



**TDK Corporation**  
October 30, 2017

**Contact;**

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Corporate Communications Group

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**Consolidated results (U.S. GAAP) for the 2nd quarter of FY March 2018**

**Summary (April 1, 2017 - September 30, 2017)**

Term Item	1H of FY2017 (Apr. 1, 2016 - Sep. 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	579,181	100.0	623,571	100.0	5,518,327	44,390	7.7
Operating income	44,313	7.7	42,269	6.8	374,062	(2,044)	-4.6
Income before income taxes	44,326	7.7	44,254	7.1	391,628	(72)	-0.2
Net income attributable to TDK	32,674	5.6	30,689	4.9	271,584	(1,985)	-6.1
Per common share :							
Net income attributable to TDK / Basic	Yen 259.01		Yen 243.15		U.S.\$ 2.15		
Net income attributable to TDK / Diluted	Yen 254.26		Yen 242.56		U.S.\$ 2.15		
Capital expenditures	87,839	-	84,677	-	749,354	(3,162)	-3.6
Depreciation and amortization	41,376	7.1	43,249	6.9	382,735	1,873	4.5
Research and development	43,767	7.6	48,938	7.8	433,080	5,171	11.8
Result of financial income (loss)	303	-	826	-	7,310	523	-
Ratio of overseas production	85.4%	-	85.2%	-	-		
Number of employees	98,493	-	102,987	-	-		

**2nd quarter consolidated results  
(July 1, 2017 - September 30, 2017)**

Term Item	2Q of FY2017 (Jul. 1, 2016 - Sep. 30, 2016)		2Q of FY2018 (July 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	300,412	100.0	334,045	100.0	2,956,150	33,633	11.2
Operating income	27,811	9.3	26,631	8.0	235,673	(1,180)	-4.2
Income before income taxes	27,944	9.3	27,318	8.2	241,752	(626)	-2.2
Net income attributable to TDK	20,273	6.7	19,734	5.9	174,637	(539)	-2.7
Per common share :							
Net income attributable to TDK / Basic	Yen 160.71		Yen 156.35		U.S.\$ 1.38		
Net income attributable to TDK / Diluted	Yen 157.61		Yen 155.96		U.S.\$ 1.38		
Capital expenditures	34,353	-	41,752	-	369,487	7,399	21.5
Depreciation and amortization	20,748	6.9	22,698	6.8	200,867	1,950	9.4
Research and development	22,133	7.4	26,218	7.8	232,018	4,085	18.5
Result of financial income (loss)	163	-	405	-	3,584	242	-
Ratio of overseas production	85.1%	-	84.0%	-	-		

**Note:**

U.S.\$1=Yen 113, for convenience only.

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## [Summary Information and Financial Statements]

### 1. Summary Information Regarding Financial Results for the Second Quarter of Fiscal 2018

#### (1) Summary Information Regarding Consolidated Business Results

Consolidated results for the first half of fiscal 2018, the period from April 1 to September 30, 2017, are as follows.

During the first half of fiscal 2018, the global economy maintained a gradual pace of recovery overall. In the U.S., Europe and Japan, corporate business conditions, employment levels, and personal consumption trended firmly. The emerging economies of China, India and other countries continued to experience higher rates of growth than developed countries, despite some signs of a slight slowdown.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, there was growing demand in the automotive market, fueled by a continued increase in the number of components installed per vehicle in step with advances in the electrification of automobiles. In the industrial equipment market, demand was firm, supported mainly by surging investment in semiconductors and corporate investment in automation. In addition, demand was solid for home electric appliances such as game consoles and room air conditioners. Meanwhile, in the ICT (Information and Communications Technology) market, production of smartphones showed some signs of adjustment.

In this business environment, the TDK's consolidated operating results for the first half of fiscal 2018 were as follows.

#### Summary (April 1, 2017 - September 30, 2017)

Term Item	1H of FY2017 (Apr. 1, 2016 - Sep. 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	579,181	100.0	623,571	100.0	5,518,327	44,390	7.7
Operating income	44,313	7.7	42,269	6.8	374,062	(2,044)	-4.6
Income before income taxes	44,326	7.7	44,254	7.1	391,628	(72)	-0.2
Net income attributable to TDK	32,674	5.6	30,689	4.9	271,584	(1,985)	-6.1
Per common share :							
Net income attributable to TDK / Basic	Yen 259.01		Yen 243.15		U.S.\$ 2.15		
Net income attributable to TDK / Diluted	Yen 254.26		Yen 242.56		U.S.\$ 2.15		

**Note:**

U.S.\$1=Yen 113, for convenience only.

Average yen exchange rates for the U.S. dollar and the euro during the first half of fiscal 2018 were ¥111.08 and ¥126.16, respectively, as the yen depreciated 5.4% against the U.S. dollar and 6.6% against the euro. This increased net sales by approximately ¥27.4 billion and operating income by approximately ¥5.0 billion.

## Sales by Product

Term Product	1H of FY2017 (April 1, 2016 - September 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	68,102	11.7	75,458	12.1	667,770	7,356	10.8
Inductive Devices	71,167	12.3	78,087	12.5	691,035	6,920	9.7
Other Passive Components	132,613	22.9	61,433	9.9	543,655	(71,180)	-53.7
Passive Components	271,882	46.9	214,978	34.5	1,902,460	(56,904)	-20.9
Sensor Application Products	20,917	3.6	36,592	5.9	323,823	15,675	74.9
Recording Devices	113,220	19.6	118,552	19.0	1,049,133	5,332	4.7
Other Magnetic Application Products	43,028	7.4	47,059	7.5	416,451	4,031	9.4
Magnetic Application Products	156,248	27.0	165,611	26.5	1,465,584	9,363	6.0
Film Application Products	116,978	20.2	183,180	29.4	1,621,062	66,202	56.6
Other	13,156	2.3	23,210	3.7	205,398	10,054	76.4
Total	579,181	100.0	623,571	100.0	5,518,327	44,390	7.7
Overseas sales	529,405	91.4	569,472	91.3	5,039,575	40,067	7.6

### Notes:

1. U.S.\$1=Yen 113, for convenience only.
2. In accordance with the reorganization in 1Q of FY2018, Sensor Application Products was newly established. Certain products of Other were reclassified into Other Passive Components and certain products of Recording Devices were reclassified into Other. 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 ¥214,978 million (U.S.\$ 1,902,460 thousand), down 20.9% year on year from ¥271,882 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥75,458 million (U.S.\$ 667,770 thousand), up 10.8% year on year from ¥68,102 million. Sales of Ceramic Capacitors increased to the automotive market, while decreased to the ICT market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors increased mainly to the industrial equipment market.

Sales of Inductive Devices increased by 9.7% year on year from ¥71,167 million to ¥78,087 million (U.S.\$ 691,035 thousand). Sales increased to the automotive and the industrial equipment markets, while decreased to the ICT market.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components decreased by 53.7% year on year from ¥132,613 million to ¥61,433 million (U.S.\$ 543,655 thousand). Sales to the ICT market decreased sharply due to the impact of transferring part of the high-frequency components business to RF360 Holdings Singapore PTE. Ltd., a joint venture with Qualcomm Incorporated.

## 2) Sensor Application Products Segment

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 74.9% from ¥20,917 million to ¥36,592 million (U.S.\$ 323,823 thousand).

Sales to the ICT market increased due to the consolidation of the sales of InvenSense, Inc., following the completion of its acquisition in the first quarter of fiscal 2018.

## 3) Magnetic Application Products Segment

This segment is made up of (1) Recording Devices, and (2) Other Magnetic Application Products. Segment sales increased 6.0% year on year, from ¥156,248 million to ¥165,611 million (U.S.\$ 1,465,584 thousand).

Recording Devices comprises mainly HDD (hard disk drive) Heads and HDD Suspension Assemblies. It recorded sales of ¥118,552 million (U.S.\$ 1,049,133 thousand), up 4.7% from ¥113,220 million.

Other Magnetic Application Products include Power Supplies and Magnets. Sales increased by 9.4% year on year from ¥43,028 million to ¥47,059 million (U.S.\$ 416,451 thousand).

Sales of Power Supplies increased mainly to the industrial equipment market. Also, sales of Magnets increased mainly to the industrial equipment market.

## 4) Film Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries). Segment sales increased by 56.6% from ¥116,978 million to ¥183,180 million (U.S.\$ 1,621,062 thousand).

Sales of Energy Devices increased significantly to the ICT market.

## 5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales increased by 76.4% from ¥13,156 million to ¥23,210 million (U.S.\$ 205,398 thousand).

The main businesses making up the four reporting segments and Other, which includes products not included in these reporting segments, are as follows:

New 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, Power Supplies, Magnets
Film Application Products	Energy Devices (Rechargeable Batteries)
Other	Mechatronics (Production Equipment), Others

### [Sales by Region]

Overseas sales increased by 7.6% year on year from ¥529,405 million to ¥569,472 million (U.S.\$ 5,039,575 thousand). Overseas sales accounted for 91.3% of consolidated net sales, a 0.1 percentage point decrease from 91.4% in the first half of fiscal 2017. Detailed information on sales by region can be found in the consolidated supplementary information on page 20.

## **(2) Summary Information Regarding Consolidated Financial Position**

1) The following table summarizes TDK's consolidated balance sheet as of September 30, 2017.

Total assets	¥1,944,241 million	(16.8% increase)
Total TDK stockholders' equity	¥826,286 million	( 4.1% increase)
Stockholders' equity ratio	42.5%	(5.2 point decrease)

As of September 30, 2017, total assets increased by ¥279,908 million compared with March 31, 2017. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) decreased by ¥36,838 million, while goodwill, net trade receivables, net property, plant and equipment and inventories increased by ¥128,197 million, ¥83,059 million, ¥53,674 million and ¥45,026 million, respectively. An increase of goodwill was mainly due to an acquisition of InvenSense, Inc.

Total liabilities increased by ¥249,121 million from March 31, 2017. Long-term debt, short-term debt and trade payables increased by ¥115,086 million, ¥54,258 million and ¥51,918 million, respectively.

Total TDK stockholders' equity, which is included in total equity, increased by ¥32,672 million from March 31, 2017. Retained earnings increased by ¥23,682 million.



## 2) Cash Flows

(Yen millions)

	1H of FY 2017	1H of FY 2018	Change
Net cash provided (used) by operating activities	54,600	(10,846)	(65,446)
Net cash used in investing activities	(87,542)	(198,785)	(111,243)
Net cash provided by financing activities	62,334	143,338	81,004
Effect of exchange rate changes on cash and cash equivalents	(30,140)	6,535	36,675
Net decrease in cash and cash equivalents	(748)	(59,758)	(59,010)
Cash and cash equivalents at beginning of period	285,468	330,388	44,920
Cash and cash equivalents at end of period	284,720	270,630	(14,090)

Operating activities used net cash of ¥10,846 million (U.S.\$95,982 thousand), changed by ¥65,446 million year on year. It mainly came from an increase in inventories.

Investing activities used net cash of ¥198,785 million (U.S.\$1,759,160 thousand), an increase of ¥111,243 million year on year. It mainly came from an acquisition of subsidiaries.

Financing activities provided net cash of ¥143,338 million (U.S.\$1,268,478 thousand), an increase of ¥81,004 million year on year. It mainly came from increases in long-term debt.

### (3) Summary Information Regarding Consolidated Projections

(Fiscal 2018 Consolidated Projections)

TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2018, the year ending March 31, 2018, are as follows.

Term  Item	FY2018 (April 1, 2017 - March 31, 2018)	FY2018 (April 1, 2017 - March 31, 2018)	FY2018 (April 1, 2017 - March 31, 2018)	FY2017 (April 1, 2016 - March 31, 2017)	vs FY2017 Changes	
	Projection in October '17	Projection in July '17	Projection in May '17	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	1,250,000	1,190,000	1,110,000	1,178,257	71,743	6.1
Operating income	85,000	80,000	80,000	208,660	(123,660)	-59.3
Income before income taxes	88,000	79,000	79,000	211,717	(123,717)	-58.4
Net income attributable to TDK	60,000	55,000	55,000	145,099	(85,099)	-58.6
Capital expenditures	170,000	160,000	160,000	167,631	2,369	1.4
Depreciation and amortization	90,000	88,000	88,000	87,491	2,509	2.9
Research and development	99,000	94,000	86,000	91,254	7,746	8.5

(Notes)

TDK (as defined below) has revised its performance projections from those announced on July 28, 2017, having reviewed demand and other factors for electronic components used in major finished products. The revision was based on production forecasts and other information currently available to TDK regarding the electronics market and major finished products.

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥108 and ¥127 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**

TDK acquired the whole share of InvenSense, Inc. and consolidated InvenSense, Inc. and its subsidiaries in the quarter ended June 30, 2017.

### **(2) Simplified Accounting Treatment and Special Accounting Treatment**

Nothing to report.

### **(3) Accounting Policy Changes, Accounting Estimate Changes and Restatements**

#### Simplifying the Measurement of Inventory

In July 2015, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-11 “Simplifying the Measurement of Inventory”.

This ASU applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. TDK adopted this ASU prospectively from April 1, 2017.

The adoption of this ASU did not have a material impact on TDK’s results of operations and financial position.

#### Simplifying the Test for Goodwill Impairment

In January 2017, FASB issued ASU 2017-04 “Simplifying the Test for Goodwill Impairment”. This ASU eliminates Step 2 of the goodwill impairment test, instead requires an entity to recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. TDK early adopted this ASU prospectively from April 1, 2017.

The adoption of this ASU did not have an impact on TDK’s results of operations and financial position for the first half of FY2018.

#### **(4) Fundamental Policy for Distribution of Earnings, and Fiscal 2018 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 2018 are as follows. TDK keeps initial dividend forecast unchanged.

	(Yen)	
	FY2018	FY2017 Actual
Interim dividend	60.00	60.00
Year-end dividend	(Forecast) 70.00	60.00
Annual dividend	(Forecast) 130.00	120.00

### 3. Consolidated Financial Statements

#### (1) Balance Sheets

ASSETS									
Term Item	As of March 31, 2017		As of September 30, 2017			Change from March 31, 2017	As of June 30, 2017		Change from June 30, 2017
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	(Yen millions)	%	(Yen millions)
Current assets	866,136	52.0	961,690	49.5	8,510,531	95,554	952,954	49.8	8,736
Cash and cash equivalents	330,388		270,630		2,394,956	(59,758)	305,130		(34,500)
Short-term investments	56,131		77,952		689,841	21,821	77,116		836
Marketable securities	-		1,099		9,726	1,099	3,793		(2,694)
Net trade receivables	254,909		337,968		2,990,867	83,059	290,346		47,622
Inventories	154,499		199,525		1,765,708	45,026	186,921		12,604
Other current assets	70,209		74,516		659,433	4,307	89,648		(15,132)
Noncurrent assets	798,197	48.0	982,551	50.5	8,695,142	184,354	960,014	50.2	22,537
Investments in securities	161,825		149,745		1,325,177	(12,080)	153,259		(3,514)
Net property, plant and equipment	464,667		518,341		4,587,089	53,674	503,040		15,301
Goodwill	61,031		189,228		1,674,584	128,197	188,624		604
Other assets	110,674		125,237		1,108,292	14,563	115,091		10,146
TOTAL	1,664,333	100.0	1,944,241	100.0	17,205,673	279,908	1,912,968	100.0	31,273

LIABILITIES AND EQUITY									
Term Item	As of March 31, 2017		As of September 30, 2017			Change from March 31, 2017	As of June 30, 2017		Change from June 30, 2017
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	(Yen millions)	%	(Yen millions)
Current liabilities	477,594	28.7	605,551	31.2	5,358,858	127,957	654,813	34.2	(49,262)
Short-term debt	77,680		131,938		1,167,593	54,258	185,082		(53,144)
Current installments of long-term debt	42,517		53,819		476,274	11,302	71,197		(17,378)
Trade payables	176,644		228,562		2,022,673	51,918	199,985		28,577
Accrued expenses	148,609		160,968		1,424,495	12,359	160,909		59
Other current liabilities	32,144		30,264		267,823	(1,880)	37,640		(7,376)
Noncurrent liabilities	384,621	23.1	505,785	26.0	4,475,974	121,164	448,303	23.4	57,482
Long-term debt, excluding current installments	213,935		329,021		2,911,690	115,086	273,230		55,791
Retirement and severance benefits	125,202		127,595		1,129,160	2,393	127,798		(203)
Other noncurrent liabilities	45,484		49,169		435,124	3,685	47,275		1,894
Total liabilities	862,215	51.8	1,111,336	57.2	9,834,832	249,121	1,103,116	57.6	8,220
Common stock	32,641		32,641		288,858	-	32,641		-
Additional paid-in capital	15,349		8,685		76,859	(6,664)	15,385		(6,700)
Legal reserve	37,727		37,162		328,867	(565)	37,060		102
Retained earnings	833,884		857,566		7,589,080	23,682	837,934		19,632
Accumulated other comprehensive income (loss)	(108,575)		(92,459)		(818,221)	16,116	(104,464)		12,005
Treasury stock	(17,412)		(17,309)		(153,177)	103	(17,359)		50
Total TDK stockholders' equity	793,614	47.7	826,286	42.5	7,312,266	32,672	801,197	41.9	25,089
Noncontrolling interests	8,504	0.5	6,619	0.3	58,575	(1,885)	8,655	0.5	(2,036)
Total equity	802,118	48.2	832,905	42.8	7,370,841	30,787	809,852	42.4	23,053
TOTAL	1,664,333	100.0	1,944,241	100.0	17,205,673	279,908	1,912,968	100.0	31,273

**Note:**

U.S.\$1=Yen 113, for convenience only.

## (2) Statements of Income and Statements of Comprehensive Income (Loss)

[1st half results]

### Statements of Income

Term Item	1H of FY2017 (April 1, 2016 - September 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	579,181	100.0	623,571	100.0	5,518,327	44,390	7.7
Cost of sales	420,244	72.6	456,446	73.2	4,039,345	36,202	8.6
Gross profit	158,937	27.4	167,125	26.8	1,478,982	8,188	5.2
Selling, general and administrative expenses	112,507	19.3	127,766	20.5	1,130,672	15,259	13.6
Other operating expense (income)	2,117	0.4	(2,910)	-0.5	(25,752)	(5,027)	-
Operating income	44,313	7.7	42,269	6.8	374,062	(2,044)	-4.6
Other income (deductions):							
Interest and dividend income	1,886		3,002		26,567	1,116	
Interest expense	(1,583)		(2,176)		(19,257)	(593)	
Foreign exchange gain (loss)	(1,381)		(287)		(2,540)	1,094	
Other-net	1,091		1,446		12,796	355	
Total other income (deductions)	13	0.0	1,985	0.3	17,566	1,972	-
Income before income taxes	44,326	7.7	44,254	7.1	391,628	(72)	-0.2
Income taxes	11,277	2.0	13,207	2.1	116,876	1,930	17.1
Net income	33,049	5.7	31,047	5.0	274,752	(2,002)	-6.1
Less: Net income attributable to noncontrolling interests	375	0.1	358	0.1	3,168	(17)	-4.5
Net income attributable to TDK	32,674	5.6	30,689	4.9	271,584	(1,985)	-6.1

Note:

U.S.\$1=Yen 113, for convenience only.

### Statements of Comprehensive Income (Loss)

Term Item	1H of FY2017 (April 1, 2016 - September 30, 2016)	1H of FY2018 (April 1, 2017 - September 30, 2017)		Change
	(Yen millions)	(Yen millions)	(U.S.\$ thousands)	(Yen millions)
Net income	33,049	31,047	274,752	(2,002)
Other comprehensive income (loss), net of taxes:				
Foreign currencies translation adjustments	(95,260)	14,380	127,257	109,640
Pension liability adjustments	2,016	1,956	17,310	(60)
Net unrealized gains (losses) on securities	(826)	(247)	(2,186)	579
Total other comprehensive income (loss)	(94,070)	16,089	142,381	110,159
Comprehensive income (loss)	(61,021)	47,136	417,133	108,157
Comprehensive income (loss) attributable to noncontrolling interests	(557)	404	3,575	961
Comprehensive income (loss) attributable to TDK	(60,464)	46,732	413,558	107,196

Note:

U.S.\$1=Yen 113, for convenience only.

**[2nd quarter results]**  
**Statements of Income**

Term Item	2Q of FY2017 (July 1, 2016 - September 30, 2016)		2Q of FY2018 (July 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	300,412	100.0	334,045	100.0	2,956,150	33,633	11.2
Cost of sales	215,973	71.9	243,160	72.8	2,151,858	27,187	12.6
Gross profit	84,439	28.1	90,885	27.2	804,292	6,446	7.6
Selling, general and administrative expenses	55,469	18.4	65,442	19.6	579,133	9,973	18.0
Other operating expense (income)	1,159	0.4	(1,188)	-0.4	(10,514)	(2,347)	-
Operating income	27,811	9.3	26,631	8.0	235,673	(1,180)	-4.2
Other income (deductions):							
Interest and dividend income	933		1,635		14,469	702	
Interest expense	(770)		(1,230)		(10,885)	(460)	
Foreign exchange gain (loss)	(168)		120		1,062	288	
Other-net	138		162		1,433	24	
Total other income (deductions)	133	0.0	687	0.2	6,079	554	416.5
Income before income taxes	27,944	9.3	27,318	8.2	241,752	(626)	-2.2
Income taxes	7,482	2.5	7,445	2.3	65,885	(37)	-0.5
Net income	20,462	6.8	19,873	5.9	175,867	(589)	-2.9
Less: Net income attributable to noncontrolling interests	189	0.1	139	0.0	1,230	(50)	-26.5
Net income attributable to TDK	20,273	6.7	19,734	5.9	174,637	(539)	-2.7

**Note:**

U.S.\$1=Yen 113, for convenience only.

**Statements of Comprehensive Income**

Term Item	2Q of FY2017 (July 1, 2016 - September 30, 2016)		2Q of FY2018 (July 1, 2017 - September 30, 2017)		Change
	(Yen millions)		(Yen millions)	(U.S.\$ thousands)	(Yen millions)
Net income	20,462		19,873	175,867	(589)
Other comprehensive income (loss), net of taxes:					
Foreign currencies translation adjustments	(14,009)		10,944	96,850	24,953
Pension liability adjustments	1,081		966	8,549	(115)
Net unrealized gains (losses) on securities	649		57	504	(592)
Total other comprehensive income (loss)	(12,279)		11,967	105,903	24,246
Comprehensive income	8,183		31,840	281,770	23,657
Comprehensive income attributable to noncontrolling interests	91		174	1,540	83
Comprehensive income attributable to TDK	8,092		31,666	280,230	23,574

**Note:**

U.S.\$1=Yen 113, for convenience only.



### (3) Statements of Cash Flows

Item	Term	1H of FY2017 (April 1, 2016 - September 30, 2016)	1H of FY2018 (April 1, 2017 - September 30, 2017)	
		(Yen millions)	(Yen millions)	(U.S.\$ thousands)
Cash flows from operating activities:				
Net income		33,049	31,047	274,752
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		41,376	43,249	382,735
Changes in assets and liabilities:				
Decrease (increase) in trade receivables		(66,594)	(72,278)	(639,628)
Decrease (increase) in inventories		(9,834)	(32,601)	(288,504)
Increase (decrease) in trade payables		64,450	44,881	397,177
Increase (decrease) in accrued expenses		2,746	(2,935)	(25,974)
Decrease (increase) in other assets and liabilities, net		(12,812)	(19,699)	(174,328)
Other-net		2,219	(2,510)	(22,212)
Net cash provided by (used in) operating activities		54,600	(10,846)	(95,982)
Cash flows from investing activities:				
Capital expenditures		(87,839)	(84,677)	(749,354)
Proceeds from sales of tangible and intangible assets		6,776	6,221	55,053
Proceeds from sale and maturity of short-term investments		19,393	80,804	715,079
Payment for purchase of short-term investments		(19,630)	(101,724)	(900,212)
Proceeds from sale and maturity of securities		86	23,679	209,549
Payment for purchase of securities		(450)	(791)	(7,000)
Proceeds from sale of business		-	18,047	159,708
Acquisition of subsidiaries, net of cash acquired		-	(138,847)	(1,228,735)
Payment for escrow deposit for purchase of shares of subsidiaries		(5,569)	-	-
Other-net		(309)	(1,497)	(13,248)
Net cash used in investing activities		(87,542)	(198,785)	(1,759,160)
Cash flows from financing activities:				
Proceeds from long-term debt		41,228	146,811	1,299,213
Repayment of long-term debt		(35,293)	(43,097)	(381,389)
Increase (decrease) in short-term debt, net		71,412	56,147	496,876
Dividends paid		(7,563)	(7,566)	(66,956)
Acquisition of noncontrolling interests		(7,496)	(8,795)	(77,832)
Other-net		46	(162)	(1,434)
Net cash provided by financing activities		62,334	143,338	1,268,478
Effect of exchange rate changes on cash and cash equivalents		(30,140)	6,535	57,832
Net decrease in cash and cash equivalents		(748)	(59,758)	(528,832)
Cash and cash equivalents at beginning of period		285,468	330,388	2,923,788
Cash and cash equivalents at end of period		284,720	270,630	2,394,956

**Note:**

U.S.\$1=Yen 113, for convenience only.

#### (4) Notes Concerning Going Concern Assumptions

Nothing to report.

#### (5) Segment Information

TDK has four reporting segments: Passive Components, Sensor Application Products, Magnetic Application Products and Film Application Products, as well as Other, which includes products not included in these four reporting segments.

In addition, TDK newly established Sensor Systems Business Company on April 1, 2017, and established Sensor Application Products segment from the quarter ended June 30, 2017 in accordance with the change of control segment of certain businesses. Sensors of Passive Components, Magnetic Sensors of Magnetic Application Products and certain products of Other were reclassified into newly established reporting segment of Sensor Application Products from the quarter ended June 30, 2017.

Furthermore, in accordance with the reorganization in 1Q of FY2018, certain products of Other were reclassified into Passive Components and certain products of Magnetic Application Products were reclassified into Other.

In accordance with the above, the prior year's figures are also reclassified to conform to the new segmentation.

New 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, Power Supplies, Magnets
Film Application Products	Energy Devices (Rechargeable Batteries)
Other	Mechatronics (Production Equipment), Others

Previous 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, Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Magnetic Sensors, Power Supplies, Magnets
Film Application Products	Energy Devices (Rechargeable Batteries)
Other	Mechatronics (Production Equipment), Others

## [1st half results]

### Sales by industry segment

		1H of FY2017 (April 1, 2016 - September 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components	External customers	271,882	46.9	214,978	34.5	1,902,460	(56,904)	-20.9
	Intersegment	1,547		1,940		17,168	393	25.4
	Total	273,429		216,918		1,919,628	(56,511)	-20.7
Sensor Application Products	External customers	20,917	3.6	36,592	5.9	323,823	15,675	74.9
	Intersegment	22		65		575	43	195.5
	Total	20,939		36,657		324,398	15,718	75.1
Magnetic Application Products	External customers	156,248	27.0	165,611	26.5	1,465,584	9,363	6.0
	Intersegment	57		96		850	39	68.4
	Total	156,305		165,707		1,466,434	9,402	6.0
Film Application Products	External customers	116,978	20.2	183,180	29.4	1,621,062	66,202	56.6
	Intersegment	-		-		-	-	-
	Total	116,978		183,180		1,621,062	66,202	56.6
Other	External customers	13,156	2.3	23,210	3.7	205,398	10,054	76.4
	Intersegment	12,756		18,034		159,593	5,278	41.4
	Total	25,912		41,244		364,991	15,332	59.2
Intersegment eliminations		(14,382)		(20,135)		(178,186)	(5,753)	
Total		579,181	100.0	623,571	100.0	5,518,327	44,390	7.7

**Note:**

U.S.\$1=Yen 113, for convenience only.

### Segment profit (loss) by industry segment

		1H of FY2017 (April 1, 2016 - September 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components		34,509	12.7	22,647	10.5	200,416	(11,862)	-34.4
Sensor Application Products		(2,777)	-13.3	(10,648)	-29.1	(94,230)	(7,871)	-
Magnetic Application Products		9,929	6.4	10,958	6.6	96,973	1,029	10.4
Film Application Products		20,083	17.2	33,955	18.5	300,487	13,872	69.1
Other		(4,166)	-31.7	(860)	-3.7	(7,611)	3,306	-
Sub total		57,578	9.9	56,052	9.0	496,035	(1,526)	-2.7
Corporate and Eliminations		(13,265)		(13,783)		(121,973)	(518)	
Operating income		44,313	7.7	42,269	6.8	374,062	(2,044)	-4.6

**Notes:**

1. U.S.\$1=Yen 113, for convenience only.
2. % to sales of each corresponding segment

## [2nd quarter results]

### Sales by industry segment

		2Q of FY2017 (July 1, 2016 - September 30, 2016)		2Q of FY2018 (July 1, 2017 - September 30, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components	External customers	139,221	46.3	111,466	33.4	986,425	(27,755)	-19.9
	Intersegment	740		1,085		9,602	345	46.6
	Total	139,961		112,551		996,027	(27,410)	-19.6
Sensor Application Products	External customers	10,472	3.5	20,199	6.0	178,752	9,727	92.9
	Intersegment	10		17		150	7	70.0
	Total	10,482		20,216		178,902	9,734	92.9
Magnetic Application Products	External customers	78,948	26.3	85,568	25.6	757,239	6,620	8.4
	Intersegment	34		25		221	(9)	-26.5
	Total	78,982		85,593		757,460	6,611	8.4
Film Application Products	External customers	65,166	21.7	103,481	31.0	915,761	38,315	58.8
	Intersegment	-		-		-	-	-
	Total	65,166		103,481		915,761	38,315	58.8
Other	External customers	6,605	2.2	13,331	4.0	117,973	6,726	101.8
	Intersegment	5,936		10,536		93,239	4,600	77.5
	Total	12,541		23,867		211,212	11,326	90.3
Intersegment eliminations		(6,720)		(11,663)		(103,212)	(4,943)	
Total		300,412	100.0	334,045	100.0	2,956,150	33,633	11.2

**Note:**

U.S.\$1=Yen 113, for convenience only.

### Segment profit (loss) by industry segment

		2Q of FY2017 (July 1, 2016 - September 30, 2016)		2Q of FY2018 (July 1, 2017 - September 30, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components		19,728	14.2	12,409	11.1	109,814	(7,319)	-37.1
Sensor Application Products		(1,816)	-17.3	(6,074)	-30.1	(53,752)	(4,258)	-
Magnetic Application Products		5,839	7.4	6,120	7.2	54,159	281	4.8
Film Application Products		13,021	20.0	21,262	20.5	188,159	8,241	63.3
Other		(2,634)	-39.9	(1,188)	-8.9	(10,513)	1,446	-
Sub total		34,138	11.4	32,529	9.7	287,867	(1,609)	-4.7
Corporate and Eliminations		(6,327)		(5,898)		(52,194)	429	
Operating income		27,811	9.3	26,631	8.0	235,673	(1,180)	-4.2

**Notes:**

1. U.S.\$1=Yen 113, for convenience only.
2. % to sales of each corresponding segment

## (6) Notes Concerning Significant Changes in Stockholders' Equity

Nothing to report.

## (7) Consolidated Supplementary Information

### 1) Exchange rates used for conversion

Term Item	As of September 30, 2016		As of September 30, 2017		As of March 31, 2017	
	US\$=Yen	Euro=Yen	US\$=Yen	Euro=Yen	US\$=Yen	Euro=Yen
The end of the period	101.12	113.36	112.73	132.85	112.19	119.79

### 2) Sales by region

#### [1st half results]

Term Region	1H of FY2017 (April 1, 2016 - September 30, 2016)		1H of FY2018 (April 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Americas	53,867	9.3	53,015	8.5	469,159	(852)	-1.6
Europe	72,819	12.6	78,231	12.5	692,310	5,412	7.4
Asia and others	402,719	69.5	438,226	70.3	3,878,106	35,507	8.8
Overseas sales total	529,405	91.4	569,472	91.3	5,039,575	40,067	7.6
Japan	49,776	8.6	54,099	8.7	478,752	4,323	8.7
Net sales	579,181	100.0	623,571	100.0	5,518,327	44,390	7.7

#### [2nd quarter results]

Term Region	2Q of FY2017 (July 1, 2016 - September 30, 2016)		2Q of FY2018 (July 1, 2017 - September 30, 2017)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Americas	26,691	8.9	28,766	8.6	254,566	2,075	7.8
Europe	35,558	11.8	40,647	12.2	359,708	5,089	14.3
Asia and others	212,523	70.8	239,066	71.5	2,115,628	26,543	12.5
Overseas sales total	274,772	91.5	308,479	92.3	2,729,902	33,707	12.3
Japan	25,640	8.5	25,566	7.7	226,248	(74)	-0.3
Net sales	300,412	100.0	334,045	100.0	2,956,150	33,633	11.2

#### Notes:

1. U.S.\$1=Yen 113, for convenience only.
2. Overseas sales are based on the location of the customers.

### 3) Company group

As of September 30, 2017, TDK Corporation had 146 consolidated subsidiaries (16 in Japan and 130 overseas). TDK Corporation also had 8 affiliates (3 in Japan and 5 overseas), the financial statements for which are accounted for by the equity method.

#### 4) Overview of sales by product

Term Product	1Q of FY2017 (April 1, 2016 - June 30, 2016)		2Q of FY2017 (July 1, 2016 - September 30, 2016)		3Q of FY2017 (October 1, 2016 - December 31, 2016)		4Q of FY2017 (January 1, 2017 - March 31, 2017)	
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%
Capacitors	34,356	12.3	33,746	11.2	33,644	10.4	35,044	12.8
Inductive Devices	35,706	12.8	35,461	11.8	36,595	11.3	37,572	13.7
Other	62,599	22.5	70,014	23.3	72,772	22.4	40,716	14.8
Passive Components	132,661	47.6	139,221	46.3	143,011	44.1	113,332	41.3
Sensor Application Products	10,445	3.7	10,472	3.5	10,474	3.2	11,459	4.2
Recording Devices	55,877	20.0	57,343	19.1	66,035	20.3	63,032	23.0
Other	21,423	7.7	21,605	7.2	21,639	6.7	22,896	8.3
Magnetic Application Products	77,300	27.7	78,948	26.3	87,674	27.0	85,928	31.3
Film Application Products	51,812	18.6	65,166	21.7	76,364	23.5	54,351	19.8
Other	6,551	2.4	6,605	2.2	7,249	2.2	9,234	3.4
Total	278,769	100.0	300,412	100.0	324,772	100.0	274,304	100.0

Term Product	1Q of FY2018 (April 1, 2017 - June 30, 2017)		2Q of FY2018 (July 1, 2017 - September 30, 2017)		
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)
Capacitors	36,280	12.5	39,178	11.8	346,708
Inductive Devices	37,603	13.0	40,484	12.1	358,266
Other	29,629	10.3	31,804	9.5	281,451
Passive Components	103,512	35.8	111,466	33.4	986,425
Sensor Application Products	16,393	5.7	20,199	6.0	178,752
Recording Devices	56,733	19.6	61,819	18.5	547,071
Other	23,310	8.0	23,749	7.1	210,168
Magnetic Application Products	80,043	27.6	85,568	25.6	757,239
Film Application Products	79,699	27.5	103,481	31.0	915,761
Other	9,879	3.4	13,331	4.0	117,973
Total	289,526	100.0	334,045	100.0	2,956,150

**Notes:**

1. U.S.\$1=Yen 113, for convenience only.
2. In accordance with the reorganization in 1Q of FY2018, Sensor Application Products was newly established. Certain products of Other were reclassified into Other Passive Components and certain products of Recording Devices were reclassified into Other. The prior year's sales are also reclassified to conform to the new segmentation.