

## [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