
Performance Briefing Fiscal Year March, 2016

TDK Corporation
April 28, 2016

◆ **Consolidated Results for FY March 2016**

Tetsuji Yamanishi, Corporate Officer

◆ **Consolidated Full Year Projections for FY March 2017
and Mid-Term Policy**

Takehiro Kamigama, President and CEO

Consolidated Results for FY March 2016

**Tetsuji Yamanishi
Corporate Officer**

Highlights of the Operating Results for FY March 2016

◆ **Net sales achieved a new record at 1,152.3 billion yen.**

Record net sales in the Passive Components and Film Application Products segments. Magnetic Application Products segment recorded a much sharper decline in net sales than initially expected, due to a significant drop in HDD demand.

◆ **Operating income increased 29% year on year to 93.4 billion yen.**

Passive Components and Film Application Products achieved new record highs, absorbing the downturn in HDD heads. The Company conducted restructuring in HDD heads in 4Q to prepare for a further slump in HDD demand.

◆ **Executing growth investment in line with Medium-Term Management Plan.**

Expanding from ICT to the automotive and industrial businesses.

Conducted various M&As to accelerate growth.

Formed business alliance and established joint venture with Qualcomm.

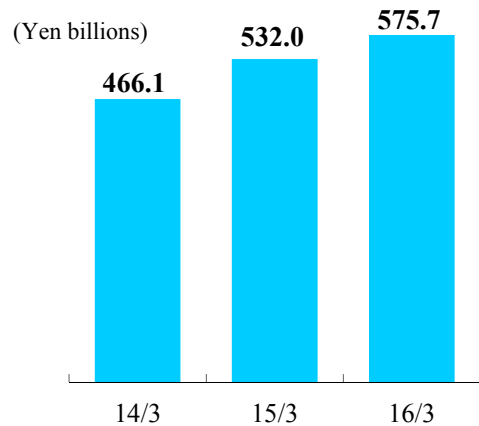
Aggressively invested in strategic growth product expansion.

Consolidated Full Year Results for FY March 2016

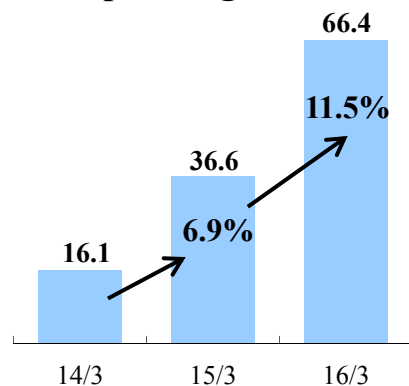
(Yen billions)	FY March 2015 Full Year Results	FY March 2016 Full Year Results	Change	
			Yen billions	%
Net sales	1,082.6	1,152.3	69.7	6.4
Operating income	72.5	93.4	20.9	28.8
Operating income margin	6.7%	8.1%		-
Income before Income Taxes	74.5	91.8	17.3	23.2
Net income	49.4	64.8	15.4	31.2
Earning per share (JPY)	392.78	514.23	-	-
Ex-rate	US\$ (JPY)	109.84	120.13	Depreciated by 9.4%
	EURO (JPY)	138.88	132.67	Appreciated by 4.5%
Ex-rate impact to Net sales & Operating income	Net sales : Increased by about 85.3 billion Yen Operating income : Increased by about 17.3 billion Yen			

FY March 2016 Results - Passive Components Segment

Net Sales



Operating Income



Net Sales 575.7 billion yen (up 8.2% year on year)

Operating Income 66.4 billion yen (up 81.4% year on year)

● Ceramic Capacitors

- Both sales and profits increased year on year, particularly due to increased sales for automobile market.

● Inductive Devices

- Both sales and profits increased year on year, particularly due to increased sales for automobile market.

● High-frequency Components

- Both sales and profits increased year on year due to strong sales for the ICT market.
- Profit margins also improved significantly due to increased productivity and improved product mix.

● Piezoelectric Material Products

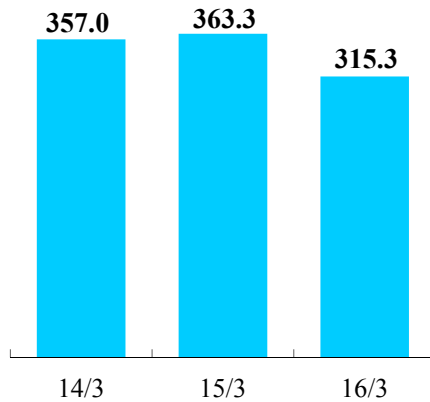
- Both sales and profits increased year on year due to increased sales of OISs for camera modules.

14/3: FY March 2014

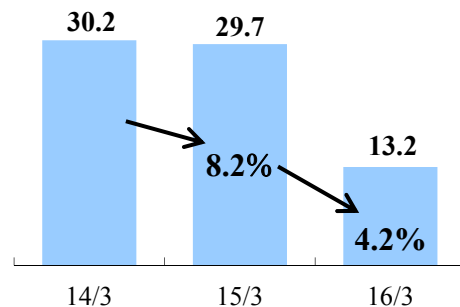
FY March 2016 Results - Magnetic Application Segment

Net Sales

(Yen billions)



Operating Income



14/3: FY March 2014

Net sales 315.3 billion yen (down 13.2% year on year)

Operating income 13.2 billion yen (down 55.6% year on year)

● Recording Devices

- HDD head shipment volume declined significantly due to contraction of the HDD market (PC demand slowdown and acceleration of switch to SSDs in PCs). Significant decline in sales and profit year on year.

● Magnets

- Sales for the HDD market declined, and also declined for the automotive (xEV*) and industrial machinery markets due to the decline in oil prices and the economic slowdown in China.

● Power Supplies

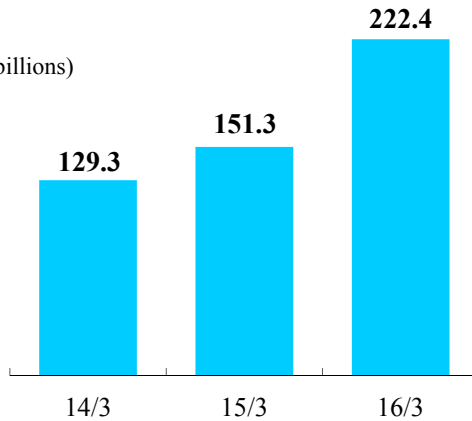
- Sales to the industrial equipment market of products such as semiconductor manufacturing equipment and measuring equipment remained strong.

*xEV : EV, HEV, PHEV

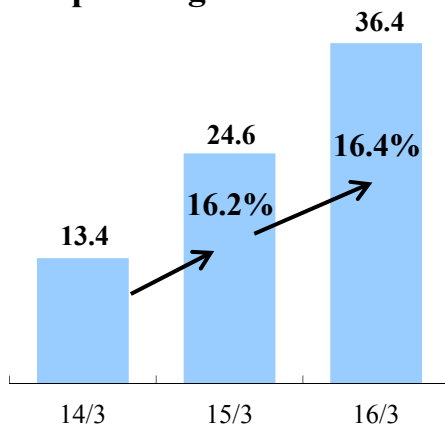
FY March 2016 Results - Film Application Segment

Net Sales

(Yen billions)



Operating Income



Net sales 222.4 billion yen (up 47.0% year on year)

Operating income 36.4 billion yen (up 48.0% year on year)

● Energy Devices (Rechargeable Batteries)

- Sales and profits increased significantly year on year.
- Increased share among major customers and expanded customer portfolio.
- Expanded applications beyond smartphones to include drones, etc.

14/3: FY March 2014

FY March 2016 results by Segment

		FY March 2015 Full Year Results		FY March 2016 Full Year Results		Change	
		Yen billion	%	Yen billion	%	Yen billion	%
Net Sales	Capacitors	149.0	13.8	150.4	13.1	1.4	0.9
	Inductive devices	147.3	13.6	149.2	12.9	1.9	1.3
	Other Passive Components	235.8	21.8	276.1	24.0	40.3	17.1
	Passive Components	532.0	49.1	575.7	50.0	43.7	8.2
	Recording devices	260.5	24.1	219.8	19.1	(40.7)	-15.6
	Other Magnetic Application Products	102.8	9.5	95.5	8.3	(7.3)	-7.1
	Magnetic Application Products	363.3	33.6	315.3	27.4	(48.0)	-13.2
	Film Application Products	151.3	14.0	222.4	19.3	71.1	47.0
	Other	35.9	3.3	38.8	3.4	2.9	8.1
	Total	1,082.6	100.0	1,152.3	100.0	69.7	6.4
Operating Income	Passive Components	36.6	6.9	66.4	11.5	29.8	81.4
	Magnetic Application Products	29.7	8.2	13.2	4.2	(16.5)	-55.6
	Film Application Products	24.6	16.2	36.4	16.4	11.8	48.0
	Other	0.6	1.6	1.9	4.8	1.3	-
	Sub total	91.4	8.4	117.8	10.2	26.4	28.9
	Corporate and eliminations	(18.9)	-	(24.4)	-	(5.5)	-
Total	72.5	6.7	93.4	8.1	20.9	28.8	

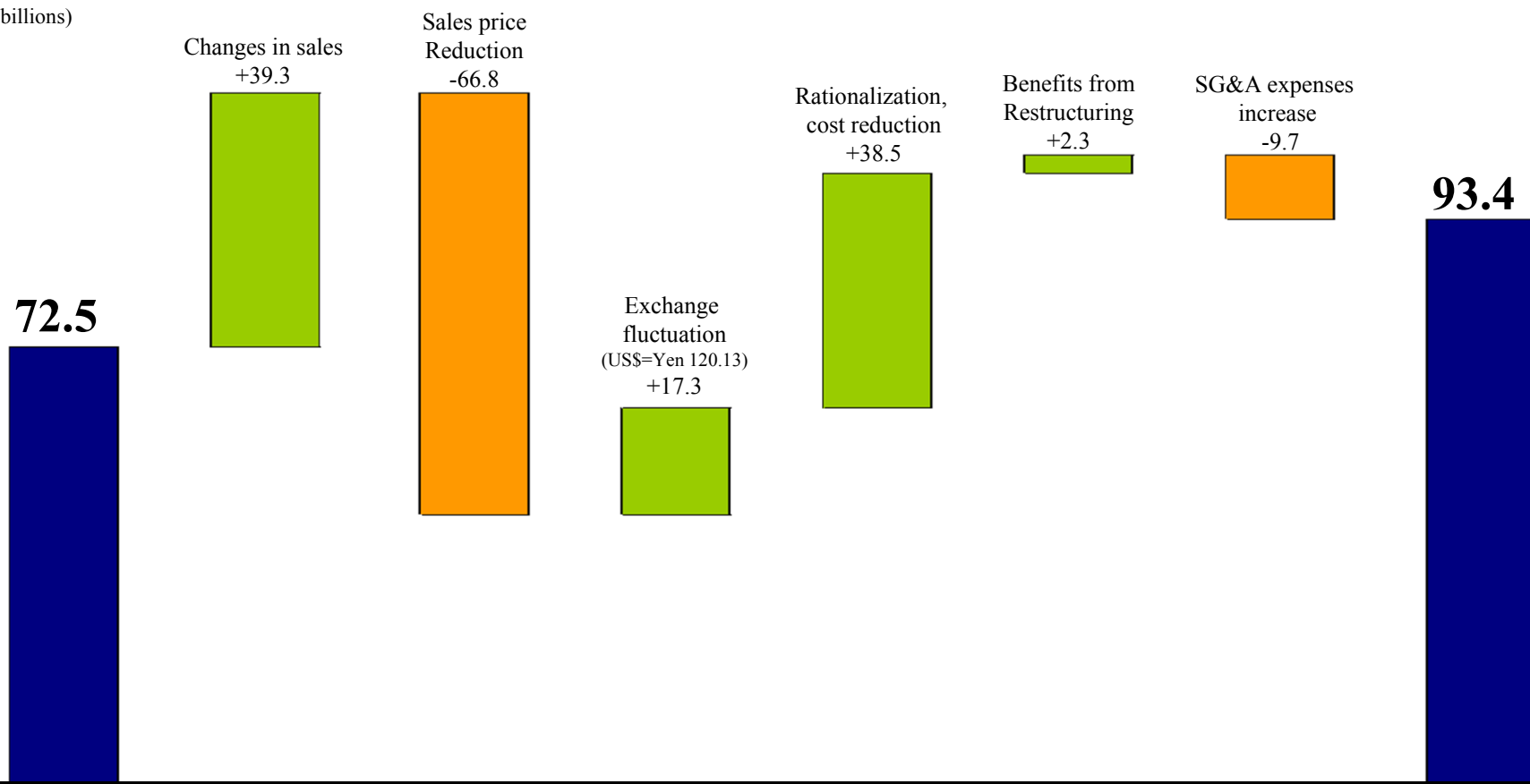
Breakdown of Operating Income Changes

FY March 2015
72.5 billion yen

Operating Income +20.9 billion yen

FY March 2016
93.4 billion yen

(Yen billions)



FY March 2016 Quarterly Results by Segment

		4Q of FY March 2015 (A)	3Q of FY March 2016 (B)	4Q of FY March 2016 (C)	YoY Change (C)-(A)		QoQ Change (C)-(B)	
					Yen billions	%	Yen billions	%
Net Sales	Capacitors	37.6	36.4	35.4	(2.2)	-5.9	(1.0)	-2.7
	Inductive Devices	36.4	37.4	35.4	(1.0)	-2.7	(2.0)	-5.3
	Other Passive Components	62.8	67.7	65.5	2.7	4.3	(2.2)	-3.2
	Passive Components	136.9	141.5	136.3	(0.6)	-0.4	(5.2)	-3.7
	Recording Devices	62.6	58.5	46.0	(16.6)	-26.5	(12.5)	-21.4
	Other Magnetic Application Products	25.9	23.3	22.9	(3.0)	-11.6	(0.4)	-1.7
	Magnetic Application Products	88.5	81.8	68.9	(19.6)	-22.1	(12.9)	-15.8
	Film Application Products	44.1	68.5	46.6	2.5	5.7	(21.9)	-32.0
	Other	10.3	10.0	11.1	0.8	7.8	1.1	11.0
	Total	279.9	301.7	262.9	(17.0)	-6.1	(38.8)	-12.9
Operating Income	Passive Components	8.0	17.5	16.5	8.5	106.3	(1.0)	-5.7
	Magnetic Application Products	6.3	4.7	0.2	(6.1)	-96.8	(4.5)	-95.7
	Film Application Products	9.4	14.6	5.4	(4.0)	-42.6	(9.2)	-63.0
	Other	0.6	(0.1)	1.4	0.8	133.3	1.5	-
	Sub total	24.3	36.7	23.5	(0.8)	-3.3	(13.2)	-36.0
	Corporate and Eliminations	(5.0)	(6.4)	(6.0)	(1.0)	-	0.4	-
	Total	19.4	30.3	17.5	(1.9)	-	(12.8)	-42.2
	Operating Income margin	6.9%	10.0%	6.7%	-0.2pt	-	-3.3pt	-
Ex-rate	US\$(JPY)	119.21	121.41	115.46				
	EURO(JPY)	134.74	133.05	127.37				

Consolidated Full Year Projections for FY March 2017 and Mid-Term Policy

**Takehiro Kamigama
President and CEO**

Consolidated Full Year Projections for FY March 2017

FY March 2017 Full Year / Dividend Projections

(Yen billions)		FY March 2016 Full Year Results	FY March 2017 Full Year Projections	YoY Change	
				Yen billions	%
Net sales		1,152.3	1,160.0	7.7	0.7%
Operating income		93.4	74.0	(19.4)	-20.8%
Operating income margin		8.1%	6.4%	-1.6 pt	-
Income before income taxes		91.8	73.0	(18.8)	-20.5%
Net income		64.8	50.0	(14.8)	-22.8%
Earning per share (JPY)		514.23	396.00	-	-
Dividends (JPY)		1st half : 60 2nd half : 60 Annual: 120	1st half : 60 2nd half : 60 Annual : 120	-	-
Ex-rate	US\$(JPY)	120.13	110.00	-	-
	EURO(JPY)	132.67	125.00	-	-
Capital expenditure		160.7	200.0	39.3	24.5%
Depreciation and amortization		83.2	95.0	11.8	14.2%
Research and development		84.9	90.0	5.1	6.0%

Projections for FY March 2017 -Image of changes in sales

(Yen billions)

Segment	FY March 2016 Full Year Results	FY March 2017 Full Year Projections (YoY Change)
Passive Components	575.7	+3~+6%
Magnetic Application Products	315.3	-11~-14%
Film Application Products	2,22.4	+12~+15%
Other	38.8	-
Total	1,152.3	1,160.0

Forex assumptions

US\$(JPY) 120.13
EURO(JPY) 132.67

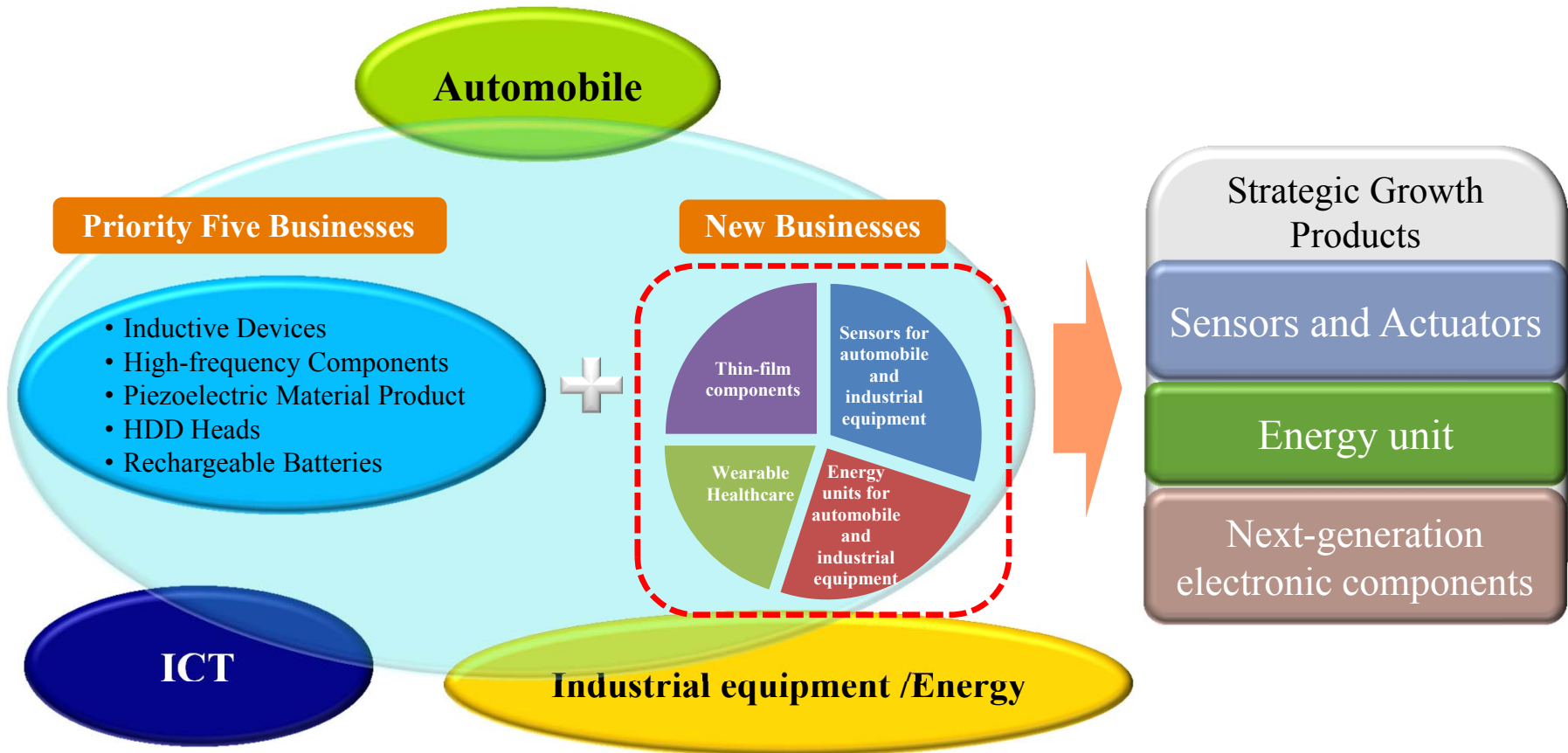
110.00
125.00

Points of FY March 2017

Segment	Outlook for Priority Businesses
Passive Components	<ul style="list-style-type: none"> • Inductors: Share expansion of thin-film and multi-layered products in the ICT and automotive markets • High-frequency Components: Sales expansion for small, high-performance, discrete components and modules • Piezoelectric Material Products: Expansion of the OIS business (increased usage rate among smartphones in China)
Magnetic Application Products	<ul style="list-style-type: none"> • HDD heads: Contraction in HDD market volume with decline in PC demand and acceleration in switch to SSDs Approx. 444 million units in FY March 2016 ⇒ Approx. 400 million units (10% decrease) in FY March 2017 • Sensors: Expansion in sensors for automotive market and contribution from Micronas
Film Application Products (Rechargeable Batteries)	<ul style="list-style-type: none"> • Rechargeable batteries: Continued expansion in demand for polymer batteries as a result of thinner profile mobile devices Expansion in new application demand • Continuation of investment for production expansion and rationalization in line with demand

Mid-Term Policy

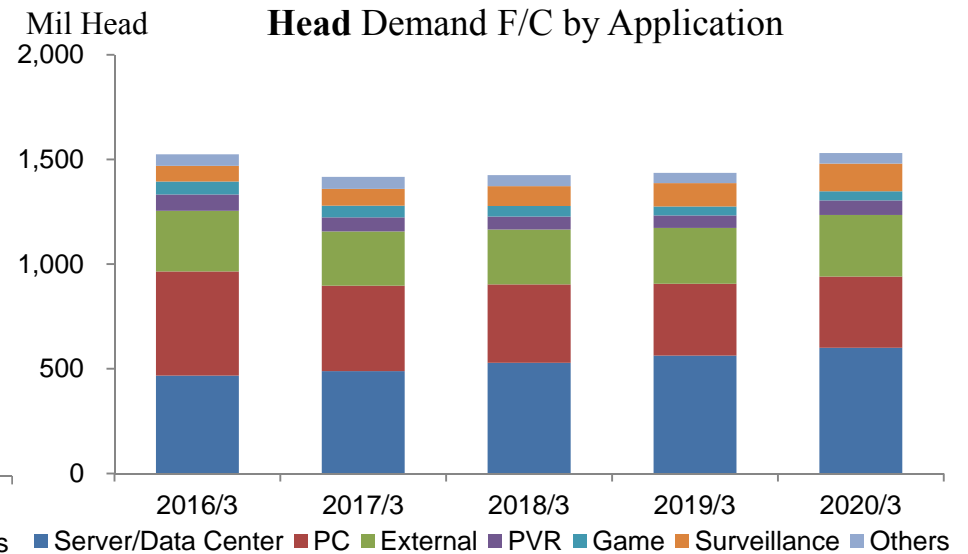
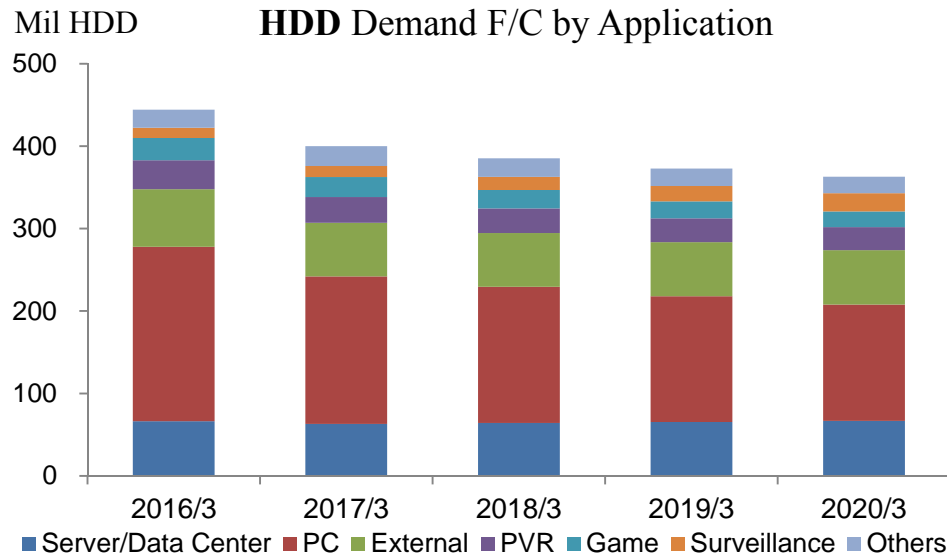
Priority Markets, Priority Businesses and New Businesses



Performance briefing for FY March 2015
(held in April in 2015)

Regarding the Recording Devices Business (HDD Heads)

◆ HDD market / HDD head demand trend (FY March 2016 – FY March 2020)



2016/3: FY March 2016

- HDD market contraction trend to continue (444 million units in FY March 2016 → 363 million units in FY March 2020)
- Contraction of PC market and accelerated switch to SSDs in PCs
- High-end HDDs for high-speed processing also increasingly switched to SSDs
- Steady HDD demand for near-line, external, and surveillance camera applications to continue

- Despite contraction of the HDD market, HDD head demand to remain level
- Demand for HDDs in PCs to continue contracting
- The number of heads per HDD to continue increasing, mainly in near-line HDD heads (FY March 2016: 3.43 heads → FY March 2020: 4.22 heads)

(TDK's estimation)

Regarding the Recording Devices Business (HDD Heads)

Rightsizing Internal Operations and Contributing to Rightsizing of the Industry

- (1) Internal right-sizing
 - Front-end processing plants: Consolidated two plants → one plant
 - Back-end processing plants: Restructure China operations and start production of passive components in the Philippines
- (2) Contribute to industry right-sizing
 - Non-captive : Strengthen vertical collaboration in development and manufacturing that transcends conventional frameworks
 - Captive : Horizontal labor division to avoid overlapping investment and cost increases
Support development of advanced technologies that contribute to Time-To-Market
- (3) Provide products and services through advanced technology capabilities
 - Realize thermal assist head (TAMR: front- and back-end processes), two-dimension MR (TDMR), micro dual stage actuator (DSA)
 - Provide services leveraging back-end processing capability

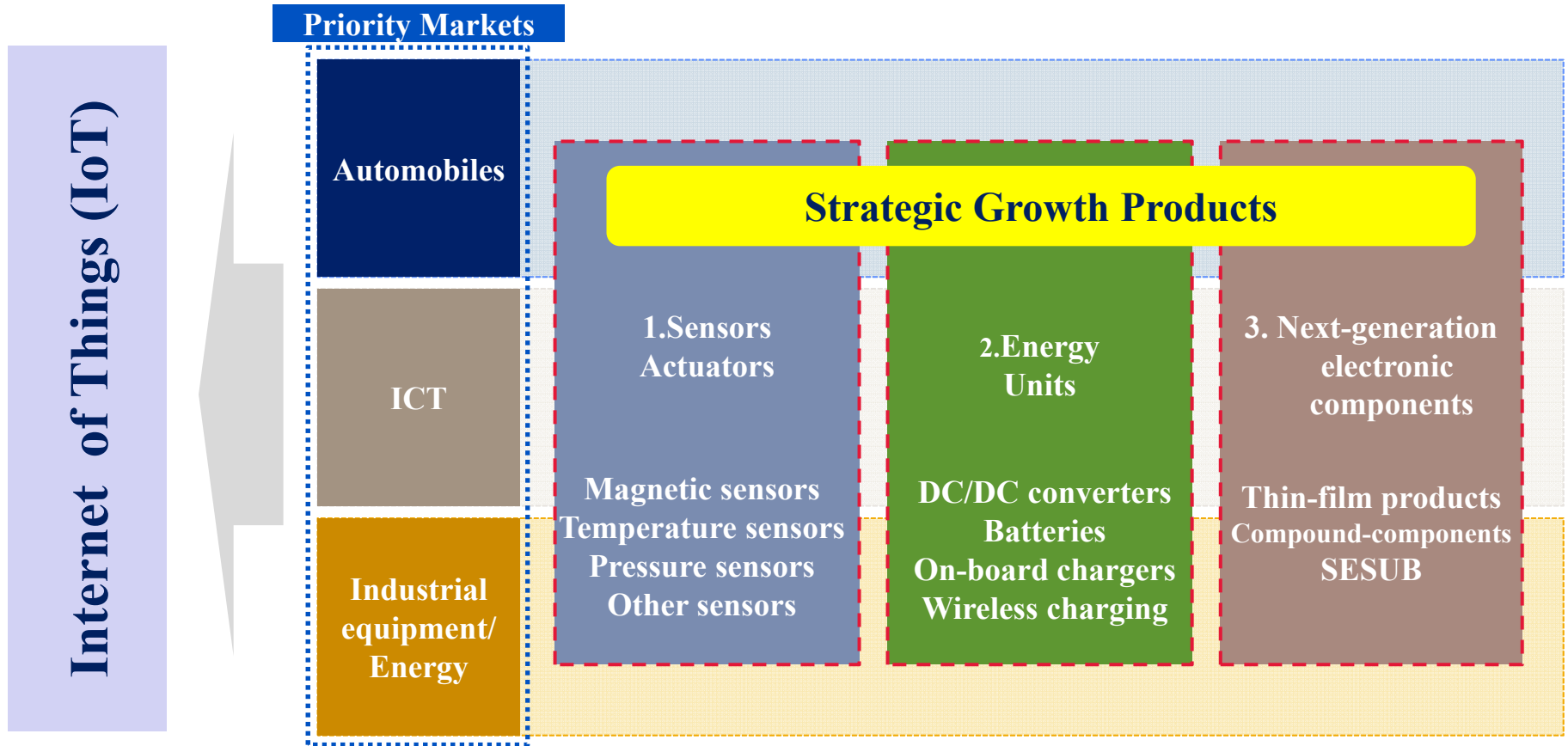


Continue to be “an entity that is relied upon by market” even in a contracting market

TDK Growth Strategy (Strategic Growth Products for the IoT Market)

Accelerate expansion of strategic growth products by strengthening of the business collaboration with Qualcomm

→To land business opportunities in the IoT business through priority markets.



Strengthened Business Collaboration with Qualcomm

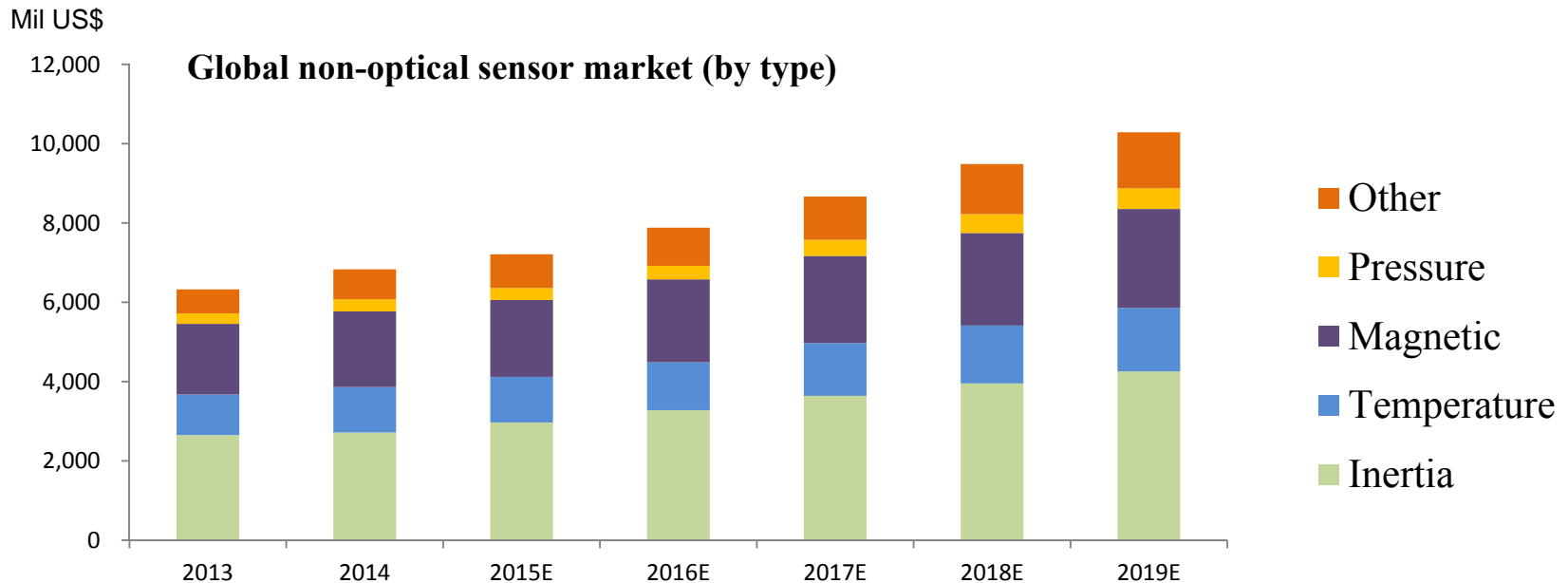
Sensors / Actuators

Market
forecast

**Non-optical sensor market :
US\$6.8 billion in 2014 ⇒ US\$10.6 billion in 2019**



9.1% annual growth



(TDK's estimation)

Sensors / Actuators

Expansion strategy of magnetic sensor business

Expand module sensor system business

- Merge sensor assembly technologies
- Expand local business utilizing Chinese production bases

Maximize synergies with Micronas

- Hall and TMR-hybrid sensors for automotive market
- ASIC/ASSP technology development in TDK products

Expand business through initiatives to capture demand for consumer applications

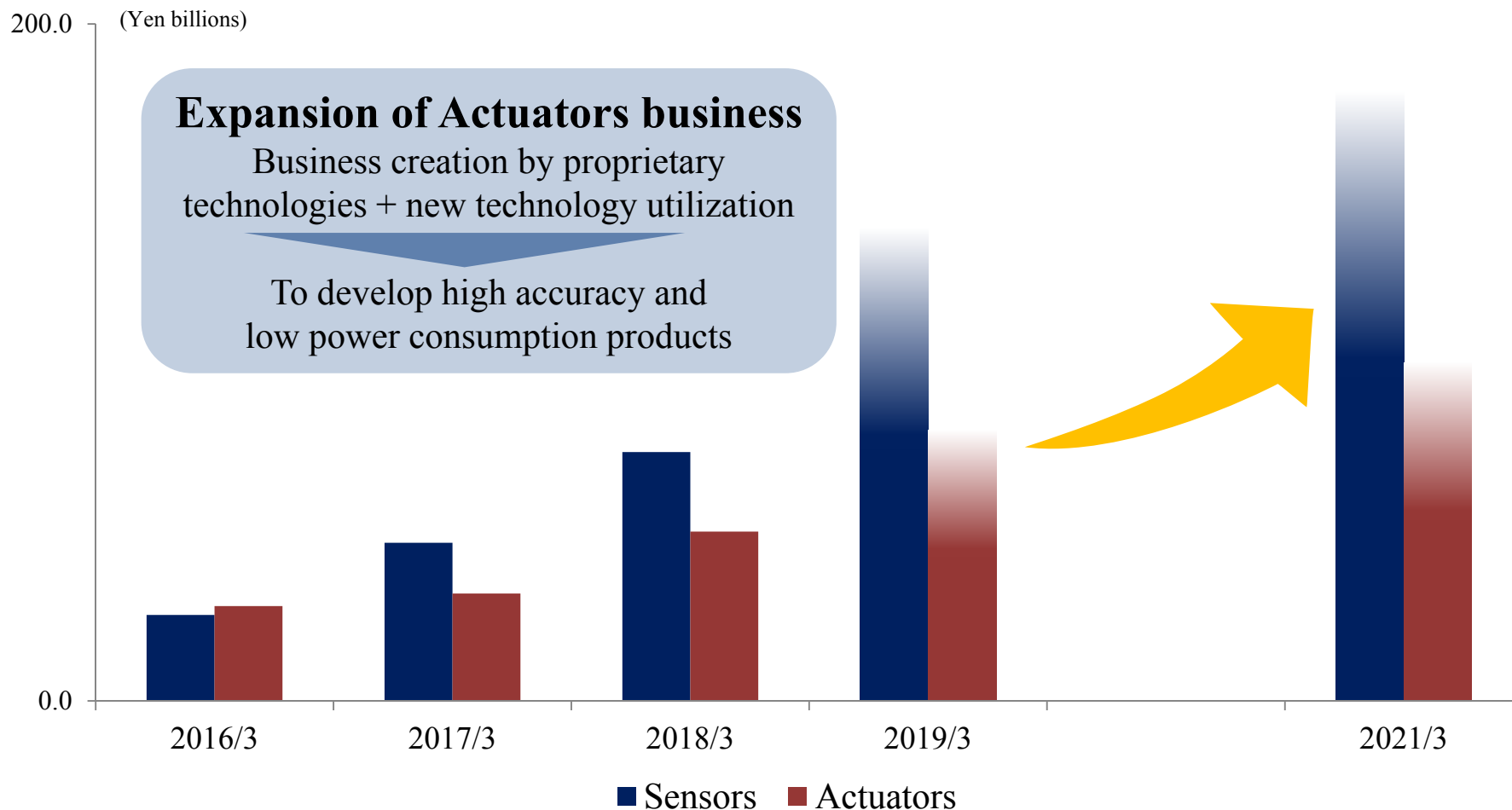
- Expand demand with high precision, energy saving characteristics

Expand automotive TMR sensor business

- Complete development of core product lineup (FY March 2017)
- Expand application and customer base

Sensors / Actuators

Expand Sensors and Actuators businesses (Sales)



2016/3: FY March 2016

Energy units

“From single products to systems”

Provide units that combine **hardware** and **software** with power transforming functions, energy storage functions, energy control functions

Power Conversion Function

- AC-DC & DC-DC convertors
- Invertors
- Chargers
- Two-way AD-DC and DC-DC converters (for regenerative energy applications)
- Wireless charging system

Electricity Storage Function

- Industrial lithium-ion batteries
- Automotive lithium-ion batteries
- Energy Storage System (ESS) lithium-ion batteries
- Electric Double Layer Capacitors (EDLCs)

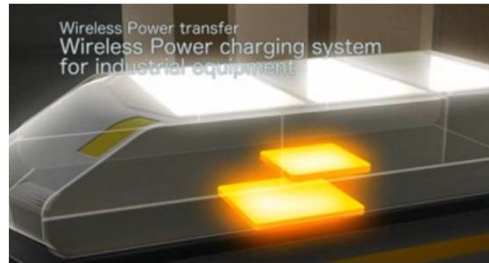
Energy Management System Function

- Battery Management Units (BMUs)
- Battery Management Systems (BMSs)
- Various sensors (Current sensors, Temperature sensors, etc.)

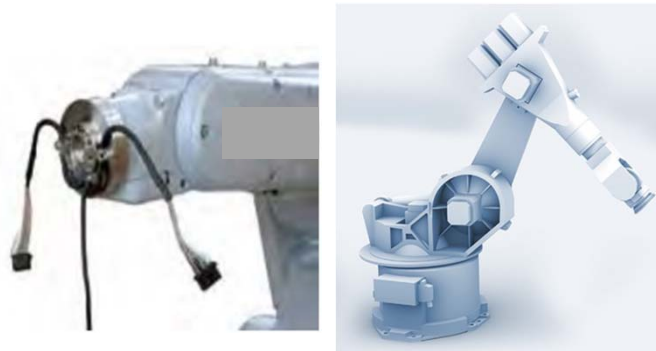
Energy units



AGV(Auto Guided Vehicle)



Mobile Robot



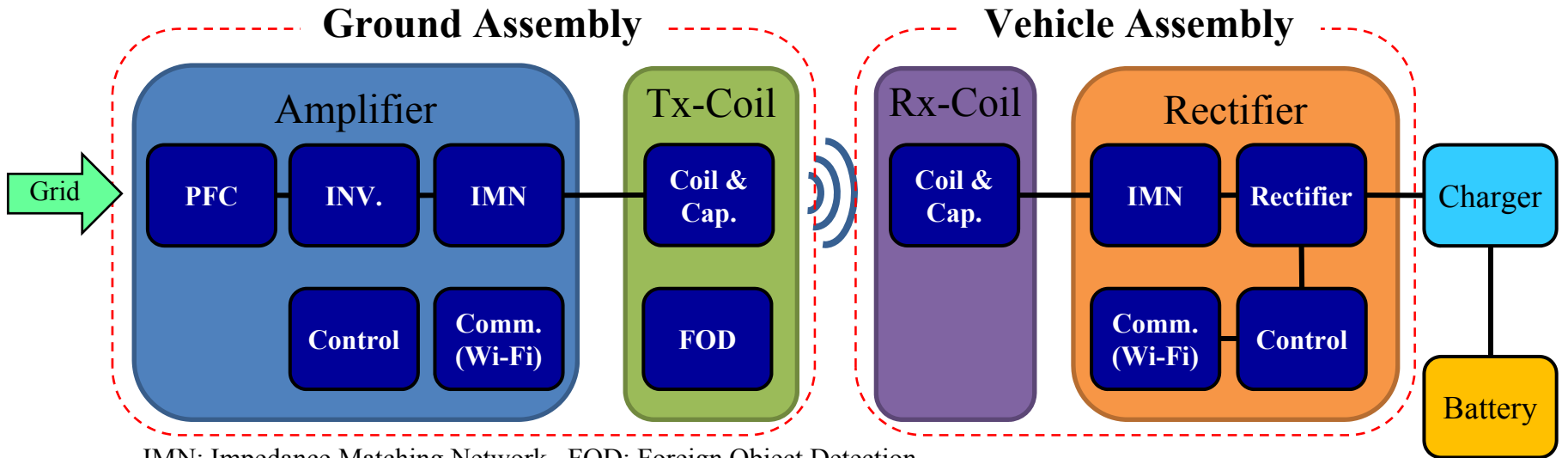
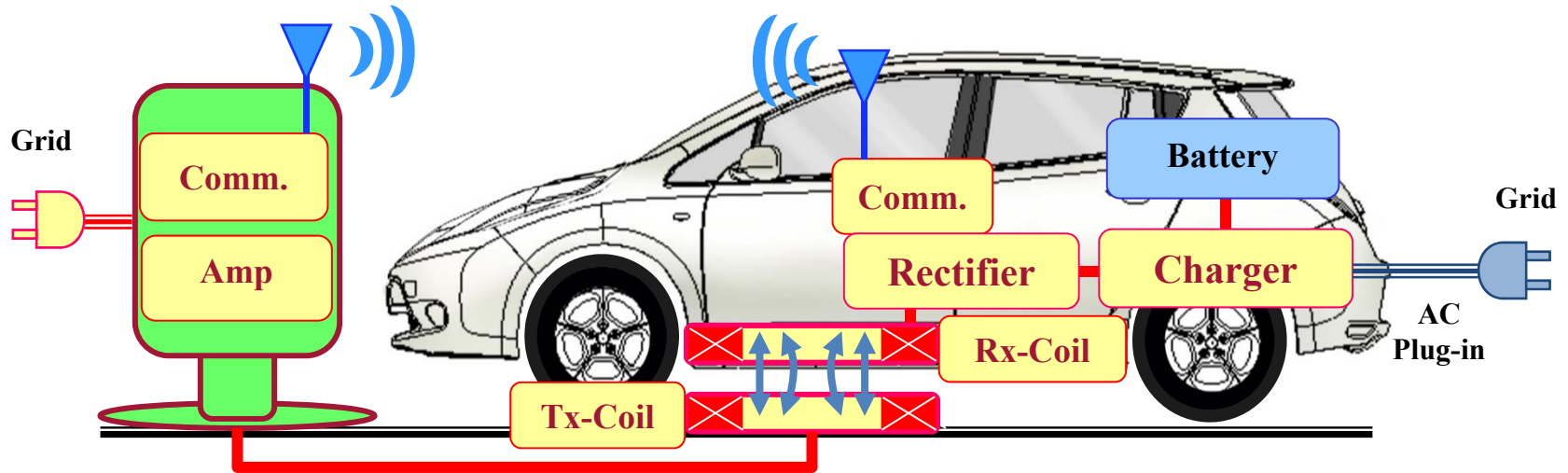
Hand of Robot



Pendant for CNC

Energy units

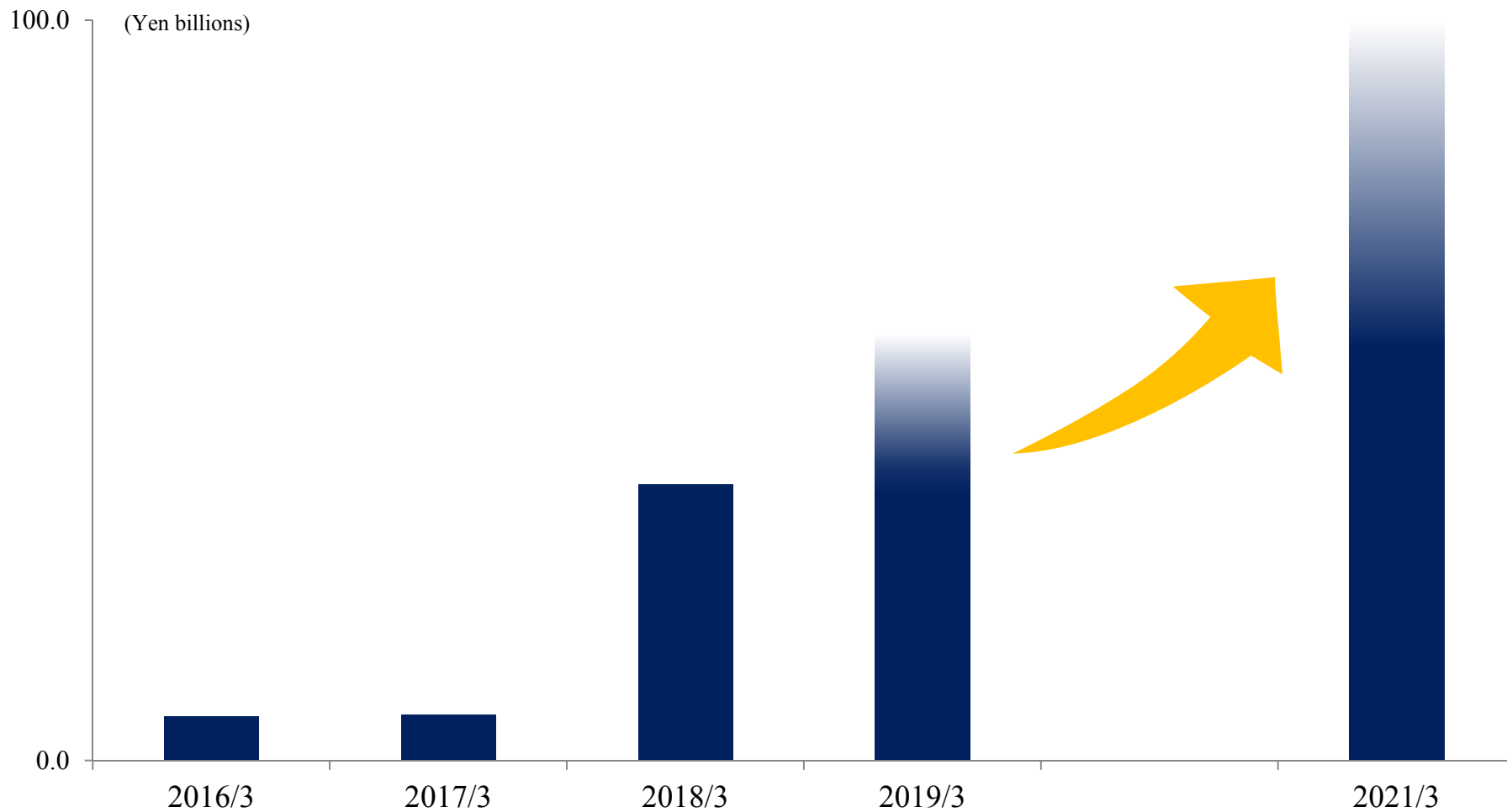
WPT System - Overview & Functions



IMN: Impedance Matching Network, FOD: Foreign Object Detection

Energy units

Expand Energy units business (Sales)



2016/3: FY March 2016

Next-generation electronic components

Combine SESUB technology, thin-film technology, and materials technology to provide high value-added products that meet customers' diversifying needs going forward

**SESUB
technology**

**Thin-film
technology**


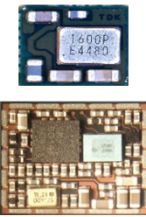
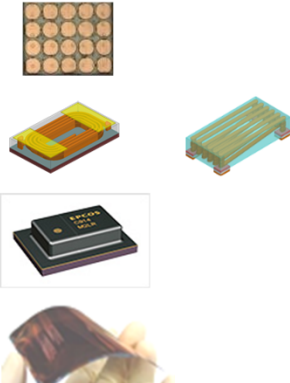
**Material
technology**

Next-generation electronic components

- SESUB
- Compound products
- Thin-film high frequency filters
- Thin-film capacitors
(sheet, discrete)
- MEMS
- Low profile inductors, etc.

Next-generation electronic components

Expand product lineup by introducing advanced technologies
 Develop further thinner SESUB packages with embedded passive components

SESUB	Power Systems	<ul style="list-style-type: none"> μDC/DC converter Envelope tracker L-ion battery chargers 	
	Communication Systems	<ul style="list-style-type: none"> BLE modules WiFi modules PA/RF modules 	
Thin-film devices	<ul style="list-style-type: none"> Power System Communication System Sensor Systems Noise Systems CPUs 	<ul style="list-style-type: none"> Thin-film capacitors Low-profile inductors High-frequency filters Thin-film common mode filters MEMS microphone Embedded capacitors 	

Full-scale expansion of SESUB business making maximum use of joint venture with Advanced Semiconductor Engineering Co., Ltd.

Next-generation electronic components

Transfer of Renesas Semiconductor Manufacturing's Tsuruoka factory

Background

- Establishment of thin-film passive components production base in Akita district
- Securing of the manufacturing and technical capabilities for thin-film product
- Securing of production space for future demand expansion of thin-film product

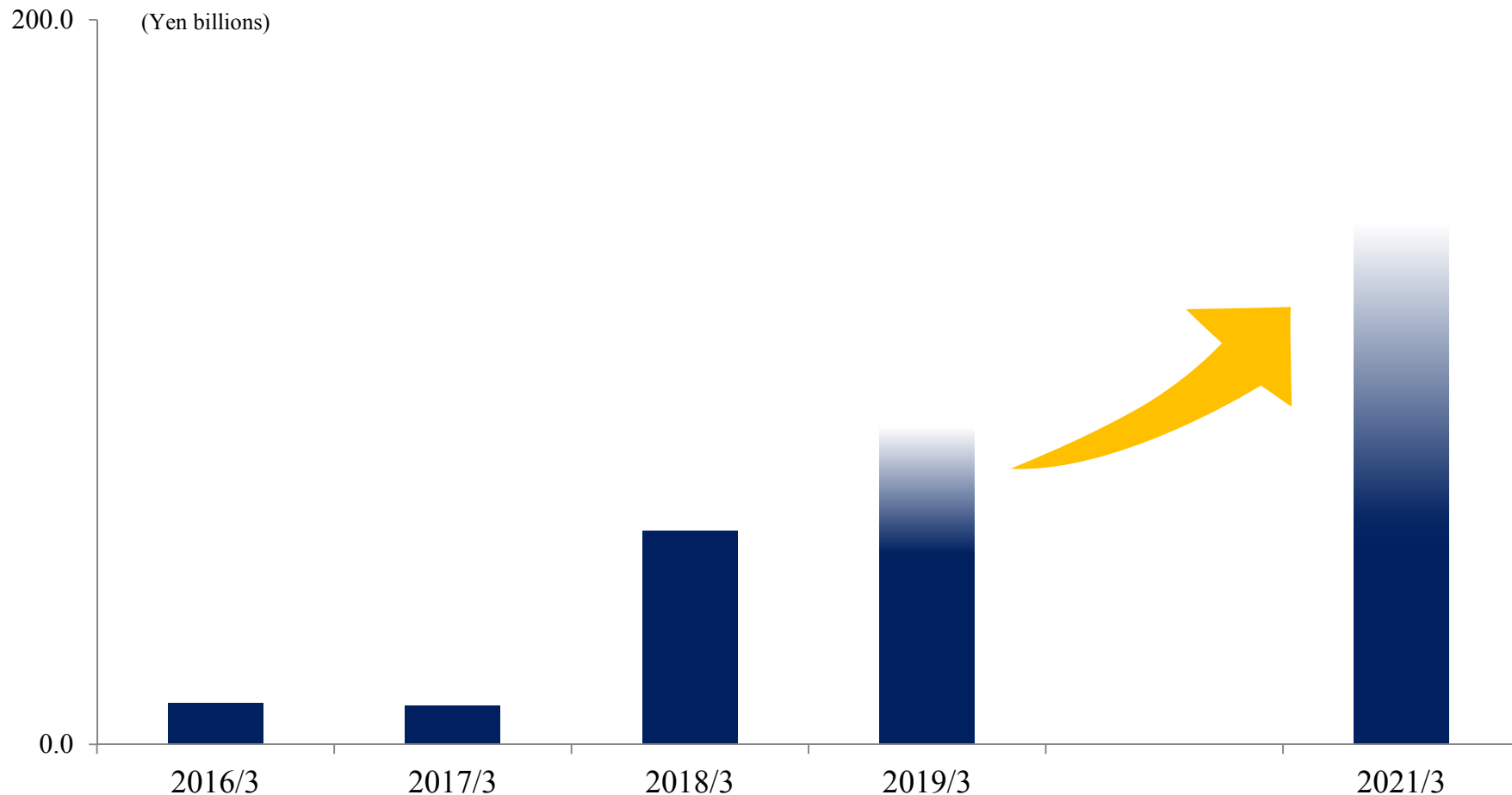
Tsuruoka Factory



※ Renesas Semiconductor
Manufacturing Co., Ltd.

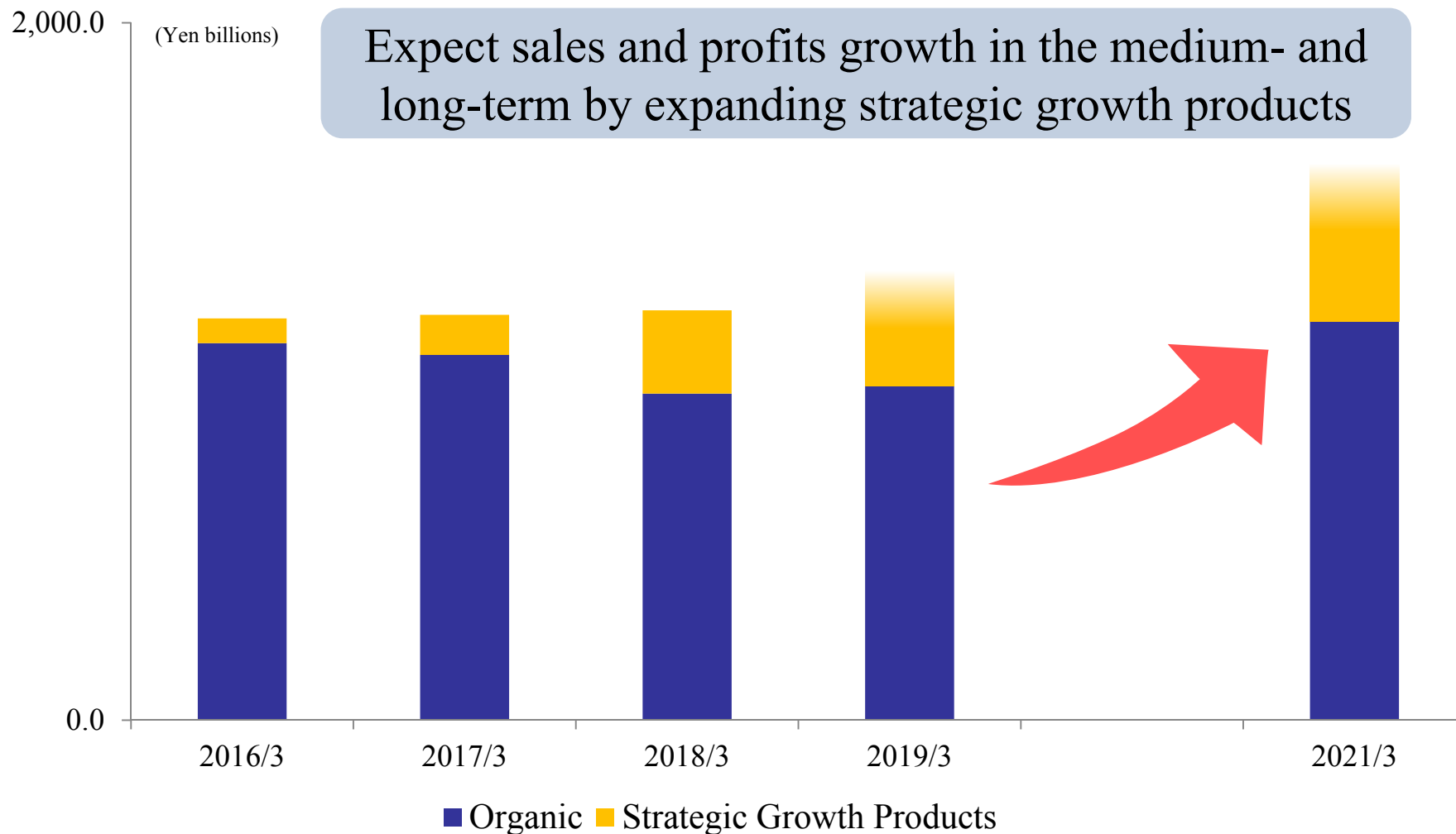
Next-generation electronic components

Expand Next-generation electronic components business (Sales)



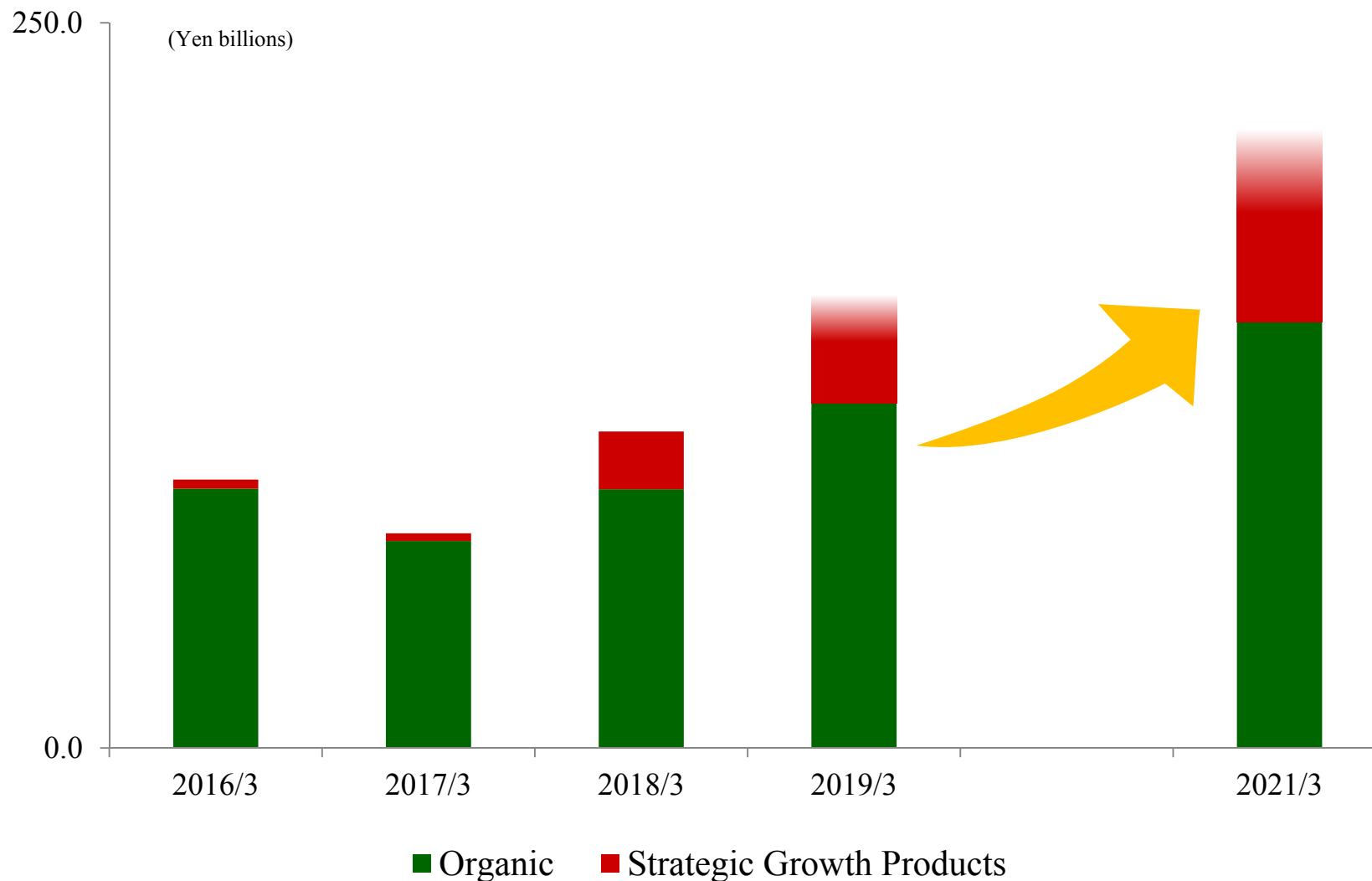
2016/3: FY March 2016

Consolidated sales projections



2016/3: FY March 2016

Consolidated operating income projections



2016/3: FY March 2016

Management Target in Mid-Term

Growth Investment

- Investment in new products, new businesses, and M&A
- Increase production capacity of existing businesses

Return to Shareholders

- Stabilize or increase dividends through EPS growth
- Target a 30% dividend payout ratio

	FY March 2015 Results	FY March 2018 Target
Operating Income Margin	6.7%	Over 10%
ROE	7.2%	Over 10%

Growth Investment

**Total investment over the Medium-Term Plan
(FY March 2016 – FY March 2018)**

Capital Expenditure

- Accelerate expansion of strategic growth products
- Accelerate expansion of existing priority businesses

350~400 billion yen

430~480 billion yen

R&D Investment

- Strengthen overseas R&D bases
- Accelerate “Monozukuri” innovation

About 230 billion yen

About 250 billion yen

Medium-Term Management Plan (Original)

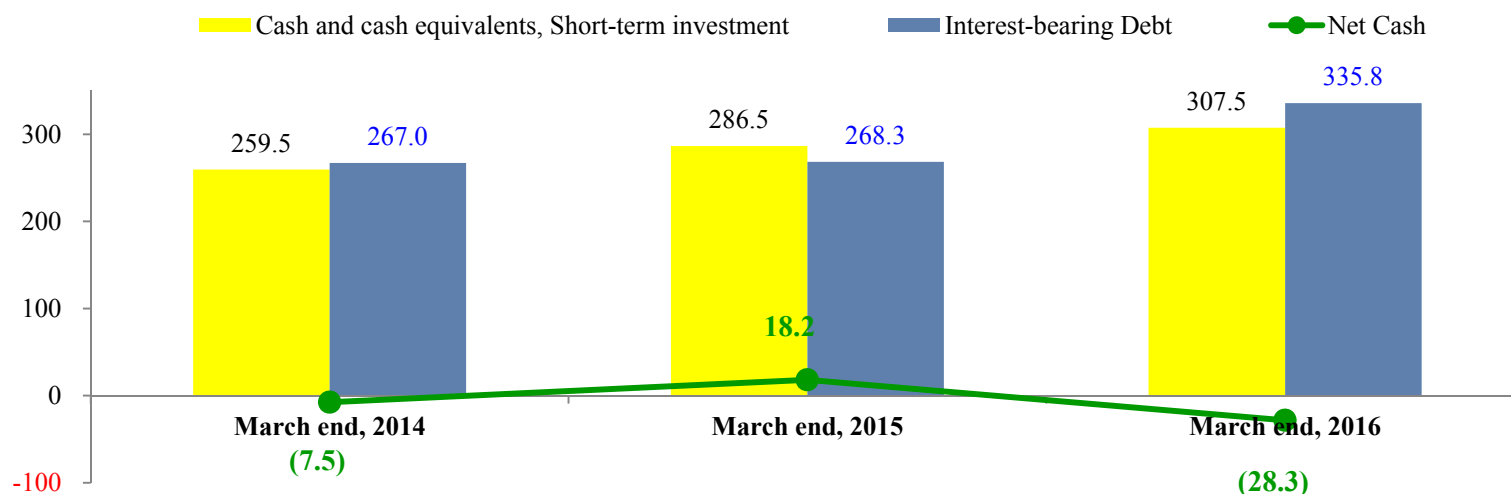
Latest forecast

Supplementary Data

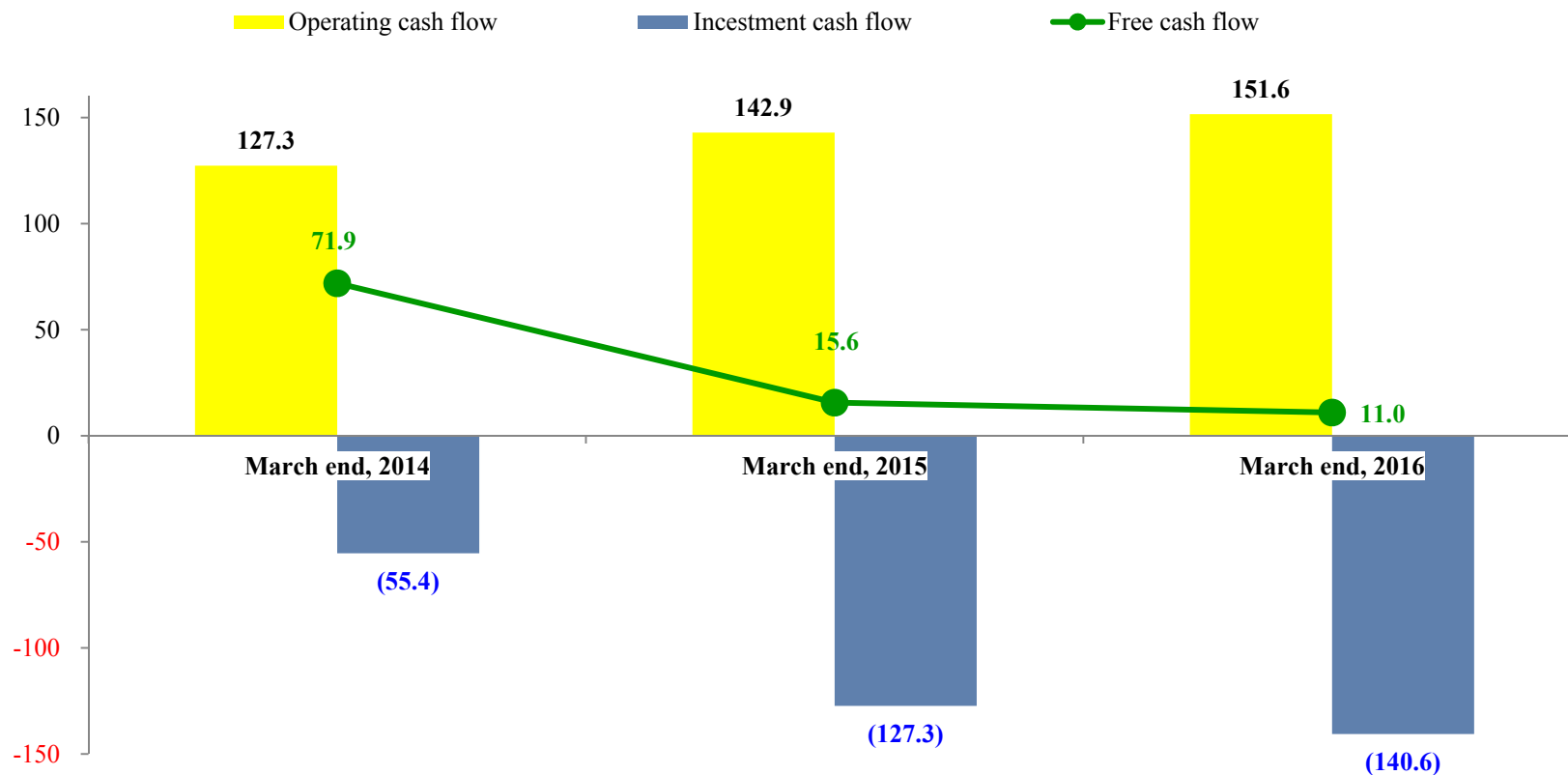
Financial Position

(Yen billions)	March end, 2014	March end, 2015	March end, 2016	Change 2015-2016
Total Assets	1,239.6	1,404.3	1,450.6	46.3
Total Liabilities	587.3	646.3	766.0	119.7
Stockholder's equity	635.3	738.9	675.4	(63.5)
(comprehensive income)	(87.1)	(5.9)	(102.3)	(96.4)
Stockholder's equity ratio	51.3%	52.6%	46.6%	-6.0%

Cash and cash equivalents, Short-term investments	259.5	286.5	307.5	21.0
Interest-bearing Debt	267.0	268.3	335.8	67.5
Net Cash	(7.5)	18.2	(28.3)	(46.5)



Free Cash Flow



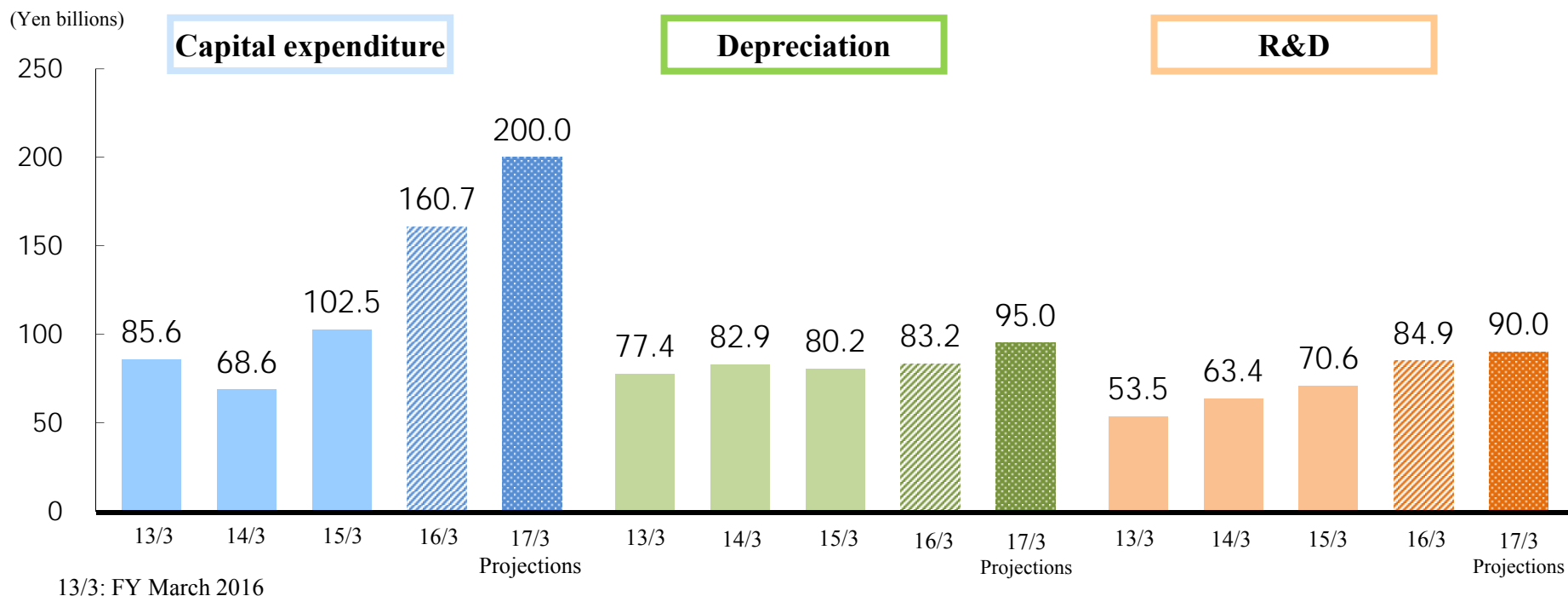
(Yen billions)	FY March 2014	FY March 2015	FY March 2016	Change 2015-2016
Capital Expenditures	68.6	102.5	160.7	58.2
Depression and amortization	83.1	80.2	83.2	3.0

Quarterly sales and operating income by segment

Yen billions		FY March 2015					FY March 2016				
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales	Capacitors	36.5	37.3	37.5	37.6	149.0	39.1	39.5	36.4	35.4	150.4
	Inductive Devices	35.7	37.1	38.1	36.4	147.3	37.9	38.6	37.4	35.4	149.2
	Other Passive Components	49.7	55.5	67.6	62.8	235.8	70.8	72.1	67.7	65.5	276.1
	Passive Components	121.9	129.9	143.2	136.9	532.0	147.8	150.2	141.5	136.3	575.7
	Recording Devices	59.1	63.7	75.1	62.6	260.5	54.6	60.7	58.5	46.0	219.8
	Other Magnetic Application Products	26.2	25.5	25.3	25.9	102.8	24.8	24.6	23.3	22.9	95.5
	Magnetic Application Products	85.2	89.2	100.4	88.5	363.3	79.4	85.3	81.8	68.9	315.3
	Film Application Products	22.5	37.2	47.4	44.1	151.3	43.2	64.1	68.5	46.6	222.4
	Other	7.8	8.5	9.4	10.3	35.9	9.2	8.6	10.0	11.1	38.8
	Total	237.5	264.8	300.4	279.9	1,082.6	279.6	308.1	301.7	262.9	1,152.3
Operating Income	Passive Components	7.8	9.4	11.4	8.0	36.6	15.0	17.4	17.5	16.5	66.4
	Magnetic Application Products	7.3	8.5	7.7	6.3	29.7	3.8	4.5	4.7	0.2	13.2
	Film Application Products	0.3	5.2	9.6	9.4	24.6	4.7	11.6	14.6	5.4	36.4
	Other	(0.5)	0.2	0.2	0.6	0.6	0.4	0.2	(0.1)	1.4	1.9
	Sub total	14.8	23.3	29.0	24.3	91.4	23.9	33.7	36.7	23.5	117.8
	Corporate and Eliminations	(5.2)	(4.9)	(3.8)	(5.0)	(19.0)	(5.8)	(6.3)	(6.4)	(6.0)	(24.4)
	Total	9.6	18.3	25.2	19.4	72.5	18.1	27.4	30.3	17.5	93.4
Ex-rate	US\$(JPY)	102.17	103.86	114.25	119.21	109.84	121.29	122.31	121.41	115.46	120.13
	EURO(JPY)	140.17	137.77	142.79	134.74	138.88	134.15	136.06	133.05	127.37	132.67

FY March 2017 Projections and Forex sensitivity

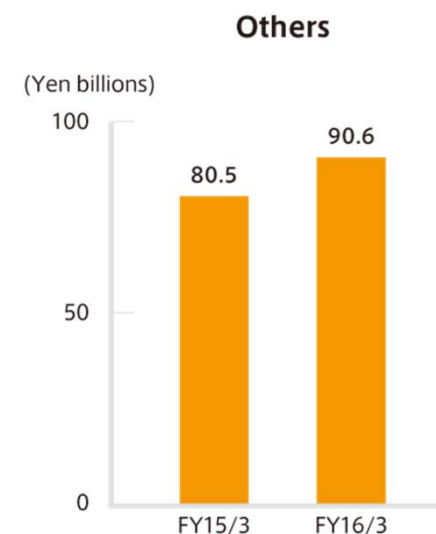
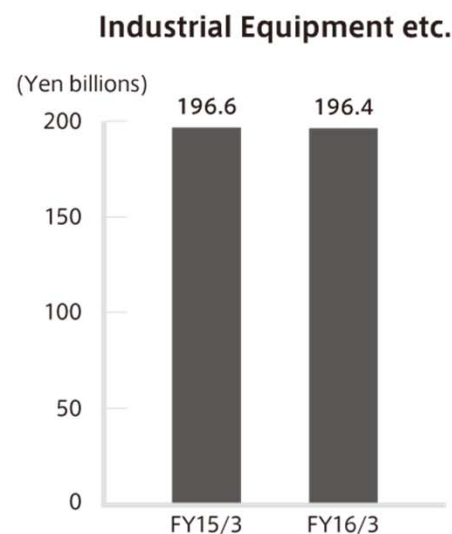
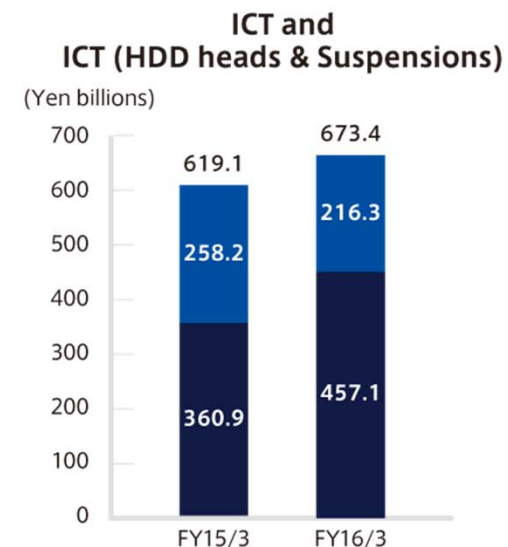
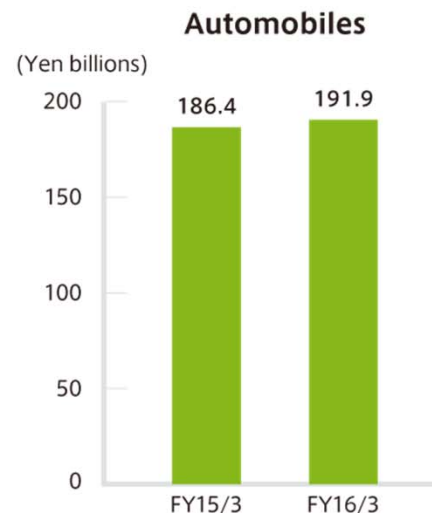
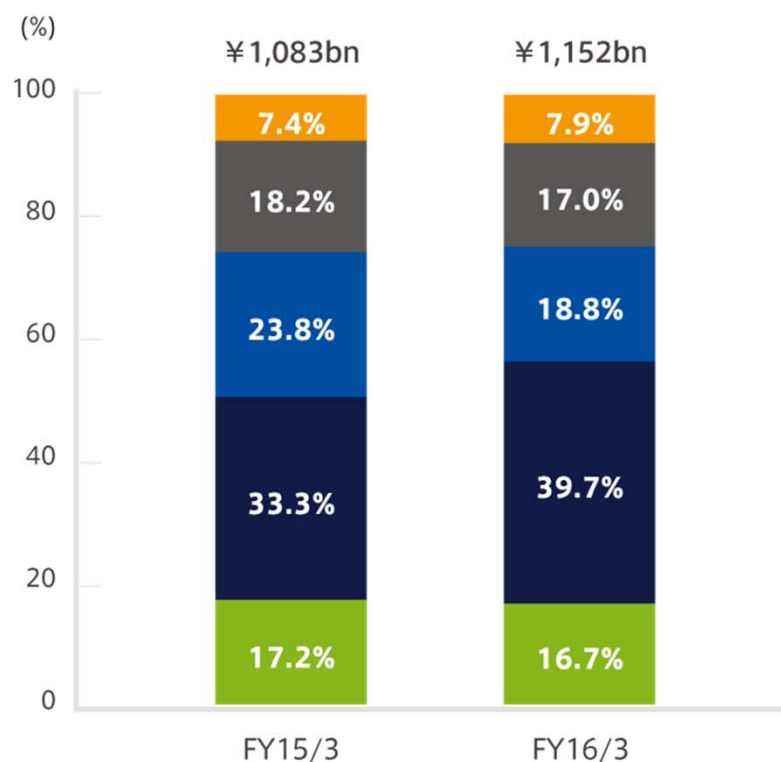
Expenses



Forex Sensitivity (impact by 1 (one) yen change)

● **US\$: Sales 5.0 billion yen, Operating Income 1.4 billion yen**

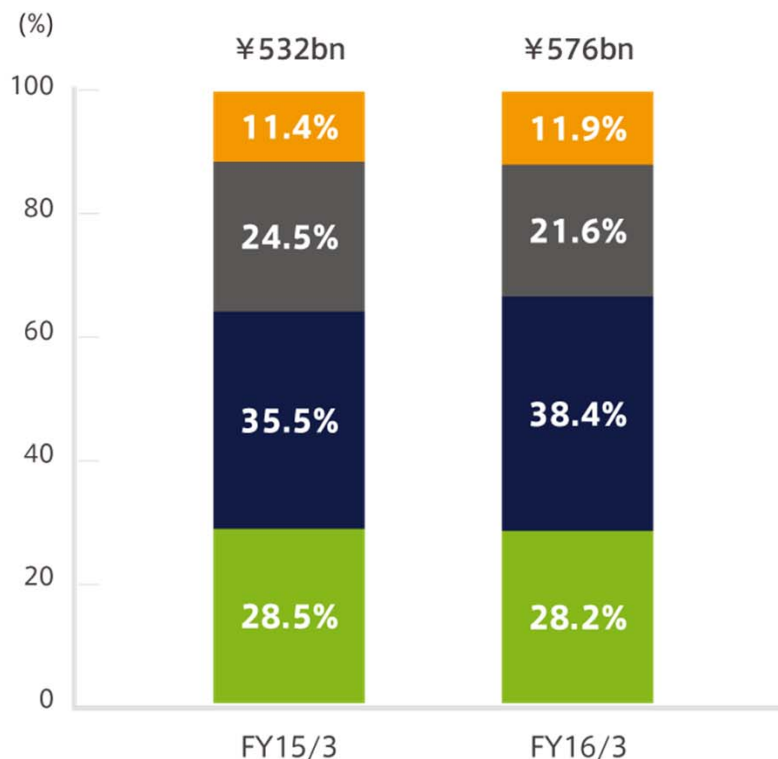
Annual Sales by applications (FY March 2013 – FY March 2016)



- Others
- Industrial Equipment etc.
- ICT (HDD heads & Suspensions)
- ICT
- Automobiles

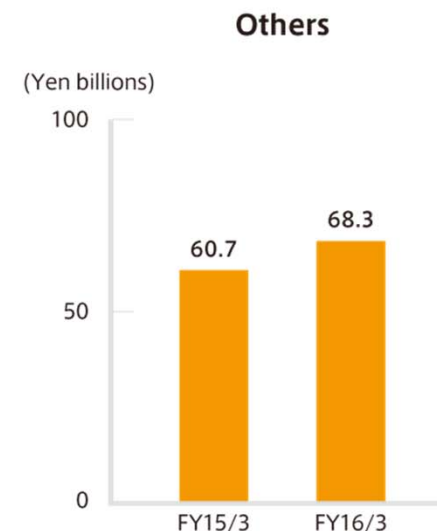
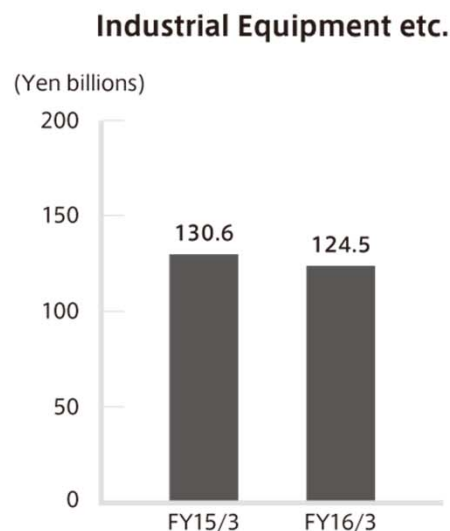
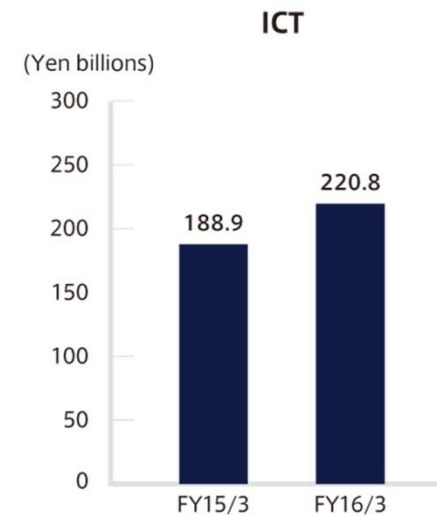
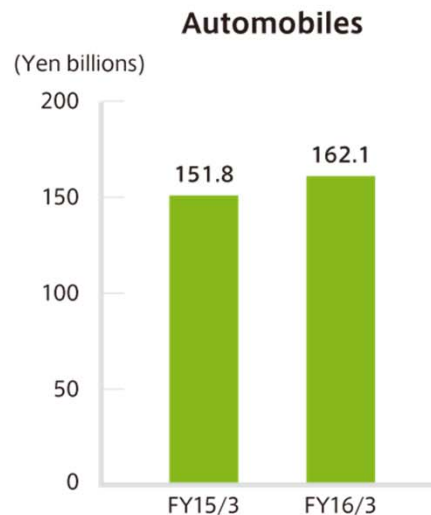
FY15/3: FY March 2015

Passive Components Business Annual sales by applications (FY March 2013– FY March 2016)

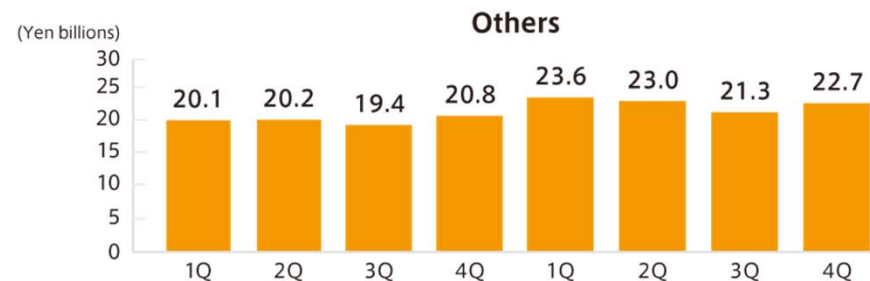
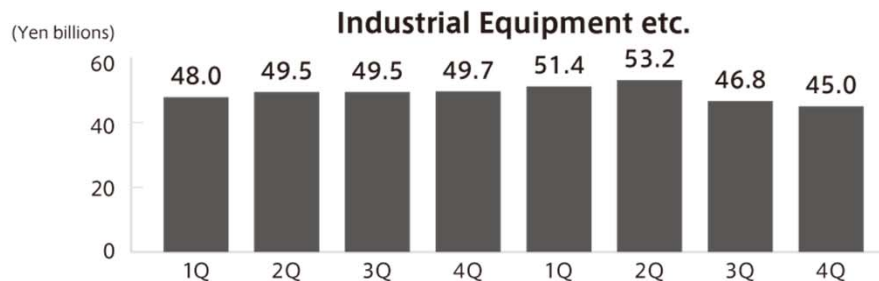
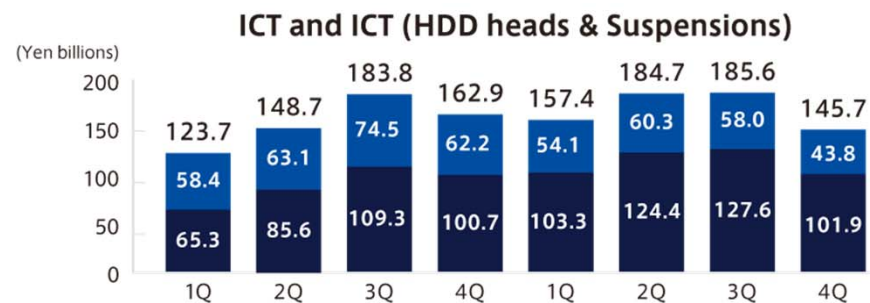
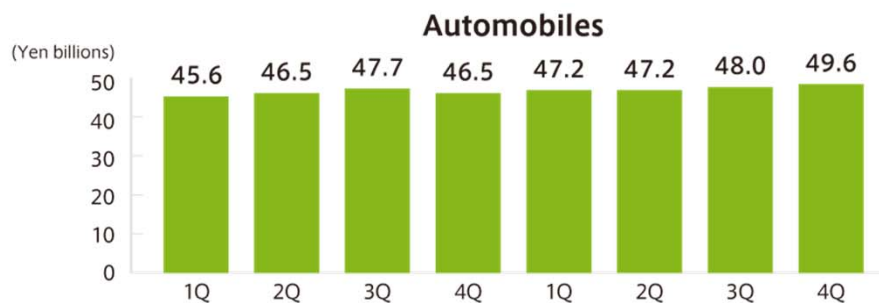
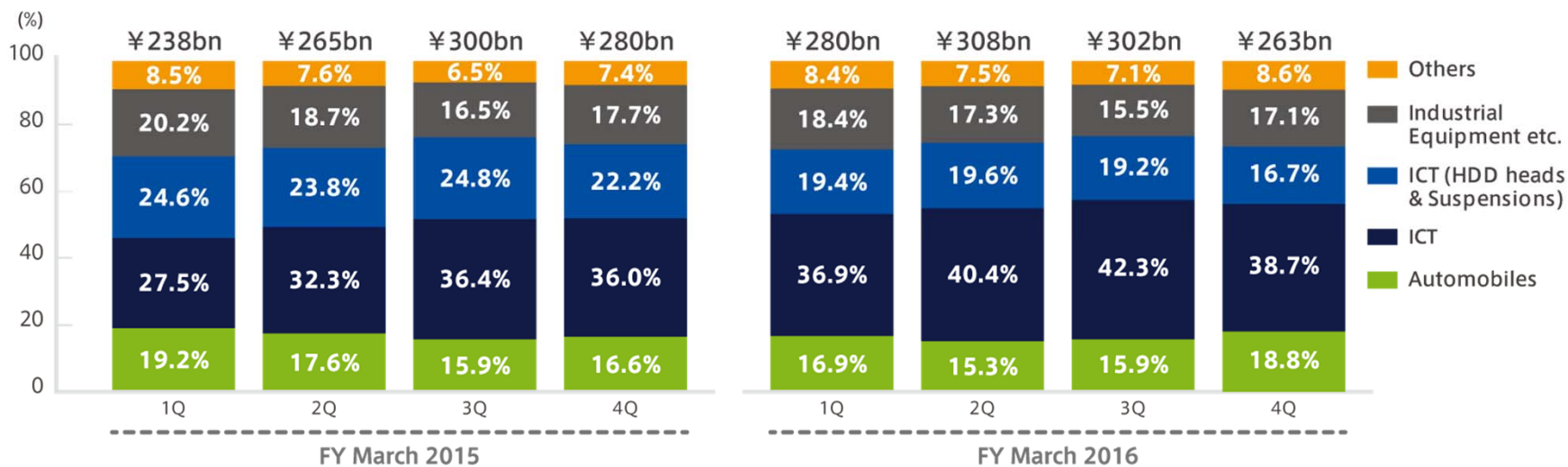


- Others
- Industrial Equipment etc.
- ICT
- Automobiles

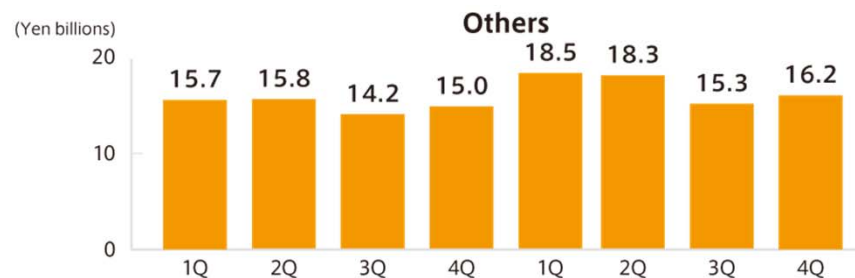
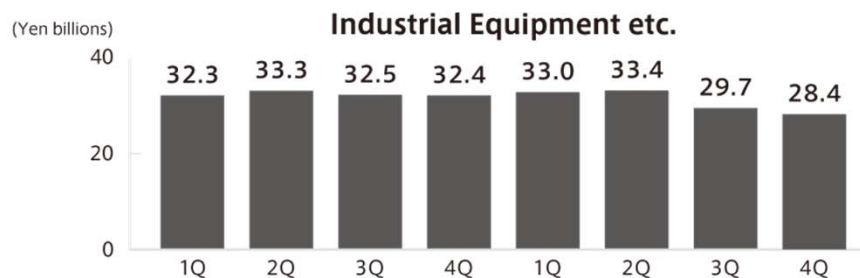
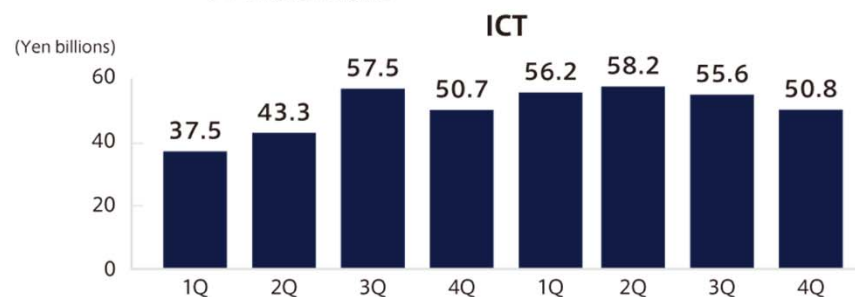
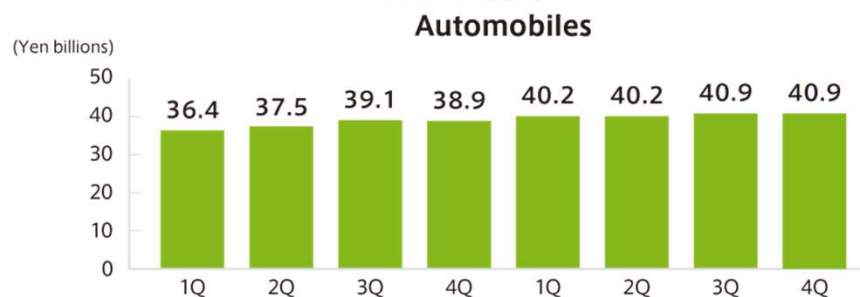
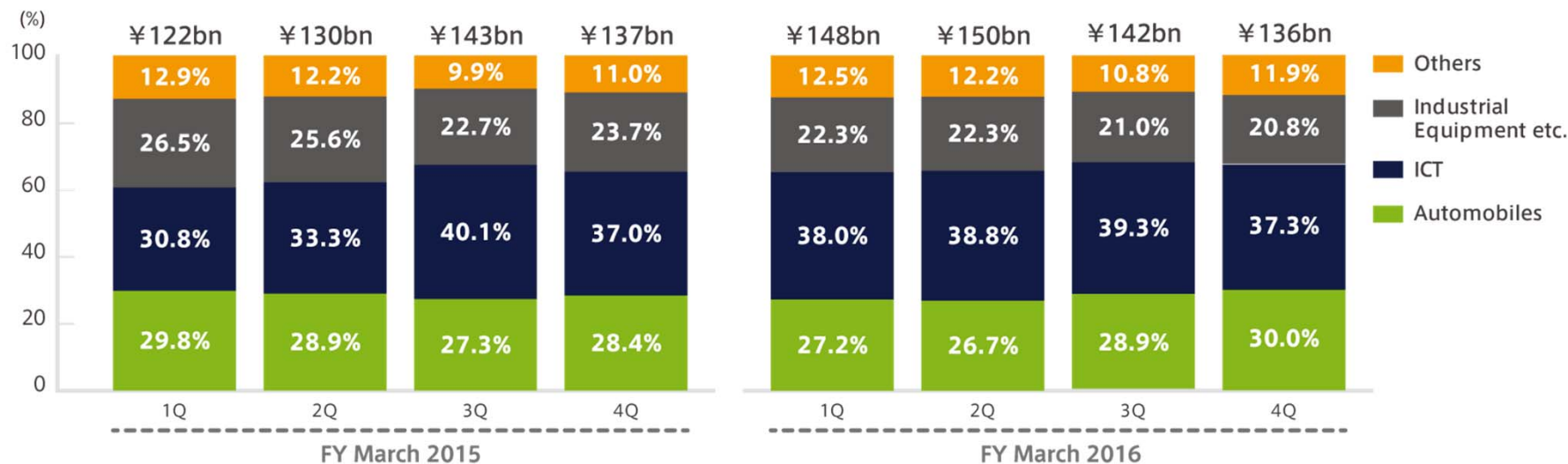
FY15/3: FY March 2015



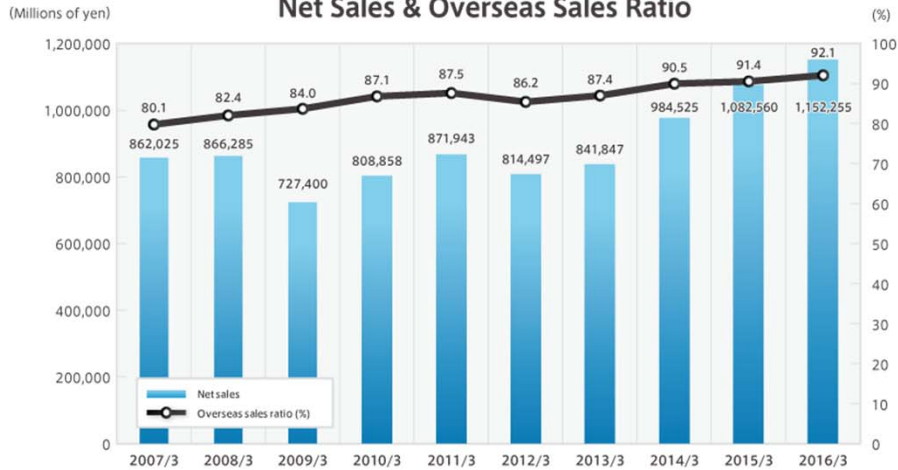
Quarterly sales by applications (1Q of FY March 2015 –4Q of FY March 2016)



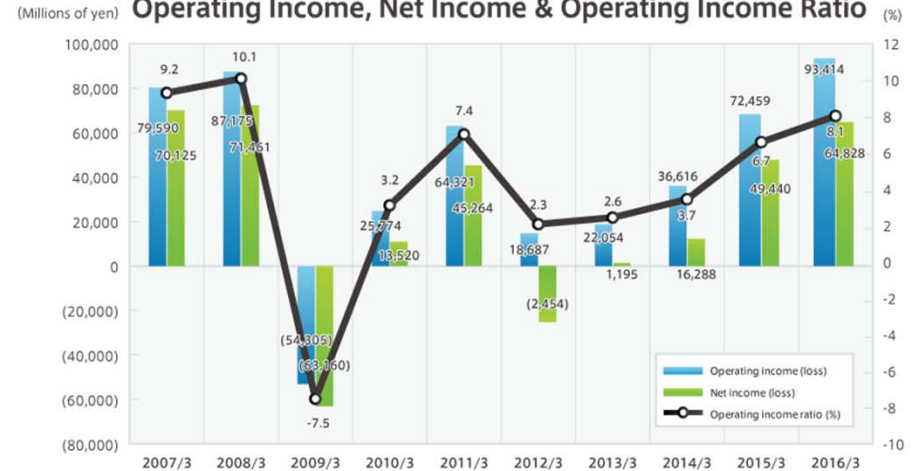
Passive Components Business quarterly sales by applications (1Q of FY March 2015 –4Q of FY March 2016)



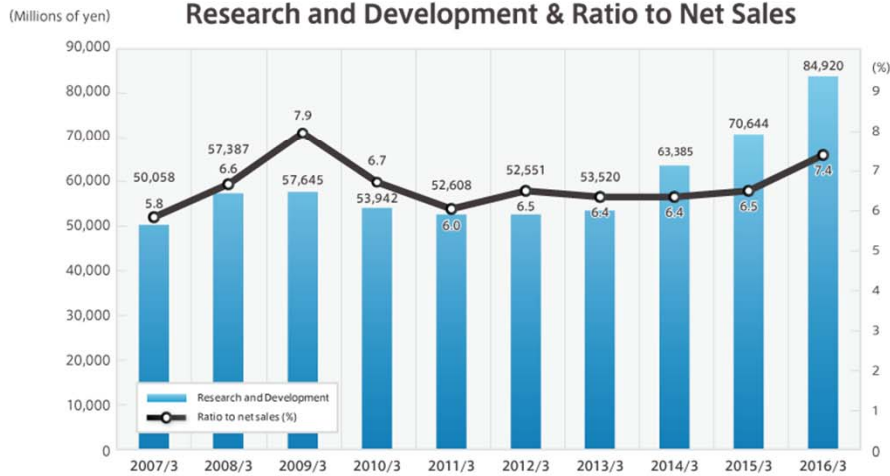
Net Sales & Overseas Sales Ratio



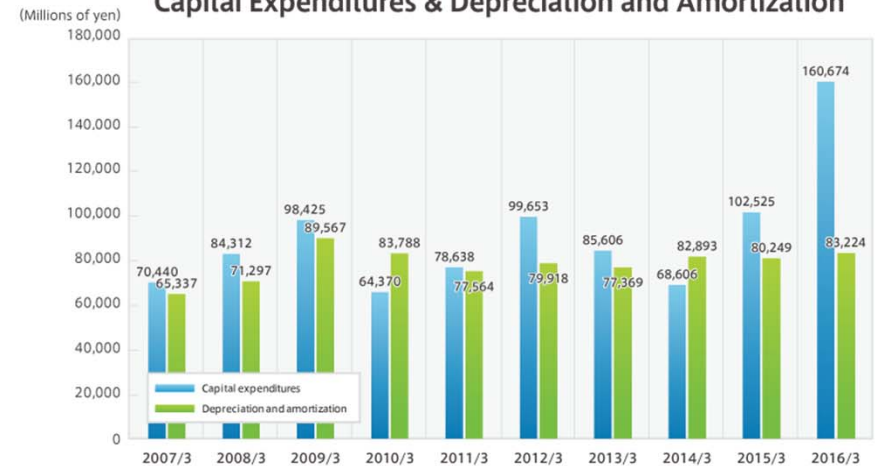
Operating Income, Net Income & Operating Income Ratio



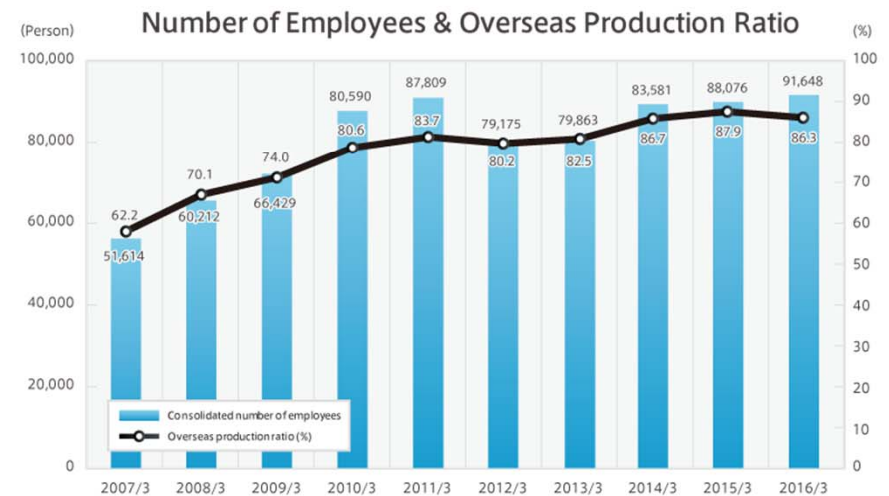
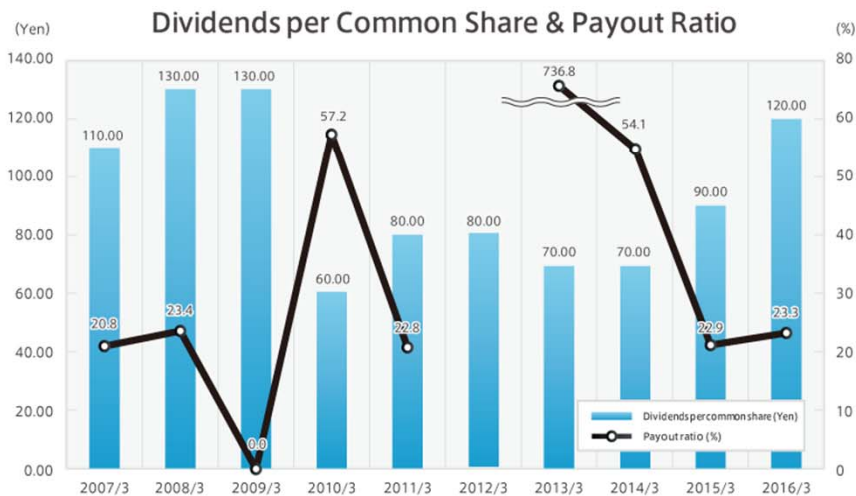
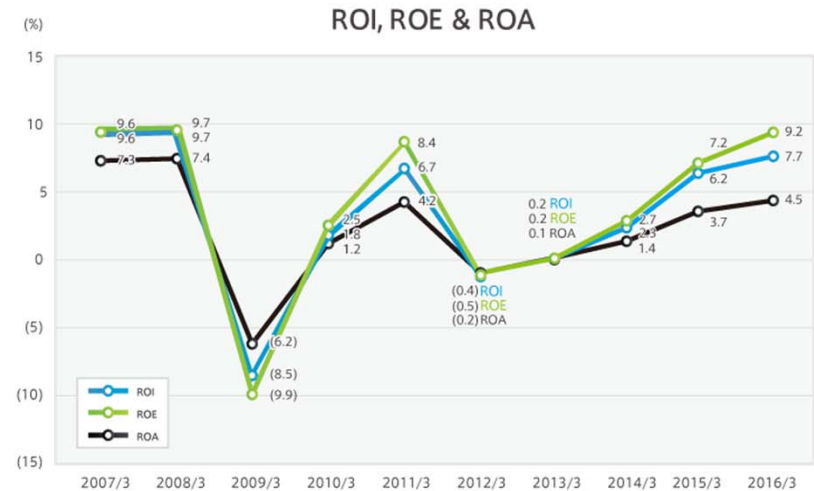
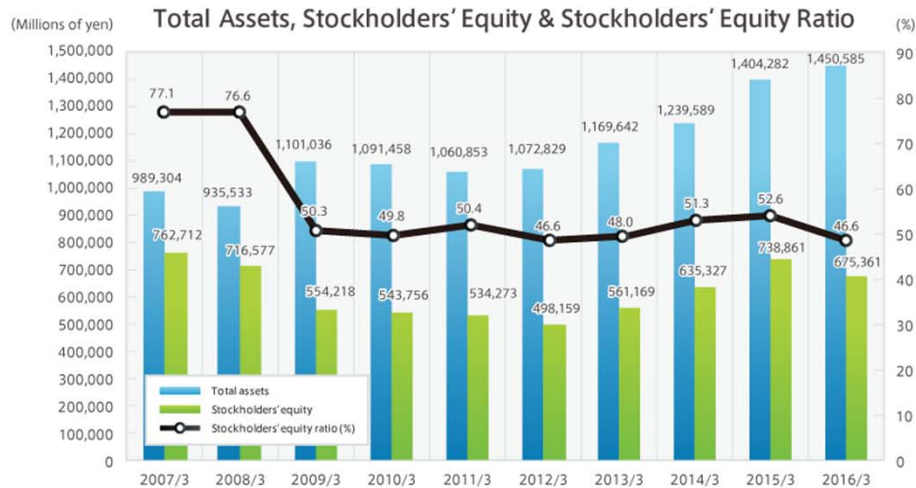
Research and Development & Ratio to Net Sales



Capital Expenditures & Depreciation and Amortization



2007/3: FY March 2007



2007/3: FY March 2007

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 the TDK Group in light of the information currently available to it, and contain known and unknown risks, uncertainties, and other factors. The TDK Group therefore wishes to caution readers that, being subject to risks, uncertainties, and other factors, the 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 the 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.

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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/2016/4q_1.htm