I-1) Business Results

(1) Analysis of Business Results
Consolidated results for fiscal 2008, ended March 31, 2008, were as follows.

Looking at economic conditions worldwide during the past fiscal year, the U.S. economy saw consumer spending and capital expenditures slow in the second half as a result of soaring energy and material prices and other factors. This happened at the same time as housing investment continued to plummet, due to a credit crunch triggered by the subprime loan problem. European economies, meanwhile, remained firm, underpinned by strong capital expenditures and increasing consumer spending. In Asia, economic conditions were strong due to continued expansion, particularly in Chinese exports. The Japanese economy, while seeing housing investment drop in the wake of amendments to The Building Standard Codes of Japan, was resilient during the past fiscal year, thanks to increasing capital expenditures and exports.

In the electronics market, which has a major bearing on the TDK Group’s performance, fiscal 2008 saw higher production of flat-screen TVs, home game consoles, notebook PCs, HDDs, digital still cameras and mobile phones, thanks in part to increasing demand in emerging growth markets. This growth, together with an increase in the number of electronic components required for use in finished products driven by their increasing sophistication and features, led to higher demand for electronic components, a key market for TDK. The increasing use of electronics in automobiles also lifted demand for electronic components.

In this operating environment, TDK responded to this increasing demand for electronic components by boosting output of multilayer ceramic chip capacitors and other products. It also made DENSEI-LAMBDA K.K. a wholly owned subsidiary with the goal of expanding the power supplies business. In a move designed to make TDK’s HDD head operations more competitive, TDK acquired assets of an HDD head-related business from Alps Electric Co., Ltd., namely equipment as well as patents, know-how and other intellectual property. TDK also acquired Magnecomp Precision Technology Public Company Limited (MPT), a Thai-based manufacturer of suspension assemblies for HDDs, and made it a consolidated subsidiary.
Moreover, on August 1, 2007, TDK transferred its TDK brand product sales business for recording media to U.S. company Imation Corp. for U.S.$250 million. In consideration, TDK received Imation Corp. common stock constituting approximately 16.6% of that company’s total outstanding shares and cash of approximately U.S.$29 million. Subsequently, on December 6, 2007, TDK purchased additional shares in Imation Corp. As a result of this share purchase, TDK owns 20.01% of Imation Corp.’s issued shares and treats this company as an equity-method affiliate.

TDK posted consolidated net sales of ¥866,285 million (U.S.$8,662,850 thousand), up 0.5% year on year from ¥862,025 million in fiscal 2007. Operating income rose 9.5% from ¥79,590 million to ¥87,175 million (U.S.$871,750 thousand). Income before income taxes was ¥91,505 million (U.S.$915,050 thousand), up 3.2% from ¥88,665 million. Net income rose 1.9% from ¥70,125 million to ¥71,461 million (U.S.$714,610 thousand). Basic net income per common share was ¥551.72 (U.S.$5.52), compared with ¥529.88 in fiscal 2007.

During fiscal 2008, TDK retired 3,599,000 shares of treasury stock that it had bought back earlier on the open market. The total number of issued TDK shares after retirement is 129,590,659.

During fiscal 2008, the average yen exchange rate was ¥114.44 for the U.S. dollar and ¥161.59 for the euro, representing a 2.2% appreciation in the yen's value against the U.S. dollar and a 7.7% depreciation against the euro. Overall, exchange rate movements had the effect of decreasing net sales by approximately ¥8.1 billion and operating income by approximately ¥5.9 billion.

(Sales by Segment)
TDK Group'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 7.8% from ¥758,821 million to ¥818,115 million (U.S.$8,181,150 thousand), while segment operating income declined 7.1% from ¥81,775 million to ¥75,972 million (U.S.$759,720 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 edged up 0.4% from ¥199,243 million to ¥200,101 million (U.S.$2,001,010 thousand).
[Capacitors] Sales increased slightly year on year, reflecting higher sales of multilayer ceramic chip capacitors, the main product in the capacitors category, to the auto market and other sectors, which outweighed lower sales for use in PCs and mobile phones.
[Ferrite cores and magnets] Sales of ferrite cores and magnets rose year on year, as higher magnet sales countered lower 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 5.5% from ¥198,199 million to ¥209,089 million (U.S.$2,090,890 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 and of common-mode filters for the auto market.
[High-frequency components] Sales of high-frequency components increased year on year, the result mainly of higher sales for PC applications.
[Other products] Sales of other products were down year on year, with sensor and actuator sales falling mainly due to price declines and power supplies recording a slight drop due in part to the termination of some products.

(1-3) Recording devices

This sector has two product categories: HDD heads and other, which was previously called “other heads.” The renaming of the latter category is due to the inclusion of sales of HDD suspension assemblies manufacturer MPT.

Sector sales increased 9.8% from ¥304,822 million to ¥334,734 million (U.S.$3,347,340 thousand).

[HDD heads] Sales increased year on year, as TDK Group’s HDD head sales volume increased on the back of higher unit production of HDDs, which was driven by growth in demand for HDDs for use in PCs. Another factor was the increasing storage capacity of HDDs.

[Other] Category sales increased year on year, with lower “other heads” sales offset by the inclusion from this fiscal term of the sales of MPT, which was consolidated in November 2007.

(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 31.2% from ¥56,557 million to ¥74,191 million (U.S.$741,910 thousand), the result of higher anechoic chamber and energy device sales, and strong sales of new products.

(2) Recording media segment

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

Segment sales dropped 53.3% from ¥103,204 million to ¥48,170 million (U.S.$481,700 thousand). The segment recorded operating income of ¥11,203 million, a ¥13,388 million improvement on the operating loss of ¥2,185 million in fiscal 2007.

As mentioned earlier, on August 1, 2007, TDK transferred its TDK brand product sales business for recording media to Imation Corp. At the same time, TDK granted a license to use the TDK brand for current and future recording media products to Imation Corp. This business transfer resulted in TDK recognizing a gain on transfer of ¥15,340 million (U.S.$153,400 thousand) for the recording media business in fiscal 2008, which is included in operating income.

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

[Optical media] There was a 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 products other than accessory products following the transfer to Imation Corp.

*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 18 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.
[Europe] Sales decreased overall 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 3.4% from ¥690,673 million to ¥714,172 million (U.S.$7,141,720 thousand). Overseas sales accounted for 82.4% of consolidated net sales, a 2.3 percentage point increase from 80.1% one year earlier.

On a parent-company basis, net sales increased 1.7% from ¥347,280 million to ¥353,034 million (U.S.$3,530,340 thousand). Operating income dropped 69.1% from ¥17,647 million to ¥5,450 million (U.S.$54,500 thousand). Current income decreased 47.2% from ¥31,774 million to ¥16,787 million (U.S.$167,870 thousand). TDK recorded a net loss of ¥785 million (U.S.$7,850 thousand), ¥19,504 million worse than the net income of ¥18,719 million recorded in the previous fiscal year. Basic net loss per common share was ¥6.06 (U.S.$0.06), compared with basic net income per common share of ¥141.45 a year earlier.

The large year-on-year drop in both operating income and current income was attributable mainly to an increase in the cost of sales ratio primarily due to soaring raw materials expenses and sales price discounts, and to higher selling, general and administrative expenses, particularly development expenses. The net loss reflects a ¥24,094 million loss on revaluation of affiliated company shares resulting from restructuring charges, including the sale of overseas subsidiaries, and despite an ¥18,511 million gain on business transfer to Imation Corp. Together, these items and their tax effects resulted in the net loss for the fiscal year under review.

Fiscal 2009 Consolidated Projections

TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2009, the year ending March 31, 2009, are as follows.

[Consolidated Projections for Fiscal 2009]

Item \ Term	FY2009 (Forecasts) (¥ millions)	FY2008 (Actual) (¥ millions)	Change from FY2008 (¥ millions)	% change from FY2008
Net sales	880,000	866,285	13,715	1.6
Operating income	80,000	87,175	(7,175)	-8.2
Income before income taxes	85,500	91,505	(6,005)	-6.6
Net income	65,000	71,461	(6,461)	-9.0

[Projections for Capital Expenditures, Depreciation and Amortization, and Research and Development Expenses]

(¥ millions)

Item \ Term	FY2009 (Forecasts)		FY2008 (Actual)	
	Amount	% of sales	Amount	% of sales
Capital expenditures	70,000	-	84,312	-
Depreciation and amortization	77,000	8.8	71,297	8.2
Research and development expenses	57,000	6.5	57,387	6.6

(Notes)

(Projections for main products are as follows:)

Electronic Materials and Electronic Devices

It is extremely difficult to forecast demand for finished products and electronic components used in them due to the effects of persistently high resource prices and crude oil as well as fears of an economic standstill in the U.S. However, TDK's sales plan for electronic materials and electronic devices is based on a year-on-year positive demand growth forecast for key finished products such as mobile phones, PCs and flat-screen TVs, which drive the consumer electronics market.

Recording Devices

Firm growth is forecast for HDD demand also in fiscal 2009. Demand for HDD heads is forecast based on the assumption of strong projected growth in demand for 2.5-inch HDDs for notebook PCs in particular.

(Exchange Rate Forecast)

An average yen-U.S. dollar exchange rate of ¥100 is assumed for the full year.

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 and its group companies (TDK Group). These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs and evaluations of TDK Group in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors. TDK Group therefore wishes to caution readers that, being subject to risks, uncertainties and other factors, TDK Group's actual results, performance, achievements or financial position could be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements, and TDK Group 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 Group operates are highly susceptible to rapid changes. Risks, uncertainties and other factors that can have significant effects on TDK Group 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) Financial Position

(2-1) The following table summarizes TDK's consolidated balance sheet at March 31, 2008, compared with March 31, 2007.

Total assets	¥ 935,533 million	(5.4% decrease)
Total stockholders' equity	¥ 716,577 million	(6.0% decrease)
Stockholders' equity ratio	76.6%	0.5 percentage point decrease

At the end of the fiscal year, cash and cash equivalents and net trade receivable were ¥123,064 million and ¥21,196 million lower than a year ago, respectively, while net property, plant and equipment increased ¥20,446 million, investments in securities increased ¥36,073 million and other assets increased ¥42,260 million. As a result of these and other changes, total assets decreased ¥53,771 million compared with March 31, 2007.

Total liabilities increased ¥2,883 million year on year, with trade payables declining ¥5,380 million. Meanwhile, short-term debt rose ¥5,885 million and accrued expenses increased ¥2,717 million.

Total stockholders' equity decreased ¥46,135 million year on year with accumulated other comprehensive loss climbing ¥63,737 million. Meanwhile, retained earnings rose ¥17,369 million.

(2-2) Cash Flows

(¥ millions)

	Fiscal 2007	Fiscal 2008	Change
Net cash provided by operating activities	145,483	119,721	(25,762)
Net cash used in investing activities	(81,488)	(158,055)	(76,567)
Net cash used in financing activities	(15,862)	(60,086)	(44,224)
Effect of exchange rate changes on cash and cash equivalents	2,019	(24,644)	(26,663)
Net increase (decrease) in cash and cash equivalents	50,152	(123,064)	(173,216)
Cash and cash equivalents at beginning of period	239,017	289,169	50,152
Cash and cash equivalents at end of period	289,169	166,105	(123,064)

Operating activities provided net cash of ¥119,721 million (U.S.$1,197,210 thousand), a year-on-year decrease of ¥25,762 million. Net income increased ¥1,336 million to ¥71,461 million (U.S.$714,610 thousand) and depreciation and amortization increased ¥5,960 million to ¥71,297 million (U.S.$712,970 thousand). In changes in assets and liabilities, trade receivables increased ¥19,494 million, inventories increased ¥15,468 million, other current assets increased ¥18,227 million and accrued expenses increased ¥18,034 million.

Investing activities used net cash of ¥158,055 million (U.S.$1,580,550 thousand), ¥76,567 million more than a year earlier. Capital expenditures increased ¥13,872 million to ¥84,312 million (U.S.$843,120 thousand). There was also an increase of ¥36,900 million for acquisitions of businesses and assets, ¥14,196 million for payment for purchase of investments in securities, ¥18,182 million for acquisition of subsidiaries, net of cash acquired, ¥15,849 million for acquisition of minority interests, while payment for purchase of short-term investments decreased ¥22,549 million.

Financing activities used net cash of ¥60,086 million (U.S.$600,860 thousand), ¥44,224 million more than a year earlier. Repayment of long-term debt increased ¥7,099 million. There was ¥39,218 million increase in cash paid to acquire the Company's own shares, with the aim of improving capital efficiency and further raising the level of stockholder returns.

(2-3) Trends in Cash Flow Indicators

	FY2004	FY2005	FY2006	FY2007	FY2008
1) Stockholders' equity ratio (%)	74.8	79.1	76.1	77.1	76.6
2) Capital adequacy ratio on a market value basis	136.7	120.1	127.0	136.8	81.2
3) No. of years to redeem debt	0.00	0.00	0.08	0.03	0.08
4) Interest coverage ratio (times)	352.4	97.0	598.1	727.4	549.2

[Notes]

1) Stockholders' equity ratio = Total stockholders' equity/Total assets

2) Capital adequacy ratio on a market value basis = Market capitalization (*1)/Total assets
(*1) Market capitalization = Closing price of TDK's common shares on the Tokyo Stock Exchange at fiscal year-end x Shares issued and outstanding at fiscal year-end after deducting treasury stock

3) No. of years to redeem debt = Interest-bearing liabilities (*2)/Cash flows from operating activities (*3)
(*2) Interest-bearing liabilities: The balance of "short-term debt" and "long-term debt" included in "long-term debt, excluding current installments" on the consolidated balance sheets.
(*3) Cash flows from operating activities: "Net cash provided by operating activities" on the consolidated statements of cash flows.

4) Interest coverage ratio = Cash flows from operating activities/Interest payments (*4)
(*4) Interest payments: "Interest expense" on the consolidated statements of income

(3) Fundamental Policy for Distribution of Earnings, and Fiscal 2008 and Fiscal 2009 Dividends

Returning earnings to shareholders is one of TDK's highest management priorities. Therefore, TDK's fundamental policy is to give consideration to a consistent increase in dividends based on factors such as the return on equity (ROE), dividends as a percentage of equity (DOE) and TDK's results of operations on a consolidated basis.

Retained earnings are used to make aggressive investments for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to the rapid technological advances in the electronics industry.

TDK plans to pay a year-end dividend of ¥70 per common share, subject to approval at the ordinary general meeting of shareholders scheduled for June 27, 2008. Combined with the interim dividend of ¥60 per common share paid in December 2007, the planned dividend per common share applicable to the year will be ¥130.

(Yen)	FY2009 Forecast	FY2008 Forecast
Interim dividend	70.00	60.00
Year-end dividend	70.00	70.00
Annual dividend	140.00	130.00