

[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