Consolidated Results for FY March 2016

Tetsuji Yamanishi
Corporate Officer

I’m Tetsuji Yamanishi, Corporate Officer at TDK. Thank you for taking the time to attend TDK’s performance briefing for the fiscal year ended March 2016. I will be presenting an overview of our consolidated results.

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Highlights of the Operating Results for FY March 2016

◆**Net sales achieved a new record at 1,152.3 billion yen.**

Record net sales in the Passive Components and Film Application Products segments. Magnetic Application Products segment recorded a much sharper decline in net sales than initially expected, due to a significant drop in HDD demand.

◆**Operating income increased 29% year on year to 93.4 billion yen.**

Passive Components and Film Application Products achieved new record highs, absorbing the downturn in HDD heads. The Company conducted restructuring in HDD heads in 4Q to prepare for a further slump in HDD demand.

◆**Executing growth investment in line with Medium-Term Management Plan.**
Expanding from ICT to the automotive and industrial businesses.

Conducted various M&As to accelerate growth.

Formed business alliance and established joint venture with Qualcomm.

Aggressively invested in strategic growth product expansion.

First, let’s take a look at the highlights of operating results for the fiscal year ended March 2016. Following on from the previous fiscal year, we posted record net sales of 1,152.3 billion yen.

We delivered record net sales in the Passive Components and Film Application Products segments owing to steady growth in sales of capacitors and inductors in the automobile market. The automotive market is performing well, particularly in North America. Another factor behind the record net sales performance in both segments was significant sales growth in the smartphone market, despite a stronger deceleration in the growth of this market. Sales growth was driven by TDK’s increased share among major customers particularly for high frequency components and rechargeable batteries, and an expanded customer portfolio. The record-high net sales in the Passive Components and Film Application Products segments made a large contribution to Company-wide sales growth. Meanwhile, in the Magnetic Application Products segment, HDD demand dropped sharply to 444 million units, which was far below the initially projected 530 million units. Consequently, net sales of recording devices and magnetic products declined significantly.

Next, operating income increased 29% year on year to 93.4 billion yen. In the Passive Components and Film Application segments, which posted record net sales, operating income also reached new record highs. This result was underpinned by increased productivity, in addition to growth in the sales volume of high-frequency components, piezoelectric materials and rechargeable batteries.

However, in the Magnetic Application Products segment, in which net sales declined significantly, operating income decreased by more than half. In anticipation of further contraction in HDD demand, TDK restructured HDD head operations in the fourth quarter, with a view to improving future earnings. This restructuring primarily involved cutting indirect personnel mainly at Chinese plants.

In the fiscal year ending March 2016, the first year of the new Medium-Term Plan, we executed various M&As that complement our products and technologies. This M&A activity was aimed at accelerating growth in the priority five businesses in our three priority fields, namely ICT, automobiles and industrial equipment / energy. Concurrently, eyeing the IoT market, which offers prospects for substantial growth, we established a joint venture with Qualcomm Incorporated, which has emerged a key player in the global market for smartphones and other applications as well. Through strengthened business collaboration with Qualcomm, TDK is proactively executing development investment and capital expenditures aimed at driving the growth of its three strategic growth products: (1) sensors and actuators, (2) energy units, and (3) next-generation electronic components.

Going forward, we will continue to reallocate business resources and thereby boost the share of automobiles, industrial equipment and energy in our business portfolio, with the aim of spurring well-balanced growth across these three fields as a whole.

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Consolidated Full Year Results for FY March 2016

(Yen billions)	FY March 2015 Full Year Results	FY March 2016 Full Year Results	Change: Yen billions	Change: %
Net sales	1,082.6	**1,152.3**	69.7	6.4
Operating income	72.5	**93.4**	20.9	28.8
Operating income margin	6.7%	**8.1%**		-
Income before Income Taxes	74.5	**91.8**	17.3	23.2
Net income	49.4	**64.8**	15.4	31.2
Earning per share (JPY)	392.78	**514.23**	-	-
Ex-rate: US$ (JPY)	109.84	**120.13**	Depreciated by 9.4%	
Ex-rate: EURO (JPY)	138.88	**132.67**	Appreciated by 4.5%	

Ex-rate impact to Net sales & Operating income	Net sales：Increased by about 85.3 billion Yen Operating income：Increased by about 17.3 billion Yen

Moving along, I would like to present an overview of our results.

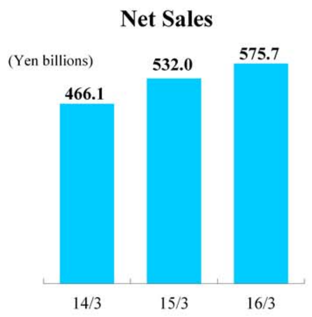
Net sales were 1,152.3 billion yen, an increase of 69.7 billion yen, or 6.4%, year on year. Operating income rose by 20.9 billion yen, or 28.8%, year on year to 93.4 billion yen. The operating income margin was 8.1%.

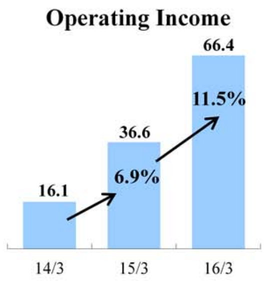
Income before income taxes was 91.8 billion yen, an increase of 17.3 billion yen, or 23.2%, year on year. Net income was 64.8 billion yen, an increase of 15.4 billion yen, or 31.2% year on year.

As a result, earning per share was 514.23 yen. The average exchange rate for the fiscal year ended March 2016 was 120.13 yen against the U.S. dollar, a depreciation of 9.4%, and 132.67 yen against the euro, an appreciation of 4.5%.

In terms of the impact of these exchange rate movements, exchange rates pushed up net sales and operating income by around 85.3 billion yen and 17.3 billion yen, respectively. As for the exchange rate sensitivity, assuming the same relationship between the yen and U.S. dollar as before, we estimate that every change of 1 yen in the exchange rate will have an impact of around 1.4 billion yen on operating income on an annual basis.

FY March 2016 Results - Passive Components Segment





14/3: FY March 2014

Net Sales 575.7 billion yen (up 8.2% year on year)
Operating Income 66.4 billion yen (up 81.4% year on year)

●Ceramic Capacitors
- Both sales and profits increased year on year, particularly due to increased sales for automobile market.

●Inductive Devices
- Both sales and profits increased year on year, particularly due to increased sales for automobile market.

●High-frequency Components
- Both sales and profits increased year on year due to strong sales for the ICT market.
- Profit margins also improved significantly due to increased productivity and improved product mix.

●Piezoelectric Material Products
- Both sales and profits increased year on year due to increased sales of OISs for camera modules.

Next, I would like to explain our business segment performance.

First, in the Passive Components segment, net sales were 575.7 billion yen, up 8.2% year on year, and operating income was 66.4 billion yen, up 81.4% year on year. The operating income margin was 11.5%. Profitability has improved sharply in step with expanding earnings, and the segment is now able to steadily generate a double-digit profit margin.

In ceramic capacitors and inductive devices, both sales and profits increased year on year, due to solid sales in the automotive market, particularly in North America. Sales of ceramic capacitors and inductive devices in the automotive market account for around half of the overall sales for both products.

High-frequency components saw favorable sales of discrete products for smartphones to major customers in North America, as well as in China and South Korea. There was also a substantial increase in earnings due to the benefits of increased productivity and an improved product mix, in addition to growth in sales volume. As a result, high-frequency components drove not only the earnings of the Passive Components segment, but also that of the Company as a whole.

In piezoelectric material products, both sales and profits increased year on year due to increased sales of OISs for camera modules to smartphone manufacturers in China.

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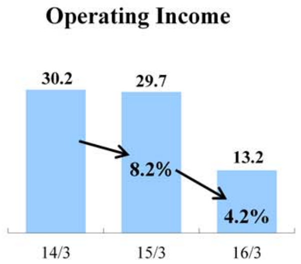
FY March 2016 Results - Magnetic Application Segment



14/3: FY March 2014

Net sales 315.3 billion yen (down 13.2% year on year)
Operating income 13.2 billion yen (down 55.6% year on year)

●Recording Devices
- HDD head shipment volume declined significantly due to contraction of the HDD market (PC demand slowdown and acceleration of switch to SSDs in PCs). Significant decline in sales and profit year on year.

●Magnets
- Sales for the HDD market declined, and also declined for the automotive (xEV*) and industrial machinery markets due to the decline in oil prices and the economic slowdown in China.

●Power Supplies
- Sales to the industrial equipment market of products such as semiconductor manufacturing equipment and measuring equipment remained strong.

*xEV : EV, HEV, PHEV

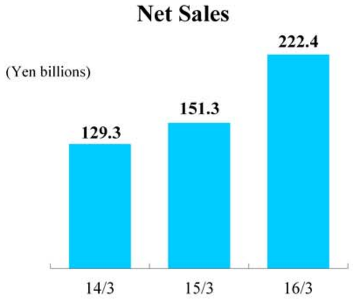
Turning to the Magnetic Application Products segment, net sales were 315.3 billion yen, a decrease of 13.2% year on year. Earnings declined significantly. Operating income decreased more than 50% year on year to 13.2 billion yen, with an operating income margin of 4.2%. Conditions in HDD heads and magnets remained under pressure due to the slowing HDD demand, as well as the accelerated switch to solid state drives (SSDs) in the PC market.

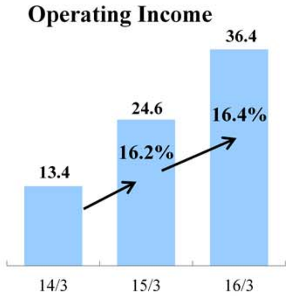
HDD head sales and profits decreased sharply due to the impact of an approximate 25% drop in HDD head shipment volume year on year, which reflected an HDD head shipment index of 70 in the fourth quarter, as initially planned. Based on the assumption that the slowdown in HDD demand will continue, TDK implemented indirect personnel cuts in the China area in conjunction with working to build a system that is able to generate profits even without growth in sales volume.

In magnets, sales of HDD magnets decreased sharply in line with the drop in HDD demand. Conditions remain under pressure due to the impact of slowing growth in sales of electric vehicles, hybrid electric vehicles and plug-in hybrids (xEVs) in North America reflecting falling oil prices, and a decrease in sales of magnets for use in home electronics such as air conditioners reflecting the decelerating Chinese economy.

In power supplies, sales and profits increased due to strong sales of power supplies to the semiconductor manufacturing equipment and measuring equipment markets, particularly in the Americas.

FY March 2016 Results - Film Application Segment





14/3: FY March 2014

Net sales 222.4 billion yen (up 47.0% year on year)
Operating income 36.4 billion yen (up 48.0% year on year)

●Energy Devices (Rechargeable Batteries)

- Sales and profits increased significantly year on year.
- Increased share among major customers and expanded customer portfolio.
- Expanded applications beyond smartphones to include drones, etc.

Next is the Film Application Products segment. In this segment, net sales were 222.4 billion yen and operating income was 36.4 billion yen. Both sales and profits increased significantly by around 50% year on year. The segment has maintained high profitability, with an operating income margin of 16.4%.

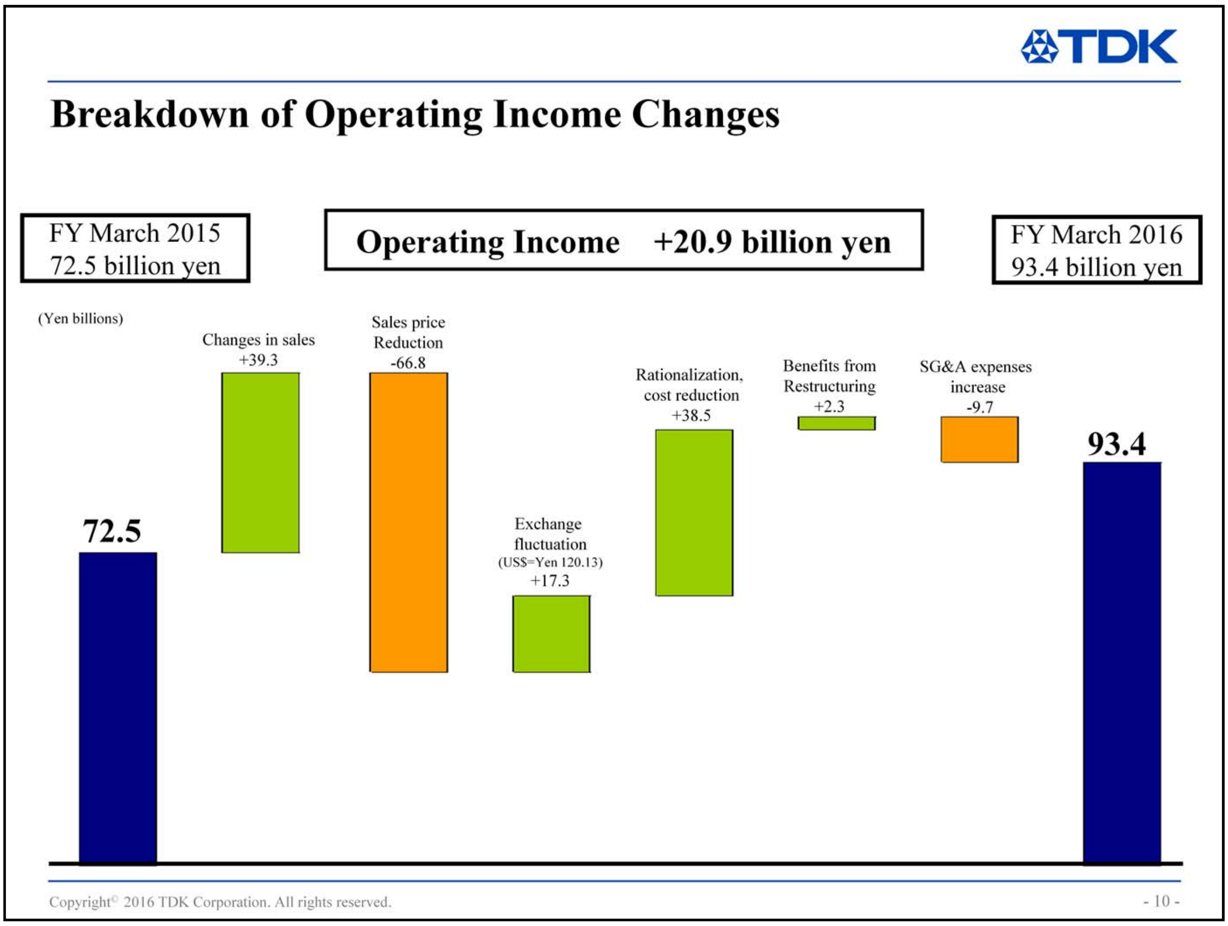
In rechargeable batteries, TDK has sharply increased sales year on year, supported by tailwinds in the form of an increased share of smartphones among major North American customers. Sales are also expanding to customers in South Korea and China, along with increased sales for use in new applications such as drones. In rechargeable batteries, TDK has achieved much higher sales and profits as a result of meeting increased demand by executing timely investments in boosting production capacity in conjunction with increasing productivity.

FY March 2016 results by Segment

		FY March 2015 Full Year Results		FY March 2016 Full Year Results		Change	
		Yen billion	%	Yen billion	%	Yen billion	%
Net Sales	Capacitors	149.0	13.8	**150.4**	13.1	1.4	0.9
	Inductive devices	147.3	13.6	**149.2**	12.9	1.9	1.3
	Other Passive Components	235.8	21.8	**276.1**	24.0	40.3	17.1
	Passive Components	532.0	49.1	**575.7**	50.0	43.7	8.2
	Recording devices	260.5	24.1	**219.8**	19.1	(40.7)	-15.6
	Other Magnetic Application Products	102.8	9.5	**95.5**	8.3	(7.3)	-7.1
	Magnetic Application Products	363.3	33.6	**315.3**	27.4	(48.0)	-13.2
	Film Application Products	151.3	14.0	**222.4**	19.3	71.1	47.0
	Other	35.9	3.3	**38.8**	3.4	2.9	8.1
	Total	1,082.6	100.0	**1,152.3**	100.0	69.7	6.4
Operating Income	Passive Components	36.6	6.9	**66.4**	11.5	29.8	81.4
	Magnetic Application Products	29.7	8.2	**13.2**	4.2	(16.5)	-55.6
	Film Application Products	24.6	16.2	**36.4**	16.4	11.8	48.0
	Other	0.6	1.6	**1.9**	4.8	1.3	-
	Sub total	91.4	8.4	**117.8**	10.2	26.4	28.9
	Corporate and eliminations	(18.9)	-	**(24.4)**	-	(5.5)	-
	Total	72.5	6.7	**93.4**	8.1	20.9	28.8

In the Other segment, net sales were 38.8 billion yen, an increase of 2.9 billion yen, or 8.1%, year on year. Operating income was 1.9 billion yen, an increase of 1.3 billion yen.

The main reasons for these increases were the sale of a major anechoic chamber facility and an increase in sales of semiconductor equipment. The operating loss under corporate and eliminations increased by 5.5 billion yen from 18.9 billion yen in the previous fiscal year to 24.4 billion yen. The main factors behind the larger loss were the inclusion of a gain on sales of land of 0.7 billion yen in the previous fiscal year, along with increased development expenses related to the promotion of the TDK *Monozukuri* revolution and strategic initiative costs related to M&A activity.



Next is the breakdown of changes in operating income. Looking at the factors behind the 20.9 billion yen increase in operating income, one positive impact was changes in sales of approximately 39.3 billion yen, reflecting sales increases attributable to factors including capacity utilization and product mix. The main contributors were sharp increases in sales of high-frequency components and rechargeable batteries for use in smartphones, along with a higher share of high-margin products in the product mix. This was despite negative impacts on earnings from declining sales volumes of HDD heads and magnets.

The next factor, sales price reduction, had a negative impact of approximately 66.8 billion yen on operating income.

Exchange fluctuation, specifically the weaker yen, had a positive impact of approximately 17.3 billion yen on operating income. Rationalization and cost reduction, in combination with progress on improving production yields and discounts on raw materials, had a positive impact of approximately 38.5 billion yen on operating income. Benefits from restructuring lifted operating income by 2.3 billion yen.

Excluding the impact of an impairment loss of 7.4 billion yen and a gain on asset sales of 3.0 billion yen recorded in the previous fiscal year, SG&A expenses rose 14.1 billion yen.

The main contributors to this increase were restructuring costs of approximately 1.8 billion yen for restructuring of HDD head operations, as well as an increase in research and development expenses for new product development and process development in high-frequency components and rechargeable batteries, and for promoting the TDK *Monozukuri* revolution.

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FY March 2016 Quarterly Results by Segment

	(Yen billions)	4Q of FY March 2015 (A)	3Q of FY March 2016 (B)	4Q of FY March 2016 (C)	YoY Change (C)-(A) Yen billions	YoY Change %	QoQ Change (C)-(B) Yen billions	QoQ Change %
Net Sales	Capacitors	37.6	36.4	**35.4**	(2.2)	-5.9	(1.0)	-2.7
	Inductive Devices	36.4	37.4	**35.4**	(1.0)	-2.7	(2.0)	-5.3
	Other Passive Components	62.8	67.7	**65.5**	2.7	4.3	(2.2)	-3.2
	Passive Components	136.9	141.5	**136.3**	(0.6)	-0.4	(5.2)	-3.7
	Recording Devices	62.6	58.5	**46.0**	(16.6)	-26.5	(12.5)	-21.4
	Other Magnetic Application Products	25.9	23.3	**22.9**	(3.0)	-11.6	(0.4)	-1.7
	Magnetic Application Products	88.5	81.8	**68.9**	(19.6)	-22.1	(12.9)	-15.8
	Film Application Products	44.1	68.5	**46.6**	2.5	5.7	(21.9)	-32.0
	Other	10.3	10.0	**11.1**	0.8	7.8	1.1	11.0
	Total	279.9	301.7	**262.9**	(17.0)	-6.1	(38.8)	-12.9
Operating Income	**Passive Components**	8.0	17.5	**16.5**	8.5	106.3	(1.0)	-5.7
	Magnetic Application Products	6.3	4.7	**0.2**	(6.1)	-96.8	(4.5)	-95.7
	Film Application Products	9.4	14.6	**5.4**	(4.0)	-42.6	(9.2)	-63.0
	Other	0.6	(0.1)	**1.4**	0.8	133.3	1.5	-
	Sub total	24.3	36.7	**23.5**	(0.8)	-3.3	(13.2)	-36.0
	Corporate and Eliminations	(5.0)	(6.4)	**(6.0)**	(1.0)	-	0.4	-
	Total	19.4	30.3	**17.5**	(1.9)	-	(12.8)	-42.2
	Operating Income margin	6.9%	10.0%	**6.7%**	-0.2pt	-	-3.3pt	-

Ex-rate	US$(JPY)	119.21	121.41	**115.46**
	EURO(JPY)	134.74	133.05	**127.37**

I will now present the factors behind changes in segment sales and operating income from the third to fourth quarters. First, as explained in the third quarter, certain products in the Passive Components and Magnetic Application Products segments have been reclassified to the Other segment. The impact of this change was to increase net sales of the Other segment by 2.2 billion yen in the fourth quarter of the fiscal year ended March 2015. The change had virtually no impact on operating income in the Other segment.

Let’s now look at the changes in each segment, beginning with the Passive Components segment. In this segment, net sales decreased 3.7% in the fourth quarter, from 5.2 billion yen in the third quarter. Capacitor sales decreased owing to the impact of the yen’s appreciation in the fourth quarter, despite strong sales to the automotive market. Aluminum electrolytic capacitors and film capacitors posted mostly flat sales from the third quarter, due to the continuing impact of economic deceleration, particularly in China, and falling crude oil prices. Sales of inductive devices decreased by 2.0 billion yen, or 5.3%, from the third quarter. The decrease in sales was due to the impact of production adjustments by North American smartphone customers from the latter half of the third quarter, although sales to the automotive market remained strong. In other passive components, net sales decreased by 2.2 billion yen, or 3.2%. As with inductive devices, one reason for the decrease was lower sales of high-frequency component discrete products, due to production adjustments by North American smartphone customers. Another reason was lower sales of camera modules reflecting shipment delays due to the impact of delivery problems with respect to purchased materials in OIS production, despite a continuation of surging demand from Chinese customers.

Operating income in the Passive Components segment decreased by 1.0 billion yen, or 5.7%, from the third quarter. In this segment, we maintained an operating income margin of 12.0%, mostly unchanged from 12.3% in the third quarter. This result was underpinned by our rationalization and cost reduction efforts, centered on high-margin high-frequency discrete products, despite the lower sales.

Next is the Magnet Application Products segment. In this segment, net sales decreased by 12.9 billion yen, or 15.8%, from the third quarter. Sales of recording devices were largely in line with the HDD head shipment volume projected for the fourth quarter. However, relative to the third quarter, shipment volumes decreased by around 20%, and net sales were down 12.5 billion yen, or 21.4%. Sales of other magnetic application products declined 0.4 billion yen, or 1.7%, from the third quarter. Magnet sales were sluggish for use in EVs due to the impact of falling oil prices, as well as the impact of declining HDD demand. Magnet sales also decreased for use in industrial equipment, owing to the impact of the decelerating Chinese economy. Power supply products saw an increase in sales for use in measuring equipment and other devices in the Americas. Operating income in the Magnetic Application Products segment declined significantly. In recording devices, earnings dropped sharply due to restructuring costs of around 1.8 billion yen, in addition to declining profits in line with decreasing HDD head volume. In magnets, earnings have also remained under pressure due to the impact of declining sales. In power supplies, profitability has improved in step with increased sales.

Moving on to the Film Application Products segment, net sales decreased 21.9 billion yen, or 32%, from the third quarter. As with the Passive Components segment, net sales decreased due to the impact of production adjustments by North American smartphone customers. Operating income was 5.4 billion yen, a decrease of 9.2 billion yen from 14.6 billion yen in the third quarter. Operating income decreased sharply because of the impact of a decrease in capacity utilization in line with declining production volume, in addition to a decrease in marginal profit due to declining sales volume.

That concludes my presentation. Thank you for your attention.