

1) Analysis of Business Results

Consolidated results for the third quarter of fiscal 2008, the three-month period from October 1, 2007 to December 31, 2007, were as follows:

In the electronics market, the third quarter of fiscal 2008 saw year-on-year increases in production of notebook PCs, HDDs, digital still cameras, flat-screen TVs, mobile phones and game consoles. This growth, together with an increase in the number of electronic components in finished products driven by their increasing sophistication and features, led to higher demand for electronic components. The increasing use of electronics in automobiles also lifted demand for electronic components.

TDK posted consolidated net sales of ¥225,342 million (U.S.\$1,976,684 thousand), a rise of 0.9% over the ¥223,253 million recorded in the same period of the previous fiscal year. Operating income was ¥26,717 million (U.S.\$234,360 thousand), up 15.5% from ¥23,141 million. Income before income taxes was ¥28,640 million (U.S.\$251,228 thousand), up 10.0% from ¥26,048 million. Net income was ¥21,713 million (U.S.\$190,465 thousand), up 10.4% from ¥19,669 million. Basic net income per common share was ¥167.39 (U.S.\$1.47), compared with ¥148.69 in the corresponding period of fiscal 2007.

Average third-quarter yen exchange rates for the U.S. dollar and euro were ¥113.26 and ¥163.90. The yen appreciated 3.9% against the U.S. dollar and depreciated 7.9% against the euro, respectively, compared with the same period of the previous fiscal year. This had the effect of lowering net sales by approximately ¥5.3 billion and operating income by approximately ¥2.8 billion.

(Sales by Segment)

TDK's businesses are broadly classified into two business segments: the electronic materials and components segment and the recording media segment. The following is a summary of sales by segment.

(1)Electronic materials and components segment

This segment is made up of four product sectors: (1-1) electronic materials, (1-2) electronic devices, (1-3) recording devices, and (1-4) other electronic components.

Segment net sales rose 11.9% from ¥194,541 million to ¥217,766 million (U.S.\$1,910,228 thousand), while segment operating income rose 17.1% from ¥23,008 million to ¥26,933 million (U.S.\$236,255 thousand).

Sector sales of TDK's electronic materials and components were as follows.

(1-1)Electronic materials

This sector is broken down into two product categories: capacitors, and ferrite cores and magnets.

Sales in the electronic materials sector increased 2.2% from ¥50,295 million to ¥51,421 million (U.S.\$451,061 thousand).

[Capacitors] Sales increased slightly year on year, as sales price discounts negated strong sales of multilayer ceramic chip capacitors, particularly those used in notebook PCs and flat-screen TVs. Multilayer ceramic chip capacitors are this category's core product.

[Ferrite cores and magnets] Sales of ferrite cores and magnets increased year on year. While sales of ferrite cores fell, higher magnet sales compensated for the fall in ferrite core sales.

(1-2) Electronic devices

This sector has three product categories: inductive devices, high-frequency components and other products.

Sales in the electronic devices sector increased 5.4% from ¥50,548 million to ¥53,296 million (U.S.\$467,509 thousand).

[Inductive devices] Sales of inductive devices increased year on year, mainly as a result of higher sales of power line coils and signal line coils used in flat-screen TVs.

[High-frequency components] Sales of high-frequency components increased year on year, the result mainly of higher sales of products for PC applications.

[Other products] Sales of other products declined year on year, the result mainly of lower sales of both sensors and actuators and of power supplies.

(1-3) Recording devices

This sector has two product categories: HDD heads and other heads.

Sector sales increased 17.1% from ¥76,784 million to ¥89,910 million (U.S.\$788,684 thousand).

[HDD heads] Sales increased year on year. TDK's HDD head sales volume rose thanks to higher HDD production, which was driven by growth in demand from PC makers. The increasing storage capacity of HDDs also helped boost sales.

[Other heads] Sales of other heads declined year on year.

(1-4) Other electronic components

This sector includes all products of the electronic materials and components segment other than those in the three sectors above. These products include anechoic chambers, mechatronics (production equipment) and energy devices (rechargeable batteries).

Sector sales climbed 36.8% from ¥16,914 million to ¥23,139 million (U.S. \$202,974 thousand), thanks to increased sales of anechoic chambers, mechatronics and energy devices as well as continued strong sales of other new products.

(2) Recording media segment

This segment has three product categories: audiotapes and videotapes, optical media and other products.

Segment sales dropped 73.6% from ¥28,712 million to ¥7,576 million (U.S.\$66,456 thousand). The segment recorded an operating loss of ¥216 million (U.S.\$1,895 thousand), ¥349 million worse than the ¥133 million in operating income in the corresponding period of the previous fiscal year.

On August 1, 2007, TDK transferred its TDK brand recording media business to Imation Corp. At the same time, TDK granted a license to use the TDK brand name for current and future recording media products to Imation Corp.

[Audiotapes and videotapes] Sales of audiotapes and videotapes declined year on year, reflecting falling demand amid the switch to the digital storage of data. Another factor was a change in terms of the sales framework and price structure, which was brought about by the aforementioned transfer of the sales business to Imation Corp.

[Optical media] There was a sharp decline in optical media sales year on year. Because sales operations of mainstay CD-Rs and DVDs were transferred to Imation Corp., TDK's sales fell by an equivalent amount. On the other hand, sales of Blu-ray Discs increased.

[Other products] Sales of other products decreased year on year despite higher sales of LTO-standard* (Linear Tape-Open) tape-based data storage media for computers on the back of rising demand. The main reason for the overall fall in sales was lower sales of accessory and other products.

* Linear Tape-Open, LTO, the LTO logo, Ultrium and the Ultrium Logo are trademarks of HP, IBM and Quantum in the US and other countries.

(Sales by Region)

Detailed sales by region can be found in the segment information on page 17 of the consolidated results. Recording media segment sales decreased in all regions due to the aforementioned sales business transfer to Imation Corp.

[Japan] Overall sales fell, with sales decreasing in all product sectors except other electronic components.

[Americas] Sales decreased overall due to lower sales of electronic materials and electronic devices.

[Europe] Sales decreased due to lower sales of electronic materials.

[Asia (excluding Japan) and other areas] Sales rose overall on the back of higher sales in all four sectors of the electronic materials and components segment.

As a result, overseas sales rose 4.5% year on year from ¥178,504 million to ¥186,493 million (U.S.\$1,635,904 thousand). Overseas sales accounted for 82.8% of consolidated net sales, a 2.8 percentage point increase from 80.0% one year earlier.