

Performance Briefing

First Half of Fiscal Year March, 2017

TDK Corporation
November 1, 2016

◆Consolidated Results for First Half of FY March 2017

Tetsuji Yamanishi, Corporate Officer

◆Consolidated Full Year Projections for FY March 2017

Shigenao Ishiguro, President and CEO

◆Q&A

Consolidated Results for First Half of FY March 2017

Tetsuji Yamanishi
Corporate Officer

Key points concerning earnings for First Half of FY March 2017

- ◆ **Net sales declined 1.4% and operating income declined 2.9% year on year.
Net income increased 3.8% year on year.**
- ◆ **The passive components segment secured a year on year increase in operating income, driven by improved earnings on high-frequency components.
Operating income achieved a new record on both a first-half basis and a quarterly basis.**
- ◆ **Both sales and operating income on rechargeable batteries increased year on year due to an expansion of sales for the Chinese smartphone market.
Operating income achieved a new record on a first-half basis.**
- ◆ **The HDD market is projected to perform slightly better than the initial forecast of a 10% reduction year on year.
(Number of units: previous fiscal year 444 million, initial forecast for this fiscal year 400 million, current forecast 410 million)**

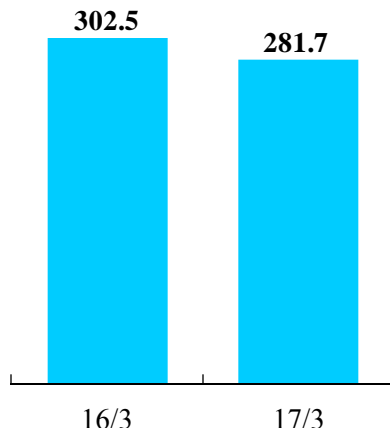
Consolidated Results for First Half of FY March 2017

(Yen billions)		FY March 2016 Results through 2Q (2015.4.1-2015.9.30)	FY March 2017 Results through 2Q (2016.4.1-2016.9.30)	Change	
				Yen billions	%
Net Sales		587.6	579.2	(8.4)	-1.4
Operating Income		45.6	44.3	(1.3)	-2.9
Operating Income Margin		7.8%	7.6%	-0.2pt	-
Income before Income Taxes		44.1	44.3	0.2	0.5
Net Income		31.5	32.7	1.2	3.8
Earning Per Share (JPY)		249.69	259.01	-	-
Ex-rate	US\$ (JPY)	121.80	105.41	Appreciated by 13.5%	
	EURO (JPY)	135.11	118.36	Appreciated by 12.4%	
Ex-rate impact to Net sales & Operating Income		Net sales : Decreased by about 85.7 billion Yen Operating income : Decreased by about 18.1 billion Yen			

First Half Results - Passive Components Segment

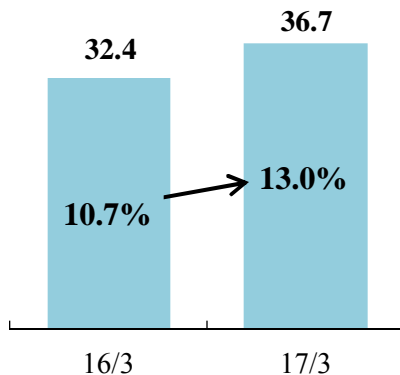
Net Sales

(Yen billions)



Operating Income (OP margin)

(Yen billions)



16/3: FY March 2016

Net Sales 281.7 billion yen (down 6.9% year on year)

Operating Income 36.7 billion yen (up 13.3% year on year)

◆ Ceramic Capacitors

- Sales decreased year on year.
- Sales to the automobile market increased, while sales to the ICT and the industrial equipment markets 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 increased year on year.
- Sales of discrete products and diversity modules increased.
- Operating income margin also increased year on year.

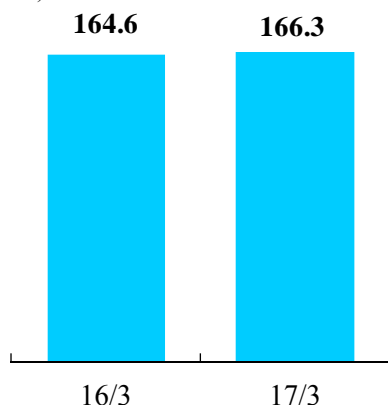
◆ Piezoelectric Material Products

- Sales decreased year on year.
- Sales for VCM and OIS for Chinese smartphone remained strong.

First Half Results - Magnetic Application Products Segment

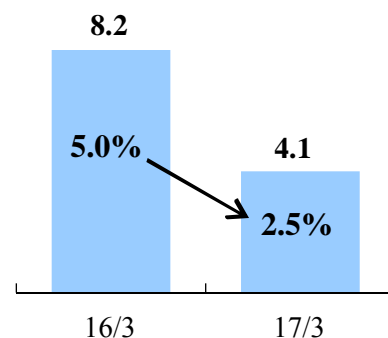
Net Sales

(Yen billions)



Operating Income (OP margin)

(Yen billions)



16/3: FY March 2016

Net Sales 166.3 billion yen (up 1.0% year on year)

Operating income 4.1 billion yen (down 50.0% year on year)

◆ HDD Heads

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

◆ Magnets

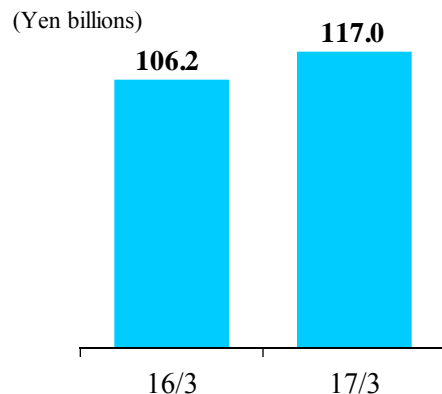
- Sales decreased year on year.
- Sales to the HDD market decreased.

◆ Power Supplies

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

First Half Results - Film Application Products Segment

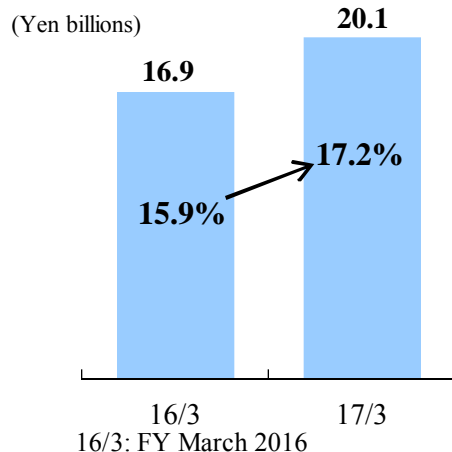
Net Sales



Net sales 117.0 billion yen (up 10.2% year on year)

Operating income 20.1 billion yen (up 18.9% year on year)

Operating Income (OP margin)



◆ Energy Devices (Rechargeable Batteries)

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

Quarterly Results by Segment

(Yen billions)		2Q of FY March 2016 (A)	1Q of FY March 2017 (B)	2Q of FY March 2017 (C)	YoY Change (C)-(A)		QoQ Change (C)-(B)	
					Yen billions	%	Yen billions	%
Net Sales	Capacitors	39.5	34.4	33.7	(5.8)	-14.7	(0.7)	-2.0
	Inductive Devices	40.2	35.7	35.5	(4.7)	-11.7	(0.2)	-0.6
	Other Passive Components	72.6	67.6	74.8	2.2	3.0	7.2	10.7
	Passive Components	152.2	137.7	144.0	(8.2)	-5.4	6.3	4.6
	Recording Devices	60.7	61.0	62.3	1.6	2.6	1.3	2.1
	Other Magnetic Application Products	24.6	21.4	21.6	(3.0)	-12.2	0.2	0.9
	Magnetic Application Products	85.3	82.4	83.9	(1.4)	-1.6	1.5	1.8
	Film Application Products	63.3	51.8	65.2	1.9	3.0	13.4	25.9
	Other	7.3	6.9	7.3	0.0	0.0	0.4	5.8
Total		308.1	278.8	300.4	(7.7)	-2.5	21.6	7.7
Operating Income	Passive Components	17.4	16.0	20.7	3.3	19.0	4.7	29.4
	Magnetic Application Products	4.5	1.7	2.4	(2.1)	-46.7	0.7	41.2
	Film Application Products	11.8	7.1	13.0	1.2	10.2	5.9	83.1
	Other	0.1	(1.4)	(2.0)	(2.1)	-	(0.6)	42.9
	Sub total	33.7	23.4	34.1	0.4	1.2	10.7	45.7
	Corporate and Eliminations	(6.3)	(6.9)	(6.3)	0.0	-	0.6	-
	Total	27.4	16.5	27.8	0.4	1.5	11.3	68.5
Operating Income margin		8.9%	5.9%	9.3%	+0.4pt	-	+3.4pt	-
Ex- rate	US\$ (JPY)	122.31	108.37	102.47				
	EURO (JPY)	136.06	122.41	114.36				

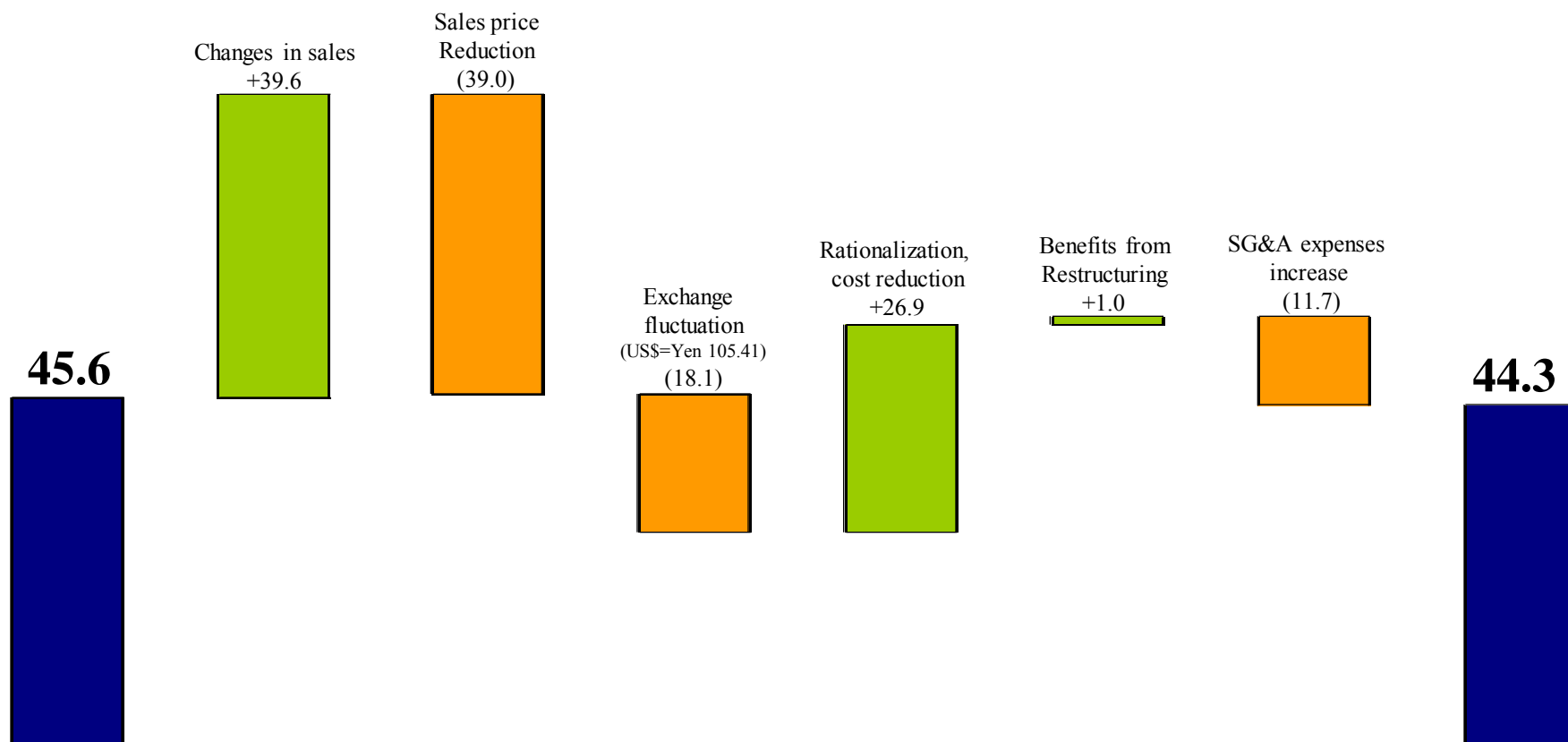
Breakdown of Operating Income Changes

First Half of
FY March 2016
45.6 billion yen

Operating Income -1.3 billion yen

First Half of
FY March 2017
44.3 billion yen

(Yen billions)



Consolidated Results for 2Q of FY March 2017

(Yen billions)		FY March 2016 2Q Results	FY March 2017 2Q Results	Change	
				Yen billions	%
Net Sales		308.1	300.4	(7.7)	-2.5
Operating Income		27.4	27.8	0.4	1.5
Operating Income Margin		8.9%	9.3%	+0.4pt	-
Income before Income Taxes		25.1	27.9	2.8	11.2
Net Income		18.4	20.3	1.9	10.3
Earning Per Share (JPY)		145.72	160.71	-	
Ex-rate	US\$ (JPY)	122.31	102.47	Appreciated by 16.2%	
	EURO (JPY)	136.06	114.36	Appreciated by 15.9%	
Ex-rate impact to Net sales & Operating Income		Net sales : Decreased by about 53.8 billion Yen Operating income : Decreased by about 12.2 billion Yen			

Consolidated Full Year Projections for FY March 2017

Shigenao Ishiguro
President and CEO

Market trend in the second half

The arrow symbol “→” denotes changes from first-half trend

Priority Markets	Market Trend	
ICT	→	<p>North American smartphone production is expected to peak in 3Q but to decline year on year.</p> <p>Chinese smartphone production is expected to maintain the level of the first half in the second half.</p> <p>South Korean smartphone production is expected to decrease from the first half.</p>
	↘	<p>The HDD market is expected to decrease from the first half.</p>
Automobile	→	<p>Domestic sales are expected to decline year on year, but sales growth in the European, North American and Chinese markets are expected to continue steadily in the second half.</p>
Industrial Equipment and Energy	→	<p>In the industrial equipment market, curbs on capital investment to continue overall, and part of the market, such as in relation to semiconductor manufacturing equipment, is expected to continue to be strong.</p> <p>The renewable energy market is expected to be flat as government subsidies for purchases in various countries have run their course.</p>

(TDK's estimation)

Projections for 3Q of FY March 2017 -Image of change in sales

(Yen billions)

Segment	2Q of FY March 2017	3Q Projections (Q on Q Change)
Passive Components	144.0	± 0%
Magnetic Application Products	83.9	± 0%
Film Application Products	65.2	+6%~+8%
Other	7.3	—
Total	300.4	+1%~+3%

Forex assumptions

US\$/Yen	102.47	100.00
EURO/Yen	114.36	110.00

FY March 2017 Full Year / Dividend Projections

(Yen billions)		FY March 2016 Full Year Results	FY March 2017 Full Year Projections (announced Apr. 28)	FY March 2017 Full Year Projections (Revised)	Y o Y Change	
					Yen billions	%
Net Sales		1,152.3	1,160.0	1,140.0	(12.3)	-1.1
Operating Income		93.4	74.0	76.0	(17.4)	-18.6
Operating Income Margin		8.1%	6.4%	6.7%	-1.4pt	-
Income before income taxes		91.8	73.0	75.0	(16.8)	-18.3
Net Income		64.8	50.0	52.0	(12.8)	-19.8
Earning Per Share (JPY)		514.23	396.00	412.19	-	-
Dividends (JPY)		1st half : 60 2nd half : 60 Annual: 120	1st half : 60 2nd half : 60 Annual : 120	1st half : 60 2nd half : 60 Annual : 120	-	-
Ex-rate	US\$ (JPY)	120.13	110.00	100.00 (Second half)	-	
	EURO (JPY)	132.67	125.00	110.00 (Second half)	-	
Capital Expenditure		160.7	200.0	190.0	29.3	18.2
Depreciation and amortization		83.2	95.0	90.0	6.8	8.2
Research and development		84.9	90.0	90.0	5.1	6.0

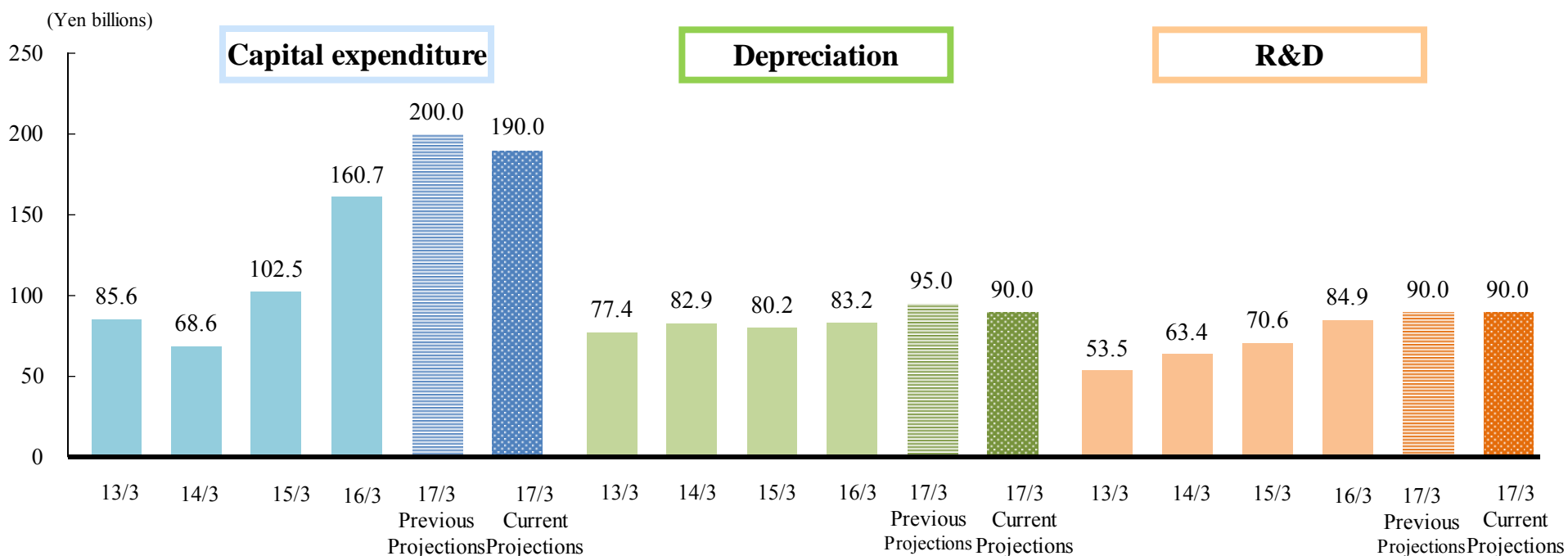
Supplementary Data

Quarterly sales and operating income by segment

			FY March 2016					FY March 2017				
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
(Yen billions)												
Net Sales		Capacitors	39.1	39.5	36.4	35.4	150.4	34.4	33.7			
		Inductive Devices	39.7	40.2	38.9	36.3	155.1	35.7	35.5			
		Other Passive Components	71.4	72.6	68.2	65.8	278.0	67.6	74.8			
	Passive Components		150.3	152.2	143.6	137.4	583.5	137.7	144.0			
		Recording Devices	54.6	60.7	58.5	46.0	219.8	61.0	62.3			
		Other Magnetic Application Products	24.8	24.6	23.3	22.9	95.5	21.4	21.6			
		Magnetic Application Products	79.4	85.3	81.8	68.9	315.3	82.4	83.9			
	Film Application Products		42.9	63.3	67.6	46.1	219.9	51.8	65.2			
	Other		7.0	7.3	8.7	10.5	33.6	6.9	7.3			
	Total		279.6	308.1	301.7	262.9	1,152.3	278.8	300.4			
Operating Income	Passive Components		15.0	17.4	17.5	16.5	66.4	16.0	20.7			
	Magnetic Application Products		3.8	4.5	4.7	0.2	13.2	1.7	2.4			
	Film Application Products		5.1	11.8	14.6	5.6	37.0	7.1	13.0			
	Other		0.0	0.1	(0.1)	1.2	1.2	(1.4)	(2.0)			
	Sub-total		23.9	33.7	36.7	23.5	117.8	23.4	34.1			
	Corporate and Eliminations		(5.8)	(6.3)	(6.4)	(6.0)	(24.4)	(6.9)	(6.3)			
	Total		18.1	27.4	30.3	17.5	93.4	16.5	27.8			
Ex-rate	US\$/JPY		121.29	122.31	121.41	115.46	120.13	108.37	102.47			
	EURO/JPY		134.15	136.06	133.05	127.37	132.67	122.41	114.36			

FY March 2017 Projections and Forex sensitivity

Expenses



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

- **US\$: Sales 5.0 billion yen, Operating Income 1.2 billion yen**
- **EURO : Sales 3.0 billion yen, Operating Income 0.7 billion yen**

13/3: FY March 2013

Financial Position

(Yen billions)	March End, 2016	June End, 2016	September End, 2016	Change from June End, 2016
Total Asset	1,450.6	1,416.0	1,483.5	67.5
Total Liability	765.9	808.3	874.8	66.5
Stockholders's Equity	675.4	599.3	601.6	2.3
(comprehensive income)	(102.3)	(183.2)	(195.4)	(12.2)
Stockholders's Equity ratio	46.6%	42.3%	40.6%	-1.7pt
Cash and Cash equivalents	307.4	278.2	304.5	26.3
Interest-bearing Debt (*1)	335.7	372.2	403.3	31.1
Net Cash (*2)	(28.3)	(94.0)	(98.8)	(4.8)

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

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

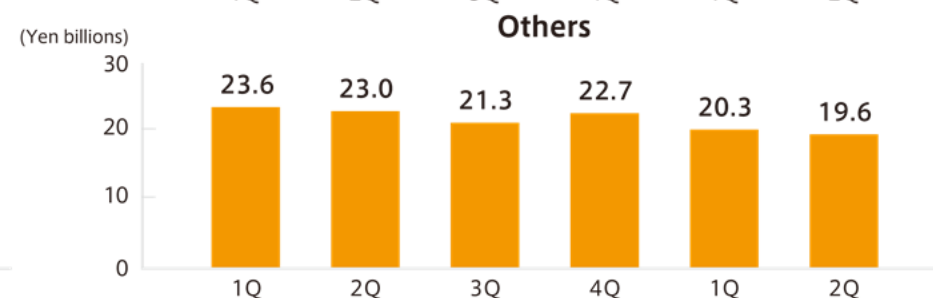
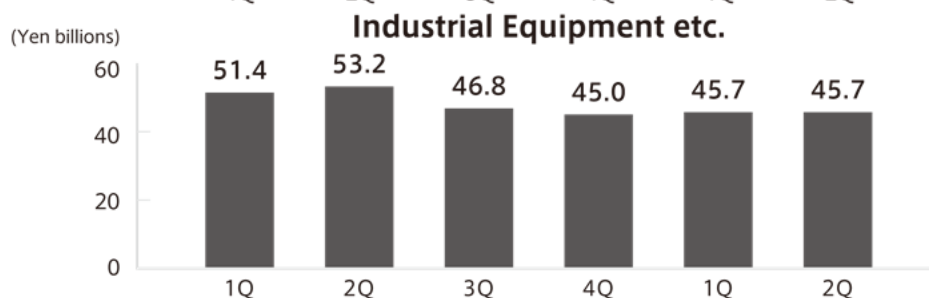
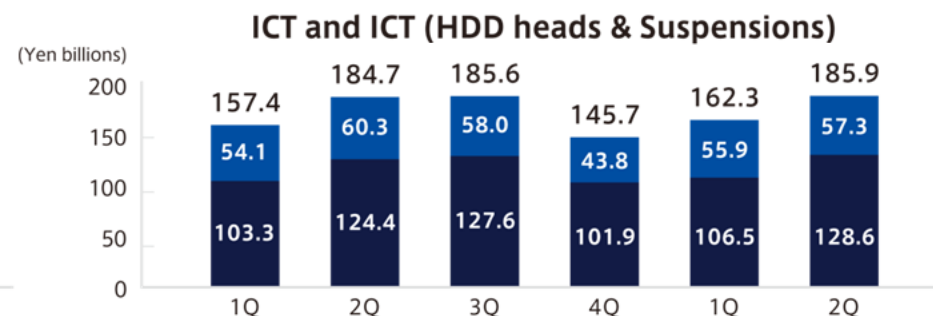
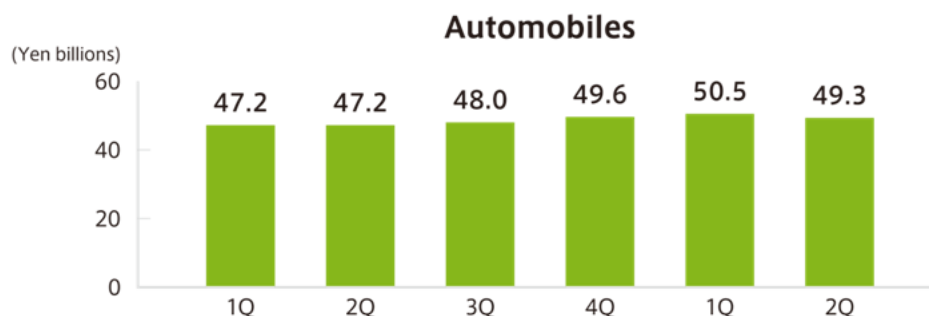
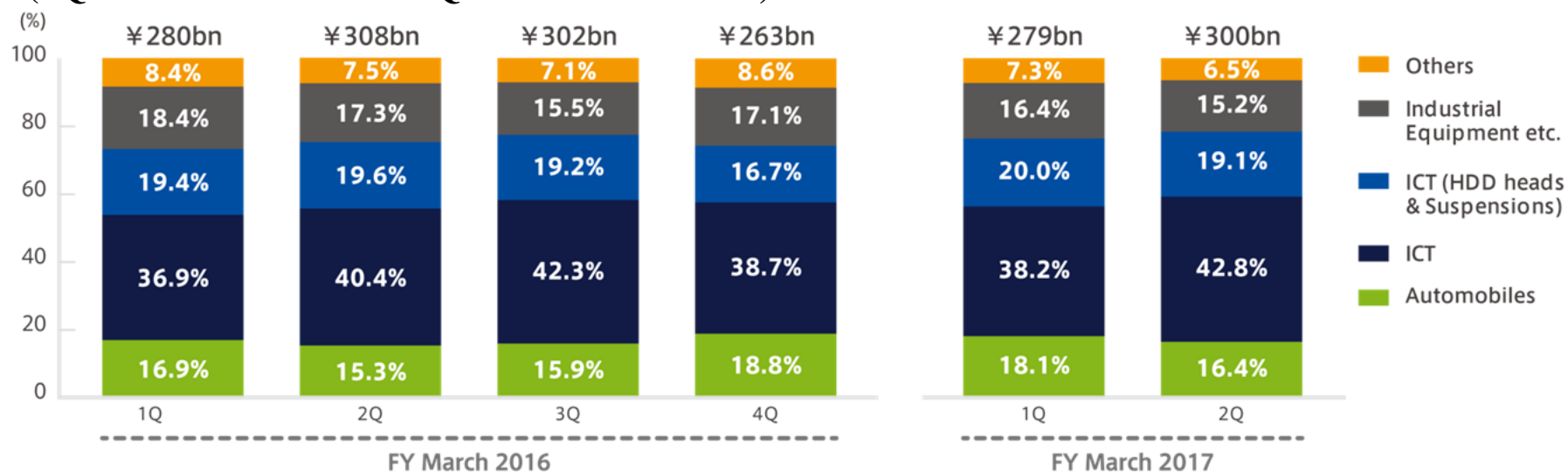
Cash Flows

(Yen billions)	FY March 2016 Results through 2Q	FY March 2017 Results through 2Q	YoY Change
Operating Cash Flow	60.9	54.6	(6.3)
Investing Cash Flow	(67.4)	(87.5)	(20.1)
Free Cash Flow	(6.5)	(32.9)	(26.4)
Financing Cash Flow	(3.4)	62.3	65.7
Effect of exchange rate changes on cash and cash equivalents	(2.2)	(30.1)	(27.9)

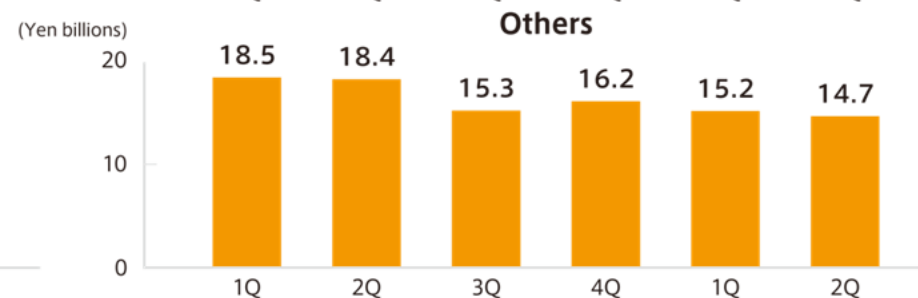
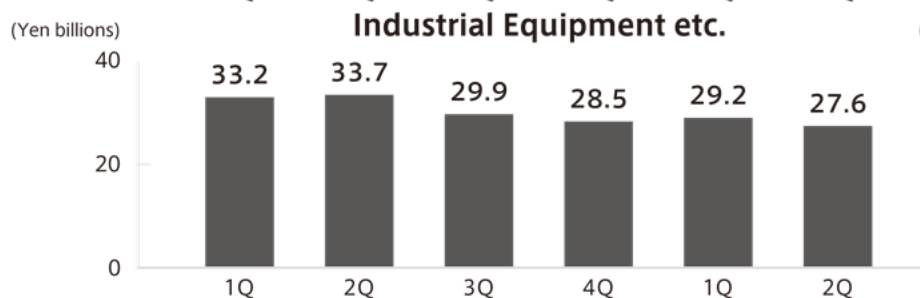
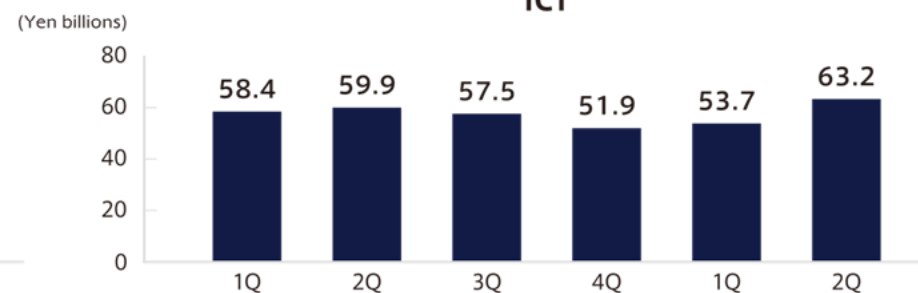
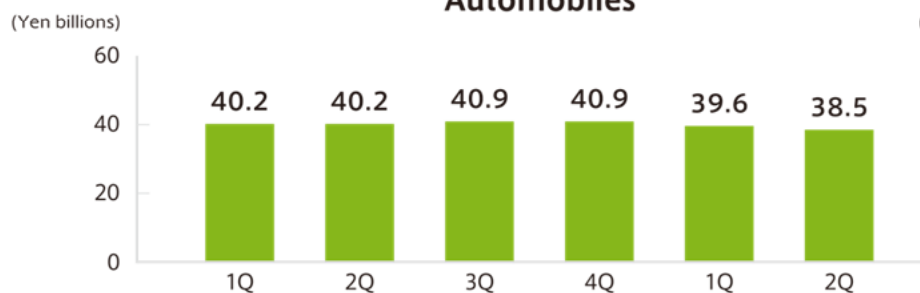
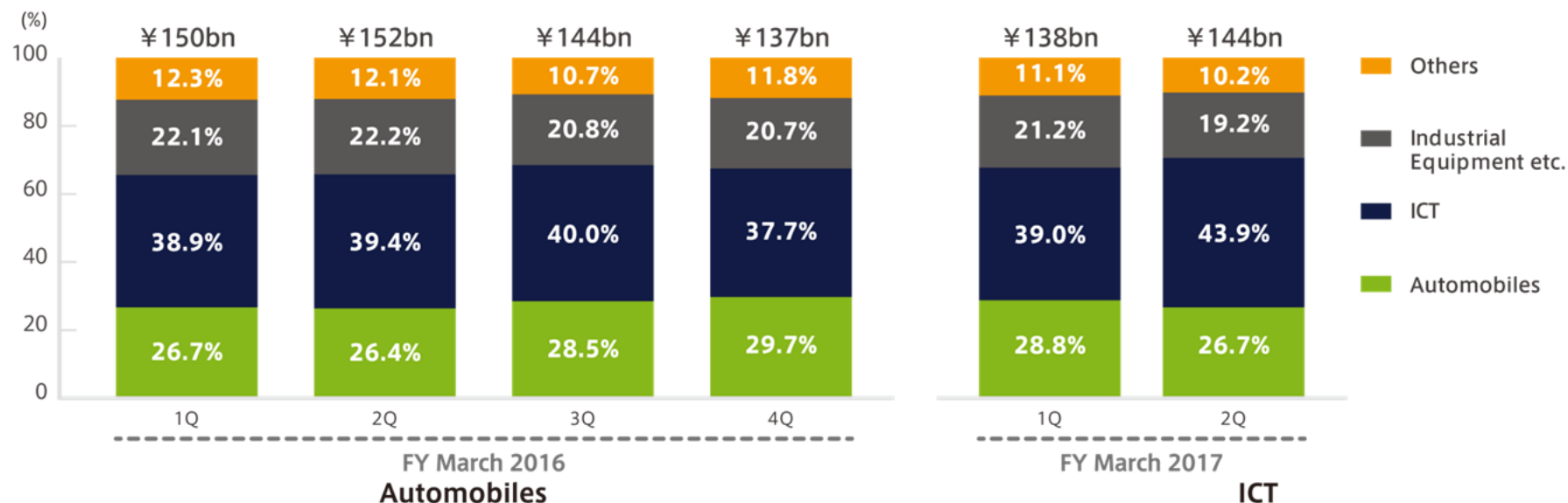
Cash and Cash Equivalents	253.0	284.7	31.7
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(Yen billions)	FY March 2016 Results through 2Q	FY March 2017 Results through 2Q	YoY Change
Capital Expenditures	72.5	87.8	15.3
Depreciation and amortization	41.6	41.4	(0.2)

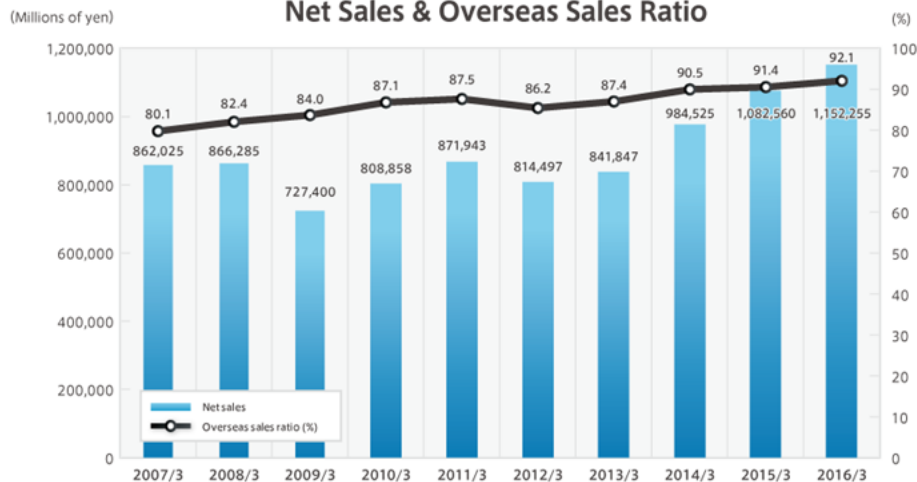
Quarterly sales by applications (1Q of FY March 2016 – 2Q of FY March 2017)



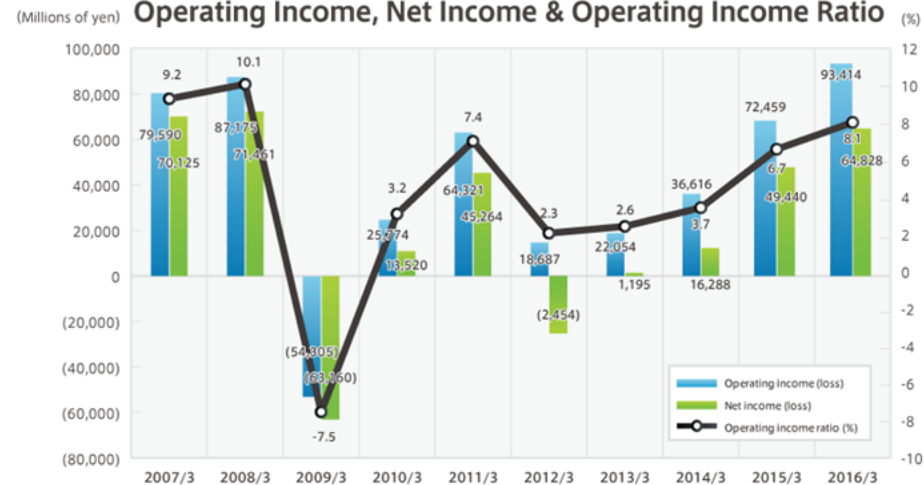
Passive Components Business quarterly sales by applications (1Q of FY March 2016 – 2Q of FY March 2017)



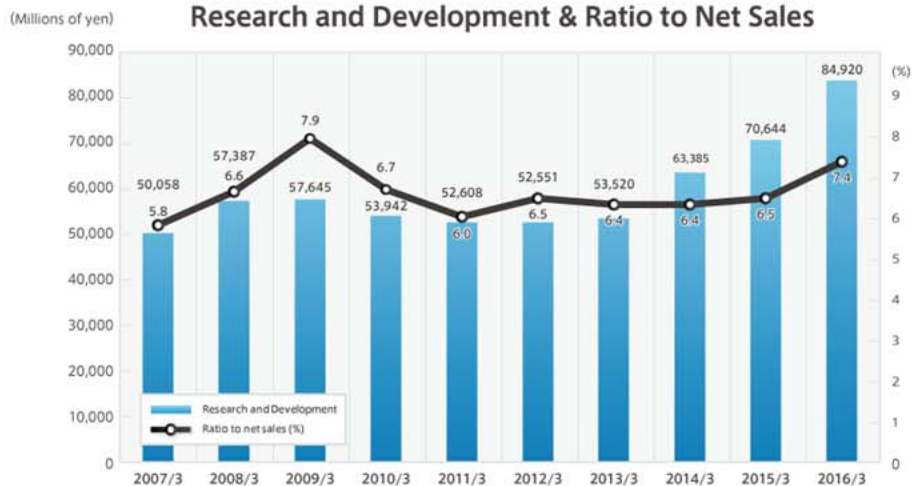
Net Sales & Overseas Sales Ratio



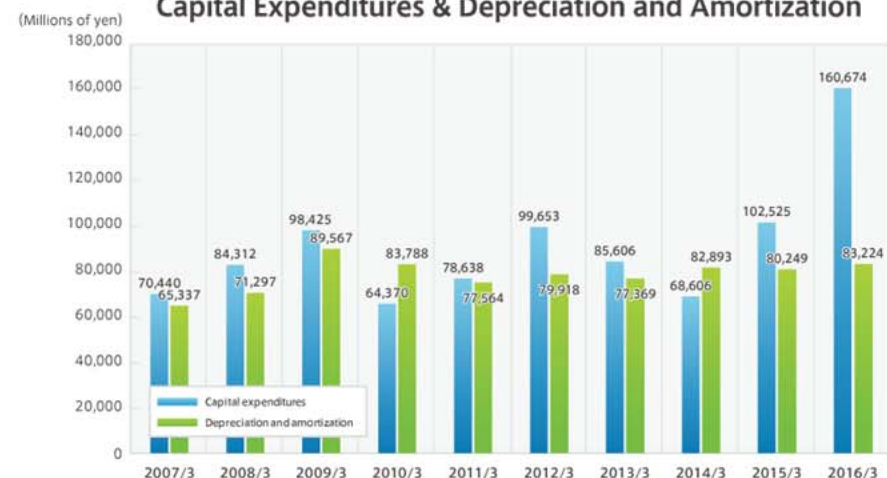
Operating Income, Net Income & Operating Income Ratio



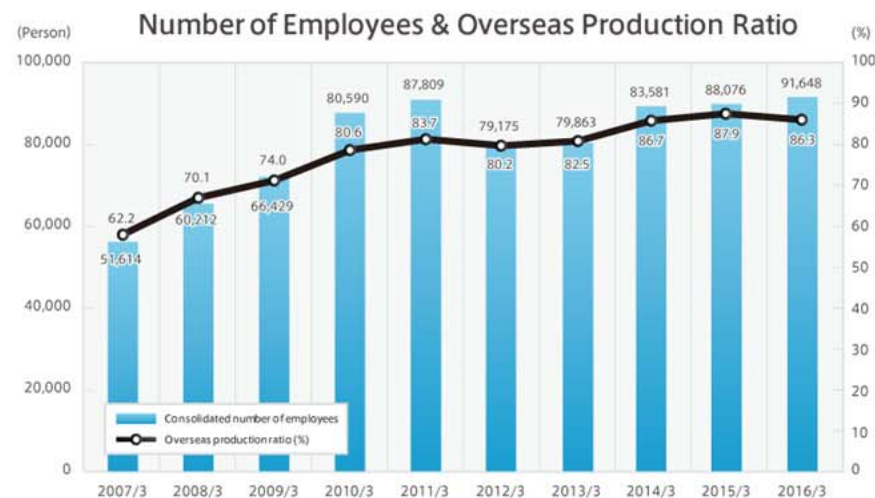
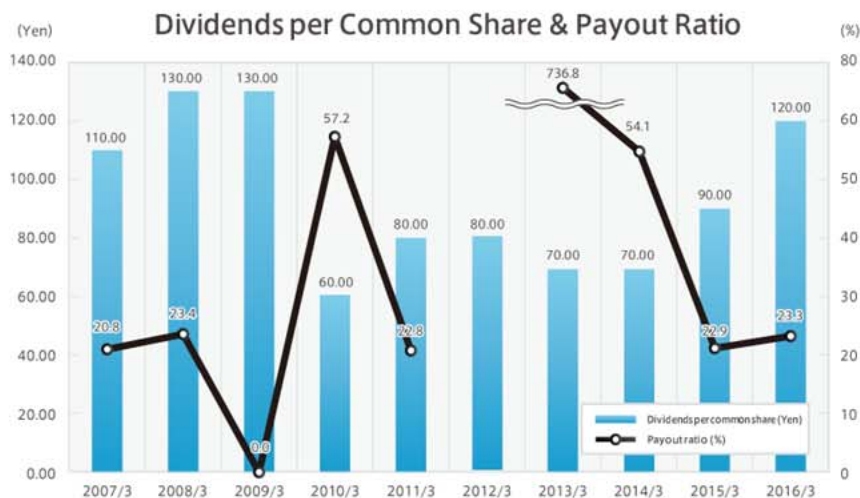
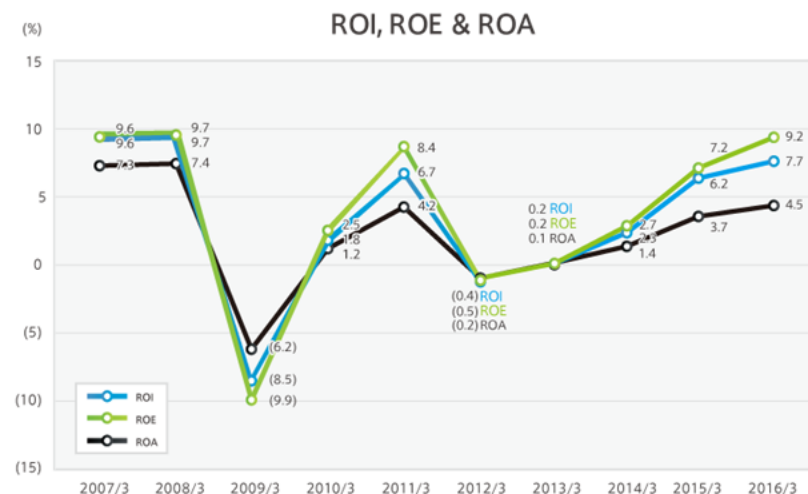
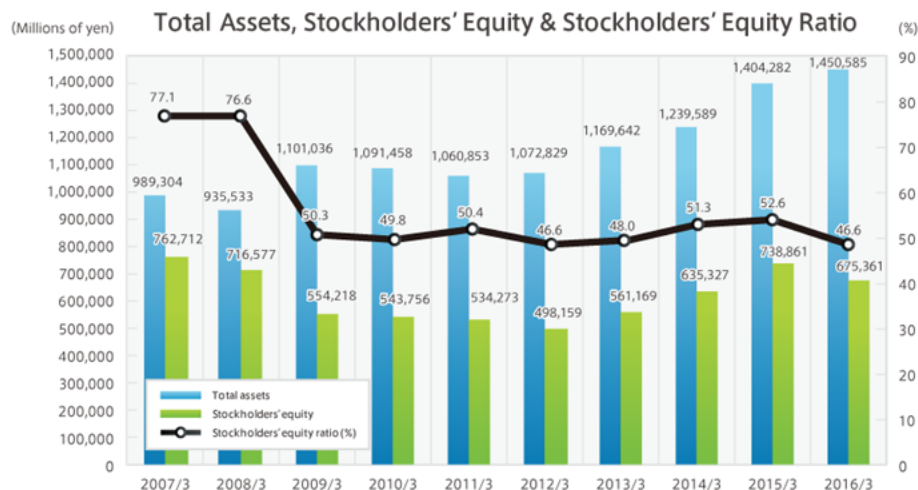
Research and Development & Ratio to Net Sales



Capital Expenditures & Depreciation and Amortization



2007/3 : FY March 2007



2007/3 : FY March 2007

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/2017/2q_1.htm