Consolidated Business Results Highlights

Years ended March 31

Yen millions

Consolidated Business Highlights	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Net sales	¥862,025	¥ 866,285	¥ 727,400	¥ 792,624	¥ 862,492	¥ 802,534	¥ 841,847	¥ 984,525	¥1,082,560	¥1,152,255	**¥1,178,257**
(Overseas sales)	690,673	714,172	610,944	704,874	764,807	702,469	747,062	890,520	989,348	1,061,203	**1,073,024**
Cost of sales	622,819	635,529	605,943	604,454	645,514	624,271	668,258	763,572	802,225	831,123	**855,948**
Selling, general and administrative expenses	159,616	143,581	175,762	158,727	149,114	157,724	151,535	184,337	207,876	227,718	**113,649**
Operating income (loss)	79,590	87,175	(54,305)	29,443	67,864	20,539	22,054	36,616	72,459	93,414	**208,660**
Income (loss) before income taxes	88,665	91,505	(81,630)						74,517	91,839	**211,717**
Income (loss) from continuing operations before income taxes				25,576	64,519	14,668	19,765	39,772			
Net income (loss) attributable to TDK	70,125	71,461	(63,160)	13,520	45,264	(2,454)	1,195	16,288	49,440	64,828	**145,099**
Capital expenditures	70,440	84,312	98,425	64,370	78,638	99,653	85,606	68,606	102,525	160,674	**167,631**
Depreciation and amortization	65,337	71,297	89,567	83,788	77,594	80,197	77,938	83,109	80,249	83,224	**87,491**
Research and development expenses	50,058	57,387	57,645	53,942	52,973	52,551	53,943	63,385	70,644	84,920	**91,254**
Ratio of overseas production to net sales (%)	62.2	70.1	74.0	80.5	83.6	80.2	81.8	86.7	87.9	86.3	**86.1**
Net cash provided by operating activities	145,483	119,413	59,189	118,247	101,879	55,334	108,942	127,308	142,850	151,563	**160,136**
Net cash used in investing activities	(81,488)	(141,892)	(275,410)	(105,963)	(61,341)	(29,898)	(90,156)	(55,438)	(127,312)	(140,585)	**(71,111)**
Net cash provided by (used in) financing activities	(15,862)	(75,941)	223,637	(38,369)	(31,860)	12,929	4,395	(56,118)	(35,243)	29,305	**(37,753)**
Cash and Cash equivalents at end of period	289,169	166,105	165,705	132,984	129,091	167,015	213,687	250,848	265,104	285,468	**330,388**
Total assets	989,304	935,533	1,101,036	1,091,458	1,060,853	1,072,829	1,169,575	1,239,553	1,404,253	1,450,564	**1,664,333**
Stockholders' equity	762,712	716,577	554,218	543,756	534,273	498,159	561,169	635,327	738,861	675,361	**793,614**
Working capital	449,830	300,859	281,536	286,370	199,186	219,918	232,693	279,504	352,364	289,760	**388,542**
Number of shares issued (thousands)	133,190	129,591	129,591	129,591	129,591	129,591	129,591	129,591	129,591	129,591	**129,591**

Yen

Per Share Data	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Net income (loss) attributable to TDK (basic)	¥529.88	¥551.72	¥(489.71)	¥104.82	¥350.90	¥(19.06)	¥ 9.50	¥129.47	¥392.78	¥514.23	**¥1,150.16**
Net assets	5,759	5,557	4,297	4,215	4,142	3,957	4,461	5,050	5,865	5,355	**6,289**
Dividends	110.00	130.00	130.00	60.00	80.00	80.00	70.00	70.00	90.00	120.00	**120.00**
Payout ratio (%)	20.8	23.4	—	57.2	22.8	—	737.2	54.1	22.9	23.3	**10.4**

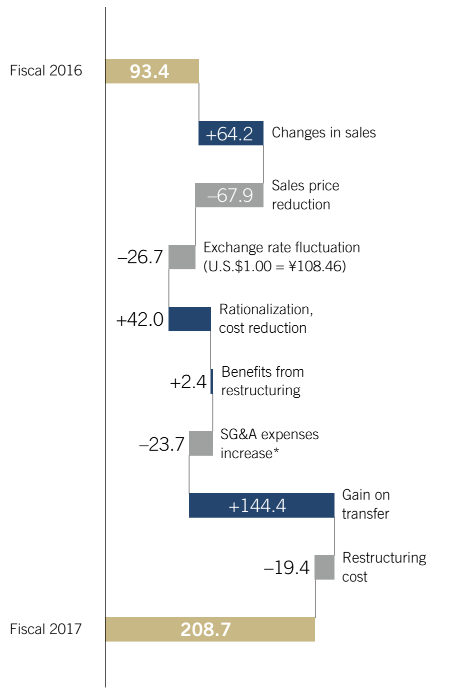
Key Financial Ratios	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Overseas sales ratio (%)	80.1	82.4	84.0	88.9	88.7	89.8	88.7	90.5	91.4	92.1	**91.1**
SG&A ratio (%)	18.5	16.6	24.2	20.0	17.3	19.6	18.0	18.7	19.2	19.8	**9.7**
Operating income ratio (%)	9.2	10.1	(7.5)	3.7	7.9	2.6	2.6	3.7	6.7	8.1	**17.7**
ROE (%)	9.6	9.7	(9.9)	2.5	8.4	(0.5)	0.2	2.7	7.2	9.2	**19.8**
ROA (%)	7.3	7.4	(6.2)	1.2	4.2	(0.2)	0.1	1.4	3.7	4.5	**9.3**

Non-Financial Indicators	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Number of employees	51,614	60,212	66,429	80,590	87,809	79,175	79,863	83,581	88,076	91,648	**99,693**
Overseas employees ratio (%)	80.1	82.8	84.1	87.2	88.5	87.4	88.2	89.1	89.8	90.3	**90.7**
CO_2 emissions in production activities (t-CO_2)	857,213	926,695	909,747	878,303	1,095,462	1,109,926	1,102,989	1,190,458	1,269,086	1,474,119	**1,463,396**
CO_2 emissions reduction in manufacturing (t-CO_2)						321,000	498,000	886,000	1,251,000	1,581,000	**1,675,000**

Notes: 1. In accordance with the provisions of ASC No. 205-20, "Presentation of Financial Statements–Discontinued Operations," operating results related to the data tape business and the blu-ray business are separately presented as discontinued operations in the consolidated statements of operations for the year ended March 31, 2014. Also, reclassifications are made to the consolidated statements of operations after the year ended March 31, 2010, to conform to the presentation used for the year ended March 31, 2014.

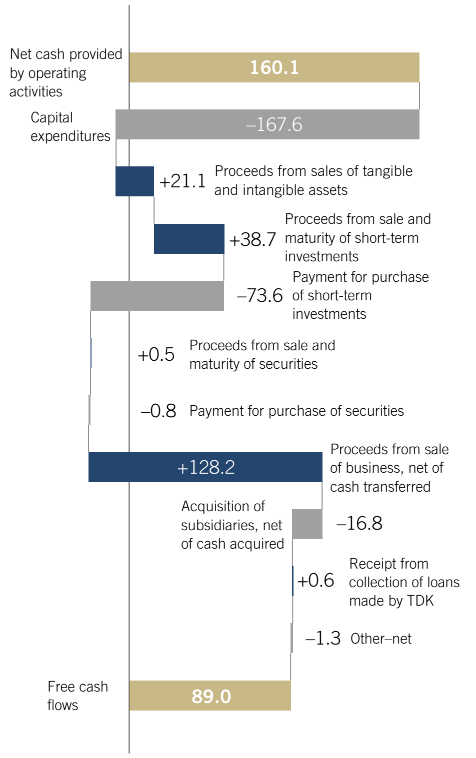
2. Because the TDK Environmental Action 2020 Plan came into effect from fiscal 2011, the "CO_2 emissions through products (environmental contributions) (t-CO_2)" figures are for fiscal 2012 onward.

Breakdown of Operating Income Changes



* Selling, general and administrative expenses shown on the graph include a portion of business transfer-related expenses.

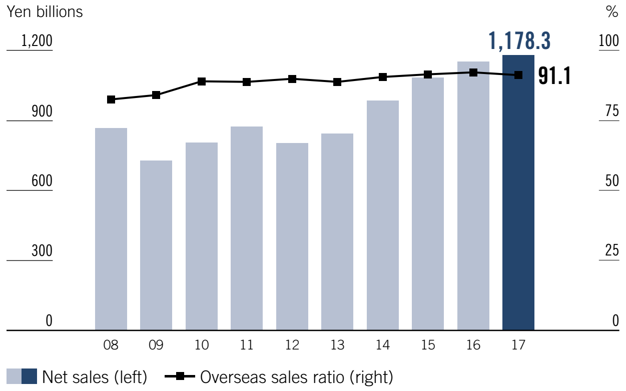
Breakdown of Free Cash Flows



Business Trends

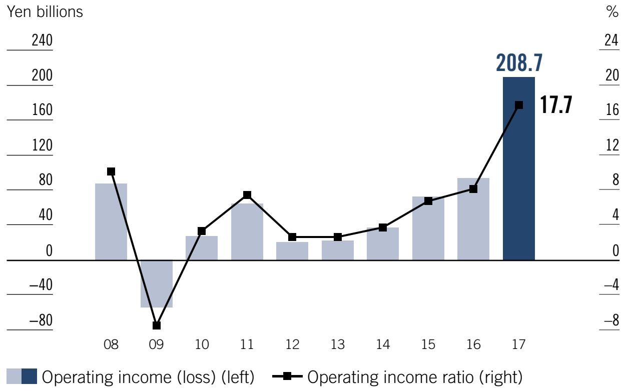
Years ended March 31

Net Sales / Overseas Sales Ratio



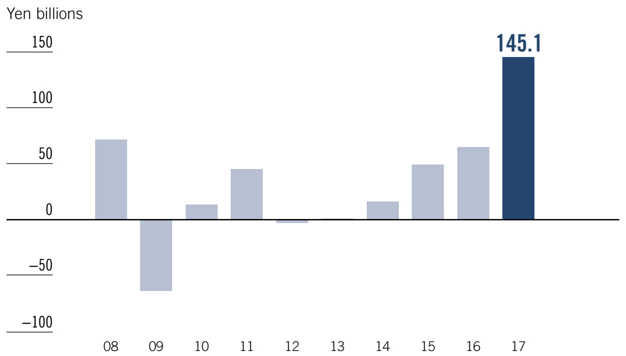
The HDD market exceeded initial assumptions, and strong sales of products for the automotive markets in Europe and North America continued, resulting in record-high net sales of ¥1,178.3 billion in fiscal 2017. The overseas sales ratio has increased over the past 10 years, particularly in the United States and Asia, and in fiscal 2017, sales outside Japan accounted for 91.1% of total net sales.

Operating Income (Loss) / Operating Income Ratio



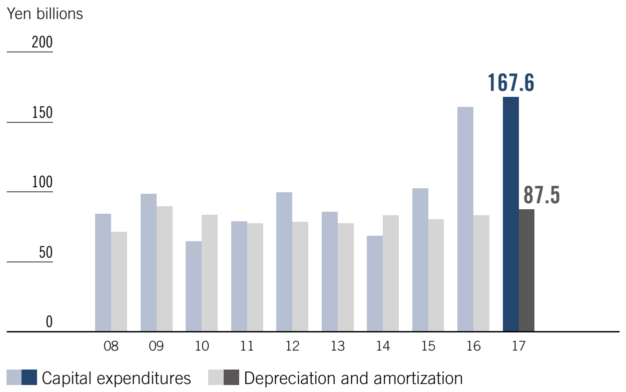
As a result of structural reforms that have continued since fiscal 2012, a profit structure with a good balance among the three main segments has been firmly established. In fiscal 2017, capital gains of ¥144.4 billion were recorded in conjunction with the business tie-up with Qualcomm and the agreement to establish a joint venture, and operating income was up 123.4% year on year, to ¥208.7 billion, while the operating income ratio increased 9.6 percentage points, to 17.7%.

Net Income (Loss) Attributable to TDK



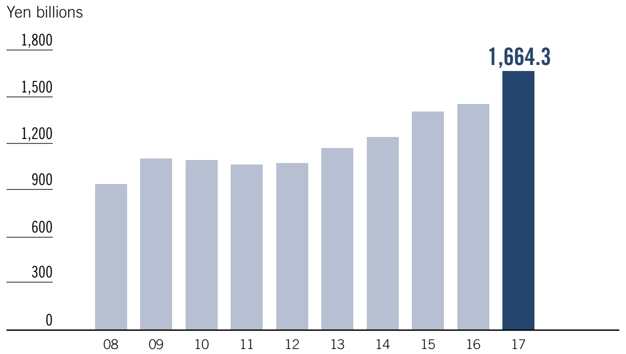
Performance was sluggish from fiscal 2009 due to reduced demand for electronic components resulting from the global economic slowdown, the impact of the Great East Japan Earthquake, and other factors. After structural reforms were implemented beginning in fiscal 2012, however, results drastically improved. Net income in fiscal 2017 reached ¥145.1 billion, up 123.8% year on year, partly due to the impact of the capital gains recorded in the transfer of business to Qualcomm.

Capital Expenditures / Depreciation and Amortization



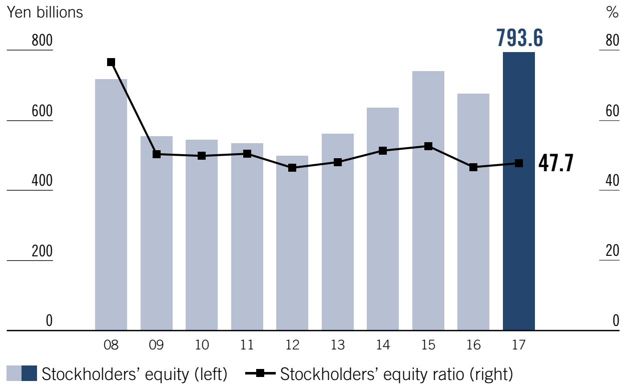
Under the Medium-Term Plan that covers the three-year period from fiscal 2016 to fiscal 2018, TDK announced a plan to budget ¥430–¥480 billion for investments in new facilities. TDK is actively pursuing capital investments aimed at accelerating strategic growth product expansion, strengthening its overseas R&D base, accelerating existing core business expansion, and accelerating *Monozukuri* Innovation.

Total Assets



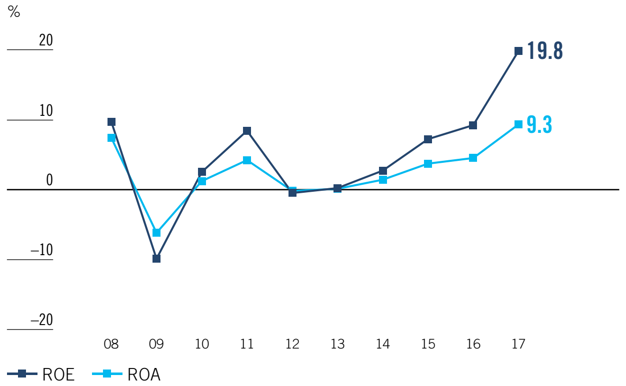
Total assets rose sharply as a result of the acquisition of the EPCOS Group in fiscal 2009. Total assets have continued to gradually increase since fiscal 2011 due to higher tangible fixed assets and investment. In fiscal 2017, total assets reached ¥1,664.3 billion, up 14.7% year on year, due in part to increases in liquidity on hand, by ¥79.1 billion, and net trade receivables, by ¥28.7 billion.

Stockholders' Equity / Stockholders' Equity Ratio



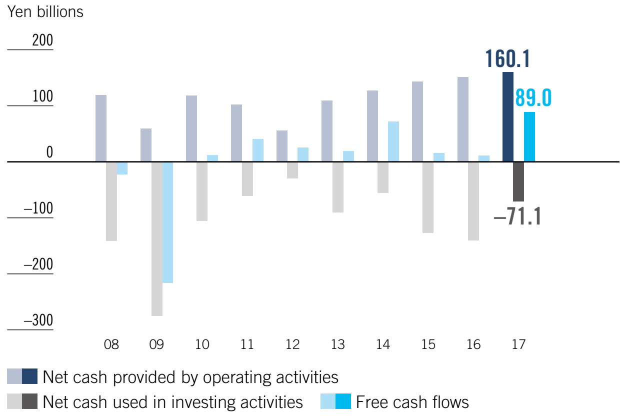
Stockholders' equity and the stockholders' equity ratio both declined in fiscal 2009 due to the acquisition of the EPCOS Group, but have gradually increased in subsequent years. In fiscal 2017, the business transfer to Qualcomm resulted in a significant increase in profits, with stockholders' equity rising 17.5% year on year, to ¥793.6 billion, and the stockholders' equity ratio climbing by 1.1 percentage points year on year, to 47.7%.

ROE / ROA



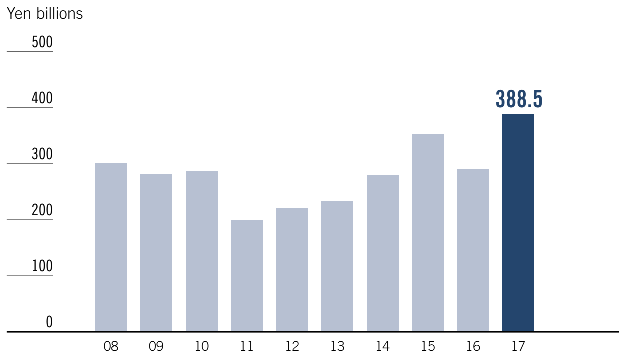
ROE and ROA declined sharply in fiscal 2009 following the global economic downturn, but after the implementation of structural reforms, both have improved as a result of higher net income and other factors. In fiscal 2017, profits increased significantly due to the business transfer to Qualcomm, with ROE growing 10.6 percentage points year on year, to 19.8%, and ROA increasing by 4.8 percentage points year on year, to 9.3%.

Cash Flows



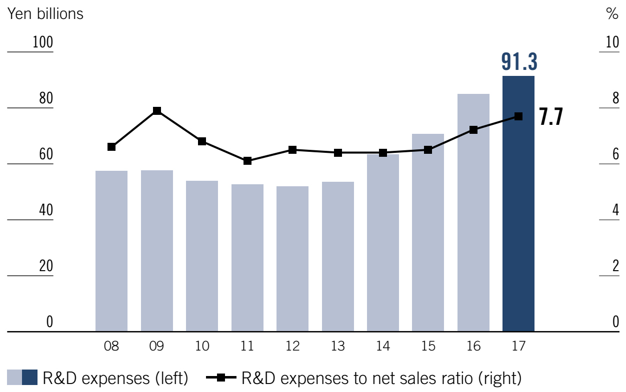
The business transfer to Qualcomm in fiscal 2017 resulted in a significant improvement in free cash flows. Funds obtained as compensation for the business transfer are being utilized in new M&A in accordance with our growth strategy, and we are working to further strengthen our earnings structure.

Working Capital



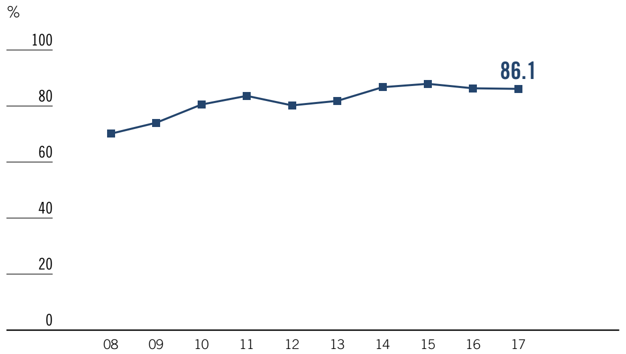
The Group's working capital was expended primarily for the acquisition of raw materials and components used in manufacturing products, and these expenditures are reported as manufacturing expenses. Necessary capital is provided by funds generated from operating activities; working capital in fiscal 2017 was ¥388.5 billion.

R&D Expenses / R&D Expenses to Net Sales Ratio



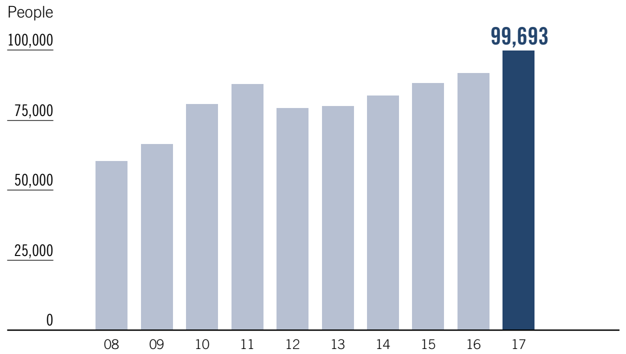
TDK has invested over ¥50 billion in R&D each year so that it can respond to rapid technological innovation in electronics markets and maintain high competitiveness. Going forward, we will continue to actively invest in the development of new technology and further reinforce our R&D structures.

Overseas Production Ratio



Compared with fiscal 2008, the overseas production ratio in fiscal 2017 was up 16 percentage points, reaching 86.1%. TDK seeks to establish location independent production systems and is working to establish the ability to supply products with the same high quality from any location.

Number of Employees



Although the number of employees showed an upward trend after the acquisition of the EPCOS Group in fiscal 2009, TDK worked to streamline its workforce during the period of structural reforms undertaken from fiscal 2012. Starting in fiscal 2016, the first year of the current Medium-Term Plan, TDK has been increasing personnel in order to bolster competitiveness.

Overview of Business Conditions by Segment (Fiscal 2017)

Note: Beginning in fiscal 2018, changes were made to reported segments. The following is an explanation of fiscal 2017 performance under the former segments.

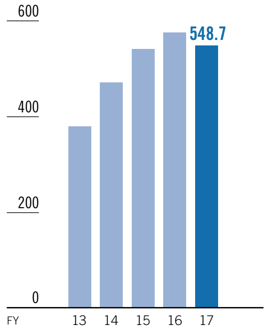
Passive Components Segment

Net sales
¥548,730 million (down ↘ 6.0% year on year)

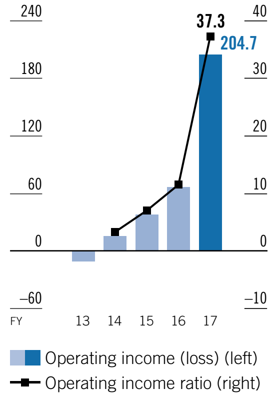
Operating income
¥204,681 million (up ↗ 208.2% year on year)

Fiscal 2017 operating income includes ¥144.4 billion in business transfer gains associated with the establishment of the joint venture business with Qualcomm. Operating income excluding the impact of this amount was down 9.2% year on year, to ¥60.3 billion, but the operating income ratio was 11%, on par with the previous fiscal year's level. High-frequency components saw particularly significant improvement in profitability through productivity improvements, with profits leading the segment as a whole. At the same time, impairment losses, etc. associated with profit structure conversion in the aluminum electrolytic capacitor business resulted in the posting of ¥9.8 billion in structural reform expenses for the segment as a whole.

Net Sales



Operating Income (Loss) / Operating Income Ratio



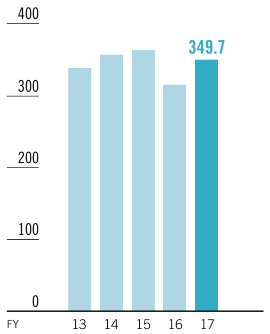
Magnetic Application Products Segment

Net sales
¥349,698 million (up ↗ 10.9% year on year)

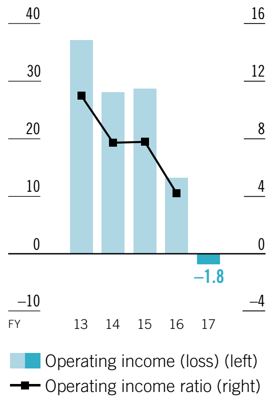
Operating loss
−¥1,802 million (— year on year)

Thanks to strong shipments of HDD magnetic heads for a Japanese customer, and solid sales of magnetic sensors from Micronas, acquired in March of fiscal 2016, for the automotive market, net sales increased in fiscal 2017. At the same time, as a result of an active push toward structural reforms, the Magnetic Application Products segment as a whole posted ¥11.4 billion in structural reform expenses. We also completed our evaluation of goodwill carve-out assets with regards to our acquisition of Micronas and Hutchinson, which resulted in the posting of approximately ¥3.3 billion in depreciation and amortization expenses in the period under review.

Net Sales



Operating Income (Loss) / Operating Income Ratio



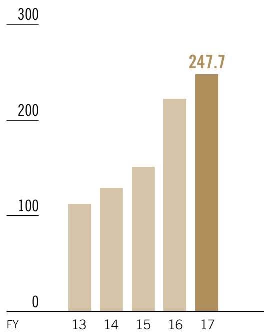
Film Application Products Segment

Net sales
¥247,693 million (up ↗ 12.6% year on year)

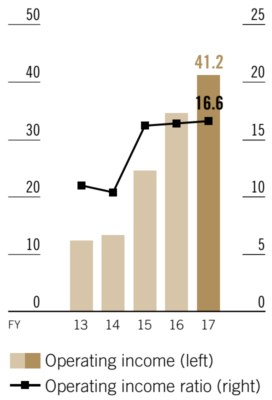
Operating income
¥41,217 million (up ↗ 11.3% year on year)

In rechargeable batteries, while sales to North America fell year on year, sales to smartphone manufacturers in China increased significantly. Sales also increased for new applications aside from smartphones, including drones and game consoles. Timely efforts to boost production capacity and improve production efficiency enabled us to respond to this increased demand, and resulted in a significant increase in both net sales and income.

Net Sales



Operating Income / Operating Income Ratio



Corporate Value

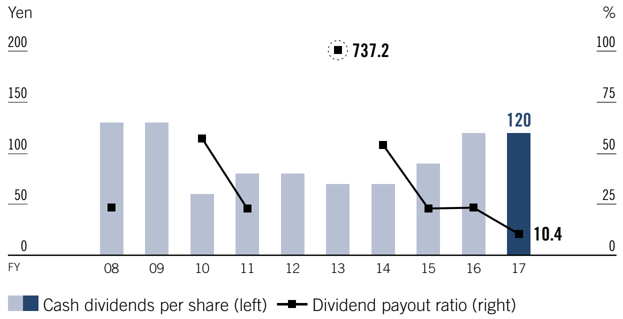
Basic Policy and Prospects for Profit Distribution

TDK's basic policy with regard to dividends is a stable increase through growth in profit per share, based on the understanding that long-term expansion of corporate value is the way to expand value to shareholders. In order to respond to rapid technological innovation in the electronics market, TDK aggressively invests for growth mainly in the priority areas of new products and new technologies. The aim is to further increase corporate value in the long term. We aggressively reinvest profits in business activities, and then base our dividends on a comprehensive evaluation, taking into account consolidated base return on equity (ROE) and dividend on equity (DOE) standards as well as changes to the business environment.

For fiscal 2017, the yearly dividend amounted to ¥120 per common share. Consequently, the dividend payout ratio was 10.4% and the ratio of dividends to stockholders' equity was 1.9%.

For the next term, an interim dividend of ¥60 and a year-end dividend of ¥70 are planned, resulting in an expected yearly dividend of ¥130 per common share.

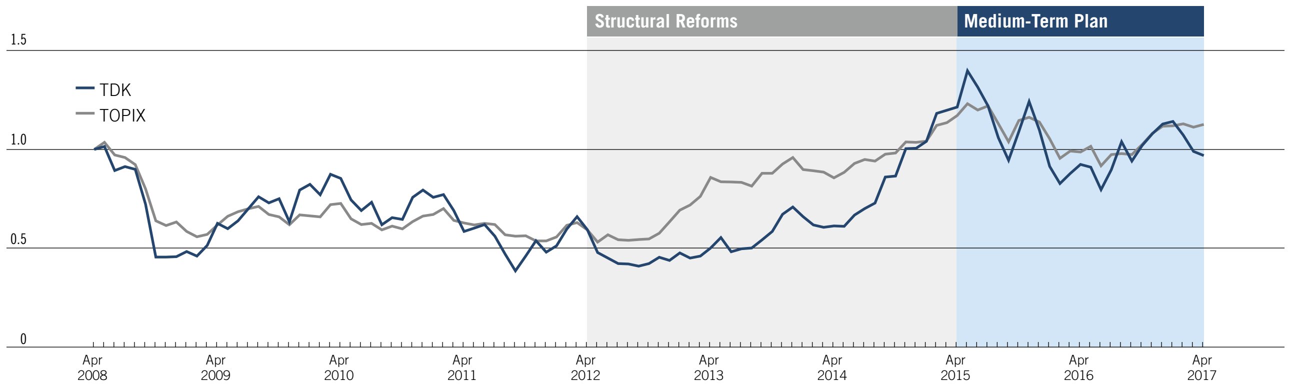
Cash Dividends per Share / Dividend Payout Ratio



Note: Since the fiscal years 2009 and 2012 recorded a net loss, the dividend payout ratio cannot be calculated. However, a yearly dividend of 130 yen per common share was paid in fiscal 2009 and 80 yen in fiscal 2012.

Comparison of Share Price and Tokyo Stock Price Index (TOPIX)

Comparison is based on monthly closing prices and a value of 1 for the April 2008 management integration.



	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	**2017/3**
PER (times)	10.7	—	59.3	14.0	—	344.2	33.3	21.7	12.2	**6.1**
PBR (times)	1.1	0.8	1.5	1.2	1.2	0.7	0.9	1.5	1.2	**1.1**

Social Recognition by Outside Organizations

Member of Ethibel EXCELLENCE

MS-SRI (Morningstar Socially Responsible Investment index)

TDK's TMR angle sensor received the Automotive Components Award at the 2016 "CHO" *Monozukuri Awards*

Received Human Resources Development Award from Malaysia's Ministry of Human Resources

TDK CSR REPORT 2016 received an award at the 20th Environmental Communication Awards for Excellence