
Performance Briefings 3Q of Fiscal Year March, 2014

TDK Corporation January 31, 2014

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- ◆ **Consolidated 3Q Results of FY March, 2014**
Consolidated Full Year Projections of FY March, 2014
Takakazu Momozuka, Corporate Officer

- ◆ **Magnetic Application Products Business and**
Film Application Products Business
Atsuo Kobayashi, Executive Vice President

- ◆ **Passive Components Business**
Hiroyuki Uemura, Executive Vice President

**Consolidated 3Q Results
of FY March, 2014
Consolidated Full Year Projections of
FY March, 2014**

**Takakazu Momozuka
Corporate Officer**

Consolidated 3Q Results of FY March, 2014



(Yen billions)	FY March 2013 3Q Results (2012.10.1-2012.12.31)	FY March 2014 3Q Results (2013.10.1-2013.12.31)	Change	
			Yen billions	%
Net Sales	213.3	258.6	45.3	21.2
Operating Income	5.0	17.6	12.6	252.0
Operating Income Margin	2.3%	6.8%	+4.5pt	-
Income from Continuing Operations before Income Taxes	3.0	17.2	14.2	473.3
Income from continuing Operations	1.4	11.1	9.7	692.9
Loss from discontinued operations	0.0	-1.0	(1.0)	-
Net income (loss) attributable to noncontrolling interests	1.0	0.8	(0.2)	-20.0
Net Income	0.4	9.3	8.9	2225.0
Earning Per Share (JPY)	3.33	73.99	-	-
US\$ (JPY)	81.17	100.38	Deppreciated by 23.7%	
EURO (JPY)	105.28	136.56	Deppreciated by 29.7%	
Ex-rate impact to Net sales & Operating Income	Net sales : Increased by about 43.0 billion Yen Operating income : Increased by about 8.1 billion Yen			

Note: Data tape business is presented as discontinued operation in above results

Brackets show year-on-year change

◆ **Passive Components:** Net sales 117.1 billion yen (up 25.8%), operating income 6.1 billion yen
(compared with 1.8 billion yen operating loss in FY March 2013 3Q)

- Ceramic capacitors returned to profitability after a loss in FY March 2013 3Q
(has remained profitable since 1Q)
- Inductive devices saw earnings rise sharply year on year on the back of an improved product mix
- High-frequency components reduced their loss year on year due to productivity improvements, etc.
- Piezoelectric material products posted higher sales and earnings year on year due to higher sales of products for automotive applications
- Sale gain of overseas assets (2.0 billion yen)

◆ **Magnetic Application Products:** Net sales 95.7 billion yen (up 13.7%),
operating income 10.3 billion yen (up 36.3%)

- Recording devices (HDD heads) generated operating income on a par with FY March 2013 3Q due to improved productivity, despite a year-on-year drop in shipments
- In magnets, the operating loss narrowed sharply from FY March 2013 3Q thanks to progress on improving productivity at a consolidated site in China
- Power supplies saw improved profitability year on year due to improving sales to the industrial equipment market

◆ **Film Application Products:** Net sales 41.4 billion yen (up 34.0%),
operating income 6.5 billion yen (up 82.0%)

- Energy device (rechargeable battery) sales remained strong for use in smartphones and tablet devices, underpinning a sharp year-on-year rise in both sales and earnings
- Completed exit from data tape business (*)

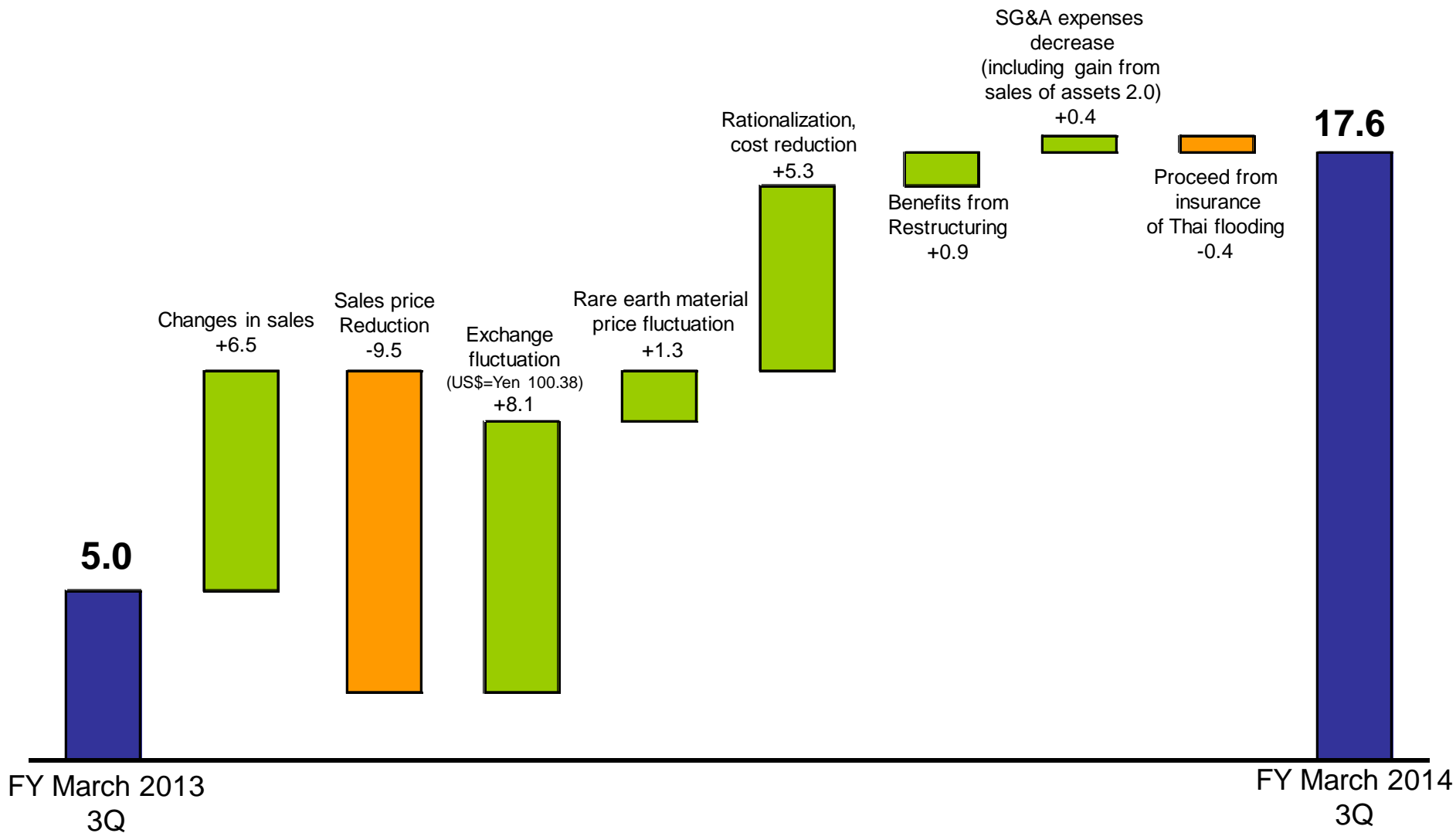
*LTO tape business for data centers

Breakdown of Operating Income Changes (3Q)



(Yen billions)

Operating income : +12.6



※Discontinued operation (Data tape business) were deducted in above results

Segment Information



(Yen billions)		3Q of FY 2013 Oct 1- Dec 31, 2012 (A)	2Q of FY 2014 Jul 1- Sep 30, 2013 (B)	3Q of FY 2014 Oct 1- Dec 31, 2013 (C)	YoY Change (C) - (A)		QoQ Change (C) - (B)	
					Yen billions	%	Yen billions	%
Net Sales	Capacitor	26.6	35.1	34.7	8.1	30.5	(0.4)	-1.1
	Inductive Device	30.6	35.5	34.9	4.3	14.1	(0.6)	-1.7
	Other Passive Comp	36.0	48.8	47.5	11.5	31.9	(1.3)	-2.7
	Passive Components	93.1	119.4	117.1	24.0	25.8	(2.3)	-1.9
	Recording Devices	60.2	66.3	69.0	8.8	14.6	2.7	4.1
	Other Magnetic Application Products	24.0	26.6	26.8	2.8	11.7	0.2	0.8
	Magnetic Application Products	84.2	92.9	95.7	11.5	13.7	2.8	3.0
	Film Application Products	30.9	33.1	41.4	10.5	34.0	8.3	25.1
	Other	5.0	4.4	4.3	(0.7)	-14.0	(0.1)	-2.3
	Total	213.3	249.8	258.6	45.3	21.2	8.8	3.5
Operating Income	Passive Components	(1.8)	6.2	6.1	7.9	-	(0.1)	-1.6
	Magnetic Application Products	7.5	7.8	10.3	2.8	37.3	2.5	32.1
	Film Application Products	3.6	3.2	6.5	2.9	80.6	3.3	103.1
	Other	(0.6)	(0.8)	(0.8)	(0.2)	-	0.0	-
	Sub total	8.8	16.4	22.0	13.2	150.0	5.6	34.1
	Corporate and Eliminations	(3.7)	(4.0)	(4.4)	(0.7)	-	(0.4)	-
	Total	5.0	12.4	17.6	12.6	252.0	5.2	41.9
Operating Income margin		2.3%	5.0%	6.8%	+4.5pt	-	+1.8pt	-
Ex-rate	US\$	Yen 81.17	Yen 99.02	Yen 100.38	※Discontinued operation (Data tape business) were deducted in above results			
	EURO	Yen 105.28	Yen 131.11	Yen 136.56				

Consolidated Results through 3Q of FY March, 2014



(Yen billions)	FY March 2013 Results through 3Q (2012.4.1-2012.12.31)	FY March 2014 Results through 3Q (2013.4.1-2013.12.31)	Change	
			Yen billions	%
Net Sales	625.4	743.4	118.0	18.9
Operating Income	25.3	34.4	9.1	36.0
Operating Income Margin	4.0%	4.6%	+0.6pt	-
Income from Continuing Operations before Income Taxes	21.3	34.9	13.6	63.8
Income from continuing Operations	13.0	21.7	8.7	66.9
Loss from discontinued operations	-0.1	-4.5	(4.4)	-
Net income (loss) attributable to noncontrolling interests	2.8	1.5	(1.3)	-46.4
Net Income	10.1	15.7	5.6	55.4
Earning Per Share (JPY)	80.59	124.90	-	-
US\$ (JPY)	80.03	99.38	Deppreciated by 24.2%	
EURO (JPY)	102.24	132.22	Deppreciated by 29.3%	
Ex-rate impact to Net sales & Operating Income	Net sales : Increased by about 126.0 billion Yen Operating income : Increased by about 21.1 billion Yen			

Note: Data tape business is presented as discontinued operation in above results

Full Year Projections of FY March 2014



(Yen billions)	FY March 2013 Full Year Results	FY March 2014 Previous Full Year Projections	FY March 2014 Revised Full Year Projections	Y o Y Change	
				Yen billions	%
Net Sales	844.2	930.0	985.0	140.8	16.7%
Operating Income	21.7	30.0	37.0	15.3	70.5%
Operating Income Margin	2.6%	3.2%	3.8%	1.2pt	-
Income before income taxes	19.2	28.0	38.0	18.8	97.9%
Net Income	1.2	13.0	16.0	14.8	1233.3%
Earning Per Share (JPY)	9.50	103.34	127.18	-	-

- Average yen exchange rates forecast from 4Q of FY March 2014
 US\$: ¥102 (previous assumption : ¥90)
 EURO: ¥135 (previous assumption : ¥118)

TDK keeps initial dividends forecast (on April 26) unchanged.

◆ Dividend forecast per a common share

Interim dividend	30 yen
Year-end dividend	40 yen (forecast)
Annual dividend	70 yen (forecast)

■ FY March 2014 Planned Restructuring

Promote business portfolio review



- ◇ Exit non-core businesses
 - Withdraw from LTO business (Production ended in 3Q and planned for 4Q)
 - Withdraw from Blu-ray Disc business (Planned for 4Q)

Optimize production bases



- ◇ Further integrate bases worldwide (Targeting bases not already announced for integration)

■ Restructuring costs

(Yen billions)

	Continuing operations	Discontinued operations	Total
	Review of business portfolio Optimization of production bases	Review of business portfolio	
1st half (results)	0.9	2.8	3.7
3Q (results)	0.4	0.3	0.7
4Q (projections)	4.8	0.6	5.4
2nd half (projections)	5.2	0.9	6.1
Total (projections)	6.1	3.7	9.8

■ Expected benefits

(Yen billions)

FY March 2014 : 2.8

FY March 2015 : 4.0

Financial Position



(Yen billions)	March End, 2013	Sep End, 2013	Dec End, 2013	Change from Sep End
Total Asset	1,169.6	1,220.7	1,311.8	91.1
Total Liability	589.0	617.2	648.7	31.5
Stockholders's Equity	561.2	588.6	645.9	57.3
(comprehensive income)	(159.0)	(126.1)	(75.3)	50.8
Stockholders's Equity ratio	48.0%	48.2%	49.2%	+1.0pt
Cash and Cash equivalents(*1)	223.5	242.5	276.1	33.6
Interest-bearing Debt(*2)	295.6	294.5	305.3	10.8
Net Cash(*3)	(72.1)	(52.0)	(29.2)	22.8

*1: Cash and Cash equivalents + Short-term investments

*2: Short-term debt + Current installments of long-term debt + Long-term debt, excluding current installments

*3: Cash and Cash equivalents - Interest-bearing Debt

(Yen billions)	FY March 2013 Results through 3Q	FY March 2014 Results through 3Q	Change
Capital Expenditures	63.3	47.9	(15.4)
Depreciation and amortization	55.9	61.6	5.7

Magnetic Application Products Business Film Application Products Business

**Atsuo Kobayashi
Executive Vice President**

Magnetic Application Products

◆ Recording Devices (HDD Heads)

- 3Q shipments exceeded expectations when 2Q results were announced due to higher demand for use in new game consoles and higher demand for replacing PCs running Windows XP (*Shipment index on next page)
- Started shipments of 640 GB heads for 2.5-inch HDDs
- Expansion of the nearline HDD market is slower than anticipated, but there is no change to the outlook for medium- to long-term expansion

◆ Magnets

- Improved productivity at a consolidated site in China (ferrite magnets), built integrated production line
- Metal magnet sales have not recovered after losing market share due to the Thai floods
- Continued to expand sales of rare-earth free magnets
- Launch of new production method for ferrite magnets

◆ Power Supplies

- Recovery in capital expenditure in semiconductor manufacturing equipment, FA equipment, measuring equipment, etc.
- Sales to the industrial equipment market grew steadily
- Started producing DC-DC converters for X-EV in Malaysia

Recording Device

● HDD market

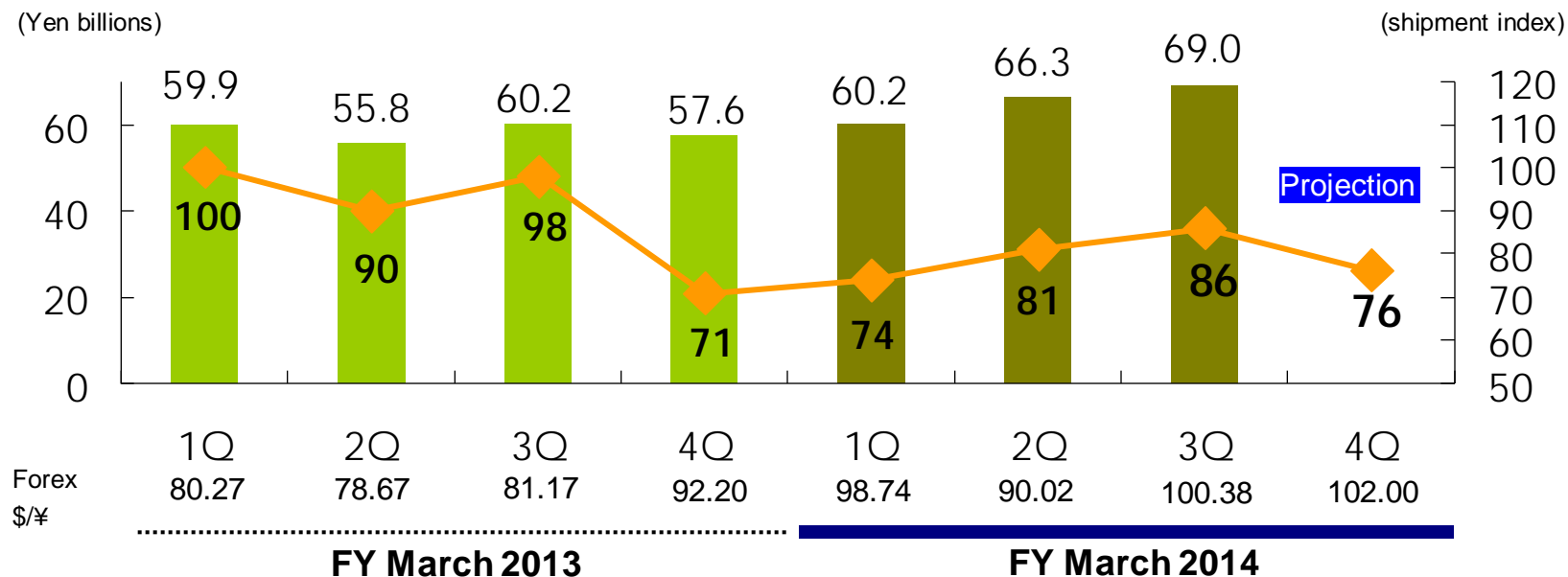
FY March 2013 : About 570 million units (TDK's estimation)

FY March 2014 : About 550 million units (TDK's forecast, increased by 10 million units from the previous forecast in October)

● Shipment index

■ Recording Device Sales (Left, including HDD Head (HGA) and HDD Suspension)

◆ HDD Head Shipment Index (Right)



Film Application Products

◆ Energy Devices (Rechargeable Batteries)

- Strong growth in sales for use in smartphones and tablet devices
- Smartphones and tablet devices currently positioned as most important markets
- Continue expanding customer base and conducting R&D to expand business domains

◆ Applied Films

- Expect to complete exit from non-core data tape business* in 4Q
- Expect to complete withdrawal from the Blu-ray Disc business in 4Q as planned

*LTO tape business for data centers

Passive Components Business

Hiroyuki Uemura
Executive Vice President

● Focus on expanding sales in three core fields (automotive, ICT*, and industrial equipment)

*ICT: Information and Communications Technology

◆ Ceramic Capacitors

- Continue to improve earnings by strengthening products for automotive applications
- Increase sales of applied products (products with specialized applications)

◆ Inductive Devices

- Flexibly respond to customer requests by developing a fuller lineup of power coils (thin film, wire-wound coil and multi-layered products)
- Strengthen multi-layered products for automotive use
- Enhance lineup of high-frequency coil products

◆ Piezoelectric Material Products (VCM, OIS)

- Increased competition in low-pixel VCM ⇒ emergence of Chinese manufacturers
- Differentiate by expanding sales of high-pixel VCM, and with high-performance products (high response performance)
- Discern penetration of optical image stabilizers (OIS), establish flexible production capability responding to actual market demand, and improve costs by boosting in-house component production

● Focus on expanding sales in three core fields (automotive, ICT*, and industrial equipment)

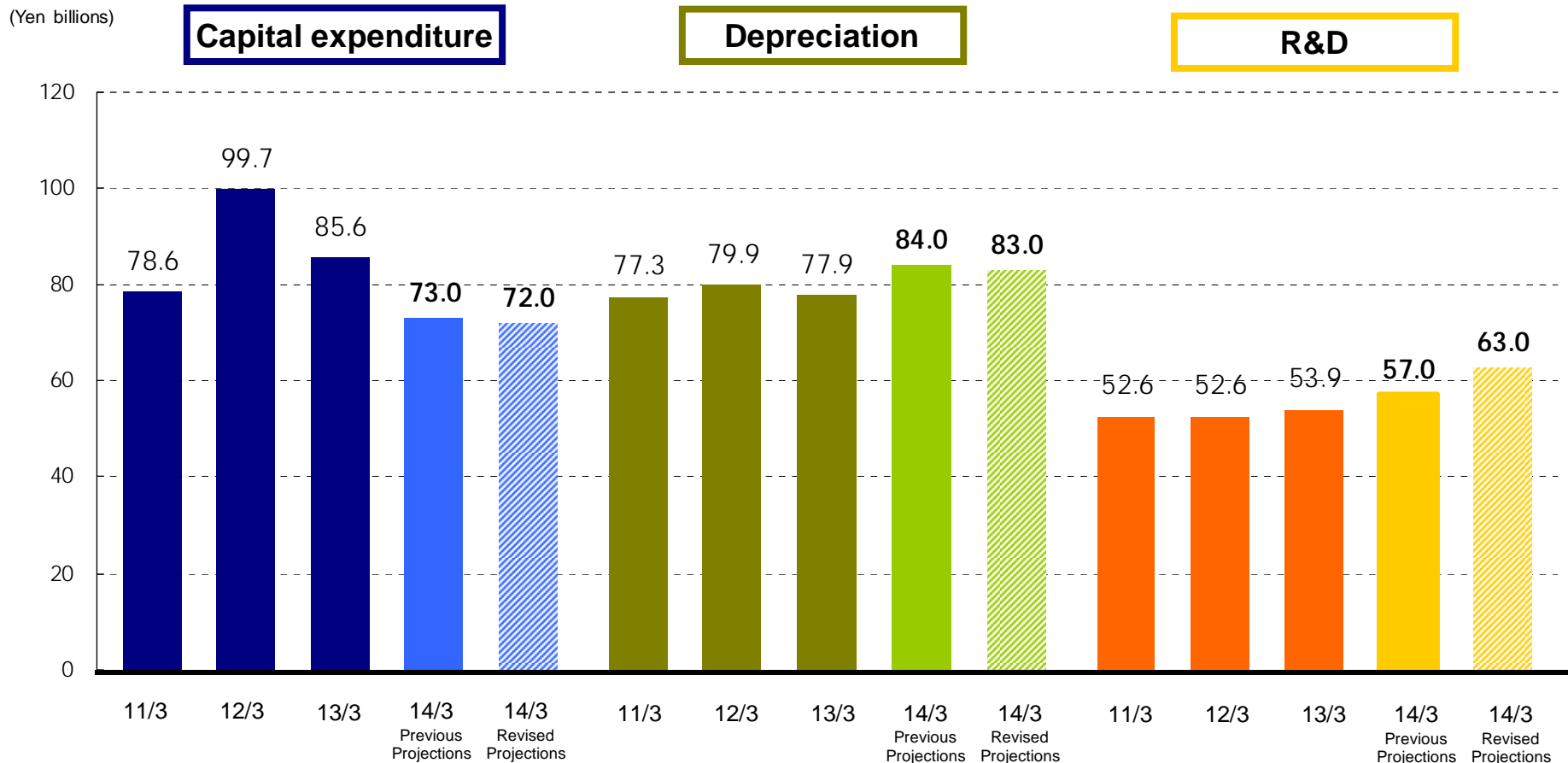
*ICT: Information and Communications Technology

◆ High-frequency Components

- Drop in sales of modules and discrete products due to production cutbacks by major smartphone manufacturer and local Chinese smartphone manufacturers (3Q)
- Step up activities to have modular products qualified
 - Move to acquire orders for diversity modules and FEMiDs at an early stage
- Expand share in individual products business
 - Temperature compensated SAW filters and BAW filters
- Increase IC collaboration activities
 - Enhance technical support framework, and strengthen reference design activities

Supplementary Data

FY March 2014 Projections – Capex, Depreciation, R&D-



Quarterly sales and operating income by segment



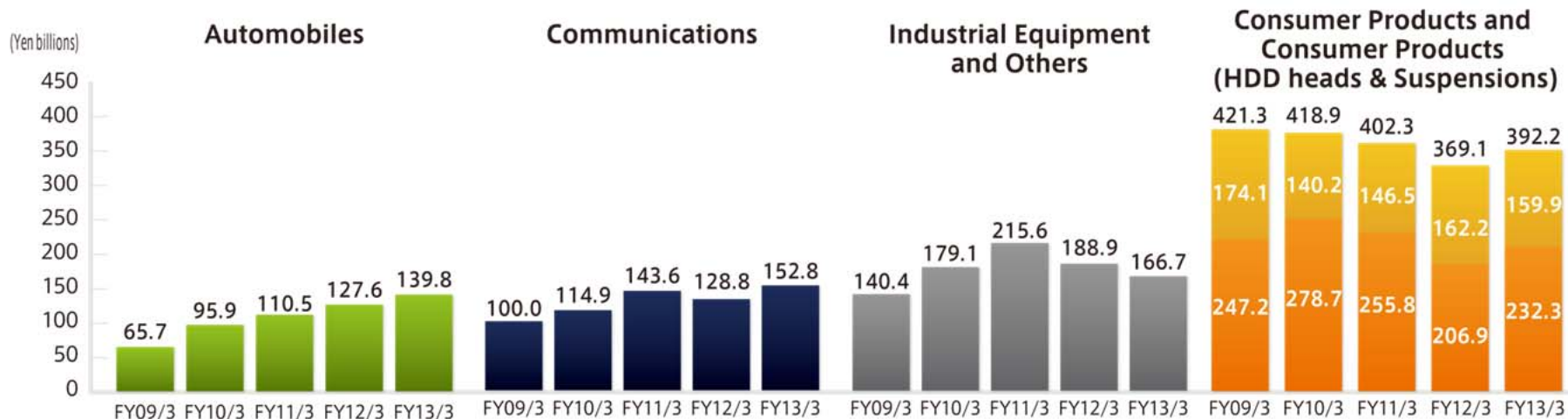
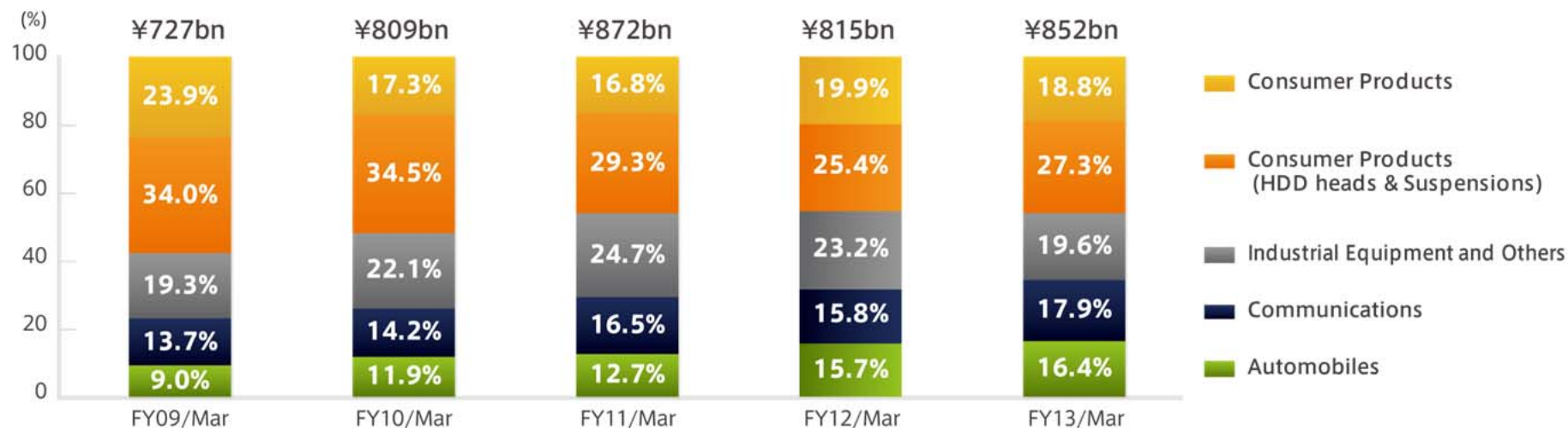
		Yen billions	FY March 2013					FY March 2014				
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales	Capacitors	31.4	29.2	26.6	30.7	118.0	33.7	35.1	34.7			
	Inductive Devices	28.2	29.6	30.6	31.2	119.6	35.0	35.5	34.9			
	Other Passive Components	31.8	31.7	36.0	42.5	142.1	48.3	48.8	47.5			
	Passive Components	91.5	90.6	93.1	104.4	379.6	117.0	119.4	117.1			
	Recording Devices	59.9	55.8	60.2	57.6	233.5	60.2	66.3	69.0			
	Other Magnetic Application Products	28.3	27.6	24.0	24.5	104.4	26.0	26.6	26.8			
	Magnetic Application Products	88.2	83.4	84.2	82.1	337.9	86.2	92.9	95.7			
	Film Application Products	21.6	25.8	30.9	26.9	105.2	27.0	33.1	41.4			
	Other	5.8	5.2	5.0	5.4	21.4	4.7	4.4	4.3			
	Total	207.0	205.0	213.3	218.8	844.1	234.9	249.8	258.6			
Operating Income	Passive Components	(2.9)	(2.5)	(1.8)	(3.9)	(11.1)	2.8	6.2	6.1			
	Magnetic Application Products	14.6	13.2	7.5	1.8	37.1	4.6	7.8	10.3			
	Film Application Products	2.1	5.0	3.6	1.8	12.5	2.0	3.2	6.5			
	Other	(0.4)	(0.5)	(0.6)	(0.3)	(1.8)	(0.8)	(0.8)	(0.8)			
	Sub-total	13.3	15.2	8.8	(0.6)	36.7	8.6	16.4	22.0			
	Corporate and Eliminations	(4.2)	(4.1)	(3.7)	(3.0)	(15.0)	(4.2)	(4.0)	(4.4)			
Total	9.2	11.1	5.0	(3.6)	21.7	4.4	12.4	17.6				
Ex-rate	¥/USD	80.27	78.67	81.17	92.20	83.03	98.74	99.02	100.38			
	¥/EURO	103.18	98.28	105.28	121.74	107.05	128.96	131.11	136.56			

Cash Flow



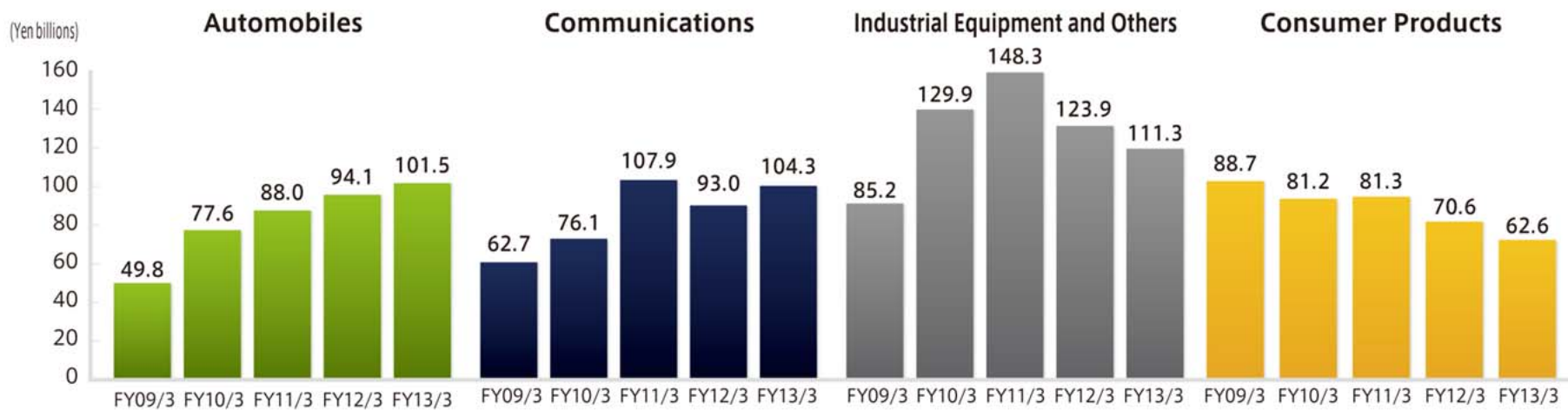
(Yen billions)	FY March 2013 Results through 3Q	FY March 2014 Results through 3Q	Remarks
Operating Cash Flow	67.7	85.5	Increased 17.8 billion yen <Main increase factor> Increase in net income: 4.2 billion yen Increase in depreciation: 5.6 billion yen Increase in trade payables: 7.8 billion yen <Main decrease factor> Increase in trade receivables: 10.3 billion yen
Investing Cash Flow	(68.7)	(43.1)	Decreased 25.6 billion yen <Main increase factor> • Increase in purchase of short-term investments: 6.6 billion yen <Main decrease factor> • Decrease in capital expenditure: 15.4 billion yen • Increase in proceeds from sale and maturity of short-term investments: 6.5 billion yen
Free Cash Flow	(1.0)	42.4	Increased 43.4 billion yen
Financing Cash Flow	1.1	(19.4)	Decreased 20.5 billion yen <Main increase factor> • Increase in repayment of long-term debt: 33.1 billion yen <Main decrease factor> • Decrease in short-term debt: 35.8 billion yen • Acquisition of noncontrolling interests: 14.0 billion yen • Decrease in proceeds from long-term debt: 6.4 billion yen
Effect of exchange rate changes on cash and cash equivalents	7.9	27.6	Increased 19.7 billion yen
Cash and Cash Equivalents	175.0	264.3	Increased 89.3 billion

Annual Sales by applications (FY2009/Mar – FY2013/Mar)



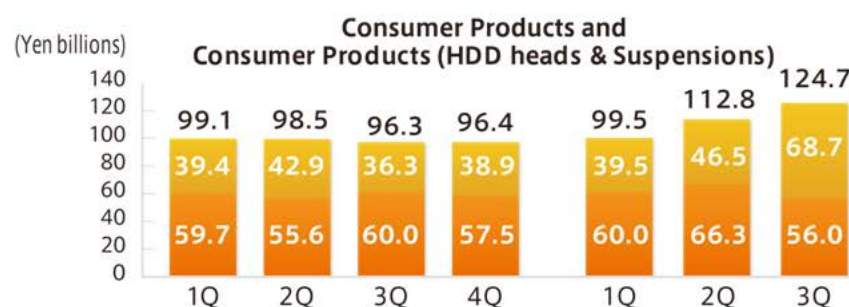
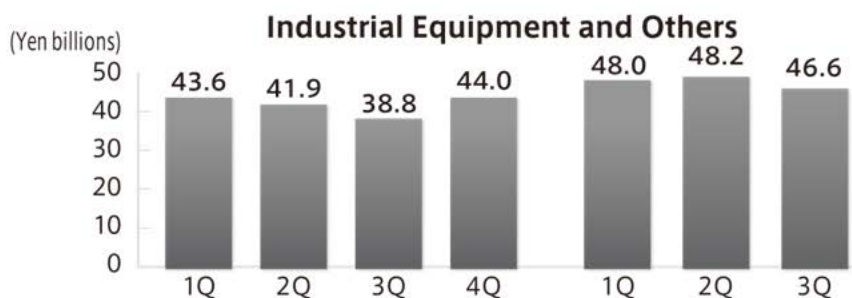
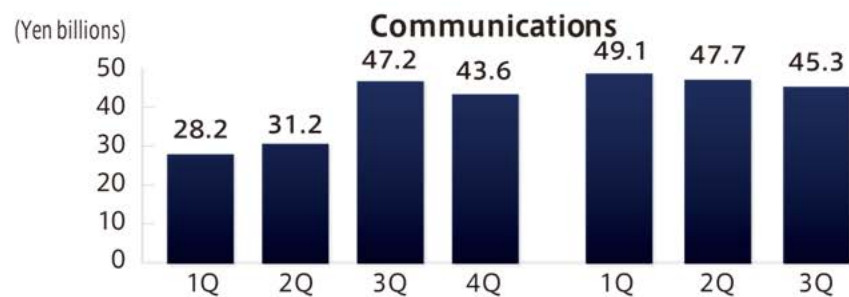
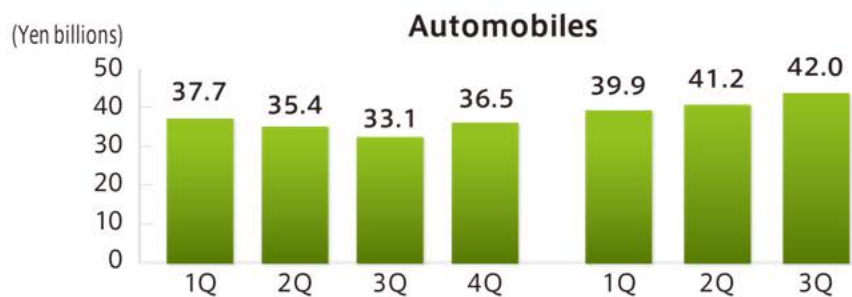
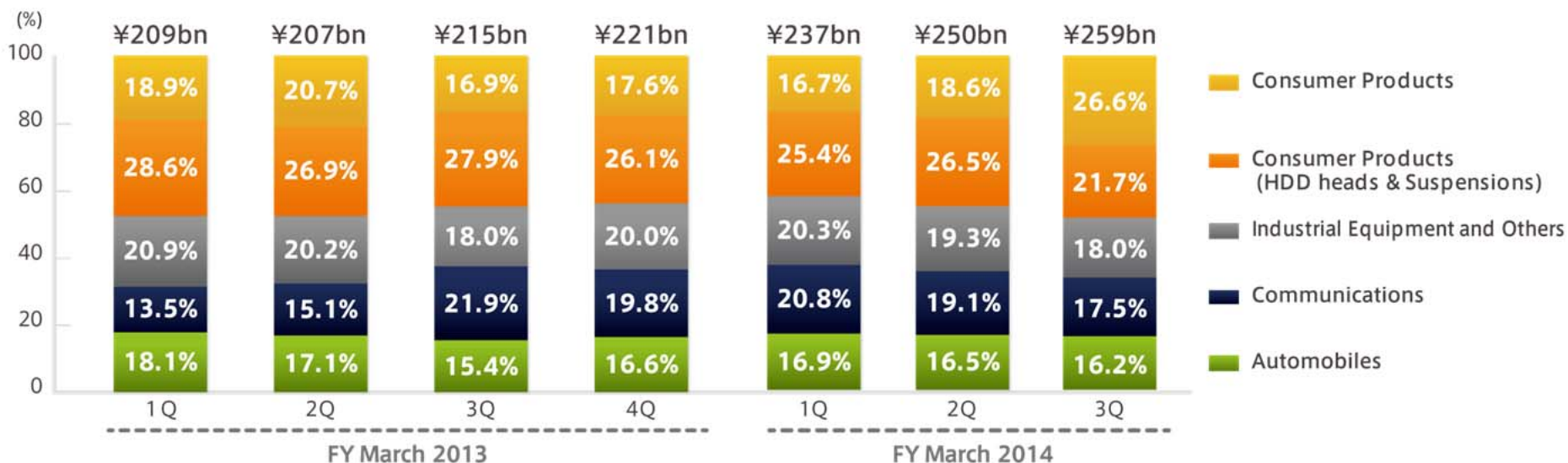
※ Consolidation of EPCOS from the second half of 2009/3
 ※ Discontinued operation (Display business) are included in 2009/3 and 2010/3.

Passive Components Business Annual sales by applications (FY2009/Mar –FY2013/Mar)

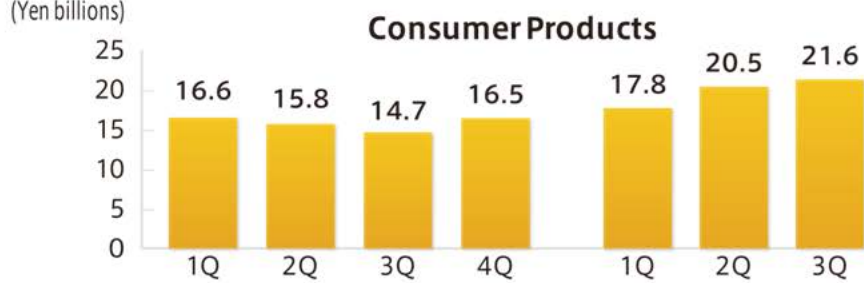
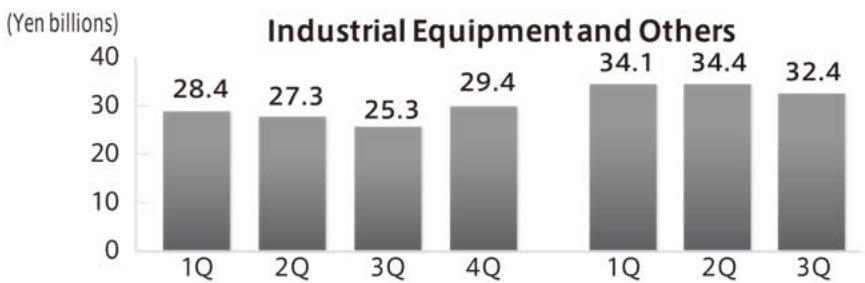
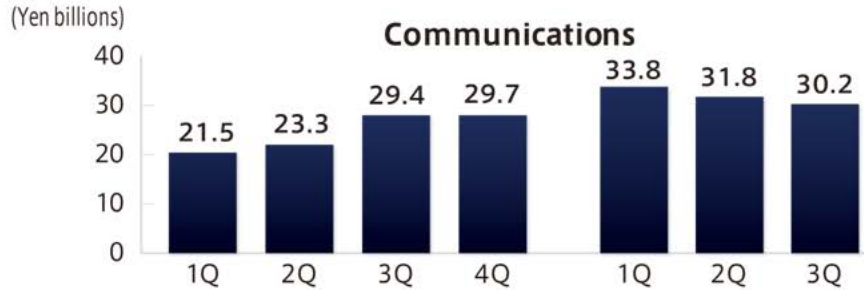
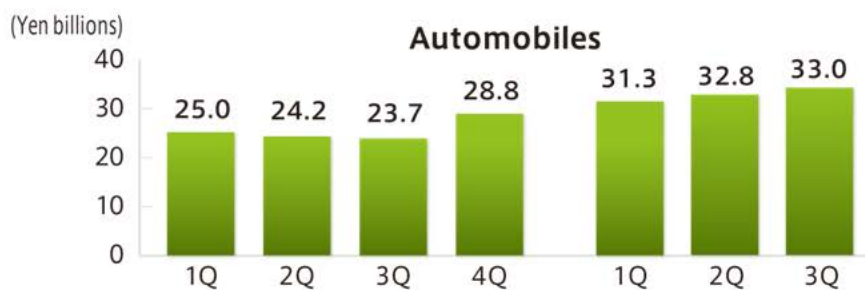


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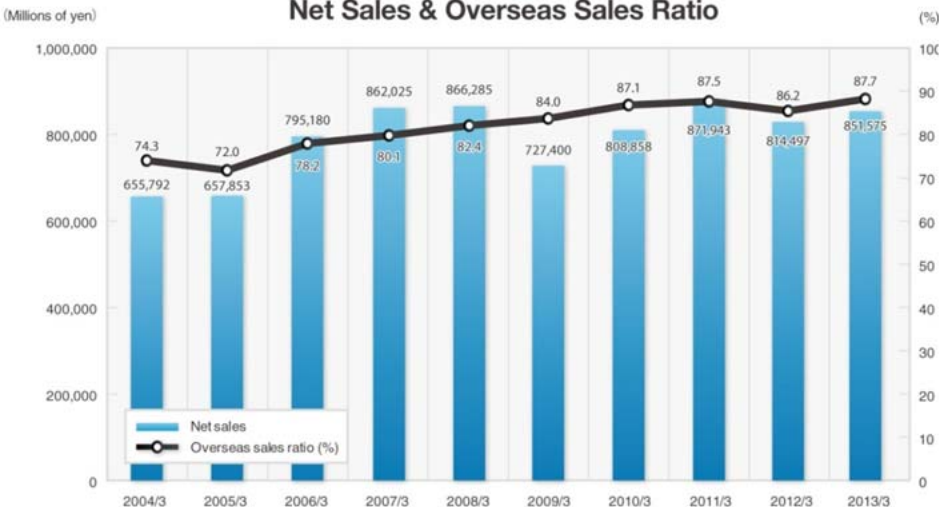
Quarterly sales by applications (1Q of FY March 2013 –3Q of FY March 2014)



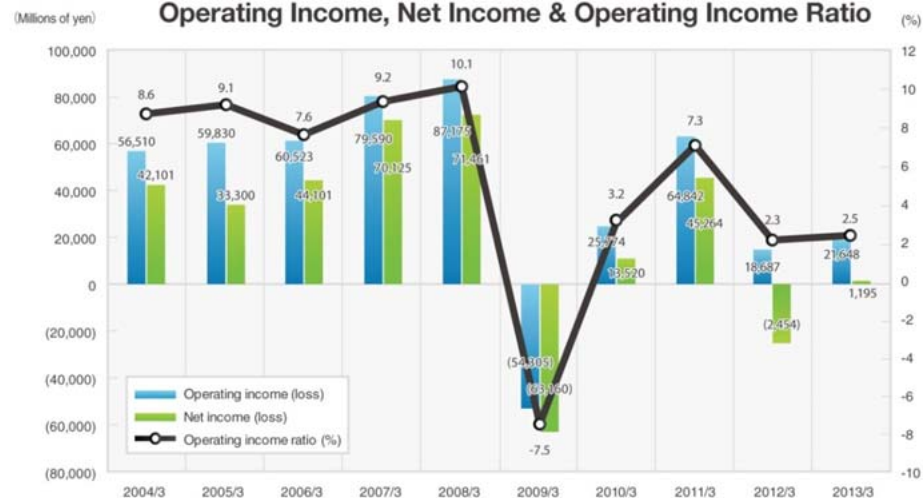
Passive Components Business quarterly sales by applications (1Q of FY March 2013 – 3Q of FY March 2014)



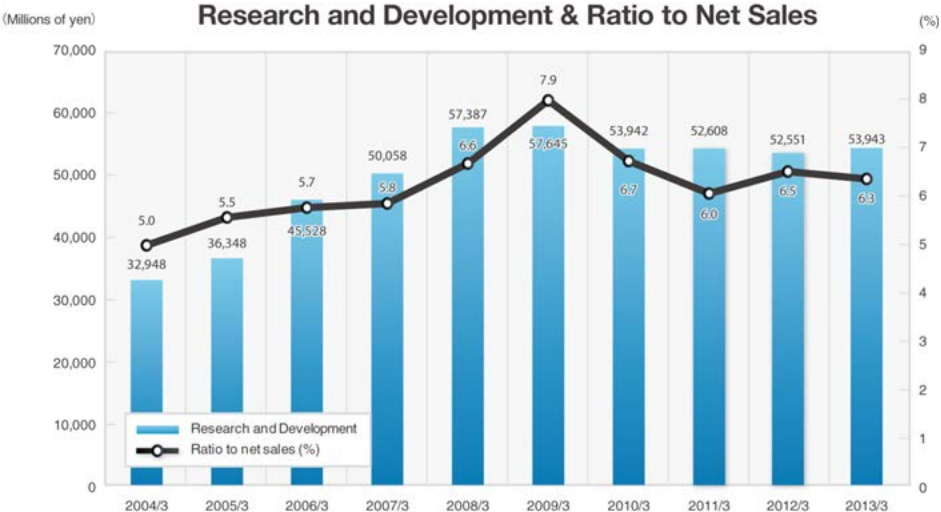
Net Sales & Overseas Sales Ratio



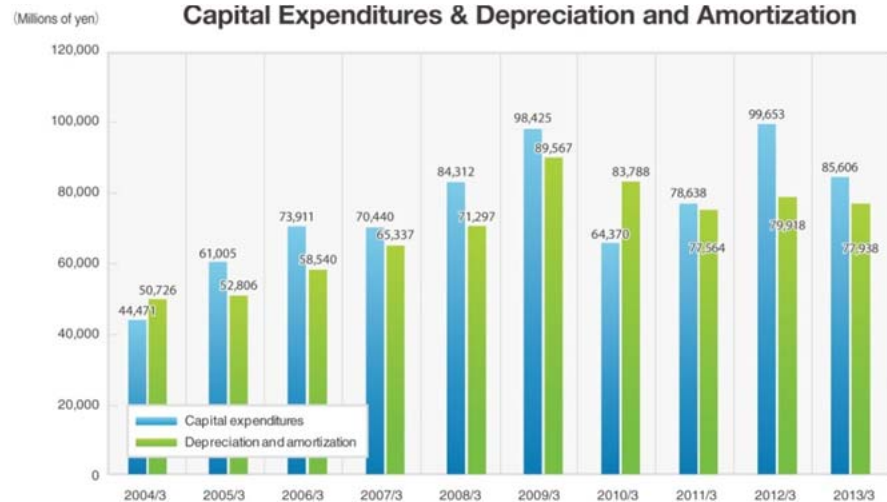
Operating Income, Net Income & Operating Income Ratio



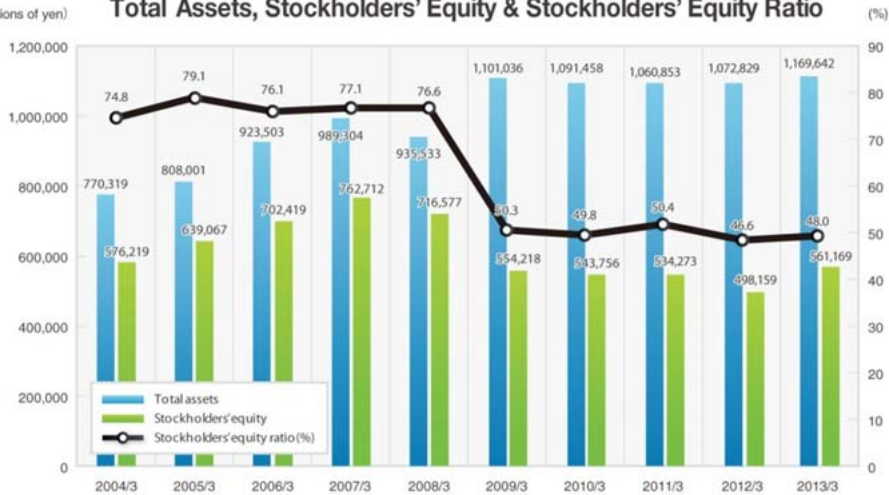
Research and Development & Ratio to Net Sales



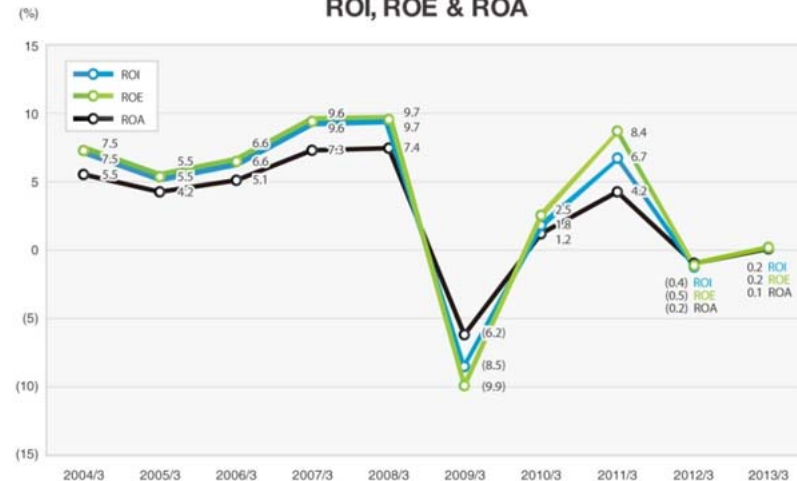
Capital Expenditures & Depreciation and Amortization



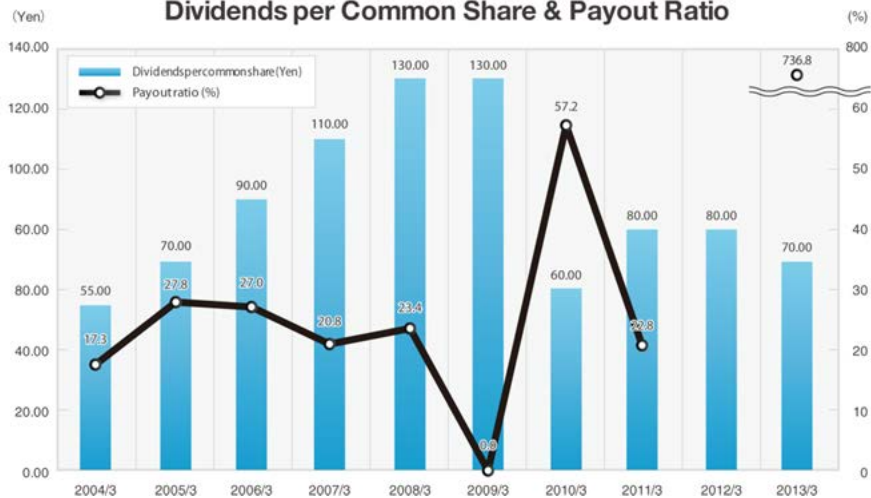
Total Assets, Stockholders' Equity & Stockholders' Equity Ratio



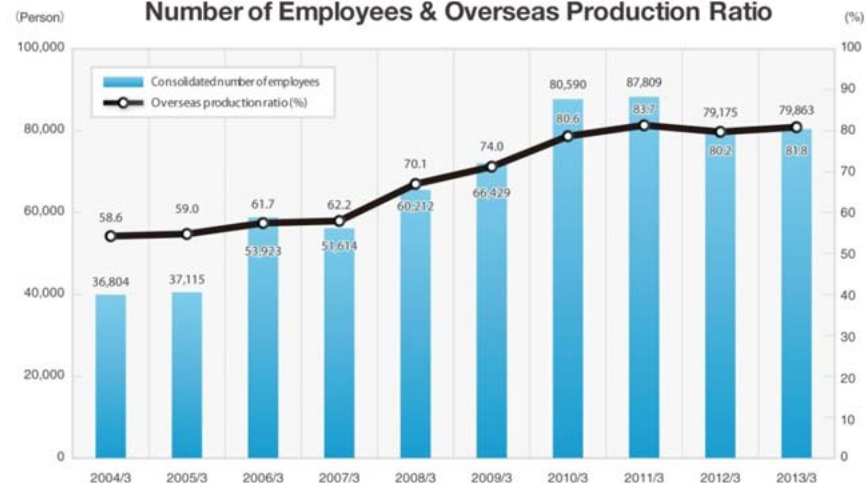
ROI, ROE & ROA



Dividends per Common Share & Payout Ratio



Number of Employees & Overseas Production Ratio



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Text data including Q&A of performance briefing will be uploaded on following site
http://www.global.tdk.com/ir/ir_events/conference/2014/3q_1.htm