Acquisition of EPCOS AG—Becoming the Global

TDK President Kamigama (left) and EPCOS President Pegam (right) shake hands on the business combination agreement in electronic components (announced July 31, 2008)

In October 2008, TDK made Germany-headquartered EPCOS AG a consolidated subsidiary. And to strengthen the foundations of TDK's passive components business in the shortest possible time and to the fullest extent, TDK plans to carve out the Company's passive components businesses—namely, capacitors, magnetics, high-frequency components, and sensors and actuators as well as the Electronic Components Sales & Marketing Group—incorporating them in a new company, TDK-EPC Corporation, to be established on October 1, 2009. EPCOS AG will be a subsidiary of this new company, which will be wholly owned by TDK.

Field	TDK	EPCOS
Technologies	Strong in materials and process technologies	Strong in application and module technologies
Businesses	Strong in ceramic capacitors and inductive devices	Strong in high-frequency components and sensors
	Capacitors / Magnetics*	Sensors and actuators / High-frequency components
	* Inductive devices, ferrite, transformers, etc.	
Markets and Products	Strong in commodity products	Strong in customized products
	Consumer electronics / IT / Telecom	Automotive electronics / Industrial electronics
Regions	Strong in Japan and the rest of Asia	Strong in Europe, South America and India

New Company: TDK-EPC Corporation
(Scheduled for establishment on October 1, 2009)

The Aims of TDK-EPC Corporation

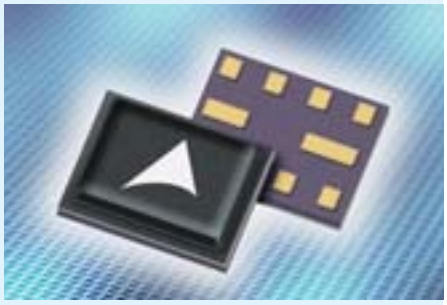
As shown above, TDK and EPCOS AG have different origins and have pursued different growth paths to date. As a result, they have different strengths in terms of technologies, businesses, markets, products, and regions. This business combination should therefore generate synergies from what is a complementary fit in almost all respects, ultimately strengthening both companies.

The goal is to leverage the strengths of both companies through this business combination with the EPCOS Group under TDK-EPC to bolster competitiveness in a bid to achieve more growth—and become the global leader in electronic components.

Leader in the Electronic Components Industry

R&D Capabilities to Create Next-Generation Electronic Components

TDK possesses strengths in materials technologies, from ferrite and other magnetic materials to dielectric materials, piezoelectric materials, and process technologies for turning these materials into commercial products for use in various electronic components. EPCOS AG, meanwhile, has developed business centered on the European market, where competition is fierce among major communications equipment manufacturers. Its strengths lie in module technologies necessary for developing electronic components for mobile phones as well as application technologies.



EPCOS AG SAW filters for mobile phones

EPCOS AG SAW filter production facility

The development of electronic components demands the development of materials and sophisticated manufacturing techniques such as micro-processing expertise. Components must also have the performance and form required by finished products. The synergies derived from TDK's and EPCOS AG's technologies should yield an even better ability to develop such electronic components.

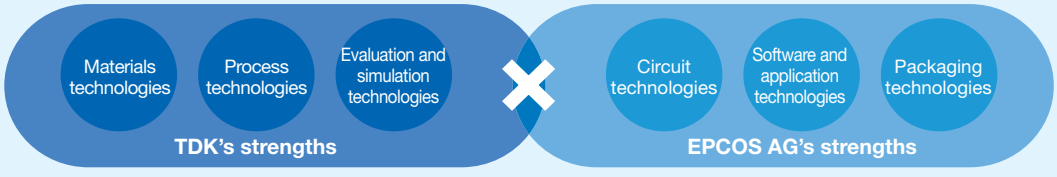
One example of potential synergies is using the thin-film multilayering technologies TDK has gained in the HDD heads field to improve EPCOS AG's SAW filters. Conversely, EPCOS AG's MEMS* technology can be employed in developing various TDK electronic components.

EPCOS AG front-end modules for mobile phones

* An abbreviation of Micro Electro Mechanical Systems, MEMS combines micro-mechanical components and electronic circuits using semiconductor fabrication technologies.

Mobile phones and notebook PCs are becoming increasingly sophisticated and automobiles are becoming safer, more comfortable and more fuel efficient. These trends are being driven by advances in modularization and systematization aimed at making smaller, lighter and more efficient electronic components. But the development of modules requires various technologies. By combining TDK's materials, process and evaluation and simulation technologies and EPCOS AG's circuit, software and application and packaging technologies, TDK-EPC will be able to create even more advanced modules and systems.

Future Modularization and Systemization of Electronic Components



Wider Business Fields, Markets and Product Lineups

TDK excels in ceramic capacitors and inductive devices for general-purpose products such as consumer electronics and PCs. For its part, EPCOS AG excels in customized products such as piezo actuators for automobile fuel injection systems; SAW filters for mobile phones; and aluminum electrolytic and film capacitors for industrial electronics.

TDK-EPC will boast a lineup of capacitors for an even wider range of applications, with the addition of EPCOS AG's aluminum electrolytic capacitors and film capacitors, which command high market shares in Europe, to TDK's multilayer ceramic chip capacitors. Furthermore, EPCOS AG's aluminum electrolytic capacitors can be incorporated in TDK-Lambda Corporation's power supplies. EPCOS AG's large-capacity power capacitors are used in power conditioners for wind and solar power generation systems. In these and other ways, the business combination will significantly expand businesses, markets and product lineups, and should lead to even more business opportunities.

EPCOS AG aluminum electrolytic capacitors for power supplies

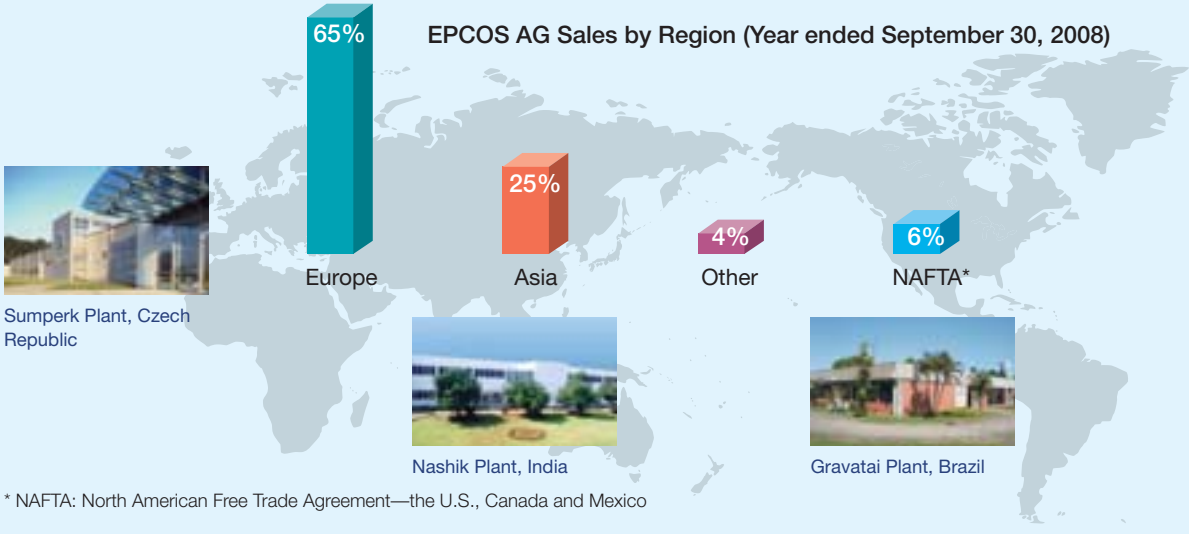
EPCOS AG film capacitors

Facilitating Global Sales, Development and Production Activities

TDK's main markets are Japan and the rest of Asia, whereas EPCOS AG focuses mainly on Europe and is also developing business in promising markets such as Brazil, India and Russia. Furthermore, EPCOS AG has more than 20 design and production locations spread across Europe, the Americas and Asia-Pacific, augmenting TDK's bases and leading to significantly enhanced comprehensive capabilities.

This is important in the context of the prevailing business environment, including the world economy, which remains unpredictable. Marketing activities that span the globe will give the company an advantage in better anticipating needs in strategic markets, product categories and technologies.

EPCOS AG Sales by Region (Year ended September 30, 2008)



Sumperk Plant, Czech Republic

Nashik Plant, India

Gravatai Plant, Brazil

* NAFTA: North American Free Trade Agreement—the U.S., Canada and Mexico

About EPCOS AG

EPCOS AG is one of the world's leading manufacturers of electronic components, modules and systems incorporated in various electronic and electrical equipment. Its products are used in a broad range of fields, ranging from consumer electronics such as TVs, DVD recorders and computers, to automobiles, mobile phones, factory automation systems, and wind and solar power generation systems.

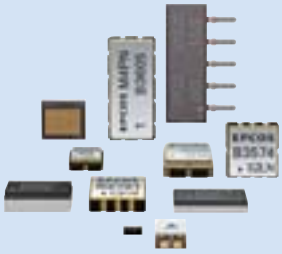
- Corporate background: Originally a components division of Germany's Siemens AG, EPCOS AG was established as a joint venture between Siemens and the former Matsushita Electronic Components Co., Ltd., a Panasonic Group subsidiary.
- Headquarters: Munich, Germany
- Employees: 21,195 (As of September 30, 2008)
- Assets and earnings for the year ended September 30, 2008 (October 1, 2007 to September 30, 2008)
  - · Net sales: 1,478 million euros
  - · Net income: 64 million euros; net income ratio 4.4%
  - · Total assets: 1,395 million euros
  - · Total equity without minority interest: 675 million euros; equity ratio 48.4%

Munich headquarters

- Main Products

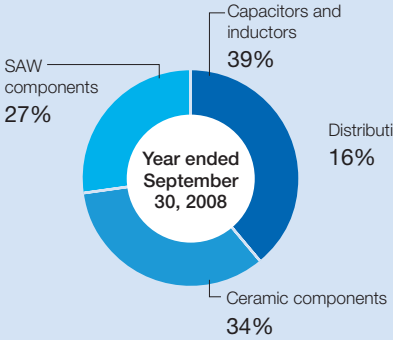
Ceramic components

Capacitors and inductors

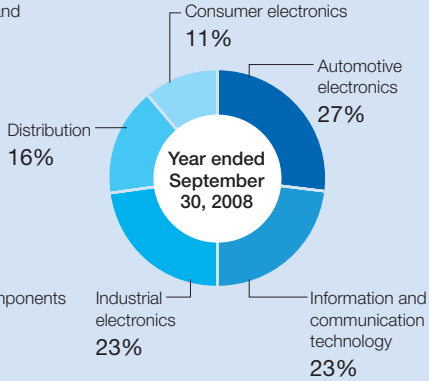


SAW components

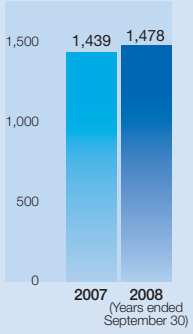
Share of Sales by Business Segments



Share of Sales by Industries



Net Sales
(Millions of euros)



Net Income
(Millions of euros)