
**Performance Briefing
First Half of Fiscal Year March, 2016**

**TDK Corporation
October 30, 2015**

◆ **Consolidated Results for First Half of FY March 2016**

Tetsuji Yamanishi, Corporate Officer

◆ **Consolidated Full Year Projections for FY March 2016**

Takehiro Kamigama, President and CEO

Consolidated Results for First Half of FY March 2016

**Tetsuji Yamanishi
Corporate Officer**

My name is Yamanishi. Thank you for taking the time to join our performance briefing for the first half of the fiscal year ending March 2016. I would like to start with the consolidated financial results.

- ◆ **587.6 billion yen, first half sales, was the highest ever.
Operating income was 45.6 billion yen, increased by 63% year on year.**
- ◆ **Both sales and operating income of passive components achieved record first-half earnings. (Operating income increased by 88% year on year.)
There were strong sales to the automobile market and smartphone customers.**
- ◆ **Both sales and operating income from magnetic application products declined year on year, reflecting sluggish HDD head and magnet sales.**
- ◆ **Film application products saw strong sales of rechargeable batteries for smartphones, and both sales and operating income increased significantly year on year.**

Firstly and most importantly, sales in the first half of the year were 587.6 billion yen, the highest half-year sales figure on record. Operating income grew 63% year on year to 45.6 billion yen.

The passive components segment successfully captured robust demand in the ICT market, mainly for smartphones, and the automotive market. As a result, both sales and operating income of this segment reached record-high levels. The segment's operating income was about 1.9 times that of the same period in the previous year and contributed greatly to the company's earnings growth. Although the smartphone market has slowed down somewhat, the segment continues to receive a substantial volume of orders, mainly for high-frequency components, due in part to an increase in the number of components installed per device, reflecting the ongoing sophistication of devices.

The film application products segment increased its production capacity in line with the release of a new smartphone model by a major customer in North America, and met the associated demand by operating at full capacity. Additionally, the segment benefited from the positive effects of marketing activities to increase sales to main customers in South Korea and China. Consequently, the film application products segment posted half-year sales in excess of 100 billion yen for the first time. Both segment sales and operating income showed strong growth, at about 1.8 times and 3 times that of the same period in the previous year. The film application products segment, together with the passive components segment, has contributed strongly to the company's sales and earnings growth.

On the other hand, both sales and operating income of the magnetic application products segment declined year on year. This reflects sizable adjustments in inventory and production due to the slowdown in the PC market in the first quarter, which was only partially offset by a weaker-than-expected recovery of shipment volume of HDD heads in the second quarter. The decline in sales and operating income in this segment also reflects the weaker sales of magnets for hard disk drives due to the adverse impact of the slowdown in the PC market.

The company has successfully established a flexible earnings structure, whereby adverse effects of the weak demand in the PC market on earnings of the magnet application products segment were offset by the strong growth in passive components and film application products segments. Consequently, the company's overall earnings grew further and operating income for the period amounted to 45.6 billion yen.

Consolidated Results for First Half of FY March 2016



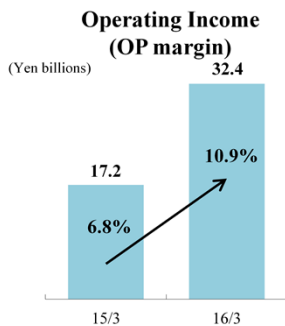
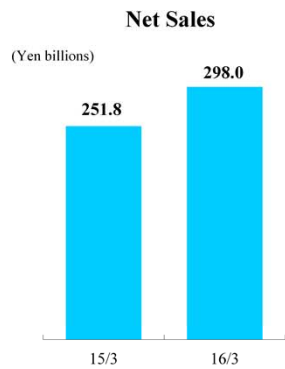
(Yen billions)	FY March 2015 Results through 2Q (2014.4.1-2014.9.30)	FY March 2016 Results through 2Q (2015.4.1-2015.9.30)	Change	
			Yen billions	%
Net Sales	502.3	587.6	85.3	17.0
Operating Income	27.9	45.6	17.7	63.4
Operating Income Margin	5.6%	7.8%	+2.2pt	-
Income before Income Taxes	27.4	44.1	16.7	60.9
Net Income	18.1	31.5	13.4	74.0
Earning Per Share (JPY)	144.17	249.69	-	-
US\$ (JPY)	103.02	121.80	Depreciated by 18.2%	
EURO (JPY)	138.96	135.11	Appreciated by 2.8%	
Ex-rate impact to Net sales & Operating Income	Net sales : Increased by about 78.8 billion Yen Operating income : Increased by about 14.2 billion Yen			

Next, I would like to outline the results for the first half of the fiscal year ending March 2016.

For the first half year, the company's sales grew by 85.3 billion or 17% year on year to 587.6 billion yen. Operating income was 45.6 billion yen, marking year-on-year growth of 17.7 billion yen or 63.4%. The operating margin increased by 2.2 percentage points to 7.8%. Income before income tax grew by 16.7 billion yen or 60.9% year on year to 44.1 billion yen. Net income amounted to 31.5 billion yen with a year-on-year growth of 74.0%.

As a result, earnings per share amounted to 249.69 yen. Average exchange rates for the six-month period were 121.80 yen to the U.S. dollar and 135.11 yen to the Euro, which meant that the yen depreciated by 18.2% against the dollar and appreciated by 2.8% against the Euro.

Exchange rate fluctuations contributed to increased sales and operating income by about 78.8 billion yen and 14.2 billion yen, respectively. The company's sensitivity to exchange rate fluctuations is calculated to be an increase or decrease in operating income of approximately 1.4 billion yen for every one yen change in the exchange rate of the yen to the U.S. dollar.



Net Sales 298.0 billion yen (up 18.3% year on year)

Operating Income 32.4 billion yen (up 88.4% year on year)

◆Ceramic Capacitors

- Sales increased year on year, particularly to the steady automobile market.
- Profit margins also improved due to increased productivity.

◆Inductive Devices

- Sales to a brisk ICT market (particularly for communications equipment) and a steady automotive market increased year on year.
- Earnings increased due to an improved product portfolio.

◆High-frequency Components

- Sales of discrete products were strong, mainly due to buoyant demand from the Chinese and the North American smartphone markets.
- Profit margins also improved significantly year on year due to increased productivity and improved product portfolio.

◆Piezoelectric Material Products

- Both net sales and operating income increased year on year due to strong sales of OIS for camera modules.

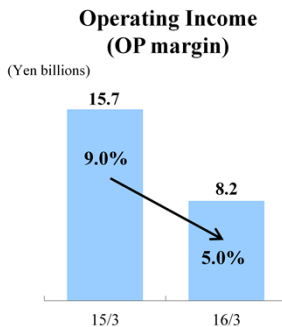
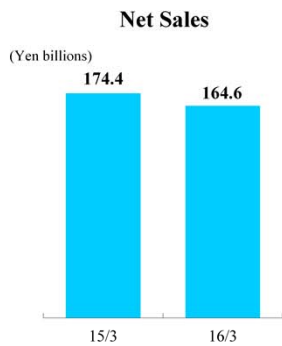
Next, I would like to explain each segment's performance for the first half year. Firstly, the passive components segment posted sales of 298.0 billion yen, up 18.3% year on year. Operating income grew 88.4% year on year to 32.4 billion yen. The segment has shown steady double-digit operating margins, achieving 10.9% for this six-month period. The segment also achieved year-on-year growth in sales and operating income for all products, backed by strong performances in ICT, automotive and industrial equipment markets, which are the core areas of this segment.

Sales and operating income of ceramic capacitors increased, driven by strong sales to the automotive market, which represents approximately 50% of total sales of ceramic capacitors. Profitability has also increased thanks to improved productivity.

Sales of inductive devices increased by 5% year on year, driven by strong sales to the automotive market, which accounts for about 40% of the total sales of inductive devices, coupled with an increase in sales to the smartphone market. Reflecting this, as well as a better product mix, the segment saw an increase in operating income.

The high-frequency components business benefited greatly from investments to increase production capacity in anticipation of growing demand for smartphones. Sales of high-frequency components, mainly discrete products, grew substantially by capturing the demand for smartphones in China and North America. Reflecting this sales growth, as well as improved productivity and product mix, operating income from high-frequency components increased and led the company's overall earnings growth.

Both sales and operating income of piezoelectric material products increased year on year, backed by strong sales of OIS for camera modules to Chinese smartphone makers.



Net Sales 164.6 billion yen (down 5.6% year on year)
Operating income 8.2 billion yen (down 47.8% year on year)

◆ **Recording Devices (HDD Heads)**

- The HDD market slowed due to a globally lackluster demand for PCs.
- Shipment volume of HDD heads also declined year on year.

◆ **Magnets**

- Sales for use in HDDs were sluggish. Profits declined year on year as a consequence of capacity utilization falling and one-time expenses.

◆ **Power Supplies**

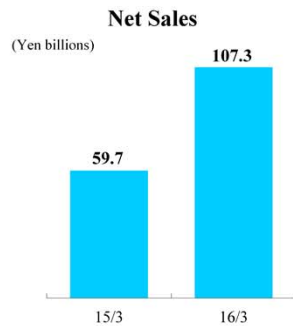
- Sales to the industrial equipment market of products such as FA equipment and measuring equipment remained strong.

Moving on to the magnetic application products segment, sales declined by 5.6% year on year to 164.6 billion yen. Operating income for the segment declined roughly by 50% year on year to 8.2 billion yen. The segment's operating margin declined substantially to 5.0%.

The recording devices business faced a huge decline in demand for PCs as compared to the previous year's surge due to the end of support for Windows XP, which triggered sizable adjustments of inventory and production in the first quarter. In the second quarter, the HDD shipment volume bounced back somewhat, but fell below our expectation. As a result, the HDD shipment volume dropped by approximately 20%, causing a 6.1% decline in sales. Although demand from data centers remains strong, we are making efforts to ensure that solid profits are generated by accelerating the development of value-added products and optimizing productivity, assuming a gradual reduction of HDD production over the medium term along with the weakening demand for PCs.

As with HDDs, sales of magnets also declined substantially, due to weak sales of magnets for HDDs resulting from weaker demand for PCs. The magnets business also saw a sizable decline in operating income, reflecting the lower capacity utilization rate resulting from the reduced production volume, as well as non-recurring expenses such as inventory valuation losses due to a drop in market prices of reserve-required rare earth materials and losses on disposal due to model termination of finished products held as inventory at the time of consolidation of factories in China in the previous year. Amidst the downward trend of HDD production volume, we plan to accelerate our efforts to improve the profitability of this business, by increasing sales volume through promoting sales to the automotive and industry equipment markets.

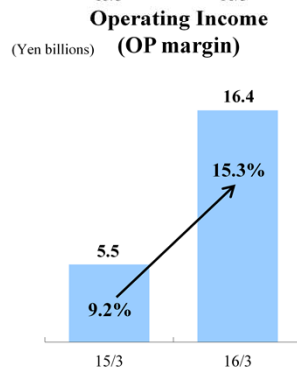
Both sales and operating income increased for power supplies, backed by strong sales to the industrial equipment market, including FA equipment and measuring equipment.



Net sales 107.3 billion yen (up 79.7% year on year)
Operating income 16.4 billion yen (up 198.2% year on year)

◆ **Energy Devices (Rechargeable Batteries)**

- Sales to major customers in China, South Korea and North America increased.
- Both sales and profits increased substantially year on year.



For the film application products segment, sales surged by 79.7% year on year, amounting to 107.3 billion yen for the first half year. This was the first time for the segment to post half-year sales exceeding 100 billion. Operating income amounted to 16.4 billion, 3 times that of the same period in the previous year. The segment's operating margin was 15.3%.

Earnings from the rechargeable batteries business continued to grow, as a result of our efforts to develop unique products, reform production processes, and increase production capacity as necessary in view of the shift to polymerization of rechargeable batteries in the smartphone market. We responded to sizable demand from a major customer in North America for its new model release by operating at full capacity. This, together with the increasing usage of lithium polymer batteries by other smartphone makers, has expanded both the earnings base and profitability of the business.

Breakdown of Operating Income Changes

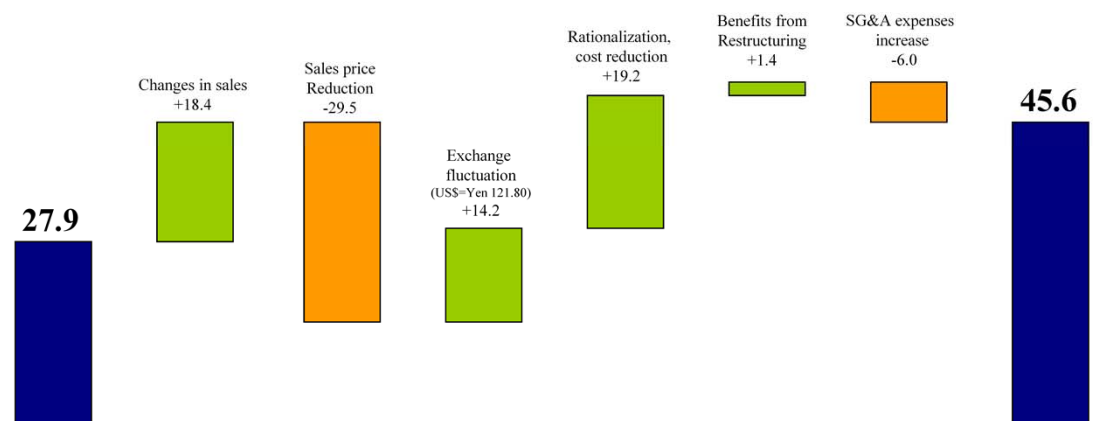


First Half of
FY March 2015
27.9 billion yen

Operating Income + 17.7 billion yen

First Half of
FY March 2016
45.6 billion yen

(Yen billions)



Next, I will talk about year-on-year changes in operating income. The main factors contributing to the 17.7 billion yen growth in operating income included about 18.4 billion yen in sales growth including the effects of capacity utilization and changes in product mix. Adverse effects of the lower sales volume of HDD heads and magnets that pushed the operating income downward were more than offset by the solid performance of the passive components segment, mainly high-frequency components and inductive devices, increased sales of rechargeable batteries to the smartphone market, as well as the better product mix with a larger share of higher-margin products.

Lower selling prices reduced the operating income by approximately 29.5 billion yen.

Exchange rate fluctuations due to the yen depreciation pushed up the operating income by 14.2 billion yen. Our efforts to cut costs by rationalization, such as reforming production processes for high-frequency components and rechargeable batteries to enhance efficiency and yield ratio, as well as discounts on raw materials, helped to increase the operating income by 19.2 billion yen, and the benefit of structural reform is calculated as 1.4 billion yen.

The 6.0 billion yen decrease in operating income is attributed to an increase in sales, general and administration expenses as a result of increased costs to support new product development, process development, and research and development to overhaul manufacturing.

Consolidated Results for 2Q of FY March 2016



	(Yen billions)	FY March 2015 2Q Results	FY March 2016 2Q Results	Change	
				Yen billions	%
Net Sales		264.8	308.1	43.3	16.4
Operating Income		18.3	27.4	9.1	49.7
Operating Income Margin		6.9%	8.9%	+2.0pt	-
Income before Income Taxes		17.0	25.1	8.1	47.6
Net Income		12.4	18.4	6.0	48.4
Earning Per Share (JPY)		98.43	145.72	-	-
Ex-rate	US\$ /JPY	103.86	122.31	Depreciated by 17.8%	
	EURO /JPY	137.77	136.06	Appreciated by 1.2%	
Ex-rate impact to Net sales & Operating Income		Net sales : Increased by about 39.5 billion Yen Operating income : Increased by about 8.1 billion Yen			

Next, I will outline the consolidated results for the second quarter.

Sales increased by 16.4% year on year to 308.1 billion yen, a record-high figure for quarterly sales.

Operating income increased by 49.7% year on year to 27.4 billion. Net income amounted to 18.4 billion yen, with 48.4% year-on-year growth.

Quarterly Results by Segment



(Yen billions)		2Q of FY March 2015 (A)	1Q of FY March 2016 (B)	2Q of FY March 2016 (C)	YoY Change (C)-(A)		QoQ Change (C)-(B)	
					Yen billions	%	Yen billions	%
Net Sales	Capacitors	37.3	39.1	39.5	2.2	5.9	0.4	1.0
	Inductive Devices	37.1	37.9	38.6	1.5	4.0	0.7	1.8
	Other Passive Components	55.5	70.8	72.1	16.6	29.9	1.3	1.8
	Passive Components	129.9	147.8	150.2	20.3	15.6	2.4	1.6
	Recording Devices	63.7	54.6	60.7	(3.0)	-4.7	6.1	11.2
	Other Magnetic Application Products	25.5	24.8	24.6	(0.9)	-3.5	(0.2)	-0.8
	Magnetic Application Products	89.2	79.4	85.3	(3.9)	-4.4	5.9	7.4
	Film Application Products	37.2	43.2	64.1	26.9	72.3	20.9	48.4
	Other	8.5	9.2	8.6	0.1	1.2	(0.6)	-6.5
	Total	264.8	279.6	308.1	43.3	16.4	28.5	10.2
Operating Income	Passive Components	9.4	15.0	17.4	8.0	85.1	2.4	16.0
	Magnetic Application Products	8.5	3.8	4.5	(4.0)	-47.1	0.7	18.4
	Film Application Products	5.2	4.7	11.6	6.4	123.1	6.9	146.8
	Other	0.2	0.4	0.2	0.0	0.0	(0.2)	-50.0
	Sub total	23.3	23.9	33.7	10.4	44.6	9.8	41.0
	Corporate and Eliminations	(5.0)	(5.8)	(6.3)	(1.3)	-	(0.5)	-
Total	18.3	18.1	27.4	9.1	49.7	9.3	51.4	
Operating Income margin		6.9%	6.5%	8.9%	+2.0pt	-	+2.4pt	-
Ex- rate	US\$/JPY	103.86	121.29	122.31				
	EURO/JPY	137.77	134.15	136.06				

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First Half of Fiscal Year March, 2016

October 30, 2015

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Next, I would like to explain changes in segment sales and operating income for the first and second quarters. First of all, as I noted in the briefing for the first quarter, starting this fiscal year, some of the products in the passive components and magnet application products businesses are reclassified into the category of "Other". Because of this reclassification, sales under "Other" for the second quarter for the fiscal year ending March 2015 increased 1.9 billion. The impact of this change on the operating income was negligible.

Let me summarize the results for each segment. Firstly, for the passive components segment, sales increased by 2.4 billion yen or 1.6% in the second quarter compared to the first quarter. The capacitors business saw solid sales of multi-layer ceramic capacitors for automobiles, as well as aluminum film capacitors for industrial equipment in the renewable energy market. Sales of inductive devices in the second quarter increased by 0.7 billion yen or 1.8%. This was led by strong sales to the ICT market such as smartphones and the automotive market. Sales of other passive components in the second quarter increased by 1.3 billion or 1.8% from the first quarter. For high-frequency components, we fully utilized available capacity to produce discrete products in order to meet the steady demand for smartphones in China, as well as a surge in demand from a major customer in North America which is releasing a new model. As a result, sales of high-frequency components increased substantially. For piezoelectric material products, sales of OIS to Chinese smartphone makers increased.

Operating income of the passive components segment increased by 2.4 billion to 17.4 billion yen in the second quarter from 15.0 billion in the first quarter. The segment's operating margin also improved to 11.6% in the second quarter from 10.1% in the first quarter, which is attributed to a larger sales volume for smartphone use, better product mix, and cost reduction efforts through rationalization, including better productivity. Especially, high-frequency components performed well in terms of sales volume and productivity improvement, and contributed significantly to the stronger earnings of the overall passive components business.

For the magnetic application products segment, sales in the second quarter increased by 5.9 billion yen or 7.4% from the first quarter. Sales of recording devices in the second quarter increased by 6.1 billion yen or 11.2% from the first quarter, but failed to recover as expected in the second quarter to fully offset the unfavorable effects of inventory and production adjustments triggered by a slowdown in demand for PCs in the first quarter. On the other hand, the shipment volume of HDD heads for near-line use at data centers remains strong. Consequently, the shipment index for HDD heads was 86 in the second quarter against 76 in the first quarter, whereas we had forecast approximately 90 for the second quarter. For the third quarter, we expect the index to remain flat from the second quarter. Sales of other magnetic application products in the second quarter declined by 0.2 billion or 0.8% from the first quarter. Sales of magnets for HDD use declined due to the weaker demand for PCs. Within the magnetic application products segment, operating income from the recording device business increased, backed by the increased shipment volume of HDD heads. However, the magnets business saw a substantial deterioration in earnings due to idle capacity losses as a result of the decline in sales volume and non-recurring expenses mentioned earlier.

For the film application products segment, sales in the second quarter increased by 20.9 billion yen or about 50% higher than in the first quarter. The huge growth in sales is attributed to demand from a major customer in North America which started producing new devices in full scale in the second quarter, to which we responded by fully utilizing the existing production capacity, and increased the use of lithium polymer batteries by Chinese and South Korean smartphone makers. Operating income for the second quarter increased by 6.9 billion yen to 11.6 billion yen from 4.7 billion yen in the first quarter. The segment has strengthened its earnings capability through volume growth and the effects of cost reduction by reforming processes, which absorbed the adverse effects of reduced unit prices.

That's all for my presentation. Thank you for listening.

Consolidated Full Year Projections for FY March 2016

**Takehiro Kamigama
President and CEO**

I would like to briefly explain our full-year projections for the fiscal year ending March 2016.

The arrow symbol “→” denotes changes from first-half trend

Priority Markets	Market Trend
ICT	↗ North American smartphone production to peak in 3Q and projected to remain on par year on year in 4Q.
	→ Chinese and South Korean smartphone production to increase slightly from 2Q to 3Q.
	→ HDD market to become more sluggish than previously expected. (TAM assumption : previously 490 million, currently 463 million).
Automobile	→ Firm sales centered on the North American and European markets expected in the second half, despite year-on-year declines in the Japanese and Chinese markets.
	↗ xEV* production to increase in the second half, driven by Japanese makers launching new models.
Industrial Equipment	→ Demand of renewable energy market to increase with large-scale projects planned in different countries. The Japanese industrial equipment market to decelerate due to restrained capital investment.

*xEV : EV, HEV, PHEV

First, I will go over related market trends for the second half of the year. In view of the slowing Chinese economy, there are increasing uncertainties and concerns over the direction of demand for electronic components. I would like to outline the company's priority markets and major products.

(i) ICT market

Major North American smartphone maker projects their smartphone production to peak in the third quarter, then to remain flat year on year for the fourth quarter. In view of minor model changes, there are some concerns that the annual production for the year may fall below that of the previous year. However, we expect the full-year production to be similar to the previous year.

We monitor the status of eight major makers as a benchmark in the Chinese smartphone market. It is our view that the level of production will increase slightly from the second quarter to the third quarter. Despite the clearer distinction between “winner” and “loser” companies in the market, the overall volume of order receipts remains strong.

In the South Korean smartphone market, the production of high-end devices is below the initially planned level. However, the production of mid- to low-end models has been increasing, and so the initially planned units for the full year should be achievable.

Due to the deterioration of the PC market, we have revised our HDD TAM assumption downward from 490 million units to 463 million units. Demand from data centers is expected to remain strong for the second half of the year.

(ii) Automotive market

Although automobile sales to Japanese and Chinese markets declined year on year, we expect the overall demand to remain solid, primarily driven by the U.S. and European markets.

Due to lower gasoline prices, xEV production has been weaker than initially planned. In the second half, however, major Japanese automakers will release new models, and we expect auto production to increase substantially over the fourth quarter.

(iii) Industrial equipment market

With large-scale projects under way in many countries, demand in the renewable energy market is expected to grow further.

On the other hand, Japan's industrial equipment market has been slowing down due to restrained capital expenditure. However, we expect this market to remain strong overall.

Projections for 3Q of FY March 2016 -Image of change in sales

Segment	2Q of FY March 2016	3Q Projections (Q on Q Change)
Passive Components	150.2	± 0%
Magnetic Application Products	85.3	-4%~-6%
Film Application Products	64.1	+7%~+9%
Other	8.6	
Total	308.1	± 0%

Forex assumptions

US\$/Yen	122.31	115.00
EURO/Yen	136.06	130.00

Next, I would like to explain our projections for third quarter sales for each segment.

Sales are projected assuming foreign exchange rates set at the beginning of the year at 115 yen to the U.S. dollar and 130 yen to the Euro.

Firstly, sales of passive components are projected to remain flat between the second quarter and the third quarter. The flat sales projection for this segment is based on, as I mentioned earlier, overall sales to ICT and automotive markets that are likely to remain strong, which is expected to be offset by adverse effects of some products already in full production since the second quarter, and others facing a possible reduction from the second quarter to the third quarter.

We expect sales of magnetic application products to fall by 4-6%. As Mr. Yamanishi mentioned earlier, the shipment volume of HDD heads is projected to remain flat year on year. Additionally, a reduction in prices is incorporated into the projected sales in view of the latest market condition.

Sales of film application products grew significantly in the second quarter, reaching 1.5 times the first quarter sales. We expect further growth of 7-9% in the third quarter. Sales of rechargeable batteries, mainly products for main customers that will reach peak production in the third quarter, are projected to perform well.

TDK keeps initial projections (announced on April 28) unchanged.

(Yen billions)		FY March 2015 Full Year Results	FY March 2016 Full Year Projections	YoY Change	
				Yen billions	%
Net sales		1,082.6	1,180.0	97.4	9.0%
Operating income		72.5	95.0	22.5	31.0%
Operating income margin		6.7%	8.1%	+1.4pt	-
Net income		49.4	65.0	15.6	31.6%
Earning per share (JPY)		392.78	515.92	-	-
Dividends (JPY)		1st half : 40 2nd half : 50 Annual: 90	1st half : 60 2nd half : 60 Annual : 120	-	-
Ex-rate	US\$/JPY	109.84	115.00	-	
	EURO/JPY	138.88	130.00	-	

We keep initial full-year projections and dividend projections for the fiscal year ending March 2016 announced on April 28th unchanged.

That's all for my presentation. Thank you for listening.

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 the TDK Group in light of the information currently available to it, and contain known and unknown risks, uncertainties, and other factors. The TDK Group therefore wishes to caution readers that, being subject to risks, uncertainties, and other factors, the 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 the 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 the TDK Group operates are highly susceptible to rapid changes, risks, uncertainties, and other factors that can have significant effects on the TDK Group including, but 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. Also, since the purpose of these materials is only to give readers a general outline of business performance, many numerical values are shown in units of a billion yen. Because original values, which are managed in units of a million yen, are rounded off, the totals, differences, etc. shown in these materials may appear inaccurate. If detailed figures are necessary, please refer to our financial statements and supplementary materials.



Text data including Q&A of performance briefing will be uploaded on following site
http://www.global.tdk.com/ir/ir_events/conference/2015/2q_1.htm