



TDK Corporation  
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Contact;  
TDK Corporation (Tokyo)

Corporate Communications Group  
Kazushige Atsumi

+81(3)6852-7102

## Consolidated results (U.S. GAAP) for the 3rd quarter of FY March 2018

### Summary (April 1, 2017 - December 31, 2017)

Term Item	The 9-month-period of FY2017 (Apr. 1, 2016 - Dec. 31, 2016)		The 9-month-period of FY2018 (April 1, 2017 - December 31, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	903,953	100.0	964,697	100.0	8,537,142	60,744	6.7
Operating income	76,827	8.5	74,714	7.7	661,186	(2,113)	-2.8
Income before income taxes	76,429	8.5	77,726	8.1	687,841	1,297	1.7
Net income attributable to TDK	57,089	6.3	52,269	5.4	462,558	(4,820)	-8.4
Per common share :							
Net income attributable to TDK / Basic	Yen 452.53		Yen 414.12		U.S.\$ 3.66		
Net income attributable to TDK / Diluted	Yen 443.82		Yen 413.06		U.S.\$ 3.66		
Capital expenditures	134,504	-	132,964	-	1,176,673	(1,540)	-1.1
Depreciation and amortization	64,484	7.1	67,197	7.0	594,664	2,713	4.2
Research and development	68,272	7.6	75,945	7.9	672,080	7,673	11.2
Result of financial income (loss)	291	-	1,246	-	11,027	955	-
Ratio of overseas production	86.5%	-	84.7%	-	-		
Number of employees	101,706	-	100,475	-	-		

### 3rd quarter consolidated results (October 1, 2017 - December 31, 2017)

Term Item	3Q of FY2017 (Oct. 1, 2016 - Dec. 31, 2016)		3Q of FY2018 (October 1, 2017 - December 31, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	324,772	100.0	341,126	100.0	3,018,814	16,354	5.0
Operating income	32,514	10.0	32,445	9.5	287,124	(69)	-0.2
Income before income taxes	32,103	9.9	33,472	9.8	296,212	1,369	4.3
Net income attributable to TDK	24,415	7.5	21,580	6.3	190,973	(2,835)	-11.6
Per common share :							
Net income attributable to TDK / Basic	Yen 193.52		Yen 170.96		U.S.\$ 1.51		
Net income attributable to TDK / Diluted	Yen 189.56		Yen 170.51		U.S.\$ 1.51		
Capital expenditures	46,665	-	48,287	-	427,319	1,622	3.5
Depreciation and amortization	23,108	7.1	23,948	7.0	211,929	840	3.6
Research and development	24,505	7.5	27,007	7.9	239,000	2,502	10.2
Result of financial income (loss)	(12)	-	420	-	3,717	432	-
Ratio of overseas production	88.3%	-	83.9%	-	-		

**Note:**

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

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## [Summary Information and Financial Statements]

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

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

Consolidated results for the first nine months of fiscal 2018, the period from April 1, 2017 to December 31, 2017, are as follows.

During the first nine months 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 continued to trend firmly. Emerging economies continued to experience higher rates of growth than developed countries, despite some signs of a slight deceleration in China.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, demand for components in the automotive market continued to surge, 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 nine months of fiscal 2018 were as follows.

#### Summary (April 1, 2017 - December 31, 2017)

Item	Term The 9-month-period of FY2017 (Apr. 1, 2016 - Dec. 31, 2016)		The 9-month-period of FY2018 (April 1, 2017 - December 31, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	903,953	100.0	964,697	100.0	8,537,142	60,744	6.7
Operating income	76,827	8.5	74,714	7.7	661,186	(2,113)	-2.8
Income before income taxes	76,429	8.5	77,726	8.1	687,841	1,297	1.7
Net income attributable to TDK	57,089	6.3	52,269	5.4	462,558	(4,820)	-8.4
Per common share :							
Net income attributable to TDK / Basic	Yen 452.53		Yen 414.12		U.S.\$ 3.66		
Net income attributable to TDK / Diluted	Yen 443.82		Yen 413.06		U.S.\$ 3.66		

**Note:**

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

Average yen exchange rates for the U.S. dollar and the euro during the first nine months of fiscal 2018 were ¥111.72 and ¥128.45, respectively, as the yen depreciated 4.7% against the U.S. dollar and 8.7% against the euro. This increased net sales by approximately ¥41.1 billion and operating income by approximately ¥6.6 billion.

With regard to tax expense, TDK recorded income taxes of approximately ¥3.5 billion in the third quarter of fiscal 2018, in connection with the U.S. tax reforms enacted in December 2017.

## Sales by Product

Term  Product	The 9-month-period of FY2017 (April 1, 2016 - December 31, 2016)		The 9-month-period of FY2018 (April 1, 2017 - December 31, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
	Capacitors	101,746	11.3	115,547	12.0	1,022,540	13,801
Inductive Devices	107,762	11.9	118,371	12.3	1,047,531	10,609	9.8
Other Passive Components	205,385	22.7	93,782	9.7	829,929	(111,603)	-54.3
Passive Components	414,893	45.9	327,700	34.0	2,900,000	(87,193)	-21.0
Sensor Application Products	31,391	3.5	58,209	6.0	515,124	26,818	85.4
Recording Devices	179,255	19.8	180,861	18.8	1,600,540	1,606	0.9
Other Magnetic Application Products	64,667	7.1	71,628	7.4	633,876	6,961	10.8
Magnetic Application Products	243,922	26.9	252,489	26.2	2,234,416	8,567	3.5
Film Application Products	193,342	21.4	289,039	29.9	2,557,867	95,697	49.5
Other	20,405	2.3	37,260	3.9	329,735	16,855	82.6
Total	903,953	100.0	964,697	100.0	8,537,142	60,744	6.7
Overseas sales	826,985	91.5	879,576	91.2	7,783,859	52,591	6.4

**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 ¥327,700 million (U.S.\$ 2,900,000 thousand), down 21.0% year on year from ¥414,893 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥115,547 million (U.S.\$ 1,022,540 thousand), up 13.6% year on year from ¥101,746 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 9.8% year on year from ¥107,762 million to ¥118,371 million (U.S.\$ 1,047,531 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 54.3% year on year from ¥205,385 million to ¥93,782 million (U.S.\$ 829,929 thousand). Sales to the ICT market decreased sharply due to the impact of transferring part of the high-frequency devices 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 85.4% from ¥31,391 million to ¥58,209 million (U.S.\$ 515,124 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 3.5% year on year, from ¥243,922 million to ¥252,489 million (U.S.\$ 2,234,416 thousand).

Recording Devices comprises mainly HDD (hard disk drive) Heads and HDD Suspension Assemblies. It recorded sales of ¥180,861 million (U.S.\$ 1,600,540 thousand), up 0.9% from ¥179,255 million.

Other Magnetic Application Products include Power Supplies and Magnets. Sales increased by 10.8% year on year from ¥64,667 million to ¥71,628 million (U.S.\$ 633,876 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 49.5% from ¥193,342 million to ¥289,039 million (U.S.\$ 2,557,867 thousand).

Sales of Energy Devices increased significantly to the ICT market.

## 5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales increased by 82.6% from ¥20,405 million to ¥37,260 million (U.S.\$ 329,735 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 6.4% year on year from ¥826,985 million to ¥879,576 million (U.S.\$ 7,783,859 thousand). Overseas sales accounted for 91.2% of consolidated net sales, a 0.3 percentage point decrease from 91.5% in the first nine months 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 December 31, 2017.

Total assets	¥1,963,685 million	(18.0% increase)
Total TDK stockholders' equity	¥863,450 million	( 8.8% increase)
Stockholders' equity ratio	44.0%	(3.7 point decrease)

As of December 31, 2017, total assets increased by ¥299,352 million compared with March 31, 2017. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) decreased by ¥69,265 million, while goodwill, net trade receivables, net property, plant and equipment and inventories increased by ¥102,873 million, ¥88,077 million, ¥74,053 million and ¥56,865 million, respectively. An increase of goodwill was mainly due to an acquisition of InvenSense, Inc.

Total liabilities increased by ¥231,129 million from March 31, 2017. Long-term debt, trade payables and short-term debt increased by ¥107,414 million, ¥59,887 million and ¥31,618 million, respectively.

Total TDK stockholders' equity, which is included in total equity, increased by ¥69,836 million from March 31, 2017. Accumulated other comprehensive income (loss) increased by ¥39,185 million, mainly due to an increase in foreign currency translation adjustments compared with March 31, 2017.



2) Cash Flows

(Yen millions)

	The 9-month-period of FY 2017	The 9-month-period of FY 2018	Change
Net cash provided by operating activities	115,364	30,975	(84,389)
Net cash used in investing activities	(137,845)	(203,660)	(65,815)
Net cash provided by financing activities	43,065	112,975	69,910
Effect of exchange rate changes on cash and cash equivalents	4,606	8,732	4,126
Cash and cash equivalents included in assets held for sale	(16,747)	-	16,747
Net increase (decrease) in cash and cash equivalents	8,443	(50,978)	(59,421)
Cash and cash equivalents at beginning of period	285,468	330,388	44,920
Cash and cash equivalents at end of period	293,911	279,410	(14,501)

Operating activities provided net cash of ¥30,975 million (U.S.\$274,115 thousand), decreased by ¥84,389 million year on year. It mainly came from an increase in working capital.

Investing activities used net cash of ¥203,660 million (U.S.\$1,802,301 thousand), an increase of ¥65,815 million year on year. There was an increase in acquisition of subsidiaries.

Financing activities provided net cash of ¥112,975 million (U.S.\$999,779 thousand), an increase of ¥69,910 million year on year. It mainly came from an increase in 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)

Management has judged that there are no major changes from TDK's projections as of October 30, 2017, 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 ¥127 respectively will be assumed for the fourth quarter.

### 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 nine months 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

### 3. Consolidated Financial Statements

#### (1) Balance Sheets

ASSETS									
Term Item	As of March 31, 2017		As of December 31, 2017			Change from March 31, 2017	As of September 30, 2017		Change from Sep 30, 2017
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	(Yen millions)	%	(Yen millions)
Current assets	866,136	52.0	952,476	48.5	8,428,991	86,340	961,690	49.5	(9,214)
Cash and cash equivalents	330,388		279,410		2,472,655	(50,978)	270,630		8,780
Short-term investments	56,131		37,036		327,752	(19,095)	77,952		(40,916)
Marketable securities	-		808		7,151	808	1,099		(291)
Net trade receivables	254,909		342,986		3,035,274	88,077	337,968		5,018
Inventories	154,499		211,364		1,870,478	56,865	199,525		11,839
Other current assets	70,209		80,872		715,681	10,663	74,516		6,356
Noncurrent assets	798,197	48.0	1,011,209	51.5	8,948,752	213,012	982,551	50.5	28,658
Investments in securities	161,825		161,508		1,429,274	(317)	149,745		11,763
Net property, plant and equipment	464,667		538,720		4,767,434	74,053	518,341		20,379
Goodwill	61,031		163,904		1,450,478	102,873	189,228		(25,324)
Other assets	110,674		147,077		1,301,566	36,403	125,237		21,840
<b>TOTAL</b>	<b>1,664,333</b>	<b>100.0</b>	<b>1,963,685</b>	<b>100.0</b>	<b>17,377,743</b>	<b>299,352</b>	<b>1,944,241</b>	<b>100.0</b>	<b>19,444</b>

LIABILITIES AND EQUITY									
Term Item	As of March 31, 2017		As of December 31, 2017			Change from March 31, 2017	As of September 30, 2017		Change from Sep 30, 2017
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	(Yen millions)	%	(Yen millions)
Current liabilities	477,594	28.7	592,839	30.2	5,246,362	115,245	605,551	31.2	(12,712)
Short-term debt	77,680		109,298		967,239	31,618	131,938		(22,640)
Current installments of long-term debt	42,517		62,287		551,212	19,770	53,819		8,468
Trade payables	176,644		236,531		2,093,195	59,887	228,562		7,969
Accrued expenses	148,609		154,614		1,368,265	6,005	160,968		(6,354)
Other current liabilities	32,144		30,109		266,451	(2,035)	30,264		(155)
Noncurrent liabilities	384,621	23.1	500,505	25.5	4,429,248	115,884	505,785	26.0	(5,280)
Long-term debt, excluding current installments	213,935		321,349		2,843,796	107,414	329,021		(7,672)
Retirement and severance benefits	125,202		127,911		1,131,956	2,709	127,595		316
Other noncurrent liabilities	45,484		51,245		453,496	5,761	49,169		2,076
<b>Total liabilities</b>	<b>862,215</b>	<b>51.8</b>	<b>1,093,344</b>	<b>55.7</b>	<b>9,675,610</b>	<b>231,129</b>	<b>1,111,336</b>	<b>57.2</b>	<b>(17,992)</b>
Common stock	32,641		32,641		288,858	-	32,641		-
Additional paid-in capital	15,349		8,726		77,221	(6,623)	8,685		41
Legal reserve	37,727		45,312		400,991	7,585	37,162		8,150
Retained earnings	833,884		863,423		7,640,912	29,539	857,566		5,857
Accumulated other comprehensive income (loss)	(108,575)		(69,390)		(614,071)	39,185	(92,459)		23,069
Treasury stock	(17,412)		(17,262)		(152,761)	150	(17,309)		47
<b>Total TDK stockholders' equity</b>	<b>793,614</b>	<b>47.7</b>	<b>863,450</b>	<b>44.0</b>	<b>7,641,150</b>	<b>69,836</b>	<b>826,286</b>	<b>42.5</b>	<b>37,164</b>
Noncontrolling interests	8,504	0.5	6,891	0.3	60,983	(1,613)	6,619	0.3	272
<b>Total equity</b>	<b>802,118</b>	<b>48.2</b>	<b>870,341</b>	<b>44.3</b>	<b>7,702,133</b>	<b>68,223</b>	<b>832,905</b>	<b>42.8</b>	<b>37,436</b>
<b>TOTAL</b>	<b>1,664,333</b>	<b>100.0</b>	<b>1,963,685</b>	<b>100.0</b>	<b>17,377,743</b>	<b>299,352</b>	<b>1,944,241</b>	<b>100.0</b>	<b>19,444</b>

**Note:**

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

**(2) Statements of Income and Statements of Comprehensive Income**  
**[9-month-period results]**

**Statements of Income**

Item	Term		The 9-month-period of FY2018			Change	
	The 9-month-period of FY2017 (April 1, 2016 - December 31, 2016)		The 9-month-period of FY2018 (April 1, 2017 - December 31, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	903,953	100.0	964,697	100.0	8,537,142	60,744	6.7
Cost of sales	649,461	71.8	699,990	72.6	6,194,602	50,529	7.8
Gross profit	254,492	28.2	264,707	27.4	2,342,540	10,215	4.0
Selling, general and administrative expenses	174,577	19.4	193,204	20.0	1,709,770	18,627	10.7
Other operating expense (income)	3,088	0.3	(3,211)	-0.3	(28,416)	(6,299)	-
Operating income	76,827	8.5	74,714	7.7	661,186	(2,113)	-2.8
Other income (deductions):							
Interest and dividend income	2,842		4,585		40,575	1,743	
Interest expense	(2,551)		(3,339)		(29,548)	(788)	
Foreign exchange gain (loss)	(1,422)		(453)		(4,009)	969	
Other-net	733		2,219		19,637	1,486	
Total other income (deductions)	(398)	-0.0	3,012	0.4	26,655	3,410	-
Income before income taxes	76,429	8.5	77,726	8.1	687,841	1,297	1.7
Income taxes	18,602	2.1	24,908	2.6	220,425	6,306	33.9
Net income	57,827	6.4	52,818	5.5	467,416	(5,009)	-8.7
Less: Net income attributable to noncontrolling interests	738	0.1	549	0.1	4,858	(189)	-25.6
Net income attributable to TDK	57,089	6.3	52,269	5.4	462,558	(4,820)	-8.4

**Note:**

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

**Statements of Comprehensive Income**

Item	Term		The 9-month-period of FY2018		Change
	The 9-month-period of FY2017 (April 1, 2016 - December 31, 2016)		The 9-month-period of FY2018 (April 1, 2017 - December 31, 2017)		Change
	(Yen millions)		(Yen millions)	(U.S.\$ thousands)	(Yen millions)
Net income	57,827		52,818	467,416	(5,009)
Other comprehensive income (loss), net of taxes:					
Foreign currencies translation adjustments	5,873		36,047	319,000	30,174
Pension liability adjustments	3,098		2,947	26,080	(151)
Net unrealized gains (losses) on securities	(199)		246	2,177	445
Total other comprehensive income (loss)	8,772		39,240	347,257	30,468
Comprehensive income	66,599		92,058	814,673	25,459
Comprehensive income attributable to noncontrolling interests	1,344		677	5,992	(667)
Comprehensive income attributable to TDK	65,255		91,381	808,681	26,126

**Note:**

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

**[3rd quarter results]**  
**Statements of Income**

Term Item	3Q of FY2017 (October 1, 2016 - December 31, 2016)		3Q of FY2018 (October 1, 2017 - December 31, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	324,772	100.0	341,126	100.0	3,018,814	16,354	5.0
Cost of sales	229,217	70.6	243,544	71.4	2,155,257	14,327	6.3
Gross profit	95,555	29.4	97,582	28.6	863,557	2,027	2.1
Selling, general and administrative expenses	62,070	19.1	65,438	19.2	579,097	3,368	5.4
Other operating expense (income)	971	0.3	(301)	-0.1	(2,664)	(1,272)	-
Operating income	32,514	10.0	32,445	9.5	287,124	(69)	-0.2
Other income (deductions):							
Interest and dividend income	956		1,583		14,009	627	
Interest expense	(968)		(1,163)		(10,292)	(195)	
Foreign exchange gain (loss)	(41)		(166)		(1,469)	(125)	
Other-net	(358)		773		6,840	1,131	
Total other income (deductions)	(411)	-0.1	1,027	0.3	9,088	1,438	-
Income before income taxes	32,103	9.9	33,472	9.8	296,212	1,369	4.3
Income taxes	7,325	2.3	11,701	3.4	103,548	4,376	59.7
Net income	24,778	7.6	21,771	6.4	192,664	(3,007)	-12.1
Less: Net income attributable to noncontrolling interests	363	0.1	191	0.1	1,691	(172)	-47.4
Net income attributable to TDK	24,415	7.5	21,580	6.3	190,973	(2,835)	-11.6

**Note:**

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

**Statements of Comprehensive Income**

Term Item	3Q of FY2017 (October 1, 2016 - December 31, 2016)	3Q of FY2018 (October 1, 2017 - December 31, 2017)		Change
	(Yen millions)	(Yen millions)	(U.S.\$ thousands)	(Yen millions)
Net income	24,778	21,771	192,664	(3,007)
Other comprehensive income (loss), net of taxes:				
Foreign currencies translation adjustments	101,133	21,667	191,743	(79,466)
Pension liability adjustments	1,082	991	8,770	(91)
Net unrealized gains (losses) on securities	627	493	4,363	(134)
Total other comprehensive income (loss)	102,842	23,151	204,876	(79,691)
Comprehensive income	127,620	44,922	397,540	(82,698)
Comprehensive income attributable to noncontrolling interests	1,901	273	2,416	(1,628)
Comprehensive income attributable to TDK	125,719	44,649	395,124	(81,070)

**Note:**

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



### (3) Statements of Cash Flows

Item	Term	The 9-month-period of FY2018	
		The 9-month-period of FY2017 (April 1, 2016 - December 31, 2016)	The 9-month-period of FY2018 (April 1, 2017 - December 31, 2017)
		(Yen millions)	(Yen millions) (U.S.\$ thousands)
<b>Cash flows from operating activities:</b>			
Net income		57,827	52,818 467,416
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		64,484	67,197 594,664
Changes in assets and liabilities:			
Decrease (increase) in trade receivables		(78,698)	(74,430) (658,673)
Decrease (increase) in inventories		(13,620)	(42,973) (380,292)
Increase (decrease) in trade payables		71,782	50,669 448,398
Increase (decrease) in accrued expenses		3,007	(201) (1,779)
Decrease (increase) in other assets and liabilities, net		6,189	(23,724) (209,947)
Other-net		4,393	1,619 14,328
<b>Net cash provided by operating activities</b>		<b>115,364</b>	<b>30,975 274,115</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures		(134,504)	(132,964) (1,176,673)
Proceeds from sales of tangible and intangible assets		7,516	8,082 71,522
Proceeds from sale and maturity of short-term investments		28,417	143,768 1,272,283
Payment for purchase of short-term investments		(24,296)	(123,442) (1,092,407)
Proceeds from sale and maturity of securities		375	24,117 213,425
Payment for purchase of securities		(750)	(947) (8,381)
Proceeds from sale of business		-	18,047 159,708
Acquisition of subsidiaries, net of cash acquired		(14,357)	(138,847) (1,228,734)
Other-net		(246)	(1,474) (13,044)
<b>Net cash used in investing activities</b>		<b>(137,845)</b>	<b>(203,660) (1,802,301)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term debt		119,275	146,924 1,300,212
Repayment of long-term debt		(50,176)	(43,384) (383,929)
Increase (decrease) in short-term debt, net		(2,179)	33,483 296,310
Dividends paid		(15,114)	(15,119) (133,796)
Acquisition of noncontrolling interests		(8,812)	(8,796) (77,841)
Other-net		71	(133) (1,177)
<b>Net cash provided by financing activities</b>		<b>43,065</b>	<b>112,975 999,779</b>
Effect of exchange rate changes on cash and cash equivalents		4,606	8,732 77,274
Cash and cash equivalents included in assets held for sale		(16,747)	- -
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>8,443</b>	<b>(50,978) (451,133)</b>
Cash and cash equivalents at beginning of period		285,468	330,388 2,923,788
Cash and cash equivalents at end of period		293,911	279,410 2,472,655

**Note:**

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

#### **(4) Notes Concerning Going Concern Assumptions**

Nothing to report.

#### **(5) Segment Information**

TDK has four reporting segments: Passive Components, Sensor Application Products, Magnetic Application Products and Film Application Products, as well as Other, which includes products not included in these four reporting segments.

In addition, TDK newly established Sensor Systems Business Company on April 1, 2017, and established Sensor Application Products segment from the quarter ended June 30, 2017 in accordance with the change of control segment of certain businesses. Sensors of Passive Components, Magnetic Sensors of Magnetic Application Products and certain products of Other were reclassified into newly established reporting segment of Sensor Application Products from the quarter ended June 30, 2017.

Furthermore, in accordance with the reorganization in 1Q of FY2018, certain products of Other were reclassified into Passive Components and certain products of Magnetic Application Products were reclassified into Other.

In accordance with the above, the prior year's figures are also reclassified to conform to the new segmentation.

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

Previous 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, Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Magnetic Sensors, Power Supplies, Magnets
Film Application Products	Energy Devices (Rechargeable Batteries)
Other	Mechatronics (Production Equipment), Others

## [9-month-period results]

### Sales by industry segment

		The 9-month-period of FY2017 (April 1, 2016 - December 31, 2016)		The 9-month-period of FY2018 (April 1, 2017 - December 31, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components	External customers	414,893	45.9	327,700	34.0	2,900,000	(87,193)	-21.0
	Intersegment	2,567		3,098		27,416	531	20.7
	Total	417,460		330,798		2,927,416	(86,662)	-20.8
Sensor Application Products	External customers	31,391	3.5	58,209	6.0	515,124	26,818	85.4
	Intersegment	33		74		655	41	124.2
	Total	31,424		58,283		515,779	26,859	85.5
Magnetic Application Products	External customers	243,922	26.9	252,489	26.2	2,234,416	8,567	3.5
	Intersegment	85		146		1,292	61	71.8
	Total	244,007		252,635		2,235,708	8,628	3.5
Film Application Products	External customers	193,342	21.4	289,039	29.9	2,557,867	95,697	49.5
	Intersegment	-		-		-	-	-
	Total	193,342		289,039		2,557,867	95,697	49.5
Other	External customers	20,405	2.3	37,260	3.9	329,735	16,855	82.6
	Intersegment	19,999		26,186		231,734	6,187	30.9
	Total	40,404		63,446		561,469	23,042	57.0
Intersegment eliminations		(22,684)		(29,504)		(261,097)	(6,820)	
Total		903,953	100.0	964,697	100.0	8,537,142	60,744	6.7

**Note:**

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

### Segment profit (loss) by industry segment

		The 9-month-period of FY2017 (April 1, 2016 - December 31, 2016)		The 9-month-period of FY2018 (April 1, 2017 - December 31, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components		53,632	12.9	34,984	10.7	309,593	(18,648)	-34.8
Sensor Application Products		(4,324)	-13.8	(14,579)	-25.0	(129,017)	(10,255)	-
Magnetic Application Products		16,957	7.0	19,283	7.6	170,646	2,326	13.7
Film Application Products		36,254	18.8	57,602	19.9	509,752	21,348	58.9
Other		(5,116)	-25.1	(1,304)	-3.5	(11,540)	3,812	-
Sub total		97,403	10.8	95,986	9.9	849,434	(1,417)	-1.5
Corporate and Eliminations		(20,576)		(21,272)		(188,248)	(696)	
Operating income		76,827	8.5	74,714	7.7	661,186	(2,113)	-2.8

**Notes:**

1. U.S.\$1=Yen 113, for convenience only.
2. % to sales of each corresponding segment

### [3rd quarter results]

#### Sales by industry segment

		3Q of FY2017 (October 1, 2016 - December 31, 2016)		3Q of FY2018 (October 1, 2017 - December 31, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components	External customers	143,011	44.1	112,722	33.1	997,540	(30,289)	-21.2
	Intersegment	1,020		1,158		10,248	138	13.5
	Total	144,031		113,880		1,007,788	(30,151)	-20.9
Sensor Application Products	External customers	10,474	3.2	21,617	6.3	191,301	11,143	106.4
	Intersegment	11		9		80	(2)	-18.2
	Total	10,485		21,626		191,381	11,141	106.3
Magnetic Application Products	External customers	87,674	27.0	86,878	25.5	768,832	(796)	-0.9
	Intersegment	28		50		442	22	78.6
	Total	87,702		86,928		769,274	(774)	-0.9
Film Application Products	External customers	76,364	23.5	105,859	31.0	936,805	29,495	38.6
	Intersegment	-		-		-	-	-
	Total	76,364		105,859		936,805	29,495	38.6
Other	External customers	7,249	2.2	14,050	4.1	124,336	6,801	93.8
	Intersegment	7,243		8,152		72,142	909	12.6
	Total	14,492		22,202		196,478	7,710	53.2
Intersegment eliminations		(8,302)		(9,369)		(82,912)	(1,067)	
Total		324,772	100.0	341,126	100.0	3,018,814	16,354	5.0

**Note:**

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

#### Segment profit (loss) by industry segment

		3Q of FY2017 (October 1, 2016 - December 31, 2016)		3Q of FY2018 (October 1, 2017 - December 31, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components		19,123	13.4	12,337	10.9	109,177	(6,786)	-35.5
Sensor Application Products		(1,547)	-14.8	(3,931)	-18.2	(34,788)	(2,384)	-
Magnetic Application Products		7,028	8.0	8,325	9.6	73,673	1,297	18.5
Film Application Products		16,171	21.2	23,647	22.3	209,265	7,476	46.2
Other		(950)	-13.1	(444)	-3.2	(3,929)	506	-
Sub total		39,825	12.3	39,934	11.7	353,398	109	0.3
Corporate and Eliminations		(7,311)		(7,489)		(66,274)	(178)	
Operating income		32,514	10.0	32,445	9.5	287,124	(69)	-0.2

**Notes:**

1. U.S.\$1=Yen 113, for convenience only.
2. % to sales of each corresponding segment

### (6) Notes Concerning Significant Changes in Stockholders' Equity

Nothing to report.

## (7) Consolidated Supplementary Information

### 1) Exchange rates used for conversion

Item	Term	As of December 31, 2016		As of December 31, 2017		As of March 31, 2017	
		US\$=Yen	Euro=Yen	US\$=Yen	Euro=Yen	US\$=Yen	Euro=Yen
The end of the period		116.49	122.70	113.00	134.94	112.19	119.79

### 2) Sales by region

#### [9-month-period results]

Region	Term	The-9-month-period of FY2017 (April 1, 2016 - December 31, 2016)		The-9-month-period of FY2018 (April 1, 2017 - December 31, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Americas		80,418	8.9	82,603	8.6	731,000	2,185	2.7
Europe		106,859	11.8	120,121	12.5	1,063,018	13,262	12.4
Asia and others		639,708	70.8	676,852	70.1	5,989,841	37,144	5.8
Overseas sales total		826,985	91.5	879,576	91.2	7,783,859	52,591	6.4
Japan		76,968	8.5	85,121	8.8	753,283	8,153	10.6
Net sales		903,953	100.0	964,697	100.0	8,537,142	60,744	6.7

#### [3rd quarter results]

Region	Term	3Q of FY2017 (October 1, 2016 - December 31, 2016)		3Q of FY2018 (October 1, 2017 - December 31, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Americas		26,551	8.2	29,588	8.7	261,841	3,037	11.4
Europe		34,040	10.5	41,890	12.3	370,708	7,850	23.1
Asia and others		236,989	72.9	238,626	69.9	2,111,734	1,637	0.7
Overseas sales total		297,580	91.6	310,104	90.9	2,744,283	12,524	4.2
Japan		27,192	8.4	31,022	9.1	274,531	3,830	14.1
Net sales		324,772	100.0	341,126	100.0	3,018,814	16,354	5.0

#### Notes:

1. U.S.\$1=Yen 113, for convenience only.
2. Overseas sales are based on the location of the customers.

### 3) Company group

As of December 31, 2017, TDK Corporation had 146 consolidated subsidiaries (16 in Japan and 130 overseas). TDK Corporation also had 8 affiliates (3 in Japan and 5 overseas), the financial statements for which are accounted for by the equity method.

4) Overview of sales by product

Term Product	1Q of FY2017 (April 1, 2016 - June 30, 2016)		2Q of FY2017 (July 1, 2016 - September 30, 2016)		3Q of FY2017 (October 1, 2016 - December 31, 2016)		4Q of FY2017 (January 1, 2017 - March 31, 2017)	
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%
Capacitors	34,356	12.3	33,746	11.2	33,644	10.4	35,044	12.8
Inductive Devices	35,706	12.8	35,461	11.8	36,595	11.3	37,572	13.7
Other	62,599	22.5	70,014	23.3	72,772	22.4	40,716	14.8
Passive Components	132,661	47.6	139,221	46.3	143,011	44.1	113,332	41.3
Sensor Application Products	10,445	3.7	10,472	3.5	10,474	3.2	11,459	4.2
Recording Devices	55,877	20.0	57,343	19.1	66,035	20.3	63,032	23.0
Other	21,423	7.7	21,605	7.2	21,639	6.7	22,896	8.3
Magnetic Application Products	77,300	27.7	78,948	26.3	87,674	27.0	85,928	31.3
Film Application Products	51,812	18.6	65,166	21.7	76,364	23.5	54,351	19.8
Other	6,551	2.4	6,605	2.2	7,249	2.2	9,234	3.4
Total	278,769	100.0	300,412	100.0	324,772	100.0	274,304	100.0

Term Product	1Q of FY2018 (April 1, 2017 - June 30, 2017)		2Q of FY2018 (July 1, 2017 - September 30, 2017)		3Q of FY2018 (October 1, 2017 - December 31, 2017)		
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)
Capacitors	36,280	12.5	39,178	11.8	40,089	11.8	354,770
Inductive Devices	37,603	13.0	40,484	12.1	40,284	11.8	356,496
Other	29,629	10.3	31,804	9.5	32,349	9.5	286,274
Passive Components	103,512	35.8	111,466	33.4	112,722	33.1	997,540
Sensor Application Products	16,393	5.7	20,199	6.0	21,617	6.3	191,301
Recording Devices	56,733	19.6	61,819	18.5	62,309	18.3	551,407
Other	23,310	8.0	23,749	7.1	24,569	7.2	217,425
Magnetic Application Products	80,043	27.6	85,568	25.6	86,878	25.5	768,832
Film Application Products	79,699	27.5	103,481	31.0	105,859	31.0	936,805
Other	9,879	3.4	13,331	4.0	14,050	4.1	124,336
Total	289,526	100.0	334,045	100.0	341,126	100.0	3,018,814

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.