

Consolidated Full Year Projections for FY March 2020

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Hello, I'm Shigenao Ishiguro, President & CEO of TDK. Today, I'd like to go over our consolidated full-year earnings projections for the fiscal year ending March 2020.

Key points concerning projections for FY March 2020

- **We will pursue business opportunities as the electronics business expands in the medium to long term with the acceleration of trends towards digital and energy transformations**
- **Events such as US-China trade friction, China's economic slowdown, Brexit, etc. will likely continue to have an impact on macroeconomics in the short term. TDK will implement measures for medium- and long-term growth and work towards achieving Medium-Term Plan targets in the fiscal year ending March 2020**
 - Substantial growth is not expected in the Passive Components and Energy Application Products businesses year on year, and a recovery in demand for the Magnetic Application Products business in the HDD market is anticipated in the second half of the fiscal year and later, which will definitively help in achieving earnings targets.
 - TDK will implement measures in certain businesses such as Sensors, Magnets, etc. and aim for an overall improvement in earnings.
 - TDK will continue to conduct capital investment in MLCCs and Rechargeable Batteries for non-smartphone products to bolster competitiveness.

First, I will discuss our perspectives on the business environment, which underlie our assumptions for the full-year projections for the fiscal year ending March 2020. I will then discuss our outlook for business performance in each segment based on the environment.

Beginning with the medium- to long-term outlook for the markets where TDK operates, we expect demand for the electronic components we supply to grow substantially as the electronics business expands steadily. This expansion is being driven by further acceleration in digital transformation, specifically changes spurred by digital technologies such as IoT and AI, and the transformation trend in energy fields such as the adoption of xEVs (HEV, PHEV, EV, etc.), and electric power. In this business environment, TDK will remain mindful of the "Time to Market" concept as it seeks to capture new business opportunities.

Meanwhile, we expect that events such as China's economic slowdown, which was set off by trade friction between the U.S. and China, and political instability in Europe caused by events such as Brexit, will likely continue to have an impact on macroeconomic trends in the short term. In this market environment, TDK positions the fiscal year ending March 2020 as a year for devising measures to achieve medium- to long-term growth. Accordingly, we intend to steadily implement measures to achieve our Medium-Term Plan targets. Looking at our projections for the fiscal year ending March 2020 based on these assumptions, we do not expect substantial sales growth in Passive Components, including Ceramic Capacitors, which has continued to perform strongly, and Energy Application Products, which is centered on Rechargeable Batteries, compared with the fiscal year ended March 2019. In HDD Heads and HDD Suspension Assemblies, which are part of the Magnetic Application Products segment, we anticipate a recovery in demand in the market for HDDs for data centers from the second half of the fiscal year ending March 2020 onward. Based on this outlook, we are determined to steadily achieve our earnings targets.

Meanwhile, earnings improvements in the Sensor and Magnet businesses fell behind in the fiscal year ended March 2019. In these businesses, we will work to implement measures based on growth strategies that are already under way, and steadily turn around losses, thereby paving the way for an overall improvement in earnings.

While we are not expecting substantial overall growth in net sales, we plan to continue to execute growth investments in Ceramic Capacitors and Rechargeable Batteries to bolster competitiveness. In Ceramic Capacitors, we have made solid progress on capturing demand in the automotive market through our unique products. In Rechargeable Batteries, we will drive further growth by cultivating the market for applications other than smartphones, leveraging our strong competitiveness in Rechargeable Batteries for smartphones.

FY March 2020 full year / dividend projections

	FY March 2019 full year results	FY March 2020 full year projections (announced on Apr. 26, 2019)	YoY change	
			Yen billions	%
(Yen billions)				
Net sales	1,381.8	1,420.0	38.2	2.8
Operating income	107.8	120.0	12.2	11.3
Operating income margin	7.8%	8.5%	+0.7 pt	-
Income before income taxes	115.6	118.0	2.4	2.1
Net income	82.2	84.0	1.8	2.2
Earning per share (JPY)	651.02	665.14	-	-
Dividends (JPY)	1st half : 80 2nd half : 80 Annual: 160	1st half : 90 2nd half : 90 Annual : 180	-	-
Ex-rate	US\$ (JPY)	110.94	108.00	-
	EURO (JPY)	128.48	122.00	-
Capital expenditure	173.6	200.0	26.4	15.2
Depreciation and amortization	106.6	130.0	23.4	22.0
Research and development	115.2	120.0	4.8	4.2

In accordance with these principles, I will now discuss our full-year consolidated earnings projections.

First, our earnings projections assume an average exchange rate of 108 yen against the U.S. dollar and 122 yen against the euro.

We are targeting net sales of 1,420.0 billion yen. This would be a record-high result for a seventh consecutive year. We are also projecting record-high operating income of 120.0 billion yen. We are projecting income before income taxes of 118.0 billion yen, net income of 84.0 billion yen, and earnings per share of 666 yen. As for dividends, the interim dividend and year-end dividend are both projected at 90 yen per share, bringing the annual dividend to 180 yen per share, an increase of 20 yen from the previous fiscal year.

We are projecting capital expenditure of 200.0 billion yen, depreciation and amortization of 130.0 billion yen, and research and development expenses of 120.0 billion yen.

Projections for FY March 2020 - Image of changes in sales

(Yen billions)

Segment	FY March 2019 full year results	FY March 2020 full year projections (YoY change)
Passive Components	433.4	+2~+5%
Sensor Application Products	76.5	+28~+31%
Magnetic Application Products	272.8	-17~-20%
Energy Application Products	537.5	+6~+9%
Other	61.6	—
Total	1,381.8	1,420.0

Forex assumptions

US\$(JPY)	110.94	108.00
EURO(JPY)	128.48	122.00

I'd now like to present our expectations for changes in consolidated sales in each segment, which underlie our full-year projections for the fiscal year ending March 2020.

First, for the Passive Components segment, we are projecting a net sales increase of 2-5%. In the automotive market, global automobile sales volume is expected to remain mostly flat year on year. However, we expect demand to increase even further with expansion in the adoption of xEVs, advanced driving assistance systems (ADAS), automated driving, and other developments. Based on this outlook, we anticipate that Capacitors will drive sales growth. We expect hardly any growth in sales to the ICT market and industrial equipment market.

In the Sensor Application Products segment, we are projecting net sales growth of 28-31%. Sales of MEMS Sensors and TMR Sensors for smartphones are expected to increase. In addition, we are forecasting increased sales of Magnetic Sensors and Temperature and Pressure Sensors to the automotive market.

In the Magnetic Application Products segment, we are projecting a net sales decline of 17-20%. HDD Head shipment volumes are forecast to decline overall, despite a higher share of sales of nearline HDD Heads, and sales of HDD assemblies are expected to decrease sharply. Meanwhile, HDD Suspension Assembly sales are expected to remain level. In Magnets, while sales to the automotive market are expected to start increasing, lower sales for HDDs and a delayed recovery in demand for the industrial equipment market are expected to push down overall Magnet sales.

In the Energy Application Products segment, we are projecting net sales growth of 6-9%. We do not anticipate any large increases in sales for smartphones besides an increase in sales to major customers. However, we anticipate an increase in sales for applications other than smartphones, such as mini cells. Sales of Power Supplies for industrial equipment are expected to decrease slightly.

That concludes my presentation. Thank you for your attention.

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.

The electronics markets in which the TDK Group operates are highly susceptible to rapid changes, risks, uncertainties, and other factors that can have significant effects on the TDK Group including, but 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.



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