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Consolidated Full Year Projections for FY March 2021

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President and CEO

Hello, I am Shigenao Ishiguro, President and CEO of TDK. I would like to go over our full-year earnings projections for the fiscal year ending March 2021.

Key points concerning revisions to FY March 2021 full year projections

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- **Market forecast (changes from initial forecasts)**
  - Global economic growth rate fell slightly while indicators for the U.S. and China are improving.
  - Demand for PCs and tablets for working and studying at home is expected to grow sharply.
  - Sales of smartphones are expected to recover to a higher level than initially anticipated.
  - Sales of automobiles are expected to drop below initial forecasts, despite an increase in forecasts for China and Japan.
- **Upward revision to full year projections**
  - Full year projections were upgraded in light of operating results for the first half, especially higher performance of 2Q than anticipated, and the recent stronger booking momentum.
- **Continuing aggressive investment in markets that are certain to grow**
  - TDK will continue investing in growth, mainly in Rechargeable Batteries for non-ICT markets. The consolidated capital expenditure plan was revised upward.
- **Revisions to interim and year-end dividend projections**
  - Following the revisions to full year projections, the interim and year-end dividend projections were increased by ¥10 per share each, for a total of ¥180 per share for the year.

I will start by discussing how the market environment that we had initially assumed has changed over the past six months and how the change is impacting the demand trends for TDK.

As you are aware, macroeconomic growth on a global basis is expected to fall slightly short of the -4% growth that we expected at the beginning of the fiscal year. We feel we must keep a close eye on how the second and third waves of COVID-19 infections, if any, will affect growth going forward. In terms of devices, while demand for ICT devices such as PCs, tablets and smartphones is expected to slightly exceed initial assumptions, demand for automobiles has not recovered at the expected pace and has remained below our initial expectations.

Meanwhile, demand for components has trended steadily overall, despite some impact from the tightening of regulations on a major Chinese smartphone manufacturer on demand from the ICT market that is seeing robust demand for devices. As was explained earlier, orders for components used in automobiles have started to pick up in the second quarter. Although there has been no significant recovery in demand for automobiles themselves, there has been a recovery trend in the demand for components. We must keep a close eye on whether this includes the replenishment of inventory in preparation for a market recovery or future demand expectations.

With regard to our forecasts, we have revised our full-year projections upward following our first half results, especially the earnings recovery in the second quarter, and the recent order trends, although concerns about the impact of second and third waves of COVID-19 infections, if any, as well as inventories and demand expectations cannot be completely eliminated. Furthermore, we have increased our initial company-wide capital expenditure plan by approximately 10% to 200 billion yen as we continue to invest for the growth of businesses in which strong demand and growth can be expected, mainly in the Rechargeable Batteries business.

On the back of the earnings recovery, we have also increased our interim and year-end dividend projections for an annual dividend of 180 yen per share.

Projections for 3Q of FY March 2021
- Image of changes in sales

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(Yen billions)

Segment	2Q of FY March 2021	3Q projections (QoQ change)
Passive Components	99.4	-1%～-4%
Sensor Application Products	19.8	+8%～+11%
Magnetic Application Products	50.4	-5%～-8%
Energy Application Products	200.7	+0%～+3%
Other	11.4	—
Total	381.7	±0%

		Forex assumptions
US$(JPY)	106.23	105.00
EURO(JPY)	124.06	124.00

In light of the demand trend in the second half based on the above market projections, I would like to discuss our view of expected changes in net sales for the third quarter. We expect overall sales to be equivalent to those in the second quarter, including seasonal effects.

In the Passive Components segment, we are projecting that sales for the segment as a whole will drop slightly from the second quarter, by between 1% and 4% quarter on quarter. We expect sales to the automotive market and sales for 5G devices and other smartphones to increase, while sales for 5G base stations, the demand for which peaked out in the first half, are expected to decrease.

In the Sensor Application Products segment, we are projecting continued orders for Temperature and Pressure Sensors for the automotive market and an increase in sales of Hall Sensors, which were experiencing a delay in the recovery of orders. Furthermore, we are projecting sales of TMR Sensors to increase after reaching a peak in demand for smartphone applications. Sales of MEMS Microphones are expected to increase for smartphones and IoT devices, and despite a drop in sales to a major Chinese customer, sales of MEMS Motion Sensors are projected to rise due to an expansion of sales to other customers. As a result, we are projecting an increase in sales of 8 to 11% for the segment as a whole.

In the Magnetic Application Products segment, we are projecting a 4% drop in sales volumes of HDD Heads as a whole due to a decline in sales volume of Heads for consumer use, such as PCs and game consoles, despite an expected increase in the sales volume of Heads for Nearline HDDs. We also project a decline in sales of the HDD assembly business. In HDD Suspension Assemblies, we expect sales for application in Nearline HDDs to increase slightly from the second quarter and sales of Magnets to also increase following a rise in demand for automobiles. However, we are projecting sales for the segment as a whole to decline by 5 to 8%.

In the Energy Application Products segment, we are projecting sales to peak in the third quarter due to a peak in demand for smartphone applications, robust sales for PCs and tablets, and a steady rise in sales of high power products for residential energy storage systems, etc. In Power Supplies, sales for industrial equipment such as semiconductor manufacturing equipment are expected to be flat. As a result of the above, we are projecting an increase in sales by 0 to 3% for the segment as a whole.

FY March 2021 full year / dividend projections

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(Yen billions)	FY March 2020 full year results	FY March 2021 full year projections (announced on Jul. 30, 2020)	FY March 2021 full year projections (announced on Oct. 30, 2020)	YoY change	
				Yen billions	%
Net sales	1,363.0	**1,290.0**	**1,400.0**	37.0	2.7
Operating income	97.9	**70.0**	**110.0**	12.1	12.4
Operating income margin	7.2%	**5.4%**	**7.9%**	+0.7 pt	-
Income before income taxes	95.9	**70.0**	**111.0**	15.1	15.7
Net income	57.8	**48.0**	**76.0**	18.2	31.5
Earning per share (JPY)	457.47	**379.98**	**601.64**	-	-
Dividends (JPY)	1st half : 90 2nd half : 90 Annual: 180	**1st half : 80 2nd half : 80 Annual : 160**	**1st half : 90 2nd half : 90 Annual : 180**	-	-
Ex-rate US$ (JPY)	108.82	**105.00**	**106.00**	-	
Ex-rate EURO (JPY)	120.92	**117.00**	**123.00**	-	
Capital expenditure	173.4	**180.0**	**200.0**	26.6	15.3
Depreciation and amortization	125.0	**140.0**	**140.0**	15.0	12.0
Research and development	117.5	**120.0**	**120.0**	2.5	2.1

Finally, we come to our consolidated full-year earnings projections for the fiscal year ending March 2021.

We have revised our initial forecasts in light of the demand environment and sales projections which I explained earlier.

Our consolidated full-year earnings projections have been revised upward to net sales of 1,400.0 billion yen, operating income of 110.0 billion yen, income before income taxes of 111.0 billion yen, and net income of 76.0 billion yen. Based on growth in earnings per share, dividends are to be 90 yen per share for the first half and 90 yen per share for the second half for an annual dividend of 180 yen per share, an increase of 20 yen per share on an annual basis from our initial plan of 80 yen per share for the first half, 80 yen per share for the second half, for an annual dividend of 160 yen per share.

Our assumption of exchange rates against the U.S. dollar and the euro are 105 yen and 124 yen, respectively, for the second half, and 106 yen and 123 yen, respectively, for the full year.

We have also increased our capital expenditure projections by 20.0 billion yen to 200.0 billion yen on an annual basis mainly in Rechargeable Batteries, demand for which is expanding.

That concludes my presentation. Thank you very much for your attention.

Cautionary statements with respect to forward-looking statements

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Text data including Q&A of performance briefing will be uploaded on following site.
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