

## **[Summary Information and Financial Statements]**

### **1. Business Results**

#### **(1) Analysis of Business Results**

Consolidated results for fiscal 2011, the year ended March 31, 2011, were as follows.

In fiscal 2011, conditions in the operating environment were challenging due to ongoing yen appreciation and surging raw materials prices. In developed nations, however, a modest economic recovery continued, supported by pump-priming measures. Meanwhile, emerging economies, notably China, maintained high growth rates, thanks largely to internal demand. Japan also experienced a modest economic recovery throughout the past fiscal year due to factors such as economic stimulus measures, and quantitative easing. The Japanese economy was also supported by export demand fueled by the global economic recovery. However, the massive earthquake that struck the country on March 11, 2011 has led to concerns about the negative impact on the world economy amid uncertainty surrounding the Japanese economic outlook.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, production levels differ by finished product. Sharply higher production of smartphones and tablet devices have driven the market. Furthermore, production of finished products in the automobile and industrial equipment fields also continued to grow steadily. However, production of flat-screen TVs, notebook PCs, HDDs and certain other finished products was cut back in response to changes in demand.

Operations were temporarily halted at TDK Group production and development facilities in the Tohoku and Kanto regions of Japan due to the aforementioned earthquake, aftershocks and planned power cuts. However, operations have resumed at all facilities thanks to restoration work by the Group. TDK also appreciates the warm support it has received from customers and other parties.

Under these market conditions, TDK posted consolidated net sales of ¥875,737 million (U.S.\$10,551,048 thousand), an increase of 8.3% from the ¥808,858 million reported in fiscal 2010. Operating income was ¥63,842 million (U.S.\$769,181 thousand), a 147.7% increase from ¥25,774 million reported in fiscal 2010. Income before income taxes was ¥60,065 million (U.S.\$723,675 thousand), a year-on-year increase of 174.2% from ¥21,907 million. TDK recorded net income attributable to TDK of ¥45,264 million (U.S.\$545,349 thousand), a 234.8% increase from ¥13,520 million. Basic net income attributable to TDK per common share was ¥350.90 (U.S.\$4.23), compared with ¥104.82 in fiscal 2010.

Average yen exchange rates for the U.S. dollar and euro during fiscal 2011 were ¥85.73 and ¥113.12, respectively, as the yen appreciated 7.7% versus the U.S. dollar and 13.8% against the euro year on year. This lowered net sales by approximately ¥57.4 billion and operating income by approximately ¥18.0 billion.

**[Sales by Sector]**

Term Product	FY2010 (April 1, 2009 - March 31, 2010)		FY2011 (April 1, 2010 - March 31, 2011)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	133,108	16.5	145,393	16.6	1,751,723	12,285	9.2
Inductive devices	111,958	13.8	135,762	15.5	1,635,686	23,804	21.3
Other	119,739	14.8	149,956	17.1	1,806,699	30,217	25.2
Passive Components	364,805	45.1	431,111	49.2	5,194,108	66,306	18.2
Recording devices	280,001	34.6	257,522	29.4	3,102,675	(22,479)	-8.0
Other	103,739	12.8	110,959	12.7	1,336,855	7,220	7.0
Magnetic Application Products	383,740	47.4	368,481	42.1	4,439,530	(15,259)	-4.0
Other	60,313	7.5	76,145	8.7	917,410	15,832	26.2
Consolidated total	808,858	100.0	875,737	100.0	10,551,048	66,879	8.3
Overseas sales	704,874	87.1	764,807	87.3	9,214,542	59,933	8.5

**Note:**

U.S.\$1=Yen 83, for convenience only.

**(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 ¥431,111 million (U.S.\$5,194,108 thousand), up 18.2% year on year from ¥364,805 million.

The capacitors business is made up of ceramic capacitors, aluminum electrolytic capacitors, and film capacitors. Sales in the capacitors business were ¥145,393 million (U.S.\$1,751,723 thousand), up 9.2% year on year from ¥133,108 million. Sales of ceramic capacitors increased for communication equipment such as mobile phones, as well as in the automobile market. Higher sales of aluminum electrolytic capacitors and film capacitors for industrial equipment applications also contributed to the overall increase in capacitor business sales.

Sales of inductive devices increased 21.3% year on year from ¥111,958 million to ¥135,762 million (U.S.\$1,635,686 thousand). This rise was attributable to higher sales for use in home information appliances, communications equipment centered on smartphones, automobiles, and industrial equipment.

Other passive components include high-frequency components, piezoelectric materials and products, circuit protection components and sensors. Sales of other passive components rose 25.2% year on year from ¥119,739 million to ¥149,956 million (U.S.\$1,806,699 thousand). Sales of high-frequency components rose year on year, the result mainly of increased sales to the communications equipment market. Sales of piezoelectric materials and products, circuit protection components and sensors increased year on year, mainly on account of higher sales to the communications equipment and industrial equipment markets.

**(2) Magnetic Application Products Segment**

This segment is made up of (1) recording devices, and (2) other magnetic application products. Segment sales decreased 4.0% year on year from ¥383,740 million to ¥368,481 million (U.S.\$4,439,530 thousand).

The recording devices business is comprised mainly of HDD heads and HDD suspension assemblies. It recorded sales of ¥257,522 million (U.S.\$3,102,675 thousand), down 8.0% year on

year from ¥280,001 million. This decrease mainly reflected price declines and the Japanese yen appreciation against the U.S. dollar, despite larger sales volume of HDD heads year on year.

Other magnetic application products include power supplies, magnets, and recording media. Sales rose 7.0% year on year from ¥103,739 million to ¥110,959 million (U.S.\$1,336,855 thousand). Sales of power supplies and magnets rose, mainly to the industrial equipment and automotive markets, respectively. Recording media sales declined year on year.

(3) Other

Other includes energy devices (rechargeable batteries), mechatronics (production equipment), and other businesses. Segment sales increased 26.2% year on year from ¥60,313 million to ¥76,145 million (U.S.\$917,410 thousand).

[Sales by Region]

Overseas sales increased 8.5% year on year from ¥704,874 million to ¥764,807 million (U.S.\$9,214,542 thousand). Overseas sales accounted for 87.3% of consolidated net sales, a 0.2 percentage point increase from 87.1% one year earlier. Detailed information on sales by region can be found in the consolidated supplementary information on page 20.

**[Fiscal 2012 Consolidated Projections]**

TDK has not issued consolidated projections for fiscal 2012 having decided it cannot do so reasonably at this time due to uncertainty surrounding the production levels of finished products, which affect its consolidated results, and to changes that are likely to occur in the operating environment in the aftermath of the major earthquake that struck Japan. TDK will announce its projections as soon as possible.

## (2) Analysis of Financial Position

(1) The following table summarizes TDK's consolidated balance sheet as of March 31, 2011.

Total assets	¥1,060,853 million	(2.8% decrease)
Total TDK stockholders' equity	¥534,273 million	(1.7% decrease)
Stockholders' equity ratio	50.4%	(0.6 point increase)

As of March 31, 2011, total assets had decreased ¥30,605 million compared with March 31, 2010. In terms of liquidity, cash and cash equivalents decreased ¥3,893 million, short-term investments decreased ¥17,070 million, and marketable securities decreased ¥4,669 million, respectively. In addition, inventories increased ¥16,610 million due to increase in orders, and other assets decreased ¥15,731 million.

Total liabilities decreased ¥20,702 million from March 31, 2010. Debt decreased ¥25,085 million, mainly due to the repayment of long-term debt.

TDK stockholders' equity, which is included in total equity, declined ¥9,483 million from March 31, 2010. Retained earnings increased ¥36,580 million due to higher earnings. However, accumulated other comprehensive loss increased ¥45,887 million, mainly due to a deterioration in foreign currency translation adjustments because of the yen's rapid appreciation since March 31, 2010.

## (2) Cash Flows

(Yen millions)

	FY March 2010	FY March 2011	Change
Net cash provided by operating activities	118,247	101,879	(16,368)
Net cash used in investing activities	(105,963)	(61,341)	44,622
Net cash used in financing activities	(38,369)	(31,860)	6,509
Effect of exchange rate changes on cash and cash equivalents	(6,636)	(12,571)	(5,935)
Net increase (decrease) in cash and cash equivalents	(32,721)	(3,893)	28,828
Cash and cash equivalents at beginning of period	165,705	132,984	(32,721)
Cash and cash equivalents at end of period	132,984	129,091	(3,893)

Operating activities provided net cash of ¥101,879 million (U.S.\$1,227,458 thousand), a year-on-year decrease of ¥16,368 million. TDK recorded net income of ¥45,004 million (U.S.\$542,217 thousand), an increase of ¥32,122 million year on year. Depreciation and amortization decreased ¥6,194 million to ¥77,594 million (U.S.\$934,867 thousand). In changes in assets and liabilities, a ¥40,536 million decrease in trade receivables contributed to the increase of operating cash flows. However, a ¥20,835 million increase in inventories and a ¥26,720 million decrease in trade payables both reduced operating cash flows.

Investing activities used net cash of ¥61,341 million (U.S.\$739,048 thousand), a decrease of ¥44,622 million year on year. There was a ¥14,268 million increase in capital expenditures, and a ¥6,912 million decrease in repayment of deposits for investments. On the other hand, there was a ¥47,820 million increase in proceeds from sale and maturity of short-term investments, and a

¥7,867 million decrease in payment for purchase of short-term investments.

Financing activities used net cash of ¥31,860 million (U.S.\$383,856 thousand), a decrease of ¥6,509 million year on year. There was a net increase in cash payments for debt of ¥3,461 million, with increase in repayments of debt, outweighing proceeds from new debt. On the other hand, there was a ¥7,232 million year-on-year decrease in acquisition of noncontrolling interests.

(3) Trends in Cash Flow Indicators

	FY2007	FY2008	FY2009	FY2010	FY2011
1) Stockholders' equity ratio (%)	77.1	76.6	50.3	49.8	50.4
2) Stockholders' equity ratio on a market value basis (%)	136.8	81.2	42.8	73.5	59.8
3) No. of years to redeem debt	0.03	0.08	4.81	2.28	2.40
4) Interest coverage ratio (times)	727.4	547.8	25.3	29.5	35.8

[Notes]

- 1) Stockholders' equity ratio = Total TDK stockholders' equity/Total assets
- 2) Stockholders' equity 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 shares
- 3) No. of years to redeem debt = Interest-bearing liabilities (\*2)/Cash flows from operating activities (\*3)  
 (\*2) Interest-bearing liabilities: "Short-term debt," "current installments of long-term debt," and "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 2011 and Fiscal 2012 Dividends**

TDK recognizes that achieving growth in corporate value over the long term ultimately translates into higher shareholder value. In line with this recognition, 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 advances in the electronics industry, TDK is aiming to increase long-term corporate value. Accordingly, TDK actively reinvests the Company's profits in business activities and sets dividends taking comprehensively into consideration the return on equity (ROE) and dividends on equity (DOE) on a consolidated basis, as well as changes in the business environment, among other factors.

TDK plans to pay a year-end dividend of ¥40 per common share, subject to approval at the ordinary general meeting of shareholders scheduled for June 29, 2011. Combined with the interim dividend of ¥40 per common share paid in December 2010, the planned dividend per common share applicable to the year will be ¥80.

TDK has not announced dividend projections per common share for fiscal 2012 because TDK does not have visibility for consolidated performance projections for fiscal 2012 due to the Great East Japan Earthquake. However, TDK plans to announce dividend projections at the same time as it announces fiscal 2012 consolidated performance projections.

(Yen)	FY March 2012 Forecast	FY March 2011
Interim dividend	To be announced	(Actual) 40.00
Year-end dividend	To be announced	(Forecast) 40.00
Annual dividend	To be announced	(Forecast) 80.00