

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

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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

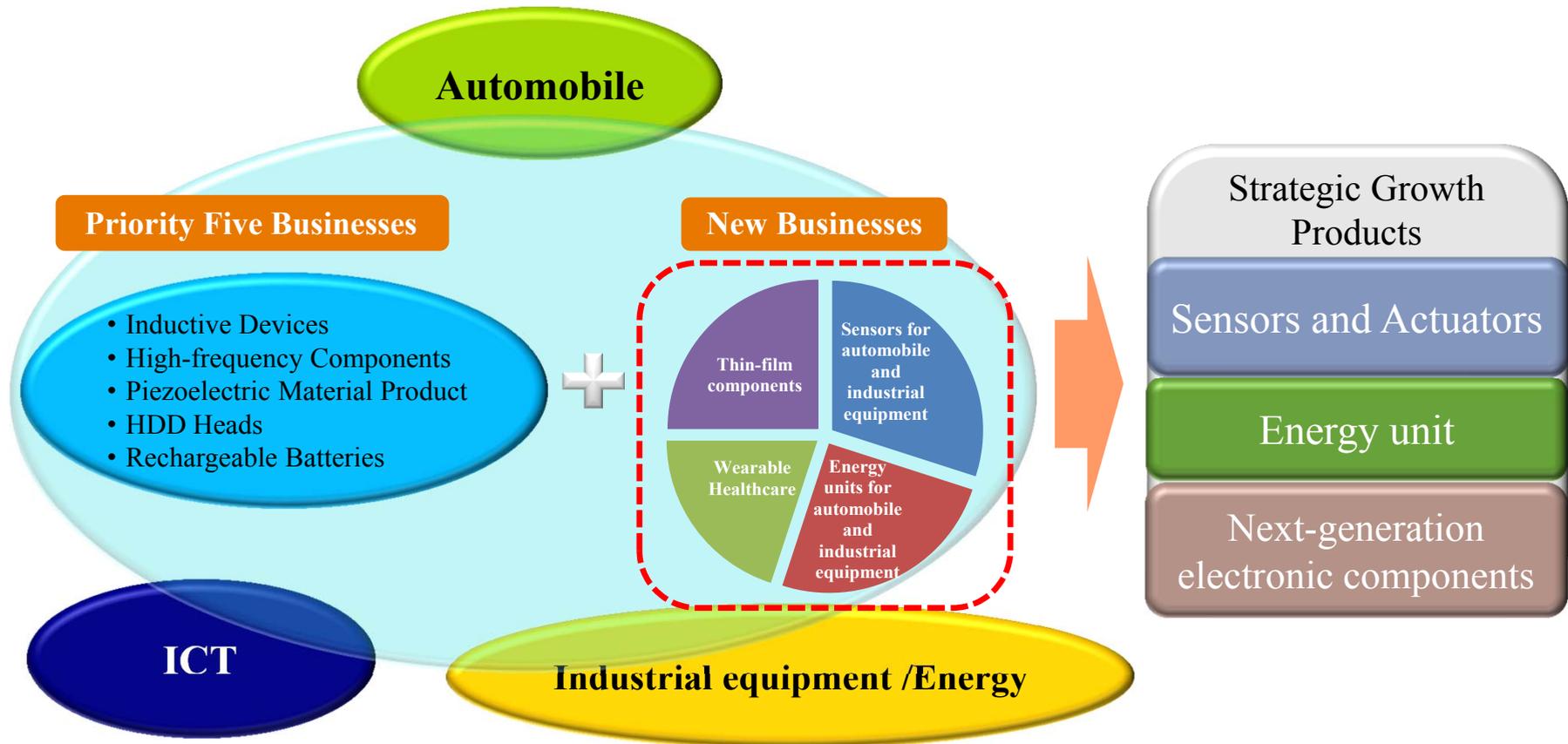
110.00
125.00

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

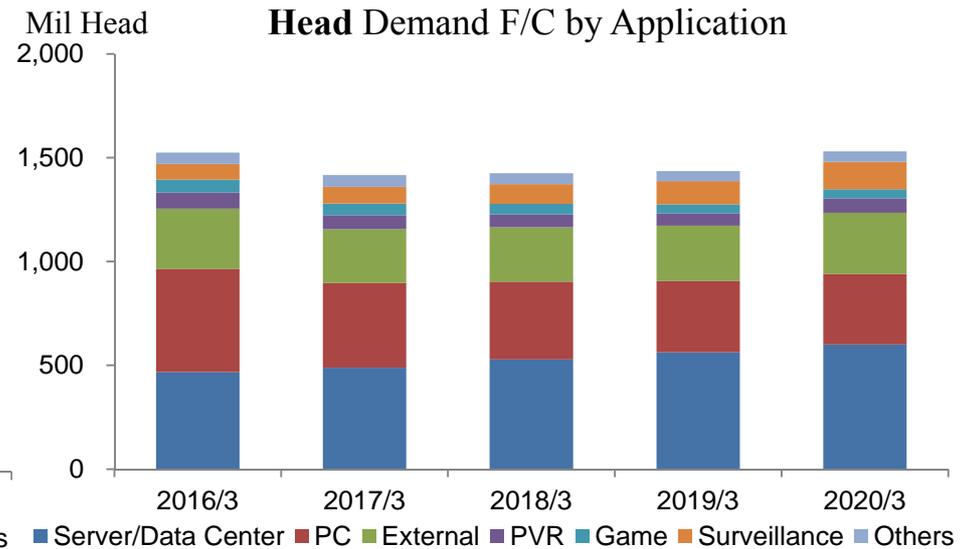
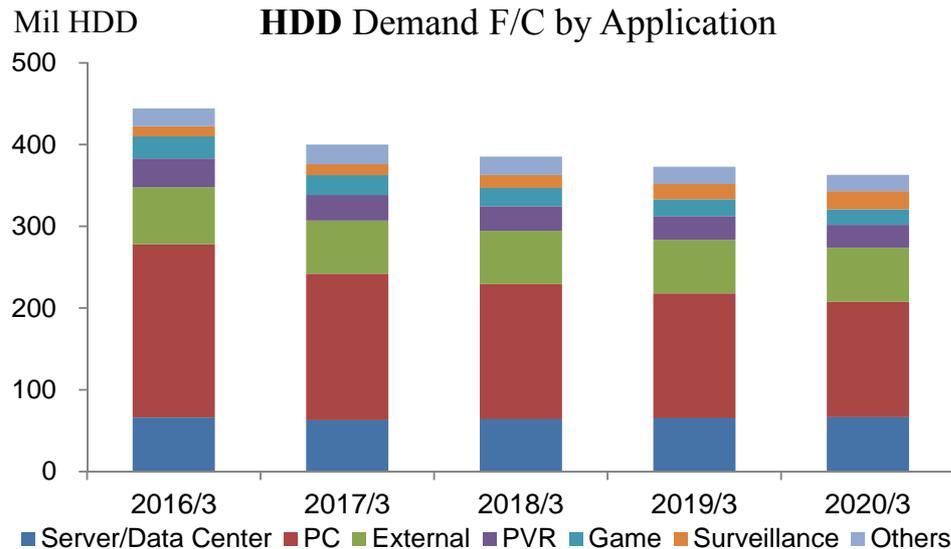
Priority Markets, Priority Businesses and New Businesses



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

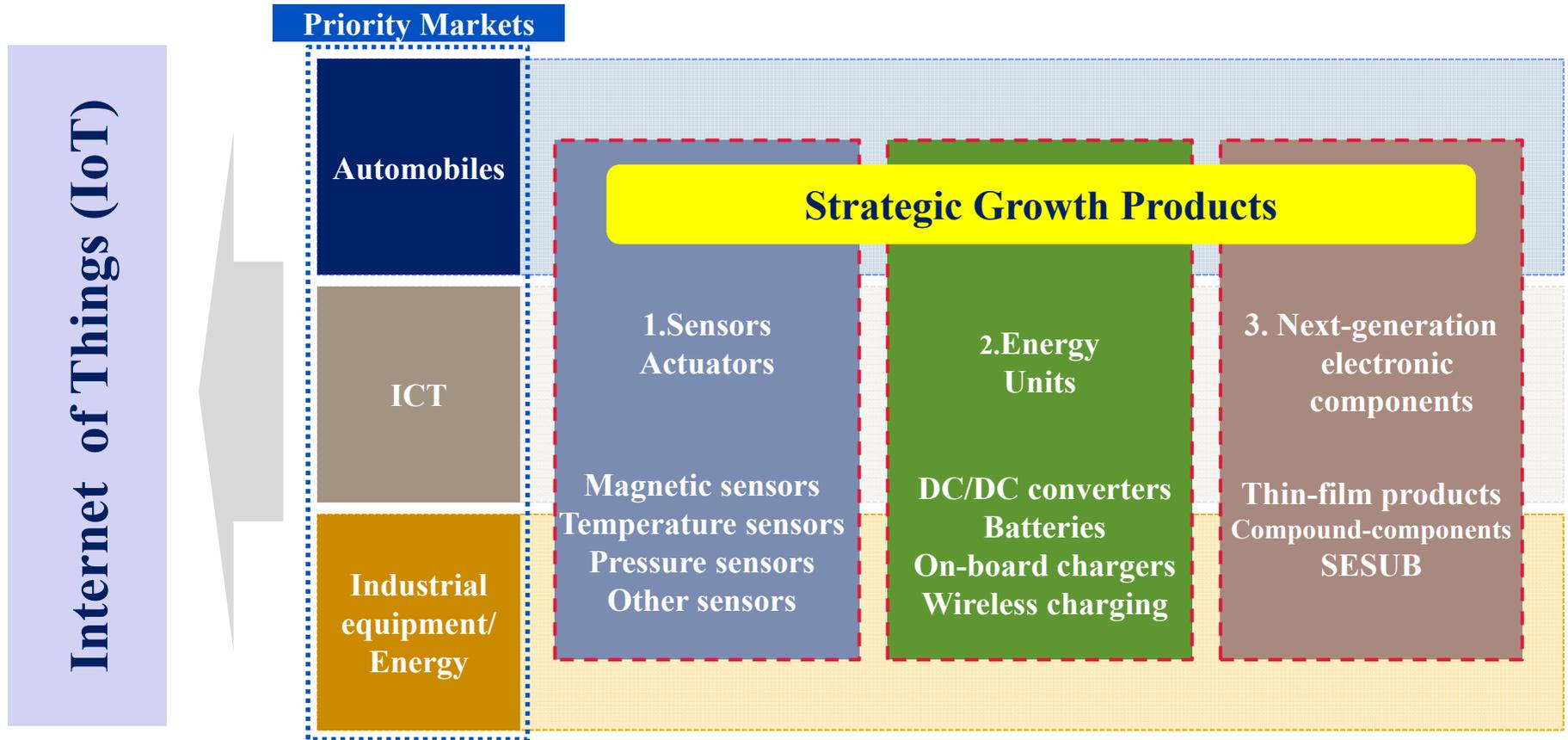


Continue to be “an entity that is relied upon by market” even in a contracting market

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

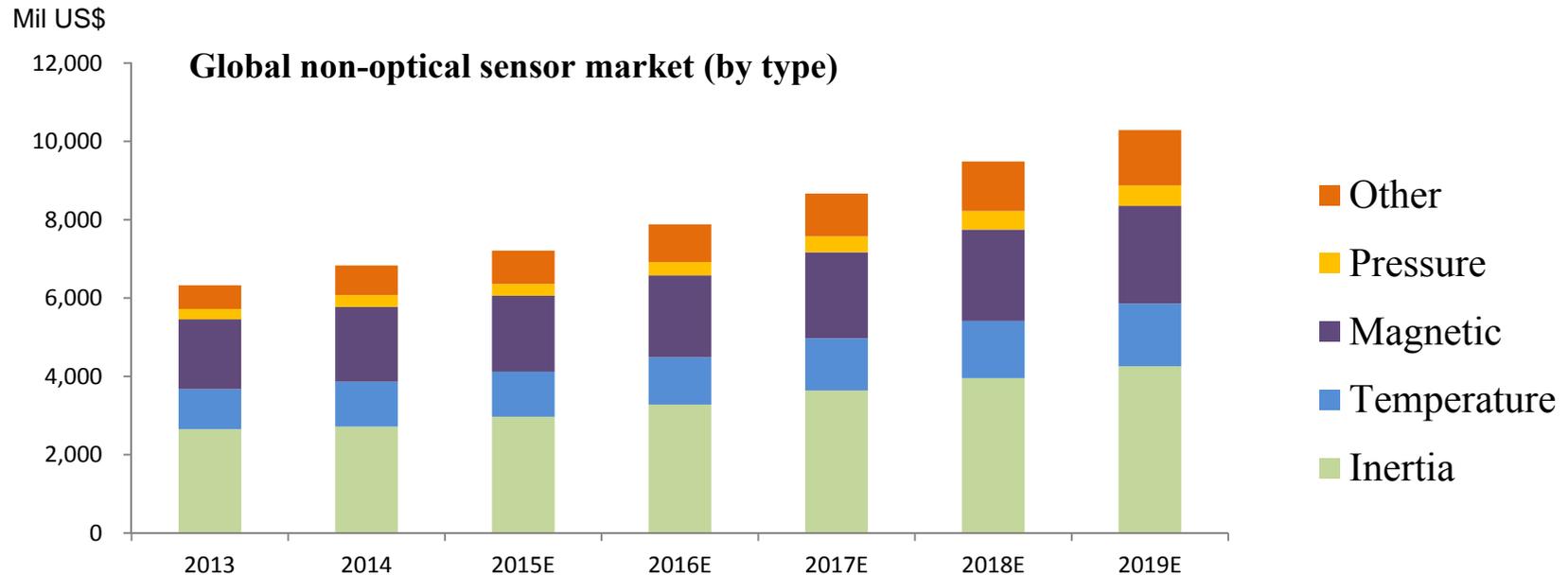
Sensors / Actuators

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

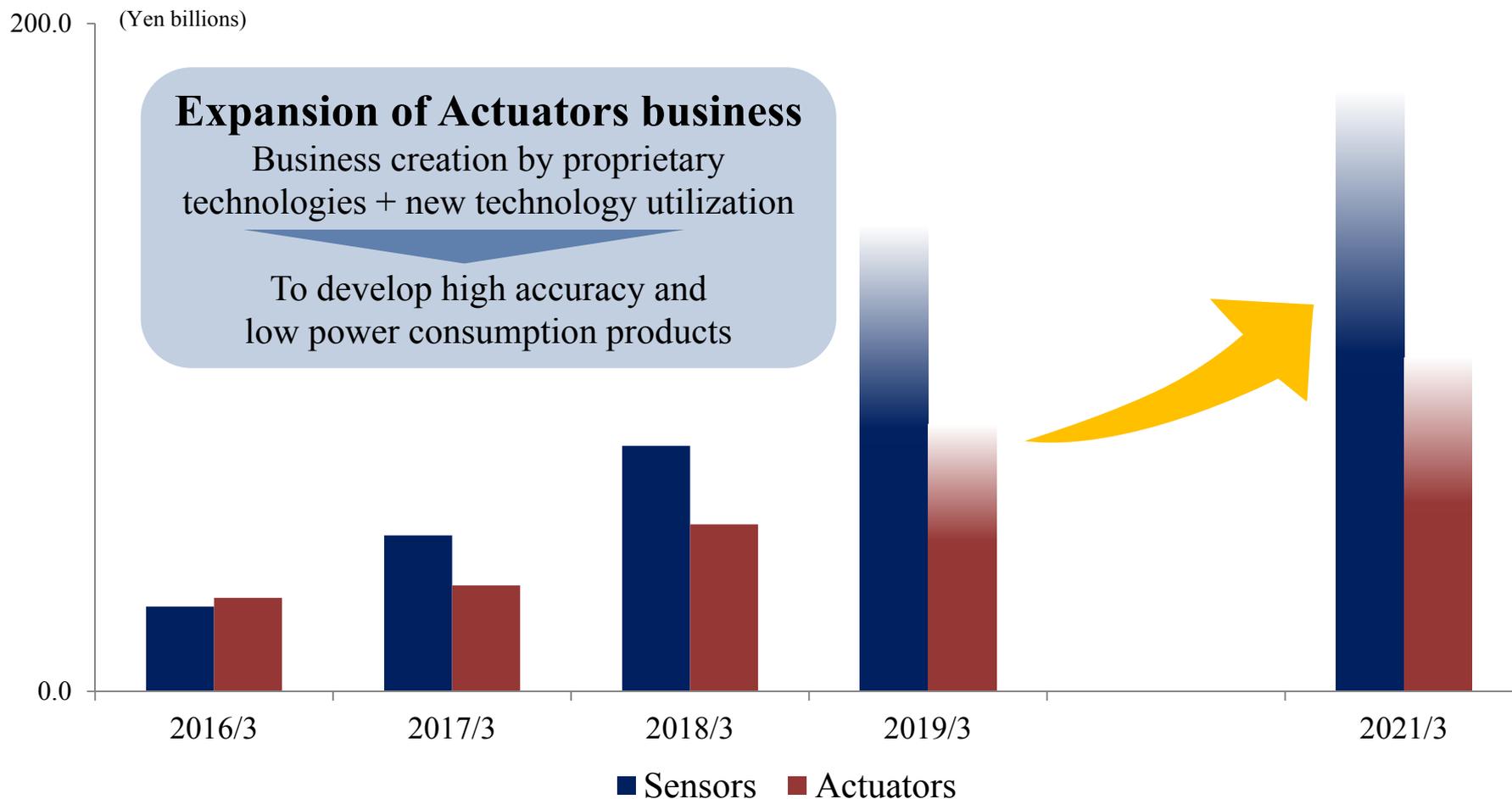
- Expand demand with high precision, energy saving characteristics

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 convertors (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)

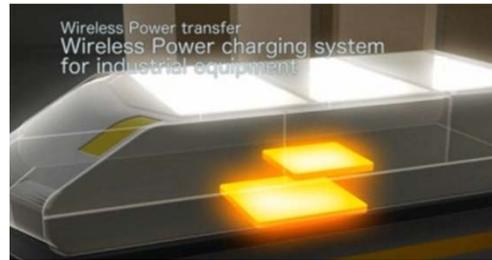
Energy Management System Function

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

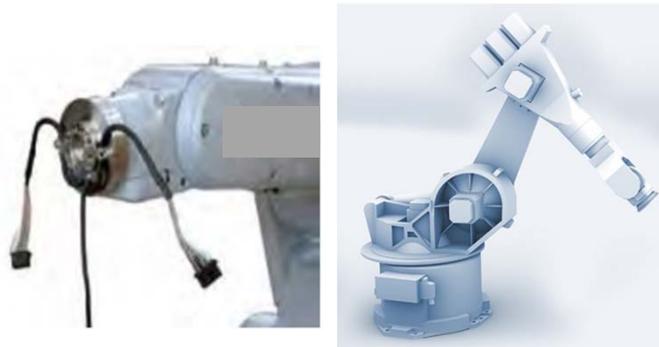
Energy units



AGV(Auto Guided Vehicle)



Mobile Robot



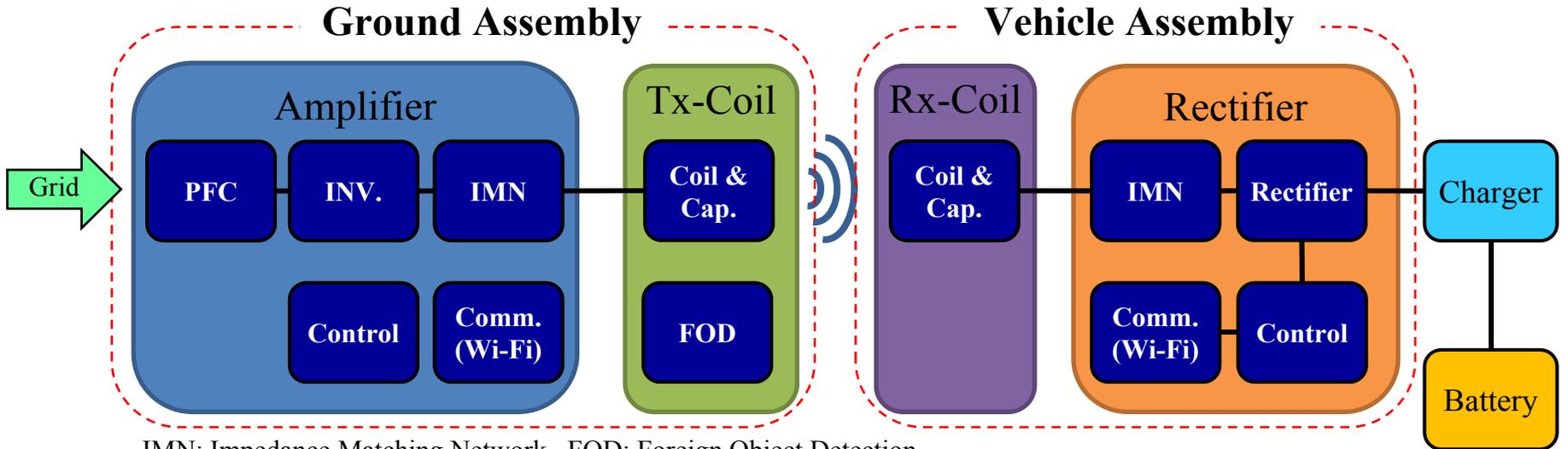
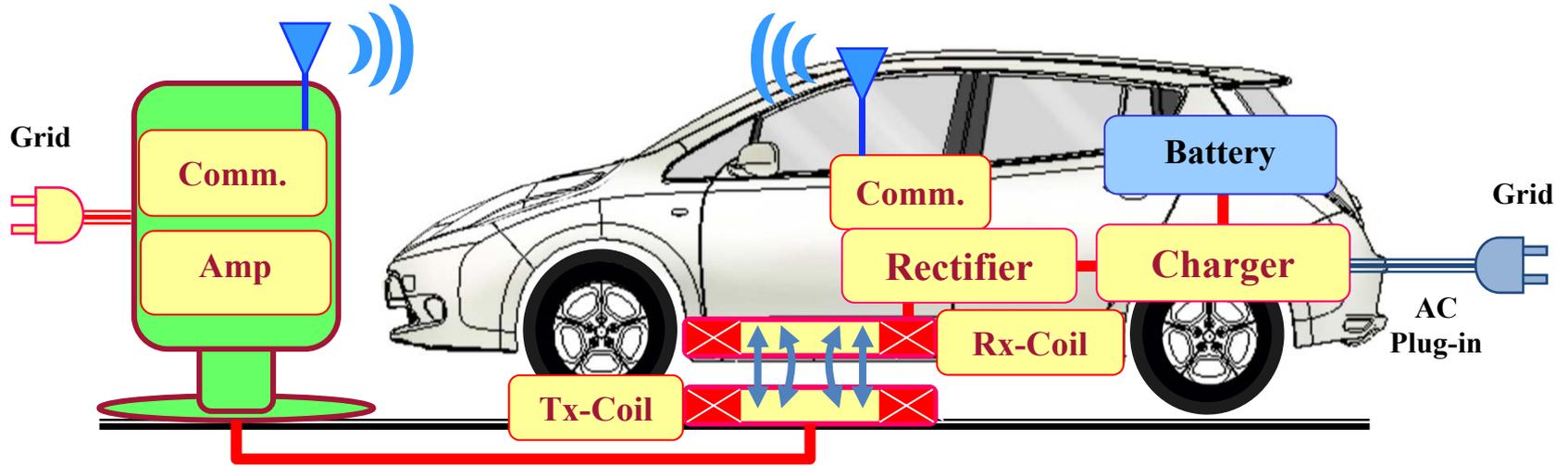
Hand of Robot



Pendant
for CNC

Energy units

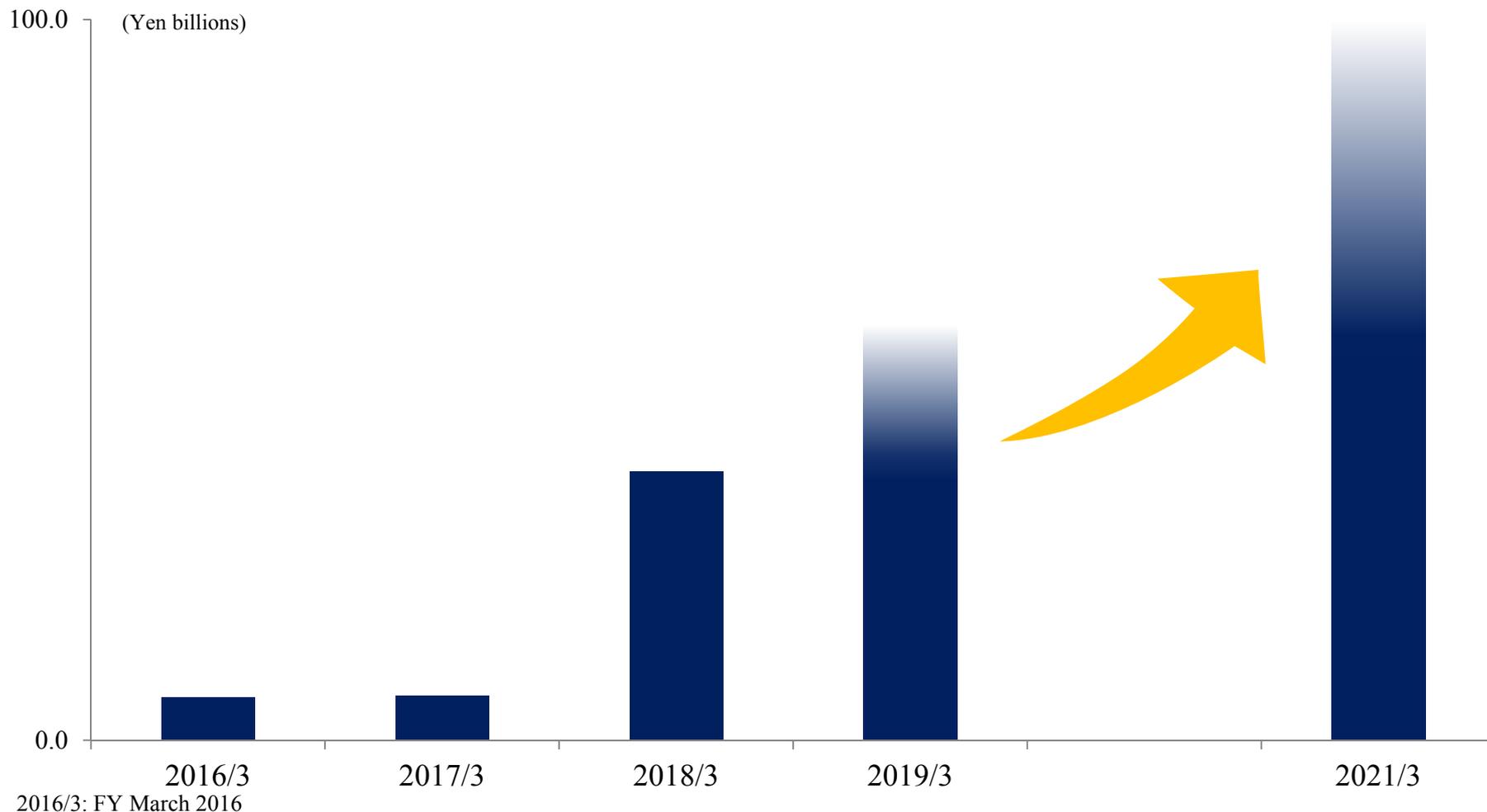
WPT System - Overview & Functions



IMN: Impedance Matching Network, FOD: Foreign Object Detection

Energy units

Expand Energy units business (Sales)



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**

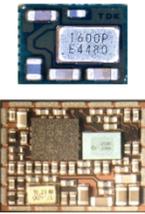
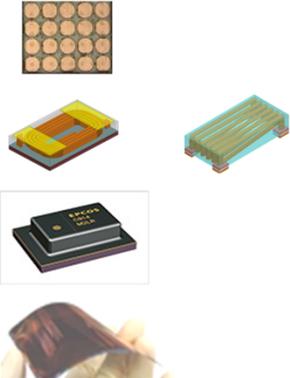
**Material
technology**

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

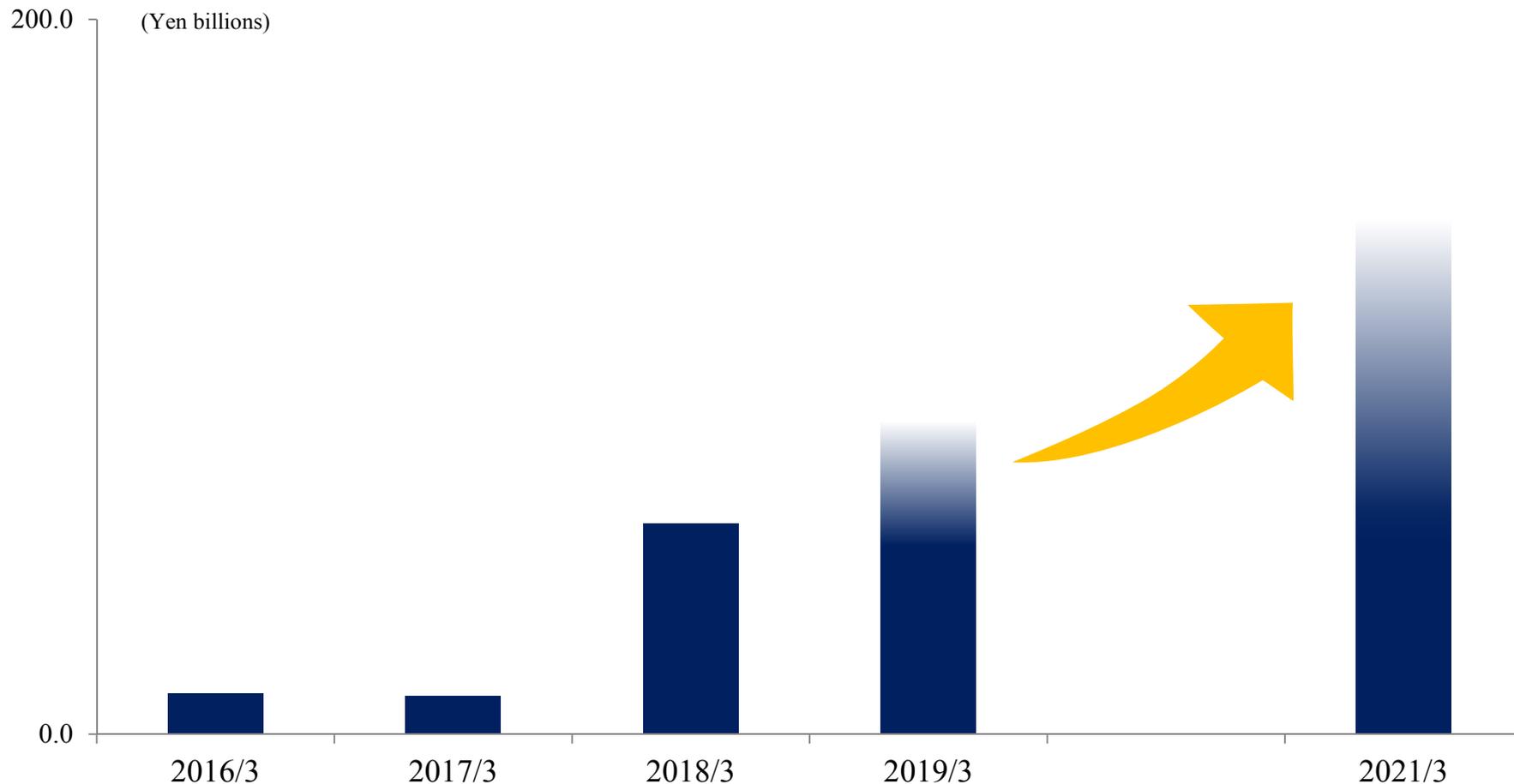
Tsuruoka Factory



※ Renesas Semiconductor
Manufacturing Co., Ltd.

Next-generation electronic components

Expand Next-generation electronic components business (Sales)



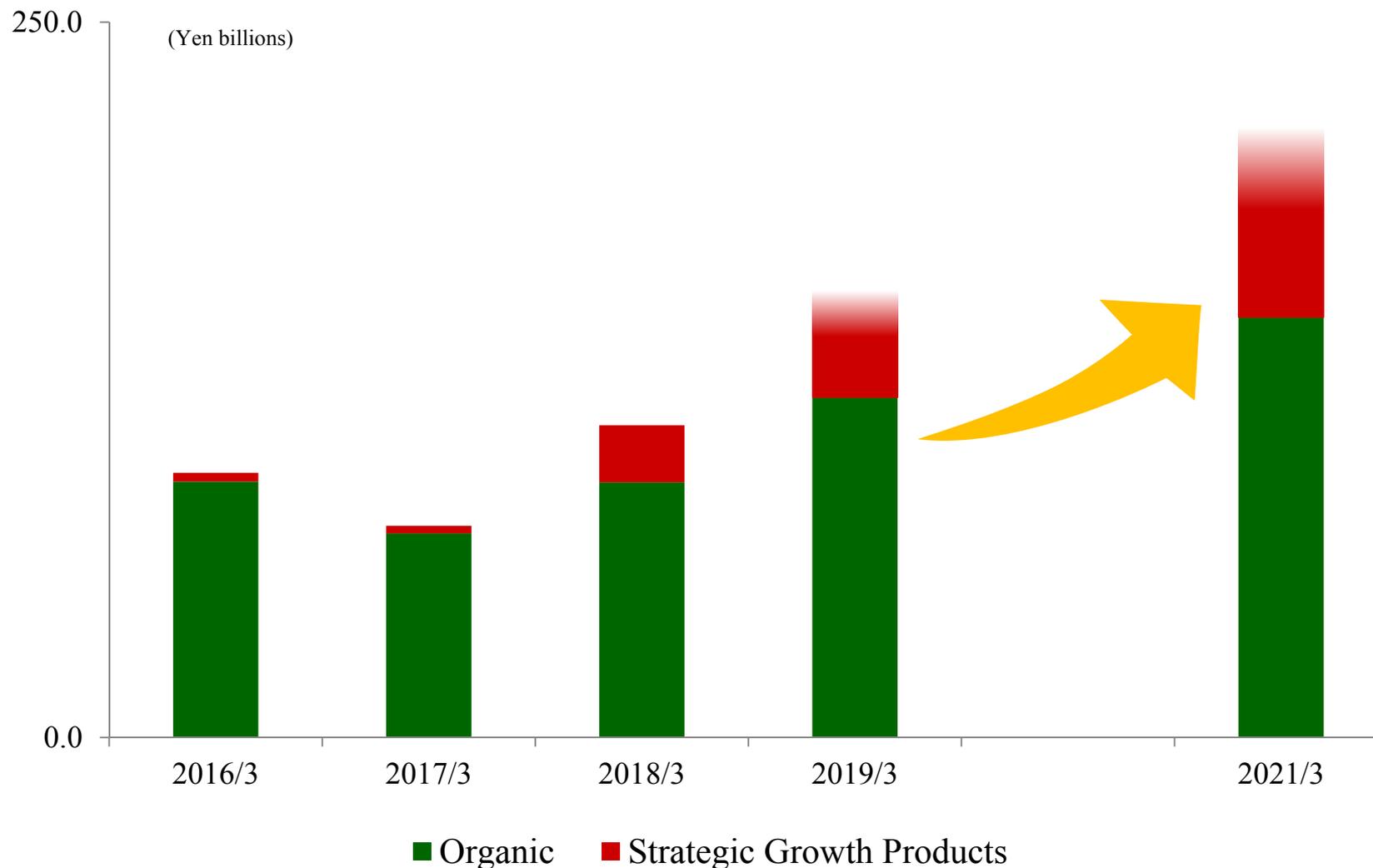
2016/3: FY March 2016

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

Cautionary Statements with Respect to Forward-Looking Statements

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