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TDK. The electronic components company.

# Performance Briefings 3Q of Fiscal Year March, 2012

## TDK Corporation January. 31, 2012

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## **Consolidated 3Q Results of FY March, 2012**

Takakazu Momozuka

Corporate Officer,

General Manager of Finance & Accounting Department

## **Recording Device Business**

Atsuo Kobayashi

Senior Vice President,

General Manager of Data Storage & Thin Film Technology Components  
Business Group

## **Q&A**

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# Consolidated 3Q Results of FY March, 2012

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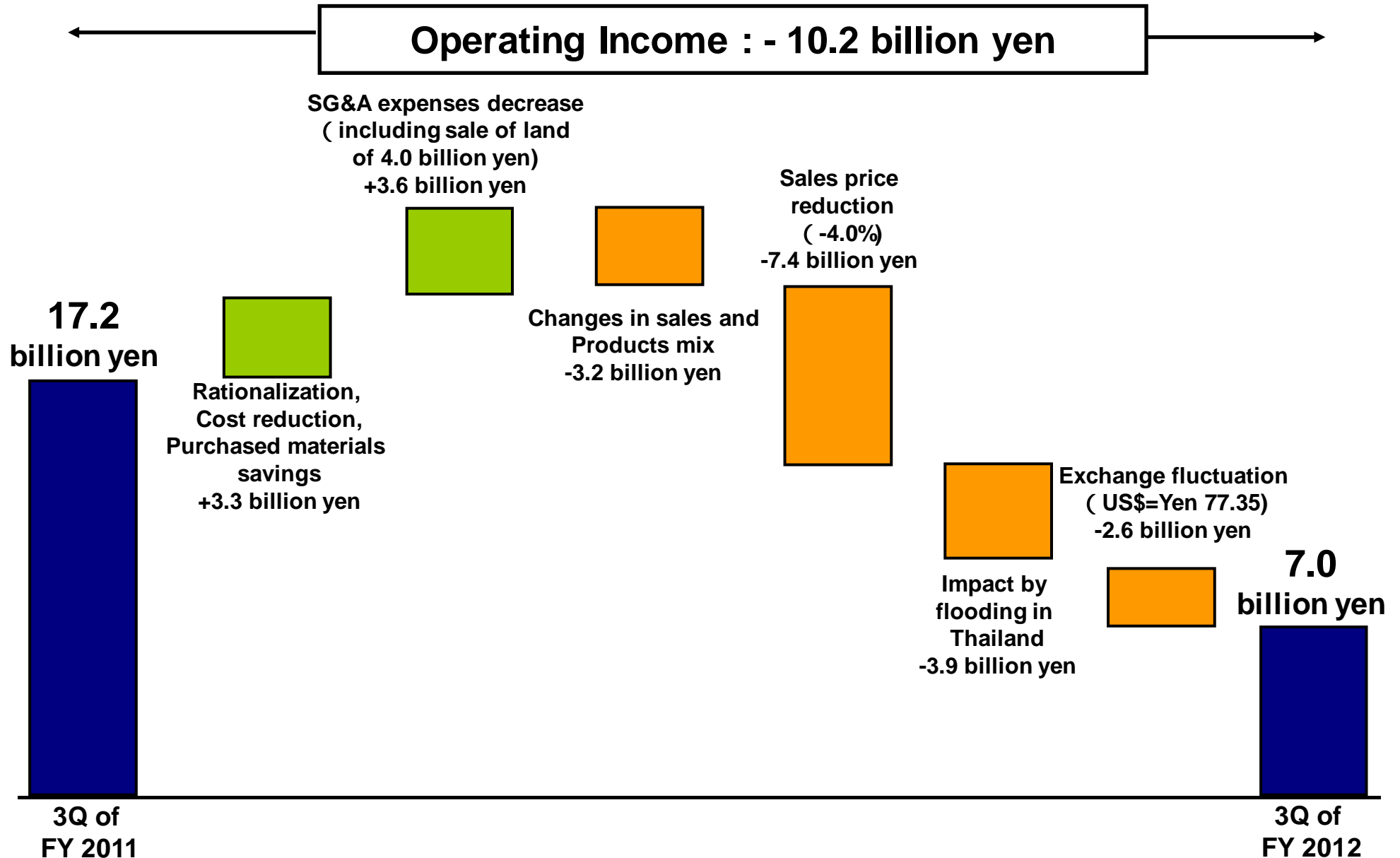
# Consolidated 3Q Results of FY March, 2012



(Yen billions)		3Q results of FY 2011	3Q results of FY 2012	Change	
		(2010.10.1-2010.12.31)	(2011.10.1-2011.12.31)	Yen billions	ratio
<b>Net Sales</b>		219.9	<b>191.8</b>	(28.2)	-12.8%
<b>Operating Income</b>		17.2	<b>7.0</b>	(10.2)	-59.2%
Operating Income Margin		7.8%	<b>3.7%</b>	-4.1pt	-
<b>Income before Income Taxes</b>		16.6	<b>3.2</b>	(13.3)	-80.5%
<b>Net Income</b>		12.6	<b>-11.6</b>	(24.2)	-
<b>Earning Per Share (JPY)</b>		97.64	<b>-90.24</b>		-
<b>Ex-rate</b>	US\$	Yen 82.65	<b>Yen 77.35</b>	Appreciation by 6.4%	
	EURO	Yen 112.20	<b>Yen 104.30</b>	Appreciation by 7.0%	
<b>Ex-rate impact to Net sales &amp; Operating Income</b>		Net sales : Lowered about 10.6 billion Yen Operating income : Lowered about 2.6 billion Yen			
<b>Impact by flooding in Thailand to Net sales &amp; Operating Income</b>		Net sales : Lowered about 11.3 billion Yen Operating income : Lowered about 3.9 billion Yen			

TDK booked income taxes of approximately ¥12.0 billion, due to the impact of a corporate tax reduction and the special corporation tax for reconstruction, as well as to the reassessment of the recoverability of deferred tax assets.

# Breakdown of Operating Income Changes



# Segment Information



Yen billions		3Q results of FY March 2011	2Q results of FY March 2012	3Q results of FY March 2012	YoY Change (C)-(A)		QoQ Change (C)-(B)	
		Oct 1- Dec 31, 2010 (A)	Jul 1- Sep 30, 2011 (B)	Oct 1- Dec 31, 2011 (C)	Yen billions	%	Yen billions	%
Net Sales	Capacitor	35.2	34.2	30.6	(4.6)	-13.1%	(3.6)	-10.5%
	Inductive Device	32.6	31.4	28.6	(4.0)	-12.3%	(2.8)	-8.9%
	Other Passive Comp	39.3	34.4	30.4	(8.9)	-22.6%	(4.0)	-11.6%
	<b>Passive Components</b>	<b>107.1</b>	<b>99.9</b>	<b>89.5</b>	(17.6)	-16.4%	(10.4)	-10.4%
	Recording Divices	63.0	53.3	42.0	(21.0)	-33.3%	(11.3)	-21.2%
	Other Magnetic Application Products	27.7	31.2	29.8	2.1	7.6%	(1.4)	-4.5%
	<b>Magnetic Application Products</b>	<b>90.8</b>	<b>84.5</b>	<b>71.8</b>	(19.0)	-20.9%	(12.7)	-15.0%
	<b>Other</b>	<b>22.0</b>	<b>26.0</b>	<b>30.5</b>	8.5	38.6%	4.5	17.3%
<b>Total</b>		<b>219.9</b>	<b>210.4</b>	<b>191.8</b>	(28.1)	-12.8%	(18.6)	-8.8%
Operating Income	<b>Passive Components</b>	<b>6.2</b>	<b>1.3</b>	<b>1.5</b>	(4.7)	-75.8%	0.2	15.4%
	<b>Magnetic Application Products</b>	<b>11.5</b>	<b>8.8</b>	<b>6.4</b>	(5.1)	-44.3%	(2.4)	-27.3%
	<b>other</b>	<b>2.0</b>	<b>1.7</b>	<b>2.5</b>	0.5	25.0%	0.8	47.1%
	<b>Sub total</b>	<b>19.7</b>	<b>11.8</b>	<b>10.4</b>	(9.3)	-47.2%	(1.4)	-11.9%
	<b>Corporate and Eliminations</b>	<b>-2.5</b>	<b>-3.7</b>	<b>-3.4</b>	(0.9)		0.3	
	<b>Total</b>	<b>17.2</b>	<b>8.1</b>	<b>7.0</b>	(10.2)	-59.3%	(1.1)	-13.6%
Operating Income margin		7.8%	3.9%	3.7%	(4.1pt)		(0.2pt)	
Ex-rate	US\$	Yen 82.65	Yen 77.96	Yen 77.35				
	EURO	Yen 112.20	Yen 110.42	Yen 104.30				

# Consolidated Results through 3Q of FY March, 2012



(Yen billions)		FY March 2011 Results through 3Q (2010.4.1-2010.12.31)	FY March 2012 Results through 3Q (2011.4.1-2011.12.31)	Change	
				Yen billions	Ratio
<b>Net Sales</b>		662.2	<b>608.9</b>	(53.2)	-8.0%
<b>Operating Income</b>		54.4	<b>20.8</b>	(33.6)	-61.7%
Operating Income Margin		8.2%	<b>3.4%</b>	-4.8pt	-
<b>Income before Income Taxes</b>		51.2	<b>13.9</b>	(37.3)	-72.8%
<b>Net Income</b>		38.7	<b>-4.9</b>	(43.6)	-
Earning Per Share (JPY)		300.10	<b>-38.15</b>	-	-
Ex-rate	US\$	Yen 86.84	<b>Yen 79.01</b>	Appreciation by 9.0%	
	EURO	Yen 113.27	<b>Yen 110.76</b>	Apreciation by 2.2%	
<b>Ex-rate impact to Net sales &amp; Operating Income</b>		Net sales : Lowered about 43.8 billion Yen Operating income : Lowered about 13.6 billion Yen			

A one-off charge of approximately ¥3.1 billion at the operating income level associated with the change of the pension plan is incurred in the first quarter.

The Great East Japan Earthquake, the subsequent aftershocks and blackouts resulted in a decline of approximately ¥5.7 billion in net sales and a ¥3.6 billion decline in operating income by the end of the first-half of fiscal 2012.

TDK booked income taxes of approximately ¥12.0 billion, due to the impact of a corporate tax reduction and the special corporation tax for reconstruction, as well as to the reassessment of the recoverability of deferred tax assets.

# Full Year Projection for FY March 2012



Term  Item	FY2012 (April 1, 2011 - March 31, 2012)	FY2012 (April 1, 2011 - March 31, 2012)	FY2011 (April 1, 2010 - March 31, 2011)	vs. FY2011 Changes	
	Forecast in January'12 (Yen billions)	Forecast in October'11 (Yen billions)	Actual (Yen billions)	(Yen billions)	+/- (%)
Net Sales	800.0	820.0	875.7	(75.7)	-8.6
Operating Income	10.0	35.0	63.8	(53.8)	-84.3
Income before income taxes	3.0	30.0	60.1	(57.1)	-95.0
Net income attributable to TDK	(11.0)	20.0	45.3	(56.3)	-124.3
Capital expenditures	80.0	80.0	78.6	1.4	1.8
Depreciation and amortization	80.0	80.0	77.6	2.4	3.1
Research and development	52.0	52.0	53.0	(1.0)	-1.9

## Average Ex-rate projections from 4Q of FY March 2012 onward

US\$=76 yen (Same as previous assumption) EURO=100 yen (Previous assumption : 105 yen)

### < Reason for the revision >

- Sales of main finished products and demand for electronic components to be softer than anticipated
- TDK's orders and capacity utilization rate are expected to remain below the level assumed in TDK's previous forecast
- TDK has decided to implement additional structural reforms due to changes in the company's business environment.
- As a result of these additional reforms, TDK expects to book higher structural reform expenses than previously assumed
- TDK booked income taxes of approximately ¥12.0 billion, due to the impact of a corporate tax reduction and the special corporation tax for reconstruction, as well as to the reassessment of the recoverability of deferred tax assets.



## Dividends Forecast of FY March 2012



( Yen )	FY March 2011 Results	FY March 2012
Interim dividend	40	<b>40 (Result)</b>
Year-end dividend	40	<b>40 (Forecast)</b>
Annual dividend	80	<b>80 (Forecast)</b>

## Each restructuring measure proceeding as planned

Item	Current status
Production site	Announced reorganization of 4 plants out of total 19 plants located in Tohoku region Announced additional reorganization of 3 plants on January 31
Jobs	Changes in number of employees in TDK worldwide End of September in 2011: 88,449 jobs End of December in 2011 : 82,912 jobs      decreased by 5,537 employees
Unprofitable business or products	Sale of Organic EL display business (to be completed by the end of March in 2012)
Fixed cost	Implementing initiatives as planned
Unemployed assets	In 3Q : Already sold overseas unemployed assets (Sales gain:About 4.0 billion yen) In 4Q : To sell unemployed assets in Japan (Expected sales gain:about 2.5 billion yen )

# Restructuring cost and projected effect



Accelerate restructuring activities and decided to implement additional initiatives

Yen billions	Announced on October 31 in 2011	The latest plan
Restructuring cost (Projection)	FY March 2012 (Second-half) : 3.0 FY March 2013 (Full year) : 5.0	FY March 2012 (Second-half) : 12.3 FY March 2013 (Full year) : 5.0
Effect (Projection)	FY March 2012 (Second-half) (gain on sale of land) 6.0 7.0 Total : 13.0 FY March 2013 (Full year) (7.0) 18.0 Total : (25.0) 18.0	FY March 2012 (Second-half) (gain on sale of land) 6.5 7.0 Total : 13.5 FY March 2013 (Full year) 18.0 (Projected effect by additional initiatives) 4.0 Total : 22.0

Expect to use additional restructuring cost due to changes in the company's business environment.

# Recording Device Business

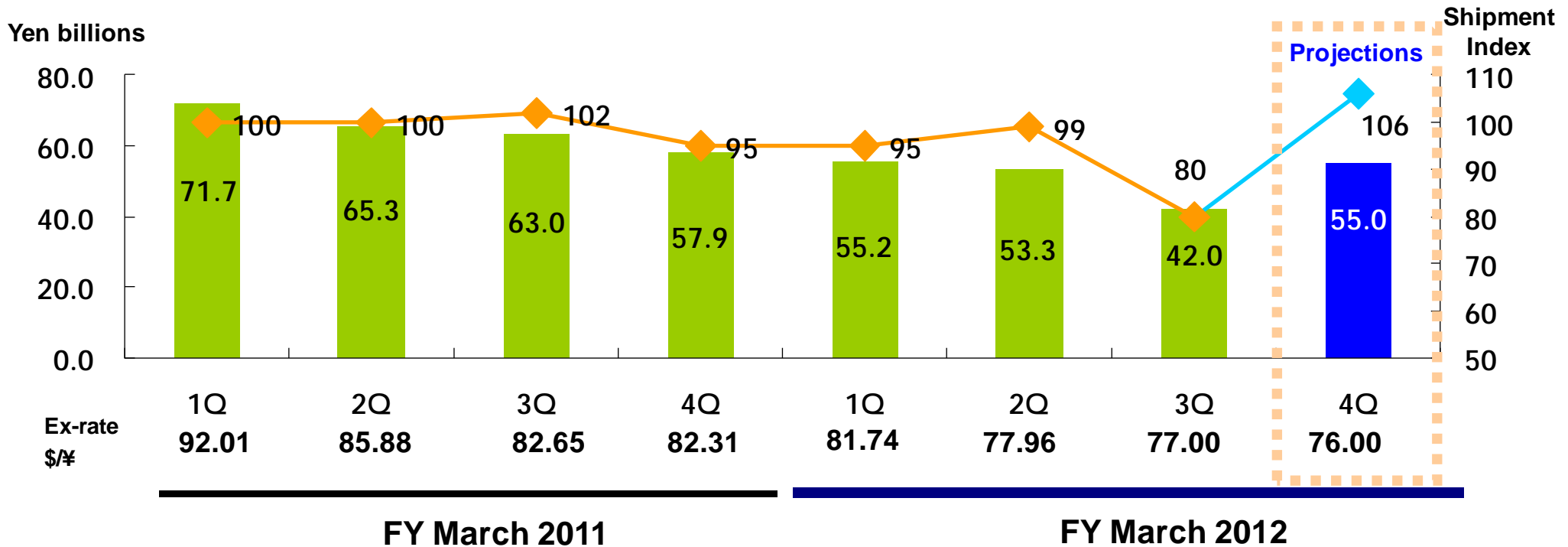
**Atsuo Kobayashi**

**Senior Vice President  
General Manager of Data Storage & Thin Film  
Technology Components Business Group**

**HDD head shipment volume in 3Q decreased significantly due to flooding in Thailand, but it is expected to recover in 4Q drastically**

- Recording Device Sales (Left, including HDD Head (HGA) and HDD Suspension)
- HDD Head Shipment Index (Right)

Index transition based on shipment volume in 1Q of FY March 2011 as 100



HDD market projections for FY March 2012 : about 600 million units

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# Supplementary Data

Company name	City		Current status and future outlook
TDK Thailand Co., Ltd	Rojana Plant	Rare-earth magnets, recording media, and sensors	Drainage of flood water in the premises as well as cleaning and disinfection has been completed, and repair work has now been started. <Future outlook> • Production of magnets is expected to resume in April 2012. • The timing to resume production of sensors is yet to be adjusted. • Others are yet to be adjusted.
TDK Thailand Co., Ltd	Wangnoi Plant	Rare-earth magnets applied products	Production facilities have been set up and normal production resumed on December 16 last year.
Magnecomp Precision Technology Public Co.,Ltd (Main plant)	Wangnoi Plant	HDD suspensions	Operation resumed partially on November 7 last year, and now normal production has been resumed.
Magnecomp Precision Technology Public Co.,Ltd (Branch plant)	Rojana Plant	HDD suspensions	Drainage of flood water in the premises as well as cleaning and disinfection has been completed. <Future outlook> • Production line is being set up on the 2nd floor of the Plant, and production will resume at the end of January 2012. • Shipment starts from end of January 2012.

# Quarterly Sales and Operating Income by Segment

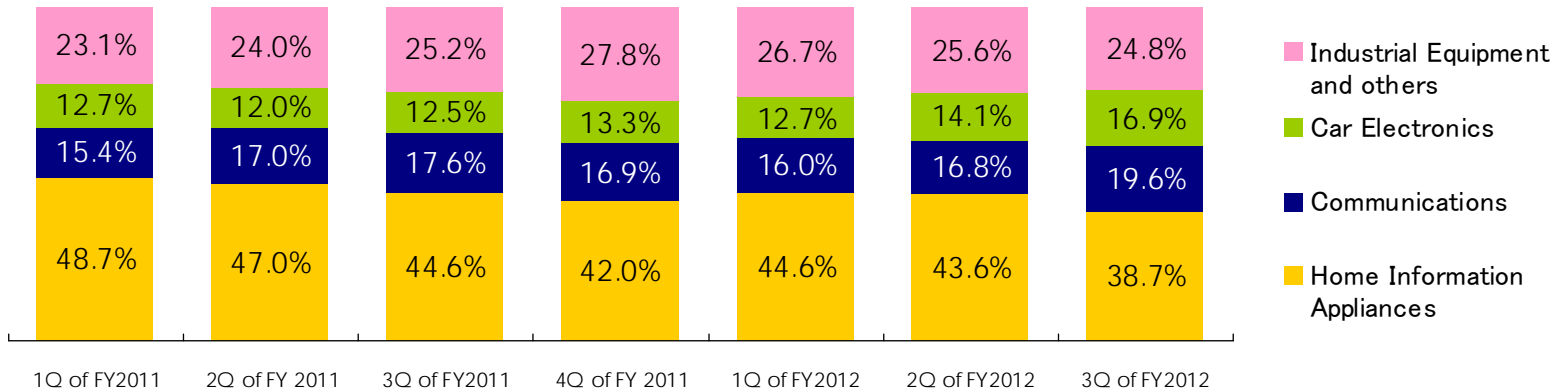


		FY March 2011					FY March 2012				
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales	Yen billions										
	Capacitors	38.0	37.7	35.2	34.5	145.4	36.1	34.2	30.6		
	Inductive Devices	32.1	33.6	32.6	31.9	130.2	32.9	31.4	28.6		
	Other Passive Components	34.6	37.5	39.3	38.6	150.0	32.8	34.4	30.4		
	<b>Passive Components</b>	<b>104.7</b>	<b>108.7</b>	<b>107.1</b>	<b>105.5</b>	<b>425.6</b>	<b>101.7</b>	<b>99.9</b>	<b>89.5</b>		
	Recording Devices	71.7	65.3	63.0	57.5	257.5	55.2	53.3	42.0		
	Other Magnetic Application Products	28.6	26.9	27.7	27.7	111.0	27.4	31.2	29.8		
	<b>Magnetic Application Products</b>	<b>100.3</b>	<b>92.2</b>	<b>90.8</b>	<b>85.2</b>	<b>368.5</b>	<b>82.7</b>	<b>84.5</b>	<b>71.8</b>		
<b>Other</b>	<b>17.0</b>	<b>19.3</b>	<b>22.0</b>	<b>23.4</b>	<b>81.7</b>	<b>22.4</b>	<b>26.0</b>	<b>30.5</b>			
<b>Total</b>	<b>221.9</b>	<b>220.3</b>	<b>219.9</b>	<b>213.6</b>	<b>875.7</b>	<b>206.8</b>	<b>210.4</b>	<b>191.8</b>			
Operating Income	<b>Passive Components</b>	<b>6.3</b>	<b>7.3</b>	<b>6.2</b>	<b>4.8</b>	<b>24.5</b>	<b>3.8</b>	<b>1.3</b>	<b>1.5</b>		
	<b>Magnetic Application Products</b>	<b>16.1</b>	<b>12.5</b>	<b>11.5</b>	<b>6.8</b>	<b>46.9</b>	<b>7.6</b>	<b>8.8</b>	<b>6.4</b>		
	<b>Other</b>	<b>1.0</b>	<b>1.7</b>	<b>2.0</b>	<b>1.0</b>	<b>5.7</b>	<b>1.5</b>	<b>1.7</b>	<b>2.5</b>		
	<b>Sub-total</b>	<b>23.3</b>	<b>21.5</b>	<b>19.7</b>	<b>12.6</b>	<b>77.1</b>	<b>12.8</b>	<b>11.8</b>	<b>10.4</b>		
	Corporate and Eliminations	(3.1)	(4.5)	(2.6)	(3.2)	(13.3)	(7.2)	(3.7)	(3.4)		
<b>Total</b>	<b>20.2</b>	<b>17.0</b>	<b>17.2</b>	<b>9.4</b>	<b>63.8</b>	<b>5.6</b>	<b>8.1</b>	<b>7.1</b>			
Ex-rate	¥/USD	92.01	85.88	82.65	82.31	85.73	81.74	77.96	77.35		
	¥/EURO	117.03	110.67	112.20	112.66	113.12	117.62	110.42	104.30		



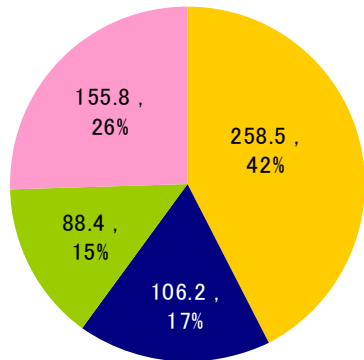
# Sales transition by market

## Quarterly results in FY March 2011 and in FY March 2012



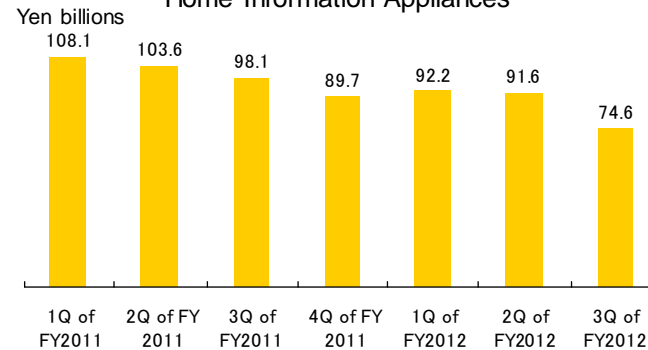
## Quarterly results in FY March 2011 and in FY March 2012

### Results through 3Q in FY March 2012

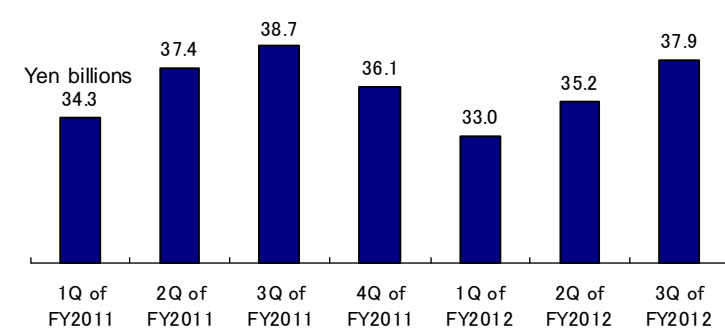


- Home Information Appliances
- Communications
- Car Electronics
- Industrial Equipment and others

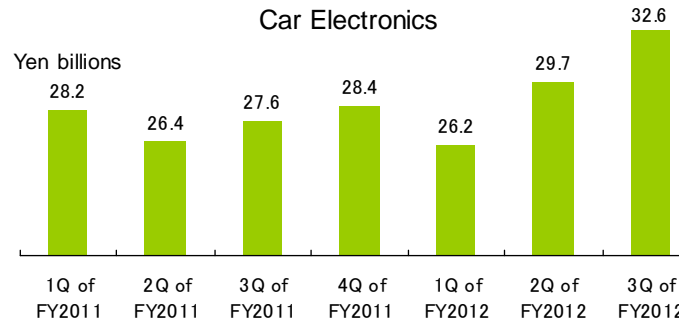
### Home Information Appliances



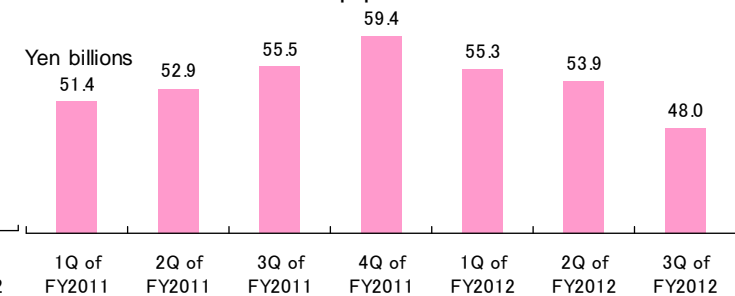
### Communications



### Car Electronics



### Industrial Equipment and others



# Financial Position



( JPY billion )	Mar End, 2011	Sep End, 2011	Dec End, 2011	Q on Q Change
<b>Total Asset</b>	1,060.9	1,049.8	1,045.9	-3.9
<b>Total Liability</b>	521.1	537.5	544.3	6.8
Interest-bearing Debt	245.0	268.0	281.9	13.9
<b>Stockholders's Equity</b>	534.3	499.2	488.1	-11.1
(comprehensive income)	-218.0	-258.2	-252.1	6.2
<b>Stockholders' Equity ratio</b>	50.4%	47.6%	46.7%	-0.9pt

# Expenses



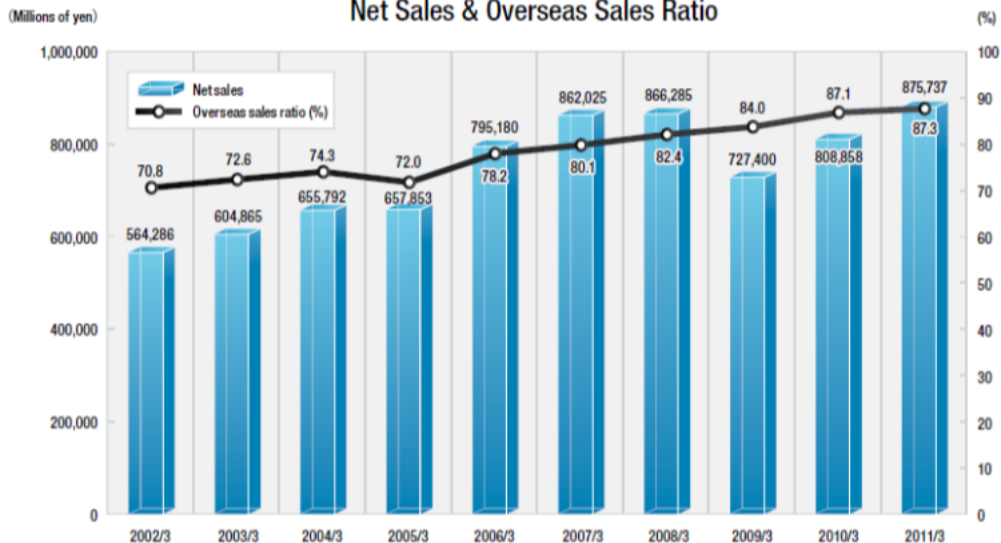
## < Results through 3Q >

(Yen billions)	FY March 2011 Results through 3Q (2010.4.1-2010.12.31)	FY March 2012 Results through 3Q (2011.4.1-2011.12.31)	Change	
			Yen billions	%
Capital expenditures	54.1	<b>76.3</b>	22.3	41.2%
Depreciation and amortization	57.5	<b>56.2</b>	(1.3)	-2.3%
Research and development	38.9	<b>39.4</b>	0.5	1.2%

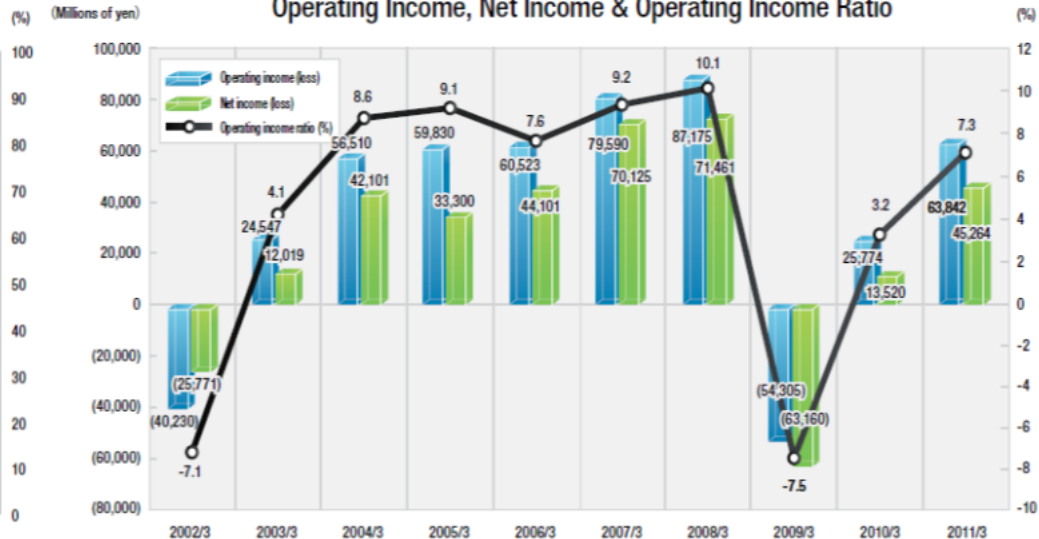
## < 3Q Results >

(Yen billions)	3Q results of FY March 2011 (2010.10.1-2010.12.31)	3Q results of FY March 2012 (2011.10.1-2011.12.31)	Change	
			Yen billions	%
Capital expenditures	20.3	<b>22.8</b>	2.5	12.5%
Depreciation and amortization	19.7	<b>18.8</b>	(0.9)	-4.6%
Research and development	12.5	<b>12.9</b>	0.4	3.4%

### Net Sales & Overseas Sales Ratio



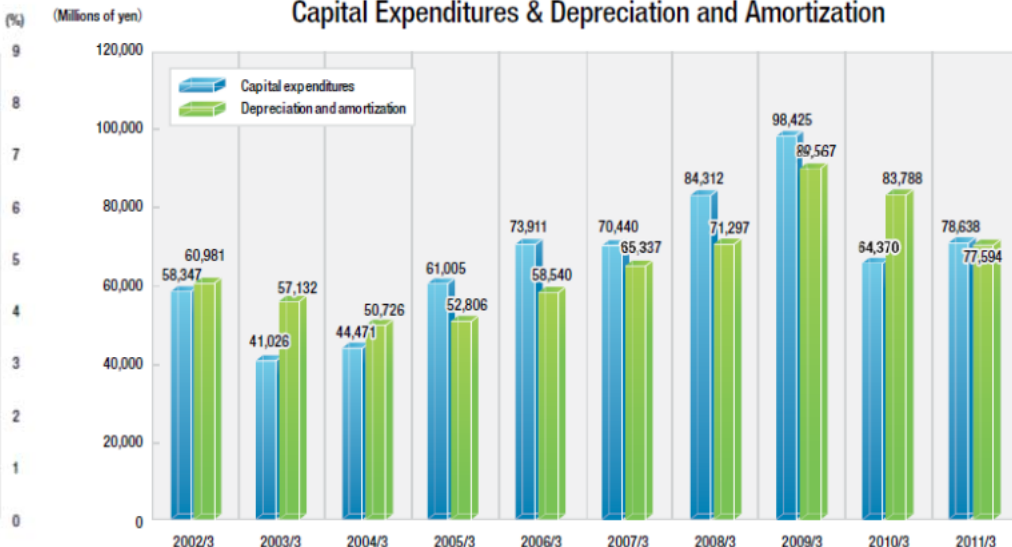
### Operating Income, Net Income & Operating Income Ratio

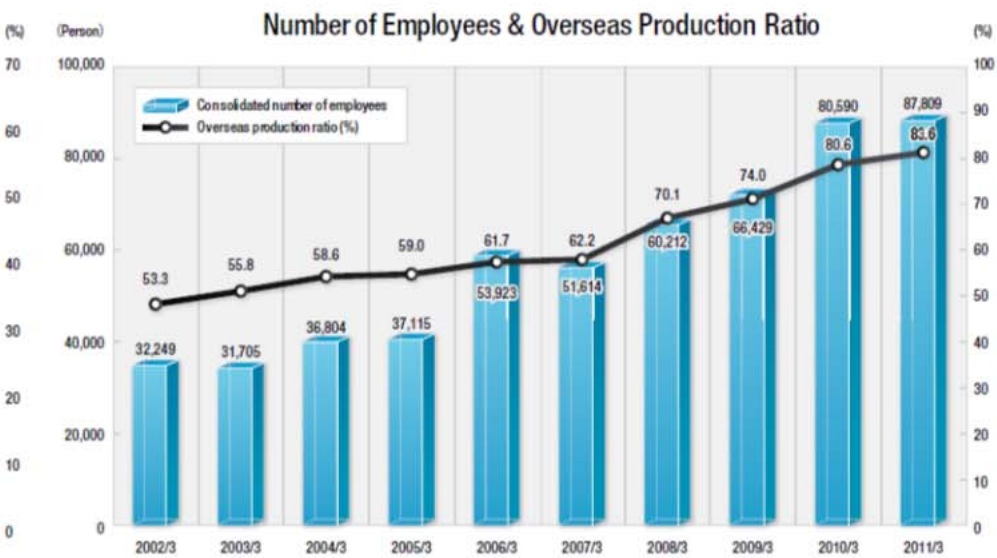
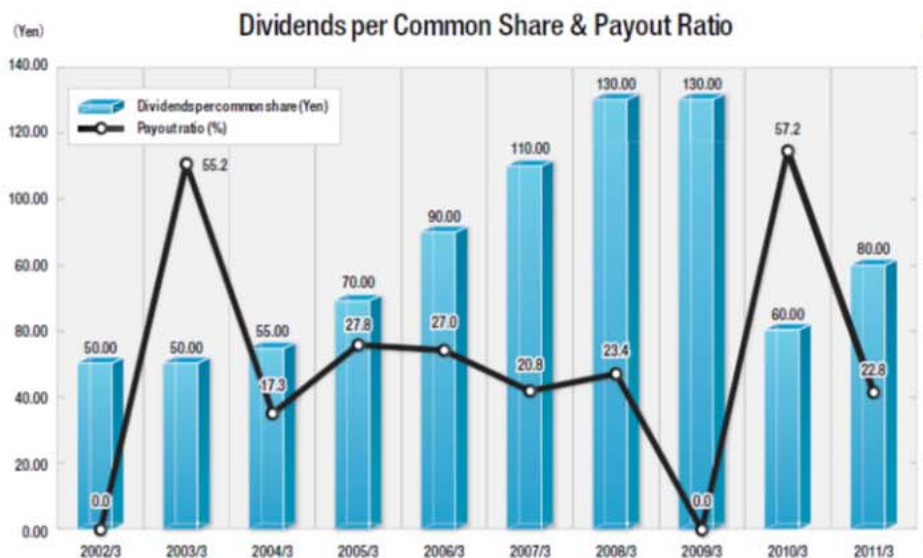
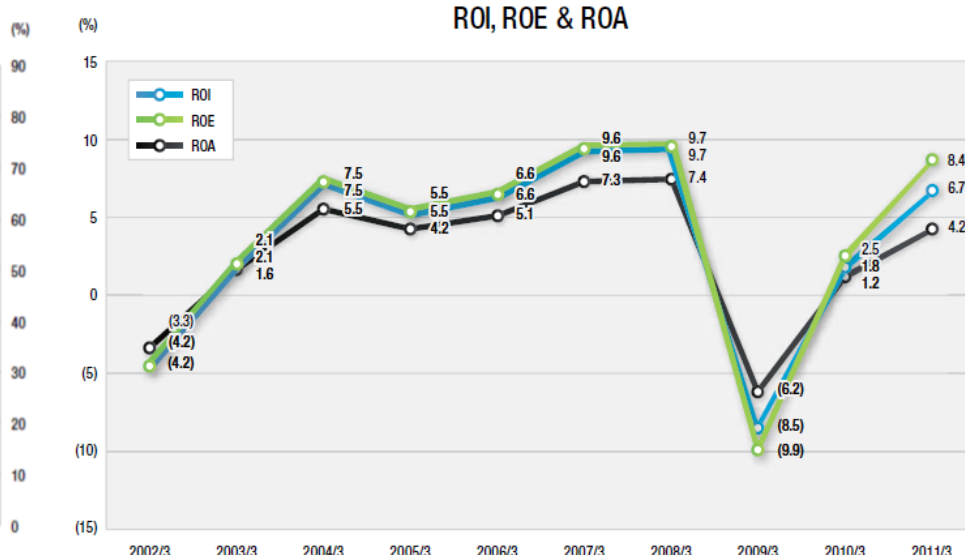
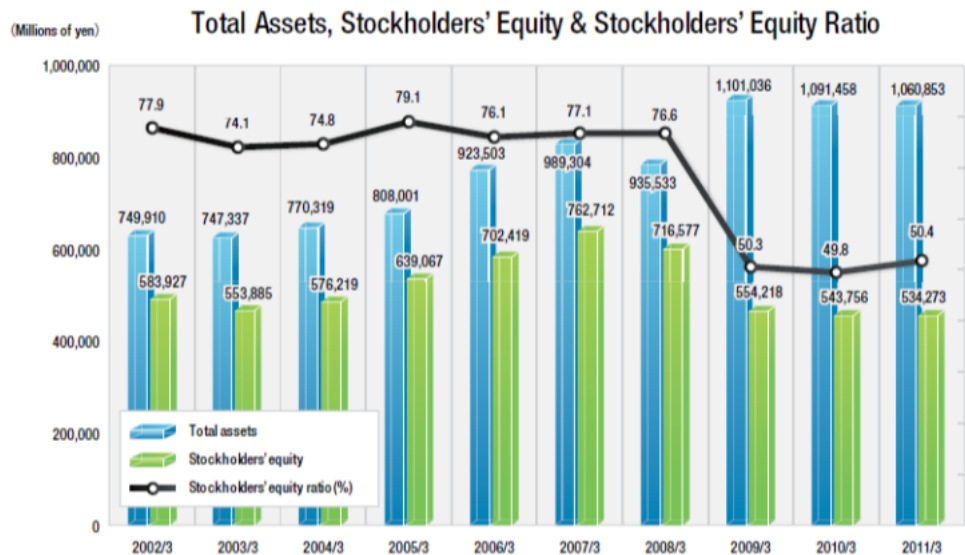


### Research and Development & Ratio to Net Sales



### Capital Expenditures & Depreciation and Amortization





## 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 or 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 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. Also, since the purpose of these materials is only to give readers a general outline of business performance, many numerical values are shown in units of a billion yen. Because original values, which are managed in units of a million yen, are rounded off, the totals, differences, etc. shown in these materials may appear inaccurate. If detailed figures are necessary, please refer to our financial statements and supplementary materials.

