of other products rose year on year. Although sales of sensors and actuators declined due to customer inventory reductions, this was outweighed by higher sales of power supplies.

(1-3) Recording devices
This sector has two product categories: HDD heads and other heads.

Sector sales increased 1.9% from ¥154,055 million to ¥156,920 million (U.S.$1,364,522 thousand).

[HDD heads] Sales increased year on year. TDK’s HDD head sales volume increased on the back of higher unit production of HDDs, which was driven by demand for HDDs for use in PCs as well as expanding applications in other consumer electronics.

[Other heads] Sales of other heads declined year on year.

(1-4) Other electronic components
This sector includes all products of the electronic materials and components segment other than those in the three sectors above. These products include organic EL displays, anechoic chambers and mechatronics (production equipment). Sector sales climbed 25.4% from ¥27,357 million to ¥34,299 million (U.S.$298,252 thousand).

This was the result of higher sales of anechoic chambers and mechatronics and other new products.
(2) Recording media segment
This segment has three product categories: audiotapes and videotapes, optical media and other products.

Segment sales decreased 28.0% from ¥48,131 million to ¥34,667 million (U.S.$301,452 thousand). The segment recorded operating income of ¥11,105 million (U.S.$96,565 thousand), a ¥13,408 million improvement on the operating loss of ¥2,303 million in the first half of fiscal 2007.

As mentioned earlier, on August 1, 2007, TDK transferred its TDK brand recording media business to Imation Corp. for U.S.$250 million. At the same time, TDK transferred a license to use the TDK brand name for current and future recording media products to Imation Corp. As a result, TDK's recording media segment since August 1, 2007 has been made up of existing R&D and manufacturing operations for magnetic tapes and blue laser discs to be supplied to OEM customers, including Imation Corp. TDK brand recording media products for ordinary consumers will now be sold by Imation Corp. This business transfer resulted in TDK recognizing a gain on transfer of ¥14,922 million (U.S.$129,757 thousand) for the recording media business in the interim period, which is included in operating income.

[Audiotapes and videotapes] Sales of audiotapes and videotapes declined year on year. This reflected falling demand for these products as a whole as well as the transfer of the sales business to Imation Corp. Whereas these sales were previously booked by the TDK Group's sales business, they now belong to Imation Corp.

[Optical media] Sales of optical media declined. Previously, TDK has procured ODM CD and DVD products for sale as part of a pure buy-sell business model. However, due to the transfer of the sales business, these sales of CDs and DVDs, which accounted for the majority of sales in this product sector, are no longer part of the TDK Group's activities, resulting in an equivalent decrease in sales. However, sales of Blu-ray Discs increased.

[Other products] Sales of other products decreased year on year despite higher sales of LTO-standard* (Linear Tape-Open) tape-based data storage media for computers on the back of rising demand. The main reason for the overall fall in sales was lower sales of accessory and other products.

*Linear Tape-Open, LTO, the LTO Logo, Ultrium and the Ultrium Logo are trademarks of HP, IBM and Quantum in the US and other countries.

(Sales by Region)
Detailed sales by region can be found in the segment information on page 19 of the consolidated results. Recording media segment sales decreased in all regions due to the aforementioned sales business transfer to Imation Corp.

[Japan] Sales decreased overall, with sales declining in all product sectors, except other electronic components.

[Americas] Sales were largely unchanged, with a decline in the electronic materials sector offset by increases in the electronic devices, recording devices and other electronic components sectors.

[Europe] Sales decreased due to lower sales in the electronic materials and other electronic components sectors.

[Asia (excluding Japan) and other areas] Sales rose overall on the back of higher sales in all four sectors of the electronic materials and components segment.
The overall result was a 4.4% increase in overseas sales year on year from ¥341,901 million to ¥356,821 million (U.S.$3,102,791 thousand). Overseas sales accounted for 82.4% of consolidated net sales, a 1.9 percentage point increase from 80.5% one year earlier.

On a parent-company basis, net sales increased 5.7% to ¥181,162 million (U.S.$1,575,321 thousand), from ¥171,459 million. Operating income was ¥7,041 million (U.S.$61,226 thousand), down 14.4% from ¥8,226 million. Current income was ¥16,307 million (U.S.$141,800 thousand), down 1.8% from ¥16,611 million. The parent company recorded net income of ¥421 million (U.S.$3,660 thousand), 96.0% down compared with net income of ¥10,513 million in the first six months of the previous fiscal year. As a result, basic net income per common share was ¥3.24 (U.S.$0.03), compared with ¥79.46 in the first half of the previous fiscal year.

At the meeting of TDK’s Board of Directors on October 31, an interim dividend of ¥60 per share of common stock was approved.

Fiscal 2008 Consolidated Projections
TDK’s projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2008, ending March 31, 2008, are as follows:

### [Consolidated Projections for Fiscal 2008]

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>865,000</td>
<td>862,025</td>
<td>2,975</td>
<td>0.3%</td>
<td>865,000</td>
</tr>
<tr>
<td>Operating income</td>
<td>90,000</td>
<td>79,590</td>
<td>10,410</td>
<td>13.1%</td>
<td>90,000</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>96,000</td>
<td>88,665</td>
<td>7,335</td>
<td>8.3%</td>
<td>96,000</td>
</tr>
<tr>
<td>Net income</td>
<td>72,000</td>
<td>70,125</td>
<td>1,875</td>
<td>2.7%</td>
<td>72,000</td>
</tr>
</tbody>
</table>

### [Projections for Capital Expenditures, Depreciation and Amortization, and Research and Development Expenses]

<table>
<thead>
<tr>
<th>Term</th>
<th>FY2008 (Forecasts) Amount (¥ millions)</th>
<th>% of sales</th>
<th>FY2007 (Actual) Amount (¥ millions)</th>
<th>% of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>75,000</td>
<td>-</td>
<td>70,440</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>70,000</td>
<td>8.1</td>
<td>65,337</td>
<td>7.6</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>53,000</td>
<td>6.1</td>
<td>50,058</td>
<td>5.8</td>
</tr>
</tbody>
</table>

(Notes)
(Projections for main products are as follows:)

**Electronic Materials and Electronic Devices**
Sales are expected to rise year on year, supported by higher demand for the main digital home appliances that create demand for these products. In particular, TDK anticipates rising demand for flat-screen TVs, mobile phones, digital cameras and PCs to stimulate demand for electronic materials and devices.
Recording Devices
Overall demand (volume) continues to grow for HDD heads, the major product in the recording devices sector. With demand expected to increase for HDDs employing perpendicular magnetic recording technology, in particular, TDK forecasts shipments of HDD heads to grow to meet this demand. TDK also expects intense price-based competition in the HDD sector, to continue to impact prices of HDD heads.

Recording Media
On August 1, 2007, TDK closed an agreement transferring its TDK brand recording media business to Imation Corp. As a result of a fundamental change in the existing product mix and price structure, TDK expects sales to fall substantially in the recording media segment in fiscal 2008.

(Exchange Rate Forecast)
An average yen-U.S. dollar exchange rate of ¥110 is assumed from the third quarter of fiscal 2008.

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 and 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 position could be materially different from any future results, performance, achievements or financial position 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 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) Financial Position

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2007</th>
<th>March 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>¥987,700 million</td>
<td>(0.2% decrease)</td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>¥743,918 million</td>
<td>(2.5% decrease)</td>
</tr>
<tr>
<td>Stockholders’ equity ratio</td>
<td>75.3%</td>
<td>(1.8 point decrease)</td>
</tr>
</tbody>
</table>

At September 30, 2007, cash and cash equivalents were ¥59,703 million lower than at March 31, 2007. However, short-term investments rose ¥12,412 million, and there were increases in net trade receivables of ¥5,756 million, investments in securities of ¥20,809 million, net property, plant and equipment of ¥6,504 million and other assets of ¥8,976 million. As a result of these and other changes, total assets decreased ¥1,604 million compared with March 31, 2007.

Total liabilities increased ¥17,425 million, mainly reflecting increases in trade payables of ¥6,793 million, and in accrued expenses of ¥4,954 million and income taxes payables of ¥5,857 million.

Total stockholders’ equity decreased ¥18,794 million compared with March 31, 2007. There was an ¥11,446 million decrease in retained earnings, mainly due to the retirement of treasury stock totaling ¥37,410 million following the repurchase of the Company’s own shares to improve capital efficiency and further raise the level of stockholder returns. There was also a ¥7,325 million increase in accumulated other comprehensive loss.
(2-2) Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2007 Interim</th>
<th>Fiscal 2008 Interim</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>78,718</td>
<td>42,152</td>
<td>(36,566)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(45,285)</td>
<td>(52,041)</td>
<td>(6,756)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(9,021)</td>
<td>(47,748)</td>
<td>(38,727)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>1,404</td>
<td>(2,066)</td>
<td>(3,470)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>25,816</td>
<td>(59,703)</td>
<td>(85,519)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>239,017</td>
<td>289,169</td>
<td>50,152</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>264,833</td>
<td>229,466</td>
<td>(35,367)</td>
</tr>
</tbody>
</table>

Operating activities provided net cash of ¥42,152 million (U.S.$366,539 thousand), a year-on-year decrease of ¥36,566 million. Net income increased ¥5,004 million to ¥34,626 million (U.S.$301,096 thousand) and depreciation and amortization increased ¥2,228 million to ¥33,112 million (U.S.$287,930 thousand). In changes in assets and liabilities, trade receivables increased ¥30,148 million, other current assets increased ¥11,103 million and accrued expenses increased ¥10,191 million.

Investing activities used net cash of ¥52,041 million (U.S.$452,530 thousand), ¥6,756 million more than a year earlier. Capital expenditures increased ¥2,262 million to ¥38,242 million (U.S.$332,539 thousand) and payment for purchase of investments in securities increased ¥1,751 million to ¥3,099 million (U.S.$26,948 thousand). There was an increase of ¥10,861 million cash inflow for the sale and maturity of short-term investments, while cash outflow for the purchase of short-term investments increased ¥13,796 million.

Financing activities used net cash of ¥47,748 million (U.S.$415,200 thousand), ¥38,727 million more than a year earlier. This mainly reflected a ¥39,224 million increase in cash paid to acquire the Company’s own shares, with the aim of improving capital efficiency and further raising the level of stockholder returns.

(3) Fundamental Policy for Distribution of Earnings and Fiscal 2008 Dividend
Returning earnings to shareholders is one of TDK’s highest management priorities. Therefore, TDK’s fundamental policy is to give consideration to a consistent increase in dividends based on factors such as the return on equity (ROE), dividends as a percentage of equity (DOE) and TDK’s results of operations on a consolidated basis.

Retained earnings are used to make aggressive investments for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to the rapid technological advances in the electronics industry.

<table>
<thead>
<tr>
<th></th>
<th>FY2008 Forecast</th>
<th>FY2007 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividend</td>
<td>(actual) 60.00</td>
<td>50.00</td>
</tr>
<tr>
<td>Year-end dividend</td>
<td>60.00</td>
<td>60.00</td>
</tr>
<tr>
<td>Annual dividend</td>
<td>120.00</td>
<td>110.00</td>
</tr>
</tbody>
</table>