



TDK Corporation  
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**Contact;**

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Corporate Communications Group

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**Consolidated results (U.S. GAAP) for the 2nd quarter of FY March 2019**

**Summary (April 1, 2018 - September 30, 2018)**

Term Item	1H of FY2018 (April. 1, 2017 - Sep. 30, 2017)		1H of FY2019 (April 1, 2018 - September 30, 2018)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	623,571	100.0	721,940	100.0	6,332,807	98,369	15.8
Operating income	44,214	7.1	62,180	8.6	545,439	17,966	40.6
Income before income taxes	44,254	7.1	57,799	8.0	507,009	13,545	30.6
Net income attributable to TDK	30,689	4.9	41,076	5.7	360,316	10,387	33.8
Per common share :							
Net income attributable to TDK / Basic	Yen 243.15		Yen 325.30		U.S.\$ 2.85		
Net income attributable to TDK / Diluted	Yen 242.56		Yen 324.46		U.S.\$ 2.85		
Capital expenditures	84,677	-	77,023	-	675,640	(7,654)	-9.0
Depreciation and amortization	43,249	6.9	52,370	7.3	459,386	9,121	21.1
Research and development	48,539	7.8	57,429	8.0	503,763	8,890	18.3
Result of financial income (loss)	826	-	1,372	-	12,035	546	-
Ratio of overseas production	85.2%	-	87.7%	-	-	-	-
Number of employees	102,987	-	107,898	-	-	-	-

**2nd quarter consolidated results  
(July 1, 2018 - September 30, 2018)**

Term Item	2Q of FY2018 (Jul. 1, 2017 - Sep. 30, 2017)		2Q of FY2019 (July 1, 2018 - September 30, 2018)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	334,045	100.0	378,872	100.0	3,323,439	44,827	13.4
Operating income	27,612	8.3	36,760	9.7	322,456	9,148	33.1
Income before income taxes	27,318	8.2	34,064	9.0	298,807	6,746	24.7
Net income attributable to TDK	19,734	5.9	24,879	6.6	218,237	5,145	26.1
Per common share :							
Net income attributable to TDK / Basic	Yen 156.35		Yen 197.03		U.S.\$ 1.73		
Net income attributable to TDK / Diluted	Yen 155.96		Yen 196.56		U.S.\$ 1.72		
Capital expenditures	41,752	-	34,736	-	304,702	(7,016)	-16.8
Depreciation and amortization	22,698	6.8	26,898	7.1	235,947	4,200	18.5
Research and development	26,018	7.8	29,688	7.8	260,421	3,670	14.1
Result of financial income (loss)	405	-	580	-	5,088	175	-
Ratio of overseas production	84.0%	-	87.0%	-	-	-	-

**Notes:**

1. U.S.\$1=Yen 114, for convenience only.
2. The prior year's results are reclassified due to adaption of Accounting Standards Update("ASU") 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". As a result of this reclassification for the 1st half and 2nd quarter of fiscal 2018 , operating income increased by ¥1,945 million and ¥981 million and research and development decreased by ¥399 million and ¥200 million, respectively. Please refer to page 12 for more detailed information.

[Contents]

**1. Summary Information Regarding Financial Results for the Second Quarter of Fiscal 2019**

- (1) Summary Information Regarding Consolidated Business Results .. P. 2
- (2) Summary Information Regarding Consolidated Financial Position .. P. 7
- (3) Summary Information Regarding Consolidated Projections .. P. 9

**2. Other Information**

- (1) Changes in Significant Subsidiaries .. P.11
- (2) Simplified Accounting Treatment and Special Accounting Treatment .. P.11
- (3) Accounting Policy Changes, Accounting Estimate Changes and Restatements .. P.11
- (4) Fundamental Policy for Distribution of Earnings, and Fiscal 2019 Dividends .. P.13

**3. Consolidated Financial Statements**

- (1) Balance Sheets .. P.14
- (2) Statements of Income and Statements of Comprehensive Income .. P.15
- (3) Statements of Cash Flows .. P.17
- (4) Notes Concerning Going Concern Assumptions .. P.18
- (5) Segment Information .. P.18
- (6) Notes Concerning Significant Changes in Stockholders' Equity .. P.20
- (7) Consolidated Supplementary Information .. P.21

## [Summary Information and Financial Statements]

### 1. Summary Information Regarding Financial Results for the Second Quarter of Fiscal 2019

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

Consolidated results for the first half of fiscal 2019, the period from April 1 to September 30, 2018, are as follows.

During the first half of fiscal 2019, the global economy was generally solid in spite of concerns about the deepening trade friction between the U.S. and China. In the U.S. and Europe, economies continued to be firm while backed by brisk personal consumption and corporate conditions and Japan remained on a recovery trend due to strong capital expenditure and the sound corporate condition. Meanwhile, in emerging economies, the rate of growth slowed in China and other regions showed the effects of weaker currencies. A slowdown trend was apparent.

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 the spread of Advanced Driving Assistance Systems (ADAS). In the industrial equipment market, slowdowns were apparent in the semiconductor manufacturing equipment and renewable energy equipment, which had been favorable. In the ICT (Information and Communications Technology) market, production of smartphones reached a higher level than in the same period of the previous fiscal year. Hard Disk Drive (HDD) demand for data center applications grew although production of HDDs declined compared to the same period of the previous fiscal year.

In this business environment, the TDK's consolidated operating results for the first half of fiscal 2019 were as follows.

#### Summary (April 1, 2018 - September 30, 2018)

Term Item	1H of FY2018 (April. 1, 2017 - September. 30, 2017)		1H of FY2019 (April 1, 2018 - September 30, 2018)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	623,571	100.0	721,940	100.0	6,332,807	98,369	15.8
Operating income	44,214	7.1	62,180	8.6	545,439	17,966	40.6
Income before income taxes	44,254	7.1	57,799	8.0	507,009	13,545	30.6
Net income attributable to TDK	30,689	4.9	41,076	5.7	360,316	10,387	33.8
Per common share :							
Net income attributable to TDK / Basic	Yen 243.15		Yen 325.30		U.S.\$ 2.85		
Net income attributable to TDK / Diluted	Yen 242.56		Yen 324.46		U.S.\$ 2.85		

**Notes:**

1. U.S.\$1=Yen 114, for convenience only.
2. The prior year's results are reclassified due to adaption of Accounting Standards Update("ASU") 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". As a result of this reclassification for the 1st half of fiscal 2018, operating income increased by ¥1,945 million. Please refer to page 12 for more detailed information.

Average yen exchange rates for the U.S. dollar and the euro during the first half of fiscal 2019 were ¥110.30 and ¥129.90, respectively, as the yen appreciated 0.7% against the U.S. dollar and the yen depreciated 3.0% against the euro. This increased net sales by approximately ¥2.1 billion and operating income by approximately ¥1.5 billion.

## Sales by Product

Term  Product	1H of FY2018 (April 1, 2017 - September 30, 2017)		1H of FY2019 (April 1, 2018 - September 30, 2018)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	75,458	12.1	88,344	12.2	774,948	12,886	17.1
Inductive Devices	78,087	12.5	82,938	11.5	727,526	4,851	6.2
Other Passive Components	48,997	7.9	53,540	7.4	469,649	4,543	9.3
Passive Components	202,542	32.5	224,822	31.1	1,972,123	22,280	11.0
Sensor Application Products	36,479	5.8	39,477	5.5	346,290	2,998	8.2
Magnetic Application Products	138,154	22.2	145,866	20.2	1,279,526	7,712	5.6
Energy Application Products	217,484	34.9	280,348	38.8	2,459,193	62,864	28.9
Other	28,912	4.6	31,427	4.4	275,675	2,515	8.7
Total	623,571	100.0	721,940	100.0	6,332,807	98,369	15.8
Overseas sales	569,472	91.3	665,724	92.2	5,839,684	96,252	16.9

**Notes:**

1. U.S.\$1=Yen 114, for convenience only.
2. In accordance with the reorganization in 1Q of FY2019, Energy Application Products segment was newly established. Certain products of Other Passive Components segment were reclassified into Other segment, certain products of Other segment were reclassified into Other Passive Components segment and certain products of Sensor Application Products segment were reclassified into Other segment. 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 ¥224,822 million (U.S.\$ 1,972,123 thousand), up 11.0% year on year from ¥202,542 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥88,344 million (U.S.\$ 774,948 thousand), up 17.1% year on year from ¥75,458 million. Sales of Ceramic Capacitors increased mainly to the automotive market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors increased mainly to the industrial equipment market.

Sales of Inductive Devices increased by 6.2% year on year from ¥78,087 million to ¥82,938 million (U.S.\$ 727,526 thousand). Sales increased to the automotive and the ICT markets, while decreased to the industrial equipment market.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products, and Circuit Protection Components. Sales of Other Passive Components increased by 9.3% year on year from ¥48,997 million to ¥53,540 million (U.S.\$ 469,649 thousand). Sales increased mainly to the industrial equipment market.

2) Sensor Application Products Segment

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 8.2% from ¥36,479 million to ¥39,477 million (U.S.\$ 346,290 thousand). Sales increased mainly to the automotive market.

3) Magnetic Application Products Segment

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales increased 5.6% year on year, from ¥138,154 million to ¥145,866 million (U.S.\$ 1,279,526 thousand). Sales of HDD Heads and HDD Suspension Assemblies for data center servers increased.

4) Energy Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries) and Power Supplies. Segment sales increased by 28.9% from ¥217,484 million to ¥280,348 million (U.S.\$ 2,459,193 thousand). Sales of Energy Devices increased significantly to the ICT market.

5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales increased by 8.7% from ¥28,912 million to ¥31,427 million (U.S.\$ 275,675 thousand).

The main businesses making up the four reporting segments and Other, which includes products not included in these reporting segments, are as follows:

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, Magnets
Energy Application Products	Energy Devices (Rechargeable Batteries), Power Supplies
Other	Mechatronics (Production Equipment), Others

**[Sales by Region]**

Overseas sales increased by 16.9% year on year from ¥569,472 million to ¥665,724 million (U.S.\$ 5,839,684 thousand). Overseas sales accounted for 92.2% of consolidated net sales, a 0.9 percentage point increase from 91.3% in the first half of fiscal 2018. Detailed information on sales by region can be found in the consolidated supplementary information on page 21.

**(2) Summary Information Regarding Consolidated Financial Position**

1) The following table summarizes TDK's consolidated balance sheet as of September 30, 2018.

Total assets	¥2,028,301 million	(6.5% increase)
Total TDK stockholders' equity	¥874,626 million	(6.1% increase)
Stockholders' equity ratio	43.1%	(0.2 point decrease)

As of September 30, 2018, total assets increased by ¥123,092 million compared with March 31, 2018. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) decreased by ¥42,503 million, while net trade receivables, net property, plant and equipment and inventories increased by ¥89,771 million, ¥33,962 million and ¥22,930 million, respectively.

Total liabilities increased by ¥73,370 million from March 31, 2018. While long-term debt decreased by ¥61,287 million, short-term debt, accrued expenses and current installments of long-term debt increased by ¥62,349 million, ¥36,086 million and ¥34,003 million, respectively.

Total TDK stockholders' equity, which is included in total equity, increased by ¥49,992 million from March 31, 2018. Retained earnings increased by ¥30,877 million.



2) Cash Flows

(Yen millions)

	1H of FY 2018	1H of FY 2019	Change
Net cash provided (used) by operating activities	(10,846)	7,678	18,524
Net cash used in investing activities	(198,785)	(55,046)	143,739
Net cash provided by financing activities	143,338	14,730	(128,608)
Effect of exchange rate changes on cash and cash equivalents	6,535	4,120	(2,415)
Net decrease in cash and cash equivalents	(59,758)	(28,518)	31,240
Cash and cash equivalents at beginning of period	330,388	279,624	(50,764)
Cash and cash equivalents at end of period	270,630	251,106	(19,524)

Operating activities provided net cash of ¥7,678 million (U.S.\$67,351 thousand), changed by ¥18,524 million year on year. It mainly came from increases in net income and depreciation and amortization.

Investing activities used net cash of ¥55,046 million (U.S.\$482,860 thousand), a decrease of ¥143,739 million year on year. It mainly came from a decrease in acquisition of subsidiaries.

Financing activities provided net cash of ¥14,730 million (U.S.\$129,211 thousand), a decrease of ¥128,608 million year on year. It mainly came from a decrease in proceeds from debt.

### (3) Summary Information Regarding Consolidated Projections

(Fiscal 2019 Consolidated Projections)

TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2019, the year ending March 31, 2019, are as follows.

Term  Item	FY2019 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2018 - March 31, 2019)	FY2018 (April 1, 2017 - March 31, 2018)	vs FY2018 Changes	
	Projection in October '18	Projection in April '18	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	1,420,000	1,340,000	1,271,747	148,253	11.7
Operating income	120,000	100,000	89,692	30,308	33.8
Income before income taxes	114,000	98,000	89,811	24,189	26.9
Net income attributable to TDK	80,000	70,000	63,463	16,537	26.1
Capital expenditures	210,000	210,000	178,612	31,388	17.6
Depreciation and amortization	110,000	110,000	92,171	17,829	19.3
Research and development	110,000	110,000	102,641	7,359	7.2

(Notes)

In the first half of fiscal 2019, TDK posted increased sales of Passive Components, Rechargeable Batteries and other products for use in the automotive market, where demand for electronic components is growing as automobiles rely ever more heavily on electric and electronic equipment, and for use in the ICT market, where smartphones feature increasingly higher functionality. As a result, business performance is expected to surpass the projections for consolidated operating results announced on April 27, 2018. The prior year's results are reclassified due to adoption of Accounting Standards Update ("ASU") 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". As a result of this reclassification, operating income increased by ¥4,059 million and research and development decreased ¥816 million. Please refer to page 12 for more detailed information.

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥110 and ¥130 respectively will be assumed from the third quarter onward.

### 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**

Nothing to report.

### **(2) Simplified Accounting Treatment and Special Accounting Treatment**

Nothing to report.

### **(3) Accounting Policy Changes, Accounting Estimate Changes and Restatements**

#### Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09 “Revenue from Contracts with Customers” as amended.

This ASU requires an entity to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. TDK adopted this ASU from April 1, 2018 by the modified retrospective method to all contracts to recognize cumulative-effect adjustments to retained earnings.

The adoption of this ASU did not have a material impact on the cumulative-effects to retained earnings as of April 1, 2018 and TDK’s results of operations and financial position.

#### Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, FASB issued ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities”. This ASU requires that equity investments that do not result in consolidation and are not accounted for under the equity method be measured at fair value with changes in fair value recognized in net income. TDK adopted this ASU from April 1, 2018 by the modified retrospective method to recognize a cumulative-effect adjustment to retained earnings.

According to the adoption of this ASU, TDK recognized a cumulative-effect adjustment to retained earnings of ¥3,083 million as of April 1, 2018 for the after-tax unrealized gains of equity investments classified as available-for-sale securities previously recognized in accumulated other comprehensive income.

#### Intra-Entity Transfers of Assets Other than Inventory

In October 2016, FASB issued ASU 2016-16 “Intra-Entity Transfers of Assets Other than Inventory”. This ASU eliminates the exception to defer the income tax consequence of intra-entity transfers of assets other than inventory until the assets are ultimately sold to an outside party and requires the recognition of tax consequence when those transfers occur. TDK adopted this ASU from April 1, 2018 by the modified retrospective method to recognize a cumulative-effect adjustment to retained earnings.

According to the adoption of this ASU, TDK recognized a cumulative-effect adjustment to retained earnings of ¥6,374 million as a reduction as of April 1, 2018.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, FASB issued ASU 2017-07 “Recognition and Measurement of Financial Assets and Financial Liabilities”. This ASU requires an entity to disaggregate the service cost component from the other components of net benefit cost and report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component, such as in other income (deductions). The amendments also allow only the service cost component to be eligible for capitalization (for example, as a cost of internally manufactured inventory). The amendments in this guidance should be applied retrospectively for the presentation of the service cost component and the other components of net benefit cost, and prospectively for the capitalization of the service cost component of net benefit cost. TDK adopted this ASU from April 1, 2018.

According to the adoption of this ASU which requires to disaggregate the service cost component from the other components of net benefit cost, ¥947 million and ¥481 million from cost of sales, ¥998 million and ¥500 million from selling, general and administrative expenses and ¥399 million and ¥200 million from research and development expenses included in selling, general and administrative expenses were reclassified to other income (deductions) for the first half and the second quarter of fiscal 2018. The adoption of this ASU which allows only the service cost component to be eligible for capitalization did not have a material impact on TDK’s results of operations and financial position.

**(4) Fundamental Policy for Distribution of Earnings, and Fiscal 2019 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 2019 are as follows. TDK has revised the interim dividend to 80 yen from 70 yen and the year-end dividend forecast to 80 yen from 70 yen, based on the revision of the consolidated projections for fiscal 2019 as well as on the fundamental policy for distribution of earnings.

	(Yen)	
	FY2019	FY2018 Actual
Interim dividend	80.00	60.00
Year-end dividend	(Forecast) 80.00	70.00
Annual dividend	(Forecast) 160.00	130.00

### 3. Consolidated Financial Statements

#### (1) Balance Sheets

ASSETS									
Term Item	As of March 31, 2018		As of September 30, 2018			Change from March 31, 2018	As of June 30, 2018		Change from June 30, 2018
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	(Yen millions)	%	(Yen millions)
Current assets	899,936	47.2	968,824	47.8	8,498,456	68,888	928,715	47.2	40,109
Cash and cash equivalents	279,624		251,106		2,202,684	(28,518)	251,377		(271)
Short-term investments	43,613		29,624		259,860	(13,989)	30,713		(1,089)
Marketable securities	54		58		509	4	56		2
Net trade receivables	304,016		393,787		3,454,272	89,771	345,888		47,899
Inventories	207,532		230,462		2,021,596	22,930	227,907		2,555
Other current assets	65,097		63,787		559,535	(1,310)	72,774		(8,987)
Noncurrent assets	1,005,273	52.8	1,059,477	52.2	9,293,658	54,204	1,040,899	52.8	18,578
Investments in securities	155,240		163,096		1,430,667	7,856	159,233		3,863
Net property, plant and equipment	545,641		579,603		5,084,237	33,962	572,937		6,666
Goodwill	157,858		168,096		1,474,526	10,238	164,011		4,085
Other assets	146,534		148,682		1,304,228	2,148	144,718		3,964
<b>TOTAL</b>	<b>1,905,209</b>	<b>100.0</b>	<b>2,028,301</b>	<b>100.0</b>	<b>17,792,114</b>	<b>123,092</b>	<b>1,969,614</b>	<b>100.0</b>	<b>58,687</b>

LIABILITIES AND EQUITY									
Term Item	As of March 31, 2018		As of September 30, 2018			Change from March 31, 2018	As of June 30, 2018		Change from June 30, 2018
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	(Yen millions)	%	(Yen millions)
Current liabilities	603,037	31.7	734,650	36.2	6,444,298	131,613	653,609	33.2	81,041
Short-term debt	124,573		186,922		1,639,667	62,349	168,831		18,091
Current installments of long-term debt	64,566		98,569		864,640	34,003	55,382		43,187
Trade payables	226,791		216,012		1,894,842	(10,779)	227,440		(11,428)
Accrued expenses	159,618		195,704		1,716,702	36,086	165,093		30,611
Other current liabilities	27,489		37,443		328,447	9,954	36,863		580
Noncurrent liabilities	470,940	24.7	412,697	20.4	3,620,149	(58,243)	474,209	24.1	(61,512)
Long-term debt, excluding current installments	293,880		232,593		2,040,289	(61,287)	297,656		(65,063)
Retirement and severance benefits	125,137		123,041		1,079,307	(2,096)	122,993		48
Other noncurrent liabilities	51,923		57,063		500,553	5,140	53,560		3,503
<b>Total liabilities</b>	<b>1,073,977</b>	<b>56.4</b>	<b>1,147,347</b>	<b>56.6</b>	<b>10,064,447</b>	<b>73,370</b>	<b>1,127,818</b>	<b>57.3</b>	<b>19,529</b>
Common stock	32,641		32,641		286,324	-	32,641		-
Additional paid-in capital	8,738		5,890		51,666	(2,848)	8,678		(2,788)
Legal reserve	45,366		43,618		382,615	(1,748)	45,781		(2,163)
Retained earnings	874,563		905,440		7,942,456	30,877	878,398		27,042
Accumulated other comprehensive income (loss)	(119,492)		(95,965)		(841,798)	23,527	(113,490)		17,525
Treasury stock	(17,182)		(16,998)		(149,105)	184	(17,110)		112
<b>Total TDK stockholders' equity</b>	<b>824,634</b>	<b>43.3</b>	<b>874,626</b>	<b>43.1</b>	<b>7,672,158</b>	<b>49,992</b>	<b>834,898</b>	<b>42.4</b>	<b>39,728</b>
Noncontrolling interests	6,598	0.3	6,328	0.3	55,509	(270)	6,898	0.3	(570)
<b>Total equity</b>	<b>831,232</b>	<b>43.6</b>	<b>880,954</b>	<b>43.4</b>	<b>7,727,667</b>	<b>49,722</b>	<b>841,796</b>	<b>42.7</b>	<b>39,158</b>
<b>TOTAL</b>	<b>1,905,209</b>	<b>100.0</b>	<b>2,028,301</b>	<b>100.0</b>	<b>17,792,114</b>	<b>123,092</b>	<b>1,969,614</b>	<b>100.0</b>	<b>58,687</b>

**Note:**

U.S.\$1=Yen 114, for convenience only.

## (2) Statements of Income and Statements of Comprehensive Income

[1st half results]

### Statements of Income

Term Item	1H of FY2018 (April 1, 2017 - September 30, 2017)		1H of FY2019 (April 1, 2018 - September 30, 2018)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
	Net sales	623,571	100.0	721,940	100.0	6,332,807	98,369
Cost of sales	455,499	73.0	512,117	70.9	4,492,254	56,618	12.4
Gross profit	168,072	27.0	209,823	29.1	1,840,553	41,751	24.8
Selling, general and administrative expenses	126,768	20.4	144,966	20.1	1,271,632	18,198	14.4
Other operating expense (income)	(2,910)	-0.5	2,677	0.4	23,482	5,587	-
Operating income	44,214	7.1	62,180	8.6	545,439	17,966	40.6
Other income (deductions):							
Interest and dividend income	3,002		3,556		31,193	554	
Interest expense	(2,176)		(2,184)		(19,158)	(8)	
Foreign exchange gain (loss)	(287)		(1,583)		(13,886)	(1,296)	
Other-net	(499)		(4,170)		(36,579)	(3,671)	
Total other income (deductions)	40	0.0	(4,381)	-0.6	(38,430)	(4,421)	-
Income before income taxes	44,254	7.1	57,799	8.0	507,009	13,545	30.6
Income taxes	13,207	2.1	16,538	2.3	145,070	3,331	25.2
Net income	31,047	5.0	41,261	5.7	361,939	10,214	32.9
Less: Net income attributable to noncontrolling interests	358	0.1	185	0.0	1,623	(173)	-48.3
Net income attributable to TDK	30,689	4.9	41,076	5.7	360,316	10,387	33.8

**Notes:**

1. U.S.\$1=Yen 114, for convenience only.
2. The prior year's results are reclassified due to adaption of Accounting Standards Update("ASU") 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". As a result, cost of sales, selling, general and administrative expenses were reclassified to other income. The reclassified amount were ¥947 million, ¥998 million, respectively. Please refer to page 12 for more detailed information.

### Statements of Comprehensive Income

Term Item	1H of FY2018 (April 1, 2017 - September 30, 2017)		1H of FY2019 (April 1, 2018 - September 30, 2018)		Change
	(Yen millions)	(Yen millions)	(U.S.\$ thousands)	(Yen millions)	
	Net income	31,047	41,261	361,939	10,214
Other comprehensive income (loss), net of taxes:					
Foreign currencies translation adjustments	14,380	24,337	213,482	9,957	
Pension liability adjustments	1,956	2,137	18,746	181	
Net unrealized gains (losses) on securities	(247)	(1)	(9)	246	
Total other comprehensive income (loss)	16,089	26,473	232,219	10,384	
Comprehensive income	47,136	67,734	594,158	20,598	
Comprehensive income attributable to noncontrolling interests	404	58	509	(346)	
Comprehensive income attributable to TDK	46,732	67,676	593,649	20,944	

**Note:**

U.S.\$1=Yen 114, for convenience only.



**[2nd quarter results]**  
**Statements of Income**

Term Item	2Q of FY2018 (July 1, 2017 - September 30, 2017)		2Q of FY2019 (July 1, 2018 - September 30, 2018)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	334,045	100.0	378,872	100.0	3,323,439	44,827	13.4
Cost of sales	242,679	72.6	263,847	69.6	2,314,448	21,168	8.7
Gross profit	91,366	27.4	115,025	30.4	1,008,991	23,659	25.9
Selling, general and administrative expenses	64,942	19.5	74,625	19.7	654,605	9,683	14.9
Other operating expense (income)	(1,188)	-0.4	3,640	1.0	31,930	4,828	-
Operating income	27,612	8.3	36,760	9.7	322,456	9,148	33.1
Other income (deductions):							
Interest and dividend income	1,635		1,646		14,439	11	
Interest expense	(1,230)		(1,066)		(9,351)	164	
Foreign exchange gain (loss)	120		(630)		(5,526)	(750)	
Other-net	(819)		(2,646)		(23,211)	(1,827)	
Total other income (deductions)	(294)	-0.1	(2,696)	-0.7	(23,649)	(2,402)	-
Income before income taxes	27,318	8.2	34,064	9.0	298,807	6,746	24.7
Income taxes	7,445	2.3	9,101	2.4	79,833	1,656	22.2
Net income	19,873	5.9	24,963	6.6	218,974	5,090	25.6
Less: Net income attributable to noncontrolling interests	139	0.0	84	0.0	737	(55)	-39.6
Net income attributable to TDK	19,734	5.9	24,879	6.6	218,237	5,145	26.1

**Notes:**

1. U.S.\$1=Yen 114, for convenience only.
2. The prior year's results are reclassified due to adaption of Accounting Standards Update("ASU") 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". As a result, cost of sales, selling, general and administrative expenses were reclassified to other income. The reclassified amount were ¥481 million, ¥500 million, respectively. Please refer to page 12 for more detailed information.

**Statements of Comprehensive Income**

Term Item	2Q of FY2018 (July 1, 2017 - September 30, 2017)		2Q of FY2019 (July 1, 2018 - September 30, 2018)		Change
	(Yen millions)	(Yen millions)	(Yen millions)	(U.S.\$ thousands)	(Yen millions)
Net income	19,873	24,963	218,974	5,090	
Other comprehensive income (loss), net of taxes:					
Foreign currencies translation adjustments	10,944	16,286	142,860	5,342	
Pension liability adjustments	966	1,147	10,061	181	
Net unrealized gains (losses) on securities	57	2	17	(55)	
Total other comprehensive income (loss)	11,967	17,435	152,938	5,468	
Comprehensive income	31,840	42,398	371,912	10,558	
Comprehensive income attributable to noncontrolling interests	174	0	0	(174)	
Comprehensive income attributable to TDK	31,666	42,398	371,912	10,732	

**Note:**

U.S.\$1=Yen 114, for convenience only.

### (3) Statements of Cash Flows

Term Item	1H of FY2018 (April 1, 2017 - September 30, 2017)	1H of FY2019 (April 1, 2018 - September 30, 2018)	
	(Yen millions)	(Yen millions)	(U.S.\$ thousands)
<b>Cash flows from operating activities:</b>			
Net income	31,047	41,261	361,939
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	43,249	52,370	459,386
Impairment of long-lived assets	25	4,720	41,403
Loss (gain) on securities, net	(284)	2,841	24,921
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	(72,278)	(82,321)	(722,114)
Decrease (increase) in inventories	(32,601)	(22,500)	(197,368)
Increase (decrease) in trade payables	44,881	11,761	103,167
Increase (decrease) in accrued expenses	(2,935)	(246)	(2,158)
Decrease (increase) in other assets and liabilities, net	(19,699)	(1,488)	(13,053)
Other-net	(2,251)	1,280	11,228
<b>Net cash provided by (used in) operating activities</b>	<b>(10,846)</b>	<b>7,678</b>	<b>67,351</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(84,677)	(77,023)	(675,640)
Proceeds from sales of tangible and intangible assets	6,221	1,820	15,965
Proceeds from sale and maturity of short-term investments	80,804	60,771	533,079
Payment for purchase of short-term investments	(101,724)	(44,966)	(394,439)
Proceeds from sale and maturity of securities	23,679	232	2,035
Payment for purchase of securities	(791)	(743)	(6,518)
Proceeds from sale of business, net of cash transferred	18,047	7,530	66,052
Acquisition of subsidiaries, net of cash acquired	(138,847)	(1,502)	(13,175)
Other-net	(1,497)	(1,165)	(10,219)
<b>Net cash used in investing activities</b>	<b>(198,785)</b>	<b>(55,046)</b>	<b>(482,860)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from debt with maturities longer than three months	146,811	2,053	18,009
Repayment of debt with maturities longer than three months	(43,097)	(36,641)	(321,412)
Net increase (decrease) in debt with maturities of three months or less	56,147	61,717	541,377
Dividends paid	(7,566)	(8,843)	(77,570)
Acquisition of noncontrolling interests	(8,795)	(3,590)	(31,491)
Other-net	(162)	34	298
<b>Net cash provided by financing activities</b>	<b>143,338</b>	<b>14,730</b>	<b>129,211</b>
Effect of exchange rate changes on cash and cash equivalents	6,535	4,120	36,140
<b>Net decrease in cash and cash equivalents</b>	<b>(59,758)</b>	<b>(28,518)</b>	<b>(250,158)</b>
Cash and cash equivalents at beginning of period	330,388	279,624	2,452,842
Cash and cash equivalents at end of period	270,630	251,106	2,202,684

**Note:**

U.S.\$1=Yen 114, 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 Energy Application Products, as well as Other, which includes products not included in these four reporting segments.

In addition, TDK newly established Energy Solutions Business Company on April 1, 2018, and established Energy Application Products segment from the quarter ended June 30, 2018 in accordance with the change of control segment of certain businesses. Energy Devices (Rechargeable Batteries) of Film Application Products, Power Supplies of Magnetic Application Products and certain products of Other were reclassified into newly established reporting segment of Energy Application Products from the quarter ended June 30, 2018.

Furthermore, in accordance with the reorganization in 1Q of FY2018, certain products of Passive Components were reclassified into Other, certain products of Other were reclassified into Passive Components and certain products of Sensor 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, Magnets
Energy Application Products	Energy Devices (Rechargeable Batteries) , Power Supplies
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
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

**[1st half results]**

**Sales by industry segment**

		1H of FY2018 (April 1, 2017 - September 30, 2017)		1H of FY2019 (April 1, 2018 - September 30, 2018)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components	External customers	202,542	32.5	224,822	31.1	1,972,123	22,280	11.0
	Intersegment	2,034		1,692		14,842	(342)	-16.8
	Total	204,576		226,514		1,986,965	21,938	10.7
Sensor Application Products	External customers	36,479	5.8	39,477	5.5	346,290	2,998	8.2
	Intersegment	57		40		351	(17)	-29.8
	Total	36,536		39,517		346,641	2,981	8.2
Magnetic Application Products	External customers	138,154	22.2	145,866	20.2	1,279,526	7,712	5.6
	Intersegment	94		37		325	(57)	-60.6
	Total	138,248		145,903		1,279,851	7,655	5.5
Energy Application Products	External customers	217,484	34.9	280,348	38.8	2,459,193	62,864	28.9
	Intersegment	2		7		61	5	-
	Total	217,486		280,355		2,459,254	62,869	28.9
Other	External customers	28,912	4.6	31,427	4.4	275,675	2,515	8.7
	Intersegment	17,775		14,637		128,395	(3,138)	-17.7
	Total	46,687		46,064		404,070	(623)	-1.3
Intersegment eliminations		(19,962)		(16,413)		(143,974)	3,549	
Total		623,571	100.0	721,940	100.0	6,332,807	98,369	15.8

**Note:**

U.S.\$1=Yen 114, for convenience only.

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

		1H of FY2018 (April 1, 2017 - September 30, 2017)		1H of FY2019 (April 1, 2018 - September 30, 2018)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components		23,110	11.4	30,401	13.5	266,675	7,291	31.5
Sensor Application Products		(10,318)	-28.3	(9,504)	-24.1	(83,368)	814	-
Magnetic Application Products		8,693	6.3	4,407	3.0	38,658	(4,286)	-49.3
Energy Application Products		35,054	16.1	54,348	19.4	476,737	19,294	55.0
Other		1,257	4.3	(2,756)	-8.8	(24,175)	(4,013)	-
Sub total		57,796	9.3	76,896	10.7	674,527	19,100	33.0
Corporate and Eliminations		(13,582)		(14,716)		(129,088)	(1,134)	
Operating income		44,214	7.1	62,180	8.6	545,439	17,966	40.6

**Notes:**

1. U.S.\$1=Yen 114, for convenience only.
2. % to sales of each corresponding segment
3. The prior year's results are reclassified due to adaption of Accounting Standards Update("ASU") 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". As a result of this reclassification, operating income increased by ¥1,945 million. Please refer to page 12 for more detailed information.

## [2nd quarter results]

### Sales by industry segment

		2Q of FY2018 (July 1, 2017 - September 30, 2017)		2Q of FY2019 (July 1, 2018 - September 30, 2018)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components	External customers	105,822	31.7	112,100	29.6	983,333	6,278	5.9
	Intersegment	1,163		891		7,816	(272)	-23.4
	Total	106,985		112,991		991,149	6,006	5.6
Sensor Application Products	External customers	20,162	6.0	20,608	5.4	180,772	446	2.2
	Intersegment	9		7		61	(2)	-22.2
	Total	20,171		20,615		180,833	444	2.2
Magnetic Application Products	External customers	71,773	21.5	75,390	19.9	661,316	3,617	5.0
	Intersegment	25		14		123	(11)	-44.0
	Total	71,798		75,404		661,439	3,606	5.0
Energy Application Products	External customers	122,168	36.6	154,761	40.9	1,357,553	32,593	26.7
	Intersegment	-		-		-	-	-
	Total	122,168		154,761		1,357,553	32,593	26.7
Other	External customers	14,120	4.2	16,013	4.2	140,465	1,893	13.4
	Intersegment	10,451		7,826		68,649	(2,625)	-25.1
	Total	24,571		23,839		209,114	(732)	-3.0
Intersegment eliminations		(11,648)		(8,738)		(76,649)	2,910	
Total		334,045	100.0	378,872	100.0	3,323,439	44,827	13.4

**Note:**

U.S.\$1=Yen 114, for convenience only.

### Segment profit (loss) by industry segment

		2Q of FY2018 (July 1, 2017 - September 30, 2017)		2Q of FY2019 (July 1, 2018 - September 30, 2018)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components		12,827	12.1	16,379	14.6	143,675	3,552	27.7
Sensor Application Products		(5,844)	-29.0	(4,563)	-22.1	(40,026)	1,281	-
Magnetic Application Products		5,001	7.0	939	1.2	8,237	(4,062)	-81.2
Energy Application Products		21,602	17.7	33,323	21.5	292,307	11,721	54.3
Other		(175)	-1.2	(1,716)	-10.7	(15,053)	(1,541)	-
Sub total		33,411	10.0	44,362	11.7	389,140	10,951	32.8
Corporate and Eliminations		(5,799)		(7,602)		(66,684)	(1,803)	
Operating income		27,612	8.3	36,760	9.7	322,456	9,148	33.1

**Notes:**

1. U.S.\$1=Yen 114, for convenience only.
2. % to sales of each corresponding segment
3. The prior year's results are reclassified due to adaption of Accounting Standards Update("ASU") 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". As a result of this reclassification, operating income increased by ¥981 million. Please refer to page 12 for more detailed information.

## (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 September 30, 2017		As of September 30, 2018		As of March 31, 2018	
		US\$=Yen	Euro=Yen	US\$=Yen	Euro=Yen	US\$=Yen	Euro=Yen
The end of the period		112.73	132.85	113.57	132.14	106.24	130.52

### 2) Sales by region

#### [1st half results]

Region	Term	1H of FY2018 (April 1, 2017 - September 30, 2017)		1H of FY2019 (April 1, 2018 - September 30, 2018)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Americas		53,015	8.5	56,878	7.9	498,930	3,863	7.3
Europe		78,231	12.5	85,768	11.9	752,351	7,537	9.6
Asia and others		438,226	70.3	523,078	72.4	4,588,403	84,852	19.4
Overseas sales total		569,472	91.3	665,724	92.2	5,839,684	96,252	16.9
Japan		54,099	8.7	56,216	7.8	493,123	2,117	3.9
Net sales		623,571	100.0	721,940	100.0	6,332,807	98,369	15.8

#### [2nd quarter results]

Region	Term	2Q of FY2018 (July 1, 2017 - September 30, 2017)		2Q of FY2019 (July 1, 2018 - September 30, 2018)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Americas		28,766	8.6	28,520	7.5	250,175	(246)	-0.9
Europe		40,647	12.2	42,042	11.1	368,790	1,395	3.4
Asia and others		239,066	71.5	280,271	74.0	2,458,518	41,205	17.2
Overseas sales total		308,479	92.3	350,833	92.6	3,077,483	42,354	13.7
Japan		25,566	7.7	28,039	7.4	245,956	2,473	9.7
Net sales		334,045	100.0	378,872	100.0	3,323,439	44,827	13.4

#### Notes:

1. U.S.\$1=Yen 114, for convenience only.
2. Overseas sales are based on the location of the customers.

### 3) Company group

As of September 30, 2018, TDK Corporation had 142 consolidated subsidiaries (14 in Japan and 128 overseas). TDK Corporation also had 9 affiliates (3 in Japan and 6 overseas), the financial statements for which are accounted for by the equity method.

#### 4) Overview of sales by product

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)		4Q of FY2018 (January 1, 2018 - March 31, 2018)	
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%
Capacitors	36,280	12.5	39,178	11.8	40,089	11.8	41,443	13.5
Inductive Devices	37,603	13.0	40,484	12.1	40,284	11.8	39,158	12.7
Other	22,837	7.9	26,160	7.8	28,894	8.4	25,347	8.3
Passive Components	96,720	33.4	105,822	31.7	109,267	32.0	105,948	34.5
Sensor Application Products	16,317	5.7	20,162	6.0	21,591	6.3	19,285	6.3
Magnetic Application Products	66,381	22.9	71,773	21.5	72,531	21.3	66,863	21.8
Energy Application Products	95,316	32.9	122,168	36.6	124,966	36.6	100,372	32.7
Other	14,792	5.1	14,120	4.2	12,771	3.8	14,582	4.7
<b>Total</b>	<b>289,526</b>	<b>100.0</b>	<b>334,045</b>	<b>100.0</b>	<b>341,126</b>	<b>100.0</b>	<b>307,050</b>	<b>100.0</b>

Term Product	1Q of FY2019 (April 1, 2018 - June 30, 2018)		2Q of FY2019 (July 1, 2018 - September 30, 2018)		(U.S.\$ thousands)
	(Yen millions)	%	(Yen millions)	%	
Capacitors	44,461	13.0	43,883	11.6	384,939
Inductive Devices	41,312	12.0	41,626	11.0	365,140
Other	26,949	7.9	26,591	7.0	233,254
Passive Components	112,722	32.9	112,100	29.6	983,333
Sensor Application Products	18,869	5.5	20,608	5.4	180,772
Magnetic Application Products	70,476	20.5	75,390	19.9	661,316
Energy Application Products	125,587	36.6	154,761	40.9	1,357,553
Other	15,414	4.5	16,013	4.2	140,465
<b>Total</b>	<b>343,068</b>	<b>100.0</b>	<b>378,872</b>	<b>100.0</b>	<b>3,323,439</b>

**Notes:**

1. U.S.\$1=Yen 114, for convenience only.
2. In accordance with the reorganization in 1Q of FY2019, Energy Application Products segment was newly established. Certain products of Other Passive Components segment were reclassified into Other segment, certain products of Other segment were reclassified into Other Passive Components segment and certain products of Sensor Application Products segment were reclassified into Other segment.  
The prior year's sales are also reclassified to conform to the new segmentation.