



TDK Corporation
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Contact;
TDK Corporation (Tokyo)

Corporate Communications Group
Kazushige Atsumi

+81(3)6778-1055

Consolidated results (U.S. GAAP) for FY March 2020

Summary (April 1, 2019 - March 31, 2020)

Term Item	FY2019 (Apr. 1, 2018 - Mar. 31, 2019)		FY2020 (April 1, 2019 - March 31, 2020)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	1,381,806	100.0	1,363,037	100.0	12,504,927	(18,769)	-1.4
Operating income	107,823	7.8	97,870	7.2	897,890	(9,953)	-9.2
Income before income taxes	115,554	8.4	95,876	7.0	879,596	(19,678)	-17.0
Net income attributable to TDK	82,205	5.9	57,780	4.2	530,092	(24,425)	-29.7
Per common share :							
Net income attributable to TDK / Basic	Yen 651.02		Yen 457.47		U.S.\$ 4.20		
Net income attributable to TDK / Diluted	Yen 649.45		Yen 456.44		U.S.\$ 4.19		
Capital expenditures	173,592	-	173,429	-	1,591,092	(163)	-0.1
Depreciation and amortization	106,631	7.7	124,984	9.2	1,146,642	18,353	17.2
Research and development	115,155	8.3	117,489	8.6	1,077,881	2,334	2.0
Result of financial income (loss)	3,591	-	6,495	-	59,587	2,904	-
Ratio of overseas production	85.4%	-	84.4%	-	-		
Number of employees	104,781	-	107,138	-	-		

Note:

U.S.\$1=Yen 109, for convenience only.

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[Summary Information and Financial Statements]

1. Business Results

(1) Summary Information Regarding Consolidated Business Results

Consolidated results for fiscal 2020, the year ended March 31, 2020, were as follows.

In fiscal 2020, the global economy saw clear signs of deceleration in the Chinese economy due to factors such as the materialization of trade friction between the U.S. and China. The impacts of this economic downturn also rippled out to the European, U.S. and Japanese economies, which had been relatively firm. Moreover, in the fourth quarter, the global spread of coronavirus disease 2019 (COVID-19) caused governments to implement massive policy measures to prevent the spread of outbreaks. Notably, governments imposed lockdowns on cities in a variety of countries, such as China. These policy measures had a substantial impact on the real economy.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, trade friction between the U.S. and China and the spread of COVID-19 led to conditions such as a downturn in demand and restrictions on production activities. In the automotive market, global automobile sales volume decreased year on year, including in China, the world's largest market, although the number of components installed per vehicle increased in step with advances in the electrification of automobiles. The Information and Communications Technology (ICT) market saw a rise in demand for products related to the fifth-generation mobile communication system (5G), but smartphone production volume decreased year on year. In addition, production of Hard Disk Drives (HDDs) for data center applications increased, while production of HDDs as a whole decreased year on year.

In this business environment, the TDK's consolidated operating results for fiscal 2020 were as follows.

Summary (April 1, 2019 - March 31, 2020)

Term Item	FY2019 (Apr. 1, 2018 - Mar. 31, 2019)		FY2020 (April 1, 2019 - March 31, 2020)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	1,381,806	100.0	1,363,037	100.0	12,504,927	(18,769)	-1.4
Operating income	107,823	7.8	97,870	7.2	897,890	(9,953)	-9.2
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Per common share :							
Net income attributable to TDK / Basic	Yen 651.02		Yen 457.47		U.S.\$ 4.20		
Net income attributable to TDK / Diluted	Yen 649.45		Yen 456.44		U.S.\$ 4.19		

Note:

U.S.\$1=Yen 109, for convenience only.

Average yen exchange rates for the U.S. dollar and the euro during fiscal 2020 were ¥108.82 and ¥120.92, respectively, as the yen appreciated 1.9% against the U.S. dollar and 5.9% against the euro. This decreased net sales by approximately ¥40.7 billion and decreased operating income by approximately ¥3.1 billion.

Sales by Product

Term Product	FY2019 (April 1, 2018 - March 31, 2019)		FY2020 (April 1, 2019 - March 31, 2020)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	173,331	12.6	153,882	11.3	1,411,762	(19,449)	-11.2
Inductive Devices	149,991	10.8	137,572	10.1	1,262,128	(12,419)	-8.3
Other Passive Components	110,084	8.0	104,002	7.6	954,147	(6,082)	-5.5
Passive Components	433,406	31.4	395,456	29.0	3,628,037	(37,950)	-8.8
Sensor Application Products	76,467	5.5	77,938	5.7	715,028	1,471	1.9
Magnetic Application Products	272,807	19.7	219,668	16.1	2,015,303	(53,139)	-19.5
Energy Application Products	537,502	38.9	597,698	43.9	5,483,468	60,196	11.2
Other	61,624	4.5	72,277	5.3	663,091	10,653	17.3
Total	1,381,806	100.0	1,363,037	100.0	12,504,927	(18,769)	-1.4
Overseas sales	1,268,437	91.8	1,252,634	91.9	11,492,055	(15,803)	-1.2

Notes:

1. U.S.\$1=Yen 109, for convenience only.
2. In accordance with the redefinition of product group in 1Q of FY2020, certain products of Inductive Devices were reclassified into Other Passive Components. The prior year's sales are also reclassified to conform to the new segmentation.

1) Passive Components Segment

This segment is made up of (1) Capacitors, (2) Inductive Devices, and (3) Other Passive Components. Sales in the Passive Components segment were ¥395,456 million (U.S.\$ 3,628,037 thousand), down 8.8% year on year from ¥433,406 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥153,882 million (U.S.\$ 1,411,762 thousand), down 11.2% year on year from ¥173,331 million. Sales of Ceramic Capacitors increased to the automotive and the ICT markets, while decreased to the industrial equipment market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors decreased mainly to the industrial equipment market.

Sales of Inductive Devices decreased by 8.3% year on year from ¥149,991 million to ¥137,572 million (U.S.\$ 1,262,128 thousand). Sales decreased mainly to the automotive and the industrial equipment markets.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components decreased by 5.5% year on year from ¥110,084 million to ¥104,002 million (U.S.\$ 954,147 thousand). Sales decreased mainly to the automotive and the ICT markets.

2) Sensor Application Products Segment

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 1.9% year on year from ¥76,467 million to ¥77,938 million (U.S.\$ 715,028 thousand). Sales increased to the ICT and the industrial equipment markets, while decreased to the automotive market.

3) Magnetic Application Products Segment

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales decreased by 19.5% year on year from ¥272,807 million to ¥219,668 million (U.S.\$ 2,015,303 thousand). Sales of HDD Heads and HDD Suspension Assemblies decreased to the ICT market. Sales of Magnets decreased mainly to the industrial equipment market.

4) Energy Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries) and Power Supplies. Segment sales increased by 11.2% from ¥537,502 million to ¥597,698 million (U.S.\$ 5,483,468 thousand). Sales of Energy Devices increased significantly mainly to the ICT market.

5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales increased by 17.3% year on year from ¥61,624 million to ¥72,277 million (U.S.\$ 663,091 thousand).

The main businesses making up the four reporting segments and Other, which includes products not included in these reporting segments, are as follows:

Classification	Constituent Main Business
Passive Components	Ceramic Capacitors, Aluminum Electrolytic Capacitors, Film Capacitors, Inductive Devices (Coils/Ferrite Cores/Transformers), High-Frequency Devices, Piezoelectric Material Products, Circuit Protection Components
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Magnets
Energy Application Products	Energy Devices (Rechargeable Batteries), Power Supplies
Other	Mechatronics (Production Equipment), Others

[Sales by Region]

Overseas sales decreased by 1.2% year on year from ¥1,268,437 million to ¥1,252,634 million (U.S.\$ 11,492,055 thousand). Overseas sales accounted for 91.9% of consolidated net sales, a 0.1 percentage point increase from 91.8% one year earlier. Detailed information on sales by region can be found in the consolidated supplementary information on page 26.

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 Corporation and/or its group companies (“TDK”). These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs, and evaluations of TDK in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors.

TDK therefore wishes to caution readers that, being subject to risks, uncertainties and other factors, TDK’s actual results, performance, achievements or financial positions could be materially different from any future results, performance, achievements or financial positions expressed or implied by these forward-looking statements, and TDK undertakes no obligation to publicly update or revise any forward-looking statements after the issue of this material except as provided for in applicable laws and ordinances.

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

(2) Summary Information Regarding Consolidated Financial Position

1) The following table summarizes TDK's consolidated balance sheet as of March 31, 2020.

Total assets	¥1,943,379 million	(2.5% decrease)
Total TDK stockholders' equity	¥843,957 million	(3.8% decrease)
Stockholders' equity ratio	43.4%	(0.6 point decrease)

As of March 31, 2020 total assets decreased by ¥49,101 million compared with March 31, 2019. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) increased by ¥35,530 million. While right-of-use assets of operating leases (adopted new accounting principle) and net property, plant and equipment increased by ¥39,215 million and ¥8,040 million respectively, investments in securities decreased by ¥122,077 million.

Total liabilities decreased by ¥13,909 million from March 31, 2019. While long-term debt (including current installments of long-term debt) decreased by ¥90,869 million, long-term operating lease obligations (including current portion of operating lease obligations), retirement and severance benefits, and trade payable increased by ¥36,076 million, ¥13,908 million, and ¥11,933 million respectively.

Total TDK stockholders' equity, which is included in total equity, decreased by ¥33,333 million from March 31, 2019. While accumulated other comprehensive income (loss) decreased by ¥65,620 million, retained earnings increased by ¥35,491 million.

2) Cash Flows

(Yen millions)

	FY 2019	FY 2020	Change
Net cash provided by operating activities	140,274	222,390	82,116
Net cash used in investing activities	(140,179)	(41,964)	98,215
Net cash provided by (used in) financing activities	9,435	(121,769)	(131,204)
Effect of exchange rate changes on cash and cash equivalents	21	(15,115)	(15,136)
Net increase in cash and cash equivalents	9,551	43,542	33,991
Cash and cash equivalents at beginning of period	279,624	289,175	9,551
Cash and cash equivalents at end of period	289,175	332,717	43,542

Operating activities provided net cash of ¥222,390 million (U.S.\$2,040,276 thousand), an increase of ¥82,116 million year on year. It mainly came from increase in trade payables and decrease (increase) in other assets and liabilities.

Investing activities used net cash of ¥41,964 million (U.S.\$384,991 thousand), changed by ¥98,215 million year on year. It mainly came from proceeds from sale of investments in affiliates.

Financing activities used net cash of ¥121,769 million (U.S.\$1,117,147 thousand), changed by ¥131,204 million year on year. It mainly came from a decrease in debt.

3) Trends in Cash Flow Indicators

	FY2017	FY2018	FY2019	FY2020
1) Stockholders' equity ratio (%)	47.7	43.3	44.0	43.4
2) Stockholders' equity ratio on a market value basis (%)	53.5	63.5	55.0	54.5
3) No. of years to redeem debt	2.09	5.29	3.71	1.91
4) Interest coverage ratio (times)	46.7	20.5	33.8	60.6

[Notes]

1) Stockholders' equity ratio = Total stockholders' equity/Total assets

2) Stockholders' equity ratio on a market value basis = Market capitalization (*1)/Total assets

(*1) Market capitalization = Closing price of TDK's common shares on the Tokyo Stock Exchange at fiscal year-end x Shares issued and outstanding at fiscal year-end after deducting treasury shares

3) No. of years to redeem debt = Interest-bearing liabilities (*2)/Cash flows from operating activities

(*3)

(*2) Interest-bearing liabilities: "Short-term debt," "current installments of long-term debt," and "long-term debt, excluding current installments" on the consolidated balance sheets.

(*3) Cash flows from operating activities: "Net cash provided by operating activities" on the consolidated statements of cash flows.

4) Interest coverage ratio = Cash flows from operating activities/Interest payments (*4)

(*4) Interest payments: "Interest expense" on the consolidated statements of income

(3) Fundamental Policy for Distribution of Earnings, and Fiscal 2020 and Fiscal 2021 Dividends

TDK recognizes that achieving increase in corporate value over the medium- and long-term ultimately translates into higher shareholder value. In line with this understanding, TDK's fundamental policy is to work to consistently increase dividends through growth in earnings per share. By actively investing for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to rapid technological innovation in the electronics industry, TDK is aiming to increase a medium- and long-term corporate value. Accordingly, TDK actively reinvests its earning in business activities and determines its dividends taking into consideration comprehensive factors, including return on equity (ROE) and dividends on equity (DOE) on a consolidated basis, as well as changes in the business environment, among other factors.

TDK plans to pay a year-end dividend of ¥90 per common share, subject to approval at the ordinary general meeting of shareholders scheduled for June 23, 2020. Combined with the interim dividend of ¥90 per common share paid in December 2019, the planned dividend per common share applicable to the year will be ¥180.

TDK plans to pay an interim dividend of ¥80 per common share and a year-end dividend of ¥80 per common share respectively in Fiscal 2021.

(Yen)	FY 2021 Forecast	FY 2020
Interim dividend	80.00	(Actual) 90.00
Year-end dividend	80.00	(Forecast) 90.00
Annual dividend	160.00	(Forecast) 180.00

2. Management Policies

(1) Fundamental Management Policy

TDK was founded as a venture enterprise in 1935 for the purpose of industrializing a magnetic material called ferrite, which was invented at the Tokyo Institute of Technology. TDK's corporate motto is "Contribute to culture and industry through creativity," a message that embodies the company's founding spirit. Guided by this spirit, in the ensuing years TDK has sought to refine its materials and process technologies, as it develops new products that satisfy market needs. Concurrently, TDK has advanced globalization and diversification of its business operations while actively pursuing M&As, collaboration with external partners and other initiatives. As a result, TDK today is engaged in four main businesses: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products.

Looking ahead, TDK would like to remain a dynamic company that continues to deliver even higher value to all stakeholders, including shareholders, customers, suppliers, employees and local communities, by bringing together the entire Group's strengths while taking full advantage of the strengths of each Group company, and constantly drawing on innovative thinking and a willingness to tackle new challenges.

(2) Targeted Management Indicators

To realize this fundamental management policy, TDK conducts its business activities with reference to the following indicators.

(Important Fundamental Management Indicator)

*** TVA (TDK Value Added)**

TVA measures the added value newly created by the company's business activities and is an important decision-making tool for management.

TVA is a TDK proprietary value-added yardstick that measures the extent of earnings commensurate with invested capital. This indicator compares earnings after taxes but without deducting interest expenses with the cost of capital (stockholders' equity + interest-bearing liabilities).

(Indicator for Managing Environmental Performance)

*** CO₂ Emissions Reductions**

As part of its environmental action plan to promote business activities in harmony with the natural environment, TDK has set a target for CO₂ emissions reductions.

(3) Medium- and Long-Term Management Strategy

The business environment revolving around electronics is now standing on the threshold of a period of major upheaval. Transformation has begun in earnest, with an energy transformation (EX) driven by the shift from fossil fuels to renewable energy and a digital transformation (DX) driven by the

permeation of digital technologies, such as the Internet of Things (IoT; technology for connecting a variety of things to the Internet) and Artificial Intelligence (AI), to every aspect of society.

Under its medium- and long-term management strategy, the TDK Group is pursuing two core priorities: (1) “contribute to the solution of energy and environmental issues” and (2) “contribute to making society more efficient through the use of data.”

The aforementioned trends of EX and DX will dramatically increase the demand for electronic components. With this in mind, TDK will strive to expand its four main businesses: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products. TDK aims to achieve sustainable growth and increase corporate value by refining the materials and process technologies it has cultivated, and strengthening provision of solutions that respond to market needs. In addition, TDK will pursue a zero-defect quality strategy based on advanced technological capabilities, along with working to further globalize its business operations through speed-focused management.

In the three-year medium-term plan running through fiscal 2021, the TDK Group is targeting a return on equity (ROE) of over 14%. The Group will work to enhance its overall profitability and capital efficiency, while effectively investing in new product development and new businesses, in addition to investing in its main businesses.

The TDK Group will continuously strive to contribute to the solution of various social issues on a global scale by implementing its corporate motto, “Contribute to culture and industry through creativity.”

(4) Pressing Issues

The global economy is expected to suffer a substantial downturn that will likely persist over an extended period of time due to the global spread of coronavirus disease 2019 (COVID-19). As a result, the COVID-19 pandemic could have a lasting negative impact on the international community after it has ended, drastically reshaping the social and industrial landscape. The business environment surrounding the TDK Group could also be altered tremendously.

However, even amid these changes in the social and industrial landscape, the trends of EX and DX should continue to grow in the electronics market. These trends are expected to bring about the creation of new markets in the TDK Group’s business fields. Significant growth opportunities will be presented to the TDK Group by trends that include the widespread adoption of renewable energy and electric vehicles in EX, the growing use of the fifth-generation mobile communications system (5G) and the practical use of Advanced Driving Assistance Systems (ADAS) in automobiles in DX. There will also be growing adoption of IoT, wearable products, and cloud services. It is imperative for TDK to steadily capture these growth opportunities without falling behind these major changes. To this end, TDK will actively conduct research and technological development, with a view to launching competitive new products in a timely fashion and expanding production capacity in line

with demand.

TDK also recognizes that acquiring and appropriately allocating management resources is a pressing issue for realizing growth. Accordingly, TDK will revise the Group's entire business portfolio as necessary. Human resources are one of TDK's most important management resources. With non-Japanese employees accounting for more than 90% of the TDK Group's workforce, TDK believes that diverse and abundant human resources are a key source of its competitiveness. To enhance its human resources further, TDK identify talented human resources from across the entire TDK Group, and work to train and make the most of these individuals.

The current medium-term plan positions improving the value the TDK Group imparts to society as one of its high-priority issues. The Sustainability Promotion HQ established in April 2019 is taking the lead in bolstering initiatives toward this goal. TDK aims to drive further growth by bolstering its business initiatives using the SDGs—the international development goals listed in “The 2030 Agenda for Sustainable Development” adopted at a UN Summit in September 2015—as a framework, and contributes to society through sustainable business activities.

In line with the Group's globalization, TDK is working to strengthen Group governance by redeveloping rules that clearly delineate the responsibilities and authorities of each Group company and by continuously striving to make its corporate philosophy more widely and better known throughout the Group.

3. Basic Rationale for Selection of Accounting Standards

TDK started to prepare its consolidated financial statements using U.S. GAAP when it issued an American Depositary Receipt (“ADR”) in July 1974. In April 2009, TDK delisted its shares on the New York Stock Exchange but maintained its ADR program in the U.S., and continues to use U.S. GAAP when it prepares consolidated financial statements. This was done from the viewpoint of protecting shareholders or investors and enabling them to make comparisons with past disclosures of information.

As for the application of International Financial Reporting Standards (“IFRS”), TDK's policy is to respond appropriately after taking into consideration the circumstances unfolding both in Japan and overseas.

4. Consolidated Financial Statements

(1) Balance Sheets

ASSETS						
Term Item	As of March 31, 2019		As of March 31, 2020			Change
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)
Current assets	922,485	46.3	966,482	49.7	8,866,807	43,997
Cash and cash equivalents	289,175		332,717		3,052,450	43,542
Short-term investments	40,505		32,494		298,110	(8,011)
Marketable securities	57		56		514	(1)
Net trade receivables	308,154		310,142		2,845,339	1,988
Inventories	226,892		236,453		2,169,293	9,561
Other current assets	57,702		54,620		501,101	(3,082)
Noncurrent assets	1,069,995	53.7	976,897	50.3	8,962,358	(93,098)
Investments in securities	155,306		33,229		304,853	(122,077)
Net property, plant and equipment	603,110		611,150		5,606,881	8,040
Right-of-use assets of operating leases	-		39,215		359,771	39,215
Goodwill	164,794		160,945		1,476,559	(3,849)
Other assets	146,785		132,358		1,214,294	(14,427)
TOTAL	1,992,480	100.0	1,943,379	100.0	17,829,165	(49,101)

LIABILITIES AND EQUITY						
Term Item	As of March 31, 2019		As of March 31, 2020			Change
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)
Current liabilities	714,320	35.8	718,905	37.0	6,595,459	4,585
Short-term debt	221,310		216,601		1,987,165	(4,709)
Current installments of long-term debt	91,276		68,028		624,110	(23,248)
Current portion of operating lease obligations	-		7,252		66,532	7,252
Trade payables	189,892		201,825		1,851,606	11,933
Accrued expenses	192,800		201,591		1,849,459	8,791
Other current liabilities	19,042		23,608		216,587	4,566
Noncurrent liabilities	394,404	19.8	375,910	19.3	3,448,715	(18,494)
Long-term debt, excluding current installments	207,682		140,061		1,284,963	(67,621)
Long-term operating lease obligations	-		28,824		264,440	28,824
Retirement and severance benefits	129,050		142,958		1,311,541	13,908
Other noncurrent liabilities	57,672		64,067		587,771	6,395
Total liabilities	1,108,724	55.6	1,094,815	56.3	10,044,174	(13,909)
Common stock	32,641		32,641		299,459	-
Additional paid-in capital	5,958		1,783		16,358	(4,175)
Legal reserve	44,436		45,254		415,174	818
Retained earnings	935,649		971,140		8,909,541	35,491
Accumulated other comprehensive income (loss)	(124,435)		(190,055)		(1,743,624)	(65,620)
Treasury stock	(16,959)		(16,806)		(154,183)	153
Total TDK stockholders' equity	877,290	44.0	843,957	43.4	7,742,725	(33,333)
Noncontrolling interests	6,466	0.4	4,607	0.3	42,266	(1,859)
Total equity	883,756	44.4	848,564	43.7	7,784,991	(35,192)
TOTAL	1,992,480	100.0	1,943,379	100.0	17,829,165	(49,101)

Note:

U.S.\$1=Yen 109, for convenience only.

(2) Statements of Income and Statements of Comprehensive Income (Loss)

Statements of Income

Term Item	FY2019 (April 1, 2018 - March 31, 2019)		FY2020 (April 1, 2019 - March 31, 2020)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	1,381,806	100.0	1,363,037	100.0	12,504,927	(18,769)	-1.4
Cost of sales	985,321	71.3	959,714	70.4	8,804,716	(25,607)	-2.6
Gross profit	396,485	28.7	403,323	29.6	3,700,211	6,838	1.7
Selling, general and administrative expenses	287,561	20.8	289,771	21.3	2,658,449	2,210	0.8
Other operating expense (income)	1,101	0.1	15,682	1.1	143,872	14,581	-
Operating income	107,823	7.8	97,870	7.2	897,890	(9,953)	-9.2
Other income (deductions):							
Interest and dividend income	7,746		10,166		93,266	2,420	
Interest expense	(4,155)		(3,671)		(33,679)	484	
Foreign exchange gain (loss)	(4,412)		(4,020)		(36,881)	392	
Other-net	8,552		(4,469)		(41,000)	(13,021)	
Total other income (deductions)	7,731	0.6	(1,994)	-0.2	(18,294)	(9,725)	-
Income before income taxes	115,554	8.4	95,876	7.0	879,596	(19,678)	-17.0
Income taxes	33,004	2.5	38,719	2.8	355,220	5,715	17.3
Net income	82,550	5.9	57,157	4.2	524,376	(25,393)	-30.8
Less: Net income (loss) attributable to noncontrolling interests	345	0.0	(623)	-0.0	(5,716)	(968)	-
Net income attributable to TDK	82,205	5.9	57,780	4.2	530,092	(24,425)	-29.7

Note:

U.S.\$1=Yen 109, for convenience only.

Statements of Comprehensive Income (Loss)

Term Item	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)		Change
	(Yen millions)	(Yen millions)	(U.S.\$ thousands)	(Yen millions)
Net income	82,550	57,157	524,376	(25,393)
Other comprehensive income (loss), net of taxes:				
Foreign currencies translation adjustments	4,457	(45,684)	(419,119)	(50,141)
Pension liability adjustments	(6,357)	(20,065)	(184,083)	(13,708)
Net unrealized gains (losses) on securities	(55)	(87)	(798)	(32)
Total other comprehensive income (loss)	(1,955)	(65,836)	(604,000)	(63,881)
Comprehensive income (loss)	80,595	(8,679)	(79,624)	(89,274)
Comprehensive income (loss) attributable to noncontrolling interests	260	(858)	(7,872)	(1,118)
Comprehensive income (loss) attributable to TDK	80,335	(7,821)	(71,752)	(88,156)

Note:

U.S.\$1=Yen 109, for convenience only.

(3) Statements of Stockholders' Equity

(Yen millions)

FY2019 (April 1, 2018 - March 31, 2019)	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity
Balance as of March 31, 2018	32,641	8,738	45,366	874,563	(119,492)	(17,182)	824,634
Cumulative effect of adoption of ASU2014-09				181			181
Cumulative effect of adoption of ASU2016-01				3,083	(3,083)		-
Cumulative effect of adoption of ASU2016-16				(6,374)			(6,374)
Equity transaction of consolidated subsidiaries and other		(2,780)			10	225	(2,545)
Cash dividends				(18,939)			(18,939)
Transferred to legal reserve			1,367	(1,367)			-
Transferred to retained earnings			(2,297)	2,297			-
Comprehensive income							
Net income				82,205			82,205
Other comprehensive income (loss)					(1,870)		(1,870)
Total comprehensive income (loss)							80,335
Acquisition of treasury stock						(2)	(2)
Sale of treasury stock						0	0
Balance as of March 31, 2019	32,641	5,958	44,436	935,649	(124,435)	(16,959)	877,290

FY2019 (April 1, 2018 - March 31, 2019)	Noncontrolling interests	Total equity
Balance as of March 31, 2018	6,598	831,232
Cumulative effect of adoption of ASU2014-09		181
Cumulative effect of adoption of ASU2016-01		-
Cumulative effect of adoption of ASU2016-16		(6,374)
Equity transaction of consolidated subsidiaries and other	(371)	(2,916)
Cash dividends	(21)	(18,960)
Transferred to legal reserve		-
Transferred to retained earnings		-
Comprehensive income		
Net income	345	82,550
Other comprehensive income (loss)	(85)	(1,955)
Total comprehensive income (loss)	260	80,595
Acquisition of treasury stock		(2)
Sale of treasury stock		0
Balance as of March 31, 2019	6,466	883,756

(Yen millions)

FY2020 (April 1, 2019 - March 31, 2020)	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity
Balance as of March 31, 2019	32,641	5,958	44,436	935,649	(124,435)	(16,959)	877,290
Equity transaction of consolidated subsidiaries and other		(4,175)			(19)	158	(4,036)
Cash dividends				(21,471)			(21,471)
Transferred to legal reserve			818	(818)			-
Transferred to retained earnings							-
Comprehensive income							
Net income				57,780			57,780
Other comprehensive income (loss)					(65,601)		(65,601)
Total comprehensive income (loss)							(7,821)
Acquisition of treasury stock						(5)	(5)
Sale of treasury stock							-
Balance as of March 31, 2020	32,641	1,783	45,254	971,140	(190,055)	(16,806)	843,957

FY2020 (April 1, 2019 - March 31, 2020)	Noncontrolling interests	Total equity
Balance as of March 31, 2019	6,466	883,756
Equity transaction of consolidated subsidiaries and other	(896)	(4,932)
Cash dividends	(105)	(21,576)
Transferred to legal reserve		-
Transferred to retained earnings		-
Comprehensive income		
Net income	(623)	57,157
Other comprehensive income (loss)	(235)	(65,836)
Total comprehensive income (loss)	(858)	(8,679)
Acquisition of treasury stock		(5)
Sale of treasury stock		-
Balance as of March 31, 2020	4,607	848,564

TDK Corporation (6762) Consolidated FY March 2020 (U.S. GAAP)

(U.S.\$ thousands)

FY2020 (April 1, 2019 - March 31, 2020)	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity
Balance as of March 31, 2019	299,459	54,661	407,670	8,583,935	(1,141,606)	(155,587)	8,048,532
Equity transaction of consolidated subsidiaries and other		(38,303)			(174)	1,450	(37,027)
Cash dividends				(196,982)			(196,982)
Transferred to legal reserve			7,504	(7,504)			-
Transferred to retained earnings							-
Comprehensive income							
Net income				530,092			530,092
Other comprehensive income (loss)					(601,844)		(601,844)
Total comprehensive income (loss)							(71,752)
Acquisition of treasury stock						(46)	(46)
Sale of treasury stock							-
Balance as of March 31, 2020	299,459	16,358	415,174	8,909,541	(1,743,624)	(154,183)	7,742,725

FY2020 (April 1, 2019 - March 31, 2020)	Noncontrolling interests	Total equity
Balance as of March 31, 2019	59,321	8,107,853
Equity transaction of consolidated subsidiaries and other	(8,220)	(45,247)
Cash dividends	(963)	(197,945)
Transferred to legal reserve		-
Transferred to retained earnings		-
Comprehensive income		
Net income	(5,716)	524,376
Other comprehensive income (loss)	(2,156)	(604,000)
Total comprehensive income (loss)	(7,872)	(79,624)
Acquisition of treasury stock		(46)
Sale of treasury stock		-
Balance as of March 31, 2020	42,266	7,784,991

Note:

U.S.\$1=Yen 109, for convenience only.

(4) Statements of Cash Flows

Term Item	FY2019	FY2020	
	(April 1, 2018 - March 31, 2019)	(April 1, 2019 - March 31, 2020)	
	(Yen millions)	(Yen millions)	(U.S.\$ thousands)
Cash flows from operating activities:			
Net income	82,550	57,157	524,376
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	106,631	124,984	1,146,642
Deferred income taxes	5,458	(4,437)	(40,706)
Impairment of long-lived assets	5,112	18,592	170,569
Gain on sale of business	(4,011)	(2,910)	(26,697)
Equity in earnings of affiliates, net of dividends received	(11,147)	2,553	23,422
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	(3,388)	(13,198)	(121,083)
Decrease (increase) in inventories	(22,952)	(20,357)	(186,761)
Increase (decrease) in trade payables	(12,241)	23,090	211,835
Increase (decrease) in accrued expenses	8,541	16,563	151,954
Decrease (increase) in other assets and liabilities, net	(15,404)	6,667	61,165
Other-net	1,125	13,686	125,560
Net cash provided by operating activities	140,274	222,390	2,040,276
Cash flows from investing activities:			
Capital expenditures	(173,592)	(173,429)	(1,591,092)
Proceeds from sales of tangible and intangible assets	3,921	2,945	27,019
Proceeds from sale and maturity of short-term investments	92,197	80,328	736,954
Payment for purchase of short-term investments	(87,581)	(74,665)	(685,000)
Proceeds from sale and maturity of securities	435	1,608	14,752
Payment for purchase of securities	(803)	(2,380)	(21,835)
Proceeds from sale of business, net of cash transferred	11,462	-	-
Acquisition of subsidiaries, net of cash acquired	(2,548)	(234)	(2,147)
Proceeds from sale of investments in affiliates	22,064	124,484	1,142,055
Acquisition of investments in affiliates	(4,890)	-	-
Other-net	(844)	(621)	(5,697)
Net cash used in investing activities	(140,179)	(41,964)	(384,991)
Cash flows from financing activities:			
Proceeds from debt with maturities longer than three months	5,166	21,407	196,394
Repayment of debt with maturities longer than three months	(68,930)	(95,087)	(872,358)
Net increase (decrease) in debt with maturities of three months or less	95,824	(21,613)	(198,284)
Dividends paid	(18,948)	(21,469)	(196,963)
Acquisition of noncontrolling interests	(3,590)	(4,991)	(45,789)
Other-net	(87)	(16)	(147)
Net cash provided by (used in) financing activities	9,435	(121,769)	(1,117,147)
Effect of exchange rate changes on cash and cash equivalents	21	(15,115)	(138,670)
Net increase in cash and cash equivalents	9,551	43,542	399,468
Cash and cash equivalents at beginning of period	279,624	289,175	2,652,982
Cash and cash equivalents at end of period	289,175	332,717	3,052,450

Note:

U.S.\$1=Yen 109, for convenience only.

(5) Note Relating to the Going Concern Assumption

Nothing to report.

(6) Summary of Significant Accounting Policies

1) The consolidated financial statements are prepared in conformity with the U.S. GAAP.

Inventories are valued at the lower of cost or market as in the past, with cost mainly determined by the periodic average method.

2) As of March 31, 2020, TDK Corporation had 141 subsidiaries (13 in Japan and 128 overseas).

TDK Corporation also had 5 affiliates (3 in Japan and 2 overseas) whose financial statements are accounted for by the equity method.

3) In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02 “Leases (Topic 842)”.

This ASU requires lessees to recognize most leases on their consolidated balance sheets but recognize expenses on their consolidated statements of income in a manner similar to the previous guidance. Additionally, this ASU expands qualitative and quantitative disclosures related to leases.

TDK adopted this ASU from April 1, 2019. TDK applied the package of practical expedients that allows us not to reassess whether any existing contracts at or expired contracts prior to the adoption date are or contain leases, lease classification and whether any initial direct costs qualify for capitalization, to use hindsight in determining the lease term and in assessing impairment of the right-of-use assets, in addition to applying the short term lease exception. TDK also adopted the transition method which no restatement of comparative periods and no reassessment of land easements not previously accounted for as a lease that exist at or expired prior to the adoption date are required. The right-of-use assets of operating leases and operating lease obligations recognized at April 1, 2019 was ¥38,016 million and ¥35,690 million, respectively and are included in Noncurrent assets and liabilities in the accompanying consolidated balance sheets.

The adoption of this ASU did not have a material impact on TDK’s results of operations.

4) In August 2017, FASB issued ASU 2017-12 “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities”. This ASU amends existing guidance to simplify the application of hedge accounting in certain situations and enables an entity to better portray the economic results of an entity’s risk management activities in its financial statements. This ASU eliminates the requirement to separately measure and report hedge ineffectiveness, and requires an entity to present the earnings effect of the hedging instrument in the same line item of the consolidated statements of income in which the earnings effect of the hedged item is reported. TDK adopted this ASU from April 1, 2019.

The adoption of this ASU did not have a material impact on TDK’s results of operations and financial position.

5) The following items have been omitted from this earnings release because they are not deemed to be that necessary for disclosure.

Notes Concerning Consolidated Financial Statements

- Lease transactions
- Related-party transactions
- Tax-effect accounting
- Financial instruments
- Retirement benefits
- Stock options, etc.
- Business combinations, etc.
- Real estate for leasing
- Asset retirement obligations
- Hedge accounting
- Fair value of securities

(7) Segment Information

TDK has four reporting segments: Passive Components, Sensor Application Products, Magnetic Application Products and Energy Application Products, as well as Other, which includes products not included in these four reporting segments.

Sales by industry segment

		FY2019 (April 1, 2018 - March 31, 2019)		FY2020 (April 1, 2019 - March 31, 2020)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
		Passive Components	External customers	433,406	31.4	395,456	29.0	3,628,037
	Intersegment	3,617		2,886		26,477	(731)	-20.2
	Total	437,023		398,342		3,654,514	(38,681)	-8.9
Sensor Application Products	External customers	76,467	5.5	77,938	5.7	715,028	1,471	1.9
	Intersegment	126		215		1,972	89	70.6
	Total	76,593		78,153		717,000	1,560	2.0
Magnetic Application Products	External customers	272,807	19.7	219,668	16.1	2,015,303	(53,139)	-19.5
	Intersegment	1,838		5,730		52,569	3,892	211.8
	Total	274,645		225,398		2,067,872	(49,247)	-17.9
Energy Application Products	External customers	537,502	38.9	597,698	43.9	5,483,468	60,196	11.2
	Intersegment	10		3		28	(7)	-70.0
	Total	537,512		597,701		5,483,496	60,189	11.2
Other	External customers	61,624	4.5	72,277	5.3	663,091	10,653	17.3
	Intersegment	28,435		26,170		240,092	(2,265)	-8.0
	Total	90,059		98,447		903,183	8,388	9.3
Intersegment eliminations		(34,026)		(35,004)		(321,138)	(978)	
Total		1,381,806	100.0	1,363,037	100.0	12,504,927	(18,769)	-1.4

Note:

U.S.\$1=Yen 109, for convenience only.

Segment profit (loss) by industry segment

		FY2019 (April 1, 2018 - March 31, 2019)		FY2020 (April 1, 2019 - March 31, 2020)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
		Passive Components		58,438	13.5	39,072	9.9	358,459
Sensor Application Products		(22,125)	-28.9	(25,024)	-32.1	(229,578)	(2,899)	-
Magnetic Application Products		17,022	6.2	425	0.2	3,899	(16,597)	-97.5
Energy Application Products		91,036	16.9	124,149	20.8	1,138,982	33,113	36.4
Other		(6,727)	-10.9	(8,590)	-11.9	(78,808)	(1,863)	-
Sub total		137,644	10.0	130,032	9.5	1,192,954	(7,612)	-5.5
Corporate and Eliminations		(29,821)		(32,162)		(295,064)	(2,341)	
Operating income		107,823	7.8	97,870	7.2	897,890	(9,953)	-9.2

Note:

U.S.\$1=Yen 109, for convenience only.

(8) Fair Value of Derivatives

(Yen millions)

	Contract Amount	Carrying Amount	Estimated Fair Value
As of March 31, 2019			
Forward foreign exchange contracts	192,902	(18)	(18)
Currency swap contracts	19,701	1,323	1,323
Interest rate swap contracts	33,297	124	124
Commodity forward contracts	252	150	150
As of March 31, 2020			
Forward foreign exchange contracts	118,414	(1,235)	(1,235)
Currency swap contracts	13,051	1,102	1,102

(U.S.\$ thousands)

(U.S.\$ thousands)	Contract Amount	Carrying Amount	Estimated Fair Value
As of March 31, 2020			
Forward foreign exchange contracts	1,086,367	(11,330)	(11,330)
Currency swap contracts	119,734	10,110	10,110

Note:

U.S.\$1=Yen 109, for convenience only.

(9) Net Income per Share

Item	Term	FY2019		FY2020	
		(April 1, 2018 - March 31, 2019)		(April 1, 2019 - March 31, 2020)	
		Basic	Diluted	Basic	Diluted
Net income attributable to TDK	(Yen millions)	82,205	82,205	(Yen millions)	57,780
Weighted average common shares outstanding	Number of shares (Thousands)	126,271	126,271	Number of shares (Thousands)	126,305
Incremental shares arising from the exercise of stock options		-	305	-	284
Weighted average common shares outstanding - Total		126,271	126,576	126,305	126,589
Per common share :	(Yen)			(Yen)	
Net income attributable to TDK		651.02	649.45	457.47	456.44

Item	Term	FY2020	
		(April 1, 2019 - March 31, 2020)	
		Basic	Diluted
Net income attributable to TDK	(U.S.\$ thousands)	530,092	530,092
Weighted average common shares outstanding	Number of shares (Thousands)	126,305	126,305
Incremental shares arising from the exercise of stock options		-	284
Weighted average common shares outstanding - Total		126,305	126,589
Per common share :	(U.S.\$)		
Net income attributable to TDK		4.20	4.19

Notes:

1. U.S.\$1=Yen 109, for convenience only.
2. The dilution of net income attributable to TDK was caused by presuming the exercise of stock options issued by a subsidiary of TDK Corporation.

(10) Significant Subsequent Events

Nothing to report.

(11) Consolidated Supplementary Information

1) Exchange rates used for conversion

Item \ Term	As of March 31, 2019		As of March 31, 2020	
	US\$=Yen	Euro=Yen	US\$=Yen	Euro=Yen
The end of the period	110.99	124.56	108.83	119.55

2) Sales by region

Region \ Term	FY2019 (April 1, 2018 - March 31, 2019)		FY2020 (April 1, 2019 - March 31, 2020)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Americas	110,169	8.0	96,135	7.0	881,973	(14,034)	-12.7
Europe	167,285	12.1	148,254	10.9	1,360,128	(19,031)	-11.4
Asia and others	990,983	71.7	1,008,245	74.0	9,249,954	17,262	1.7
Overseas sales total	1,268,437	91.8	1,252,634	91.9	11,492,055	(15,803)	-1.2
Japan	113,369	8.2	110,403	8.1	1,012,872	(2,966)	-2.6
Net sales	1,381,806	100.0	1,363,037	100.0	12,504,927	(18,769)	-1.4

Notes:

1. U.S.\$1=Yen 109, for convenience only.
2. Overseas sales are based on the location of the customers.

3) Overview of sales by product

Product \ Term	1Q of FY2019 (April 1, 2018 - June 30, 2018)		2Q of FY2019 (July 1, 2018 - September 30, 2018)		3Q of FY2019 (October 1, 2018 - December 31, 2018)		4Q of FY2019 (January 1, 2019 - March 31, 2019)	
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%
Capacitors	44,461	13.0	43,883	11.6	42,721	12.2	42,266	13.7
Inductive Devices	38,938	11.4	39,478	10.4	37,301	10.6	34,274	11.0
Other	29,323	8.5	28,739	7.6	26,680	7.6	25,342	8.2
Passive Components	112,722	32.9	112,100	29.6	106,702	30.4	101,882	32.9
Sensor Application Products	18,869	5.5	20,608	5.4	19,701	5.6	17,289	5.6
Magnetic Application	70,476	20.5	75,390	19.9	66,410	18.9	60,531	19.6
Energy Application Products	125,587	36.6	154,761	40.9	145,372	41.5	111,782	36.2
Other	15,414	4.5	16,013	4.2	12,618	3.6	17,579	5.7
Total	343,068	100.0	378,872	100.0	350,803	100.0	309,063	100.0

Product \ Term	1Q of FY2020 (April 1, 2019 - June 30, 2019)		2Q of FY2020 (July 1, 2019 - September 30, 2019)		3Q of FY2020 (October 1, 2019 - December 31, 2019)		4Q of FY2020 (January 1, 2020 - March 31, 2020)		(U.S.\$ thousands)
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%	(Yen millions)	%	
Capacitors	39,279	11.7	39,643	10.7	37,286	10.5	37,674	12.5	345,633
Inductive Devices	34,149	10.1	35,662	9.6	34,803	9.8	32,958	11.0	302,367
Other	24,841	7.4	26,566	7.2	26,260	7.4	26,335	8.8	241,606
Passive Components	98,269	29.2	101,871	27.5	98,349	27.7	96,967	32.3	889,606
Sensor Application Products	18,142	5.4	20,777	5.6	20,308	5.7	18,711	6.2	171,661
Magnetic Application Products	55,529	16.5	54,465	14.7	57,859	16.3	51,815	17.3	475,367
Energy Application Products	144,513	42.9	173,664	46.9	161,177	45.3	118,344	39.4	1,085,724
Other	20,362	6.0	19,437	5.3	17,941	5.0	14,537	4.8	133,367
Total	336,815	100.0	370,214	100.0	355,634	100.0	300,374	100.0	2,755,725

Notes:

1. U.S.\$1=Yen 109, for convenience only.
2. In accordance with the redefinition of product group in 1Q of FY2020, certain products of Inductive Devices were reclassified into Other Passive Components. The prior year's sales are also reclassified to conform to the new segmentation.