

Performance Briefing 1Q of Fiscal Year March, 2017

**TDK Corporation
July 29, 2016**

◆ Consolidated Results for 1Q of FY March 2017

Tetsuji Yamanishi, Corporate Officer

◆ Q&A

Consolidated Results for 1Q of FY March 2017

Tetsuji Yamanishi
Corporate Officer

Key points concerning earnings for 1Q of FY March 2017

- ◆ **Net sales decreased by 0.3% and operating income decreased by 8.8% year on year.**
- ◆ **The passive components segment secured a year on year increase in operating income, driven by an improvement in profit margin on high-frequency components.**
- ◆ **Both sales and operating income on rechargeable batteries increased year on year after the customer portfolio expanded and sales for new applications continued to grow.**
- ◆ **HDD head sales were stronger than initially projected, despite the sluggish HDD market.**

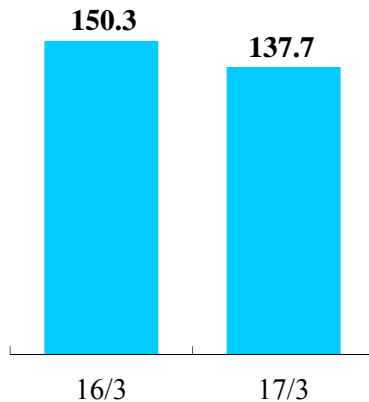
Consolidated Results for 1Q of FY March 2017

| | (Yen billions) | FY March 2016 1Q Results | FY March 2017 1Q Results | Change | |
|---|--|-----------------------------|-----------------------------|----------------------|-------|
| | | | | Yen billions | % |
| Net Sales | | 279.6 | 278.8 | (0.8) | -0.3 |
| Operating Income | | 18.1 | 16.5 | (1.6) | -8.8 |
| Operating Income Margin | | 6.5% | 5.9% | -0.6 pt | - |
| Income before Income Taxes | | 18.9 | 16.4 | (2.5) | -13.2 |
| Net Income | | 13.1 | 12.4 | (0.7) | -5.3 |
| Earning Per Share (JPY) | | 103.96 | 98.32 | - | - |
| Ex-rate | US\$ /JPY | 121.29 | 108.37 | Appreciated by 10.7% | |
| | EURO /JPY | 134.15 | 122.41 | Appreciated by 8.8% | |
| Ex-rate impact to Net sales & Operating Income | Net sales : Decreased by about 31.9 billion Yen Operating income : Decreased by about 5.9 billion Yen | | | | |

1Q Results - Passive Components Segment

Net Sales

(Yen billions)

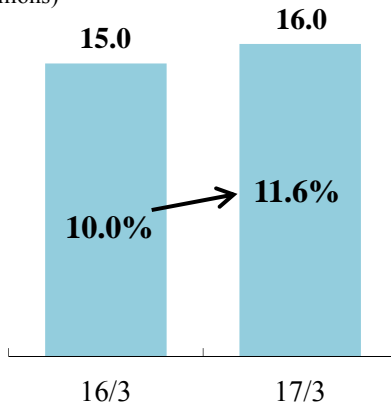


Net Sales 137.7 billion yen (down 8.4% year on year)

Operating Income 16.0 billion yen (up 6.7% year on year)

Operating Income (OP margin)

(Yen billions)



16/3: FY March 2016

◆ Ceramic Capacitors

- Sales decreased year on year.
- Sales to the automobile market increased, while sales to the ICT market decreased.

◆ Inductive Devices

- Sales decreased year on year.
- Sales to the automobile market increased, while sales to the ICT market decreased.

◆ High-frequency Components

- Sales decreased slightly year on year.
- Sales of discrete products increased, while sales of modules decreased.

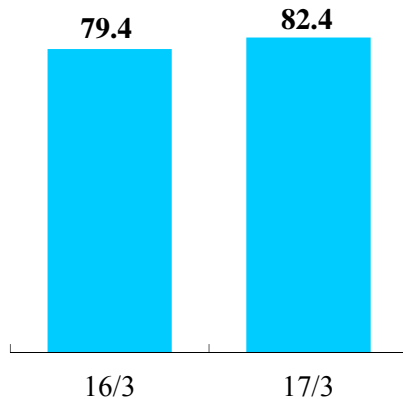
◆ Piezoelectric Material Products

- Sales decreased year on year.
- Sales of OIS for camera modules increased.

1Q Results - Magnetic Application Products Segment

Net Sales

(Yen billions)



Net Sales 82.4 billion yen (up 3.8% year on year)

Operating income 1.7 billion yen (down 55.3% year on year)

◆ HDD Heads

- Sales increased year on year.
- HDD head sales were stronger than initially projected, despite the sluggish HDD market.

◆ Magnets

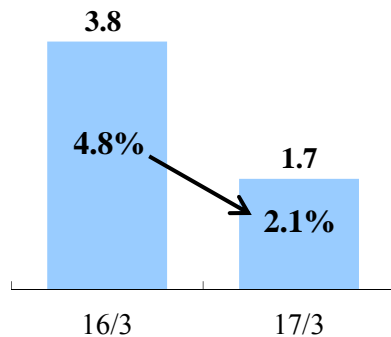
- Sales decreased year on year.
- Sales to the HDD market decreased.

◆ Power Supplies

- Sales decreased year on year.
- Sales to the industrial equipment market decreased.

Operating Income (OP margin)

(Yen billions)

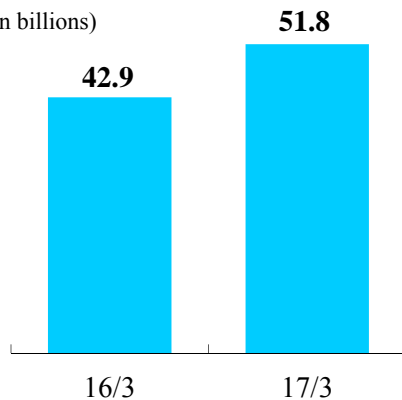


16/3: FY March 2016

1Q Results - Film Application Products Segment

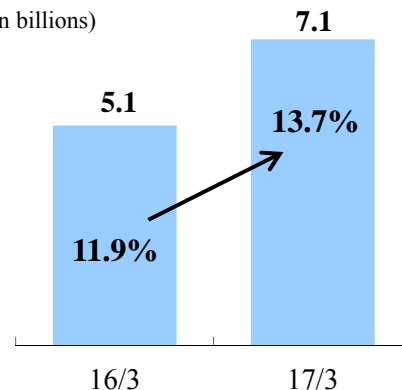
Net Sales

(Yen billions)



Operating Income (OP margin)

(Yen billions)



16/3: FY March 2016

Net sales 51.8 billion yen (up 20.7% year on year)

Operating income 7.1 billion yen (up 39.2% year on year)

◆ Energy Devices (Rechargeable Batteries)

- Sales increased year on year.
- Sales for smartphones and new applications other than smartphones increased.
- Operating income margin also increased year on year.

Quarterly Results by Segment

| (Yen billions) | | 1Q of FY March 2016 (A) | 4Q of FY March 2016 (B) | 1Q of FY March 2017 (C) | YoY Change (C)-(A) | | QoQ Change (C)-(B) | |
|-------------------------|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------|-------|-----------------------|-------|
| | | | | | Yen billions | % | Yen billions | % |
| Net Sales | Capacitors | 39.1 | 35.4 | 34.4 | (4.7) | -12.0 | (1.0) | -2.8 |
| | Inductive Devices | 39.7 | 36.3 | 35.7 | (4.0) | -10.1 | (0.6) | -1.7 |
| | Other Passive Components | 71.4 | 65.8 | 67.6 | (3.8) | -5.3 | 1.8 | 2.7 |
| | Passive Components | 150.3 | 137.4 | 137.7 | (12.6) | -8.4 | 0.3 | 0.2 |
| | Recording Devices | 54.6 | 46.0 | 61.0 | 6.4 | 11.7 | 15.0 | 32.6 |
| | Other Magnetic Application Products | 24.8 | 22.9 | 21.4 | (3.4) | -13.7 | (1.5) | -6.6 |
| | Magnetic Application Products | 79.4 | 68.9 | 82.4 | 3.0 | 3.8 | 13.5 | 19.6 |
| | Film Application Products | 42.9 | 46.1 | 51.8 | 8.9 | 20.7 | 5.7 | 12.4 |
| | Other | 7.0 | 10.5 | 6.9 | (0.1) | -1.4 | (3.6) | -34.3 |
| | Total | 279.6 | 262.9 | 278.8 | (0.8) | -0.3 | 15.9 | 6.0 |
| Operating Income | Passive Components | 15.0 | 16.5 | 16.0 | 1.0 | 6.7 | (0.5) | -3.0 |
| | Magnetic Application Products | 3.8 | 0.2 | 1.7 | (2.1) | -55.3 | 1.5 | 750.0 |
| | Film Application Products | 5.1 | 5.6 | 7.1 | 2.0 | 39.2 | 1.5 | 26.8 |
| | Other | 0.0 | 1.2 | (1.4) | (1.4) | - | (2.6) | - |
| | Sub total | 23.9 | 23.5 | 23.4 | (0.5) | -2.1 | (0.1) | -0.4 |
| | Corporate and Eliminations | (5.8) | (6.0) | (6.9) | (1.1) | - | (0.9) | - |
| | Total | 18.1 | 17.5 | 16.5 | (1.6) | -8.8 | (1.0) | -5.7 |
| Operating Income margin | | 6.5% | 6.7% | 5.9% | -0.6 pt | - | -0.8 pt | - |
| Ex-rate | US\$/JPY | 121.29 | 115.46 | 108.37 | | | | |
| | EURO/JPY | 134.15 | 127.37 | 122.41 | | | | |

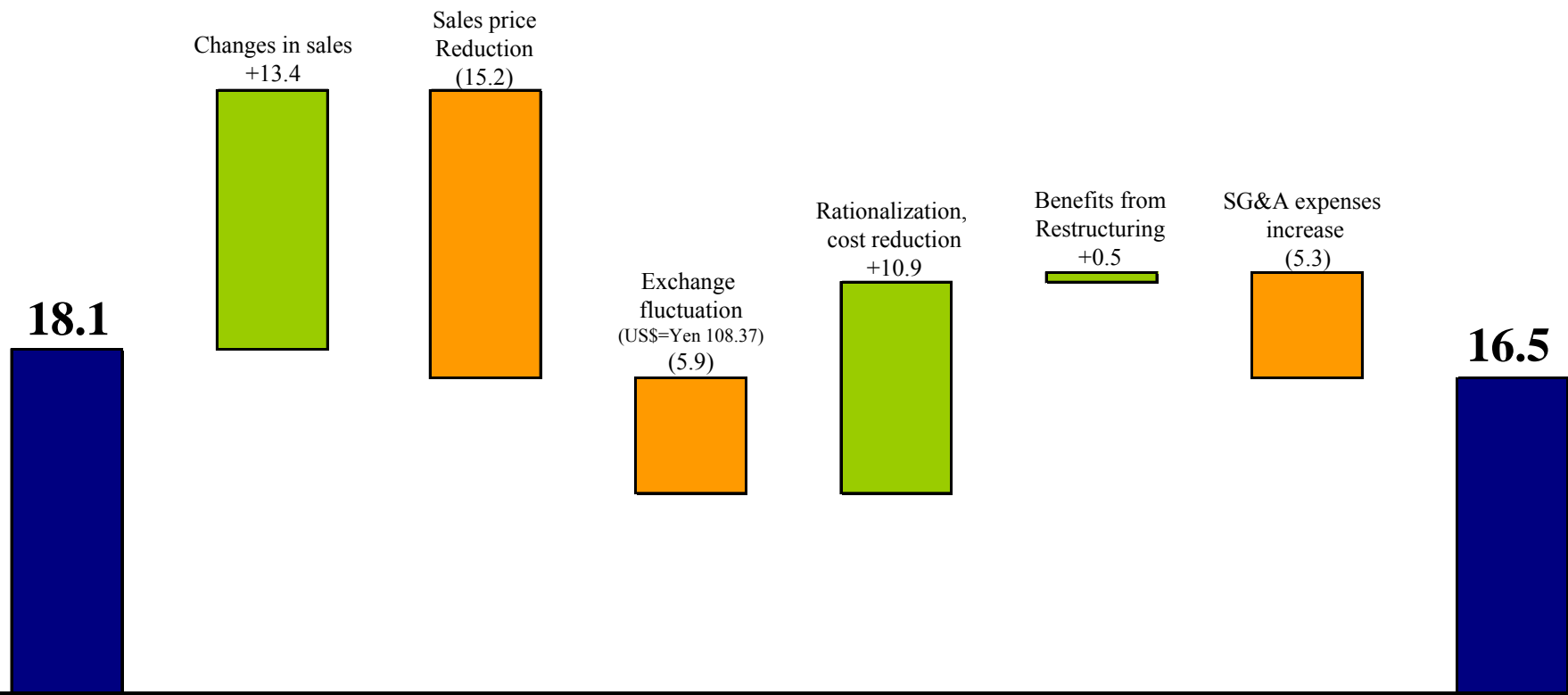
Breakdown of Operating Income Changes

1Q of
FY March 2016
18.1 billion yen

Operating Income -1.6 billion yen

1Q of
FY March 2017
16.5 billion yen

(Yen billions)



Projections for 2Q of FY March 2017 -Image of change in sales

(Yen billions)

| Segment | 1Q of FY March 2017 | 2Q Projections (Q on Q Change) |
|-------------------------------|---------------------|--------------------------------|
| Passive Components | 137.7 | +7%~+9% |
| Magnetic Application Products | 82.4 | ±0% |
| Film Application Products | 51.8 | +30%+α |
| Other | 6.9 | — |
| Total | 278.8 | +9%~+11% |

Forex assumptions

| | | |
|----------|--------|--------|
| US\$/Yen | 108.37 | 110.00 |
| EURO/Yen | 122.41 | 125.00 |

FY March 2017 Full Year / Dividend Projections

TDK keeps initial projections (announced on April 28) unchanged.

| | (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% | 1.7 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% |

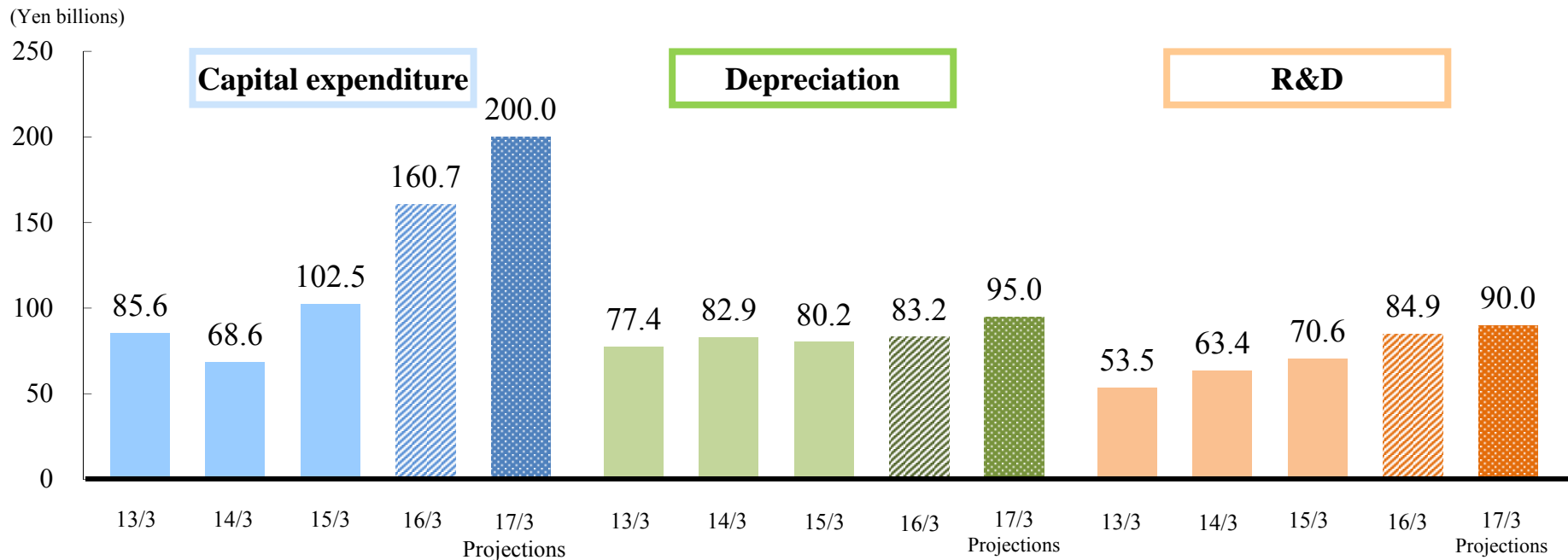
Supplementary Data

Quarterly sales and operating income by segment

| | | (Yen billions) | FY March 2016 | | | | | FY March 2017 | | | | |
|------------------|--------------------------------------|----------------|---------------|--------------|--------------|----------------|--------------|---------------|----|----|----|-------|
| | | | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Net Sales | Capacitors | 39.1 | 39.5 | 36.4 | 35.4 | 150.4 | 34.4 | | | | | |
| | Inductive Devices | 39.7 | 40.2 | 38.9 | 36.3 | 155.1 | 35.7 | | | | | |
| | Other Passive Components | 71.4 | 72.6 | 68.2 | 65.8 | 278.0 | 67.6 | | | | | |
| | Passive Components | 150.3 | 152.2 | 143.6 | 137.4 | 583.5 | 137.7 | | | | | |
| | Recording Devices | 54.6 | 60.7 | 58.5 | 46.0 | 219.8 | 61.0 | | | | | |
| | Other Magnetic Application Products | 24.8 | 24.6 | 23.3 | 22.9 | 95.5 | 21.4 | | | | | |
| | Magnetic Application Products | 79.4 | 85.3 | 81.8 | 68.9 | 315.3 | 82.4 | | | | | |
| | Film Application Products | 42.9 | 63.3 | 67.6 | 46.1 | 219.9 | 51.8 | | | | | |
| | Other | 7.0 | 7.3 | 8.7 | 10.5 | 33.6 | 6.9 | | | | | |
| | Total | 279.6 | 308.1 | 301.7 | 262.9 | 1,152.3 | 278.8 | | | | | |
| Operating Income | Passive Components | 15.0 | 17.4 | 17.5 | 16.5 | 66.4 | 16.0 | | | | | |
| | Magnetic Application Products | 3.8 | 4.5 | 4.7 | 0.2 | 13.2 | 1.7 | | | | | |
| | Film Application Products | 5.1 | 11.8 | 14.6 | 5.6 | 37.0 | 7.1 | | | | | |
| | Other | 0.0 | 0.1 | (0.1) | 1.2 | 1.2 | (1.4) | | | | | |
| | Sub-total | 23.9 | 33.7 | 36.7 | 23.5 | 117.8 | 23.4 | | | | | |
| | Corporate and Eliminations | (5.8) | (6.3) | (6.4) | (6.0) | (24.4) | (6.9) | | | | | |
| Total | 18.1 | 27.4 | 30.3 | 17.5 | 93.4 | 16.5 | | | | | | |
| Ex-rate | US\$/JPY | 121.29 | 122.31 | 121.41 | 115.46 | 120.13 | 108.37 | | | | | |
| | EURO/JPY | 134.15 | 136.06 | 133.05 | 127.37 | 132.67 | 122.41 | | | | | |

FY March 2017 Projections and Forex sensitivity

Expenses



Forex Sensitivity (impact by 1 (one) yen change)

● **US\$: Sales 5.0 billion yen, Operating Income 1.4 billion yen**

13/3: FY March 2013

Financial Position

| (Yen billions) | March End, 2016 | June End, 2016 | Change |
|------------------------------------|--------------------|-------------------|---------------|
| Total Asset | 1,450.6 | 1,416.0 | (34.6) |
| Total Liability | 765.9 | 808.3 | 42.4 |
| Stockholders's Equity | 675.4 | 599.3 | (76.1) |
| (comprehensive income) | (102.3) | (183.2) | (80.9) |
| Stockholders's Equity ratio | 46.6% | 42.3% | -4.3pt |

| | | | |
|-----------------------------------|---------------|---------------|---------------|
| Cash and Cash equivalents | 307.5 | 278.2 | (29.3) |
| Interest-bearing Debt (*1) | 335.7 | 372.2 | 36.5 |
| Net Cash (*2) | (28.2) | (94.0) | (65.8) |

| (Yen billions) | 1Q of FY March 2016 | 1Q of FY March 2017 | Change |
|--------------------------------------|------------------------|------------------------|-------------|
| Capital Expenditures | 28.7 | 53.5 | 24.8 |
| Depreciation and amortization | 20.5 | 20.6 | 0.1 |

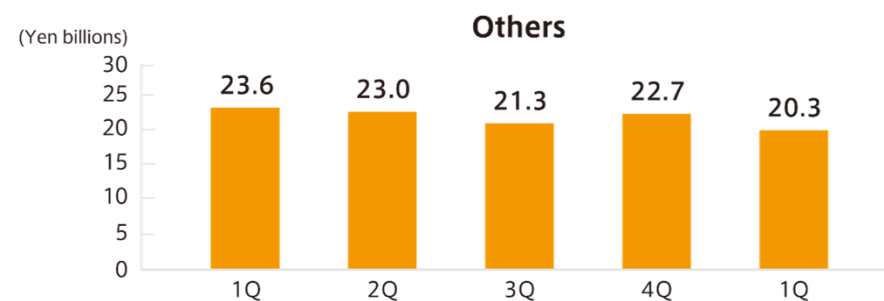
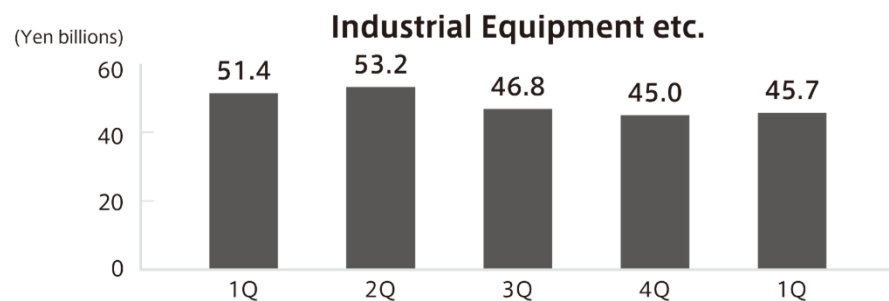
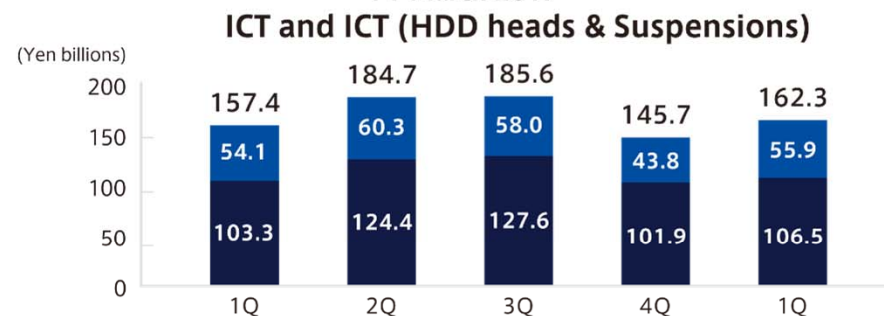
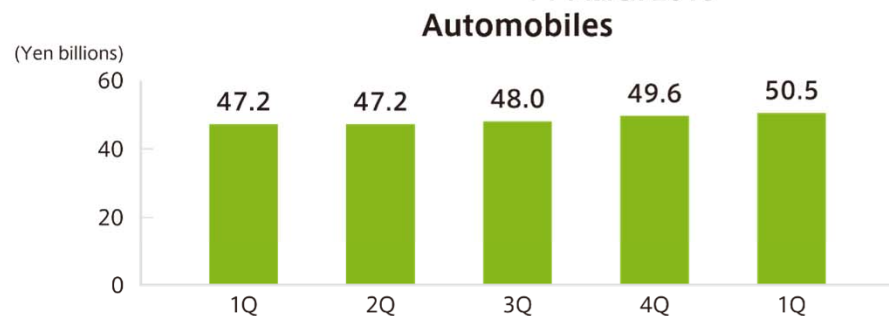
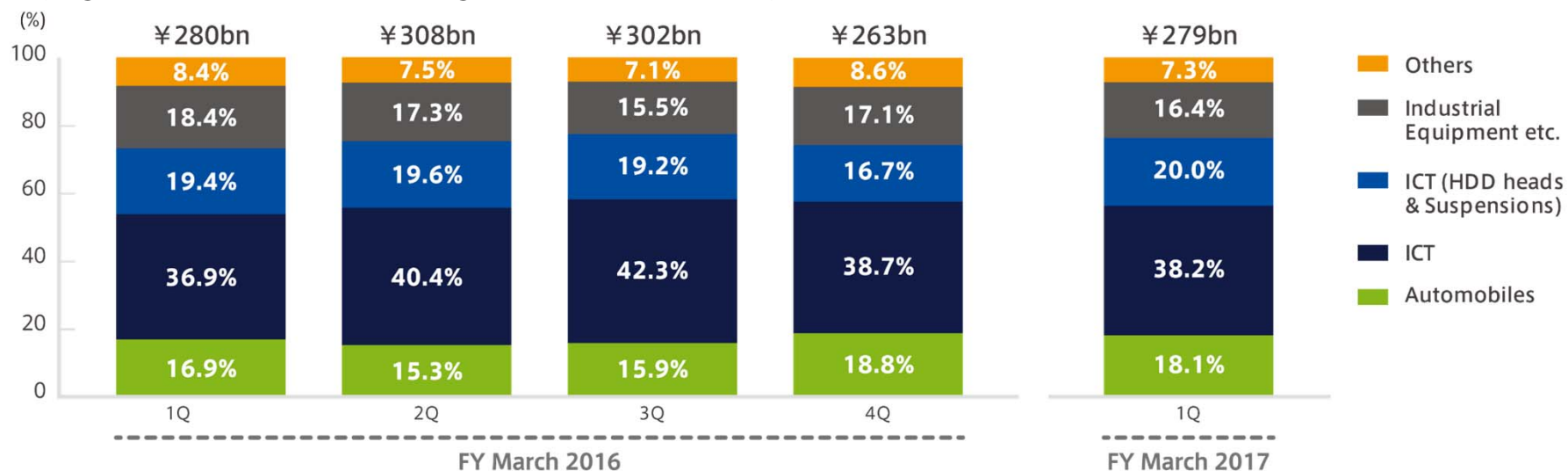
*1: Short-term debt + Current installments of long-term debt + Long-term debt, excluding current installments

*2: Cash and Cash equivalents - Interest-bearing Debt

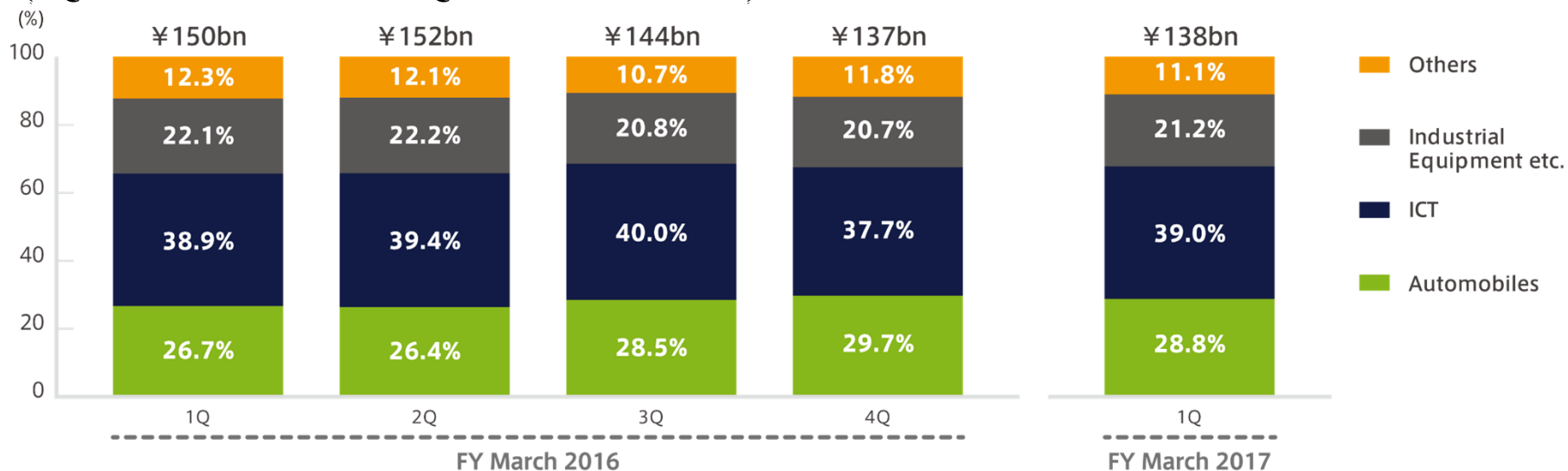
Cash Flows

| (Yen billions) | FY March 2016 Results through 1Q | FY March 2017 Results through 1Q | YoY Change |
|---|-------------------------------------|-------------------------------------|---------------|
| Operating Cash Flow | 26.6 | 8.7 | (17.9) |
| Investing Cash Flow | (25.7) | (48.2) | (22.5) |
| Free Cash Flow | 0.9 | (39.5) | (40.4) |
| Financing Cash Flow | 10.5 | 37.3 | 26.8 |
| Effect of exchange rate changes on cash and cash equivalents | 5.7 | (24.9) | (30.6) |
| Cash and Cash Equivalents | 282.2 | 258.4 | (23.8) |

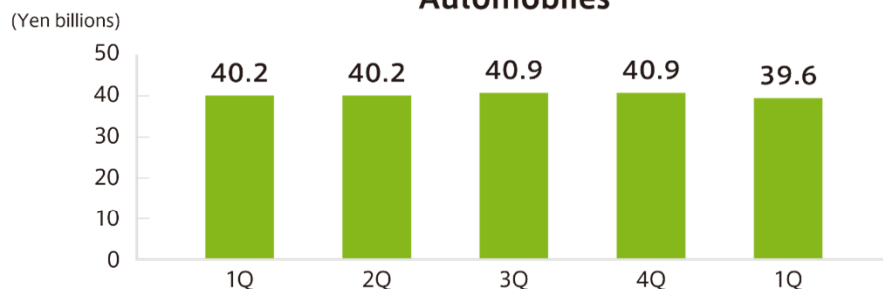
Quarterly sales by applications (1Q of FY March 2016 – 1Q of FY March 2017)



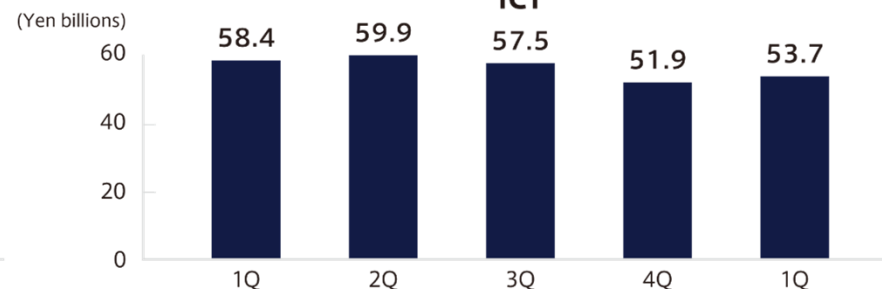
Passive Components Business quarterly sales by applications (1Q of FY March 2016 –1Q of FY March 2017)



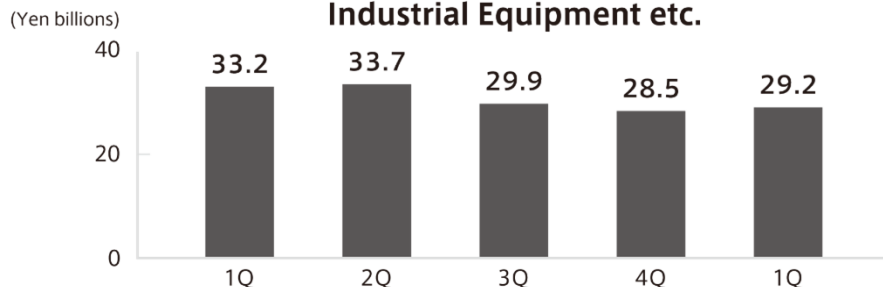
Automobiles



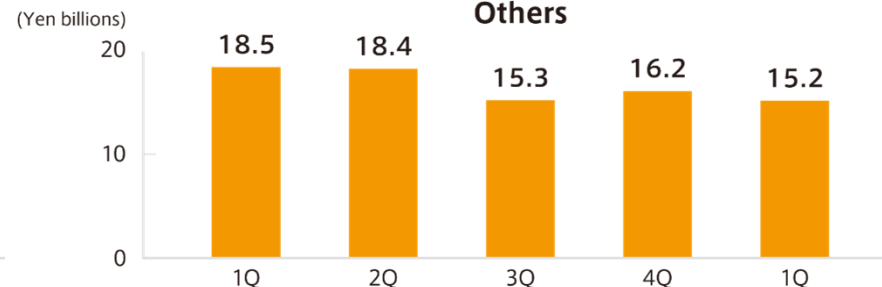
ICT



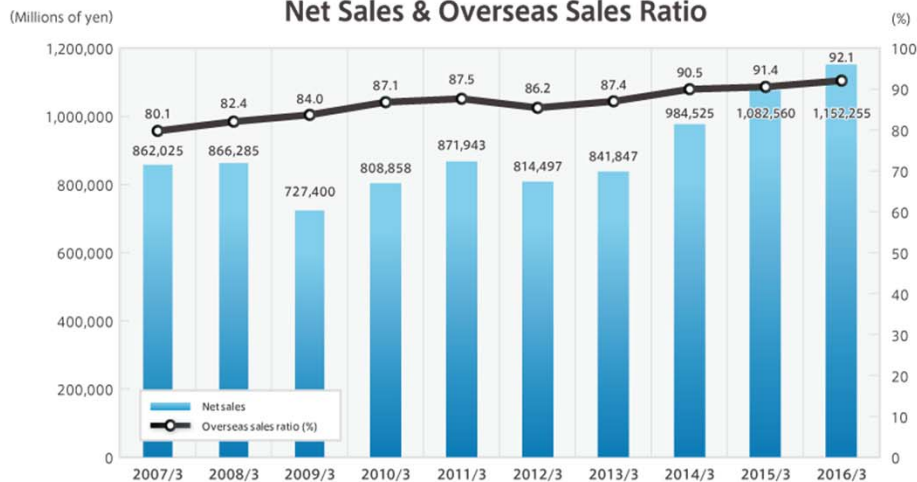
Industrial Equipment etc.



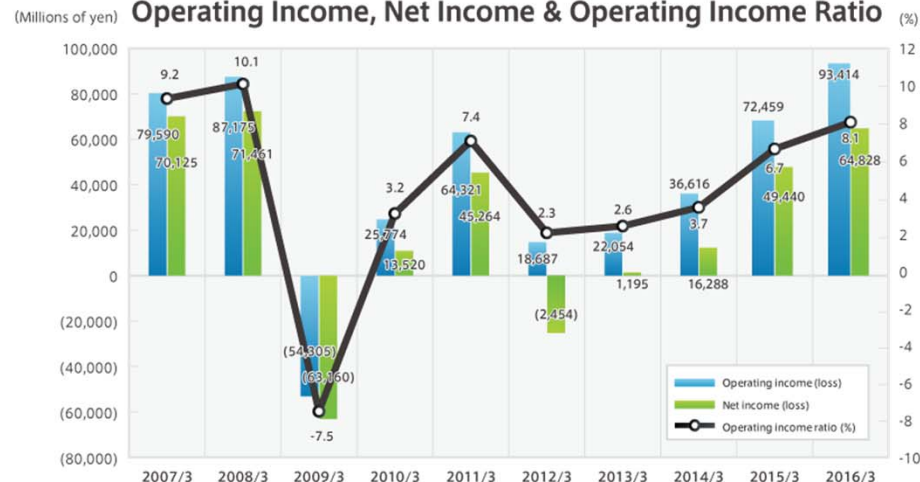
Others



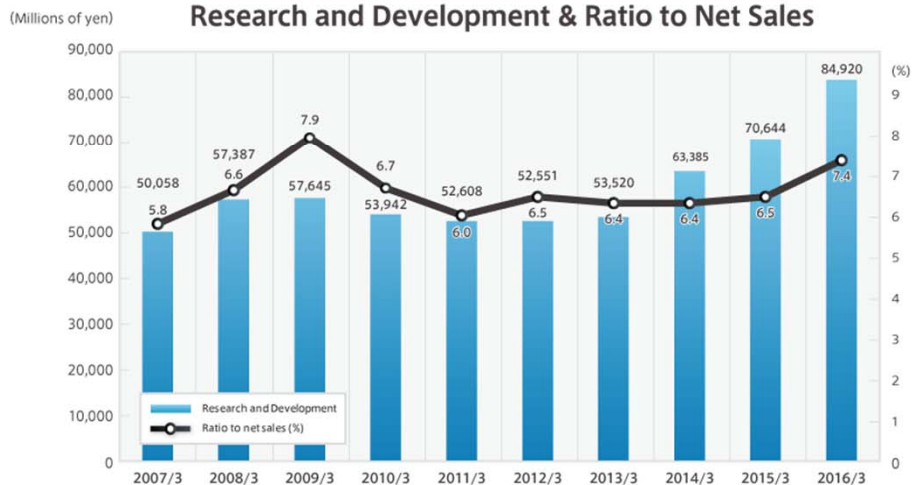
Net Sales & Overseas Sales Ratio



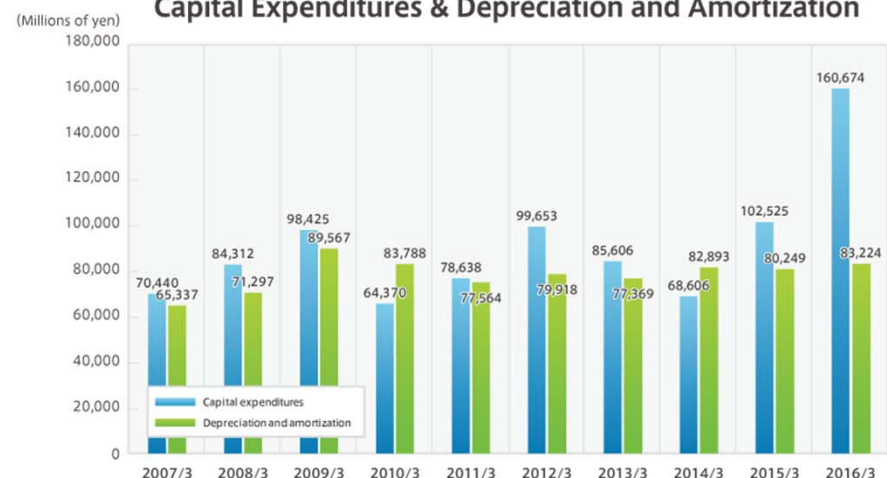
Operating Income, Net Income & Operating Income Ratio

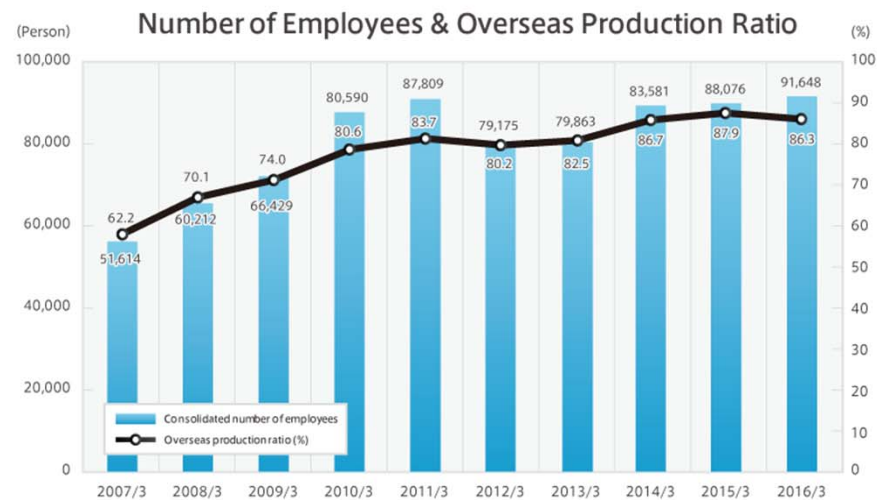
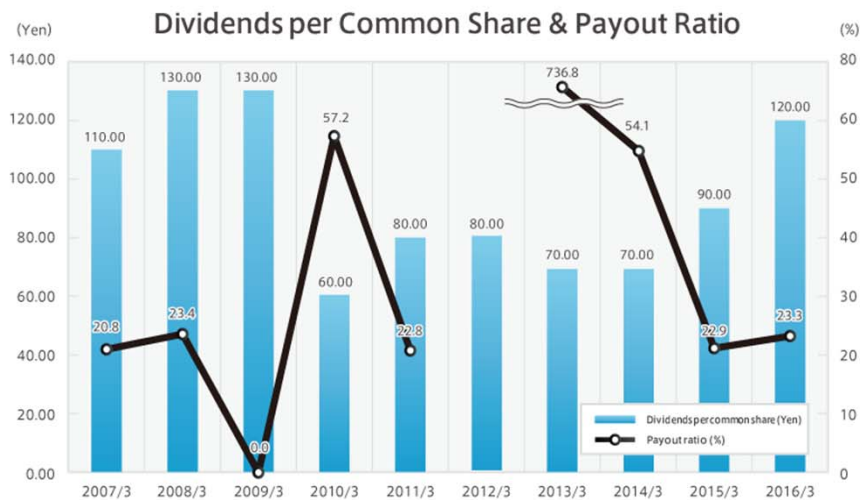
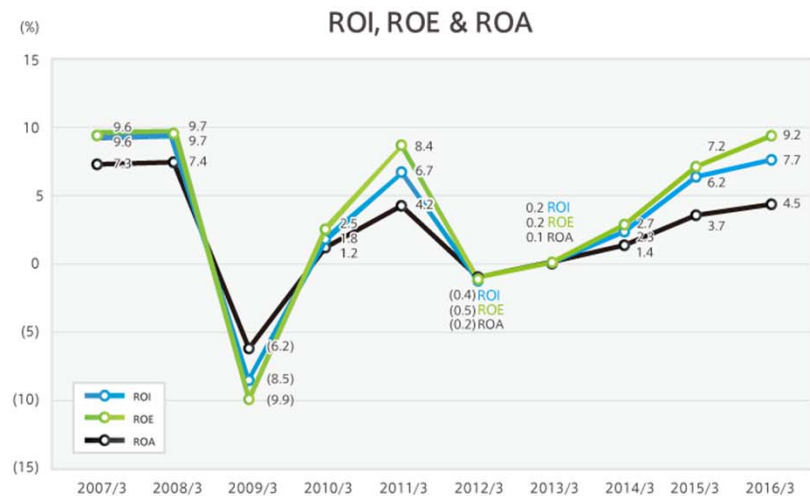
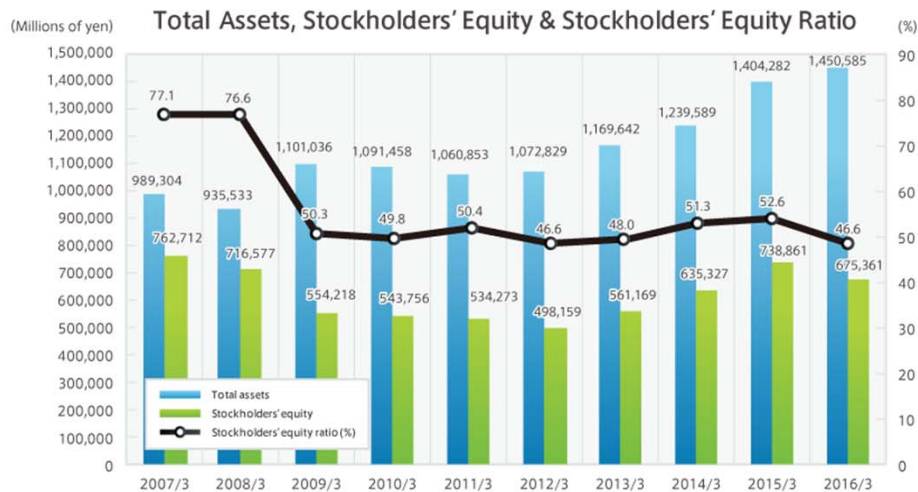


Research and Development & Ratio to Net Sales



Capital Expenditures & Depreciation and Amortization





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.



Text data including Q&A of performance briefing will be uploaded on following site
http://www.global.tdk.com/ir/ir_events/conference/2017/1q_1.htm