

Attracting Tomorrow



## Performance Briefing Fiscal Year March 2022

(Note) The figures in the presentation material were revised on May 25, 2022 in accordance with the revision of the financial results.  
The revised figures are underlined.

**TDK Corporation**  
IR&SR Group  
May 11, 2022

- **Consolidated Results for FY March 2022**

Tetsuji Yamanishi, Executive Vice President

- **Consolidated Full Year Projections for FY March 2023**

Noboru Saito, President & CEO

## Consolidated Results for FY March 2022

Tetsuji Yamanishi  
Executive Vice President

Hello, I am Tetsuji Yamanishi, Executive Vice President of TDK. Thank you for taking the time to attend TDK's performance briefing for the fiscal year ended March 2022. I will be presenting an overview of our consolidated results.

## Key points concerning earnings for FY March 2022

Attracting Tomorrow



**Despite negative effects of the conflict between the U.S. and China as well as the COVID-19 pandemic, demand for electronic components remained robust as a result of the normalization of social and economic activities and the recovery of production activities.**  
**Both net sales and operating income achieved record highs.\***

● **Net sales increased 28.6% year on year. Operating income increased 49.4% year on year.**

- Although automobile production has been affected by the constraints in supply of semiconductors and other components, sales to the automotive market remained brisk on the back of an increase in the number of components installed per vehicle and stockpiling by customers. Sales of Passive Components and Sensors increased.
- As for the ICT market, while production of smartphones was below the initial forecast, demand for PCs and tablets remained brisk. In addition, investment in data centers picked up and demand for servers increased. Sales of Rechargeable Batteries, Sensors, and HDD Heads increased.
- Demand related to the industrial equipment market remained robust due to strong capital expenditures, resulting in expanded sales of Passive Components, Rechargeable Batteries, and Power Supplies.
- The year-end dividend forecast has been revised by 9 yen per share.

\*Operating income is compared on the basis excluding a gain on sale of business recorded in FY March 2017.

First, let me explain the key points of our earnings. During the fiscal year ended March 2022, the supply chain constraints in components procurement continued and the production volume of automobiles and smartphones remained sluggish due to the resurgence of the COVID-19 pandemic and concerns over political conflicts such as the tensions between the U.S. and China. On the other hand, as a result of the normalization of social and economic activities and the recovery of production activities, demand for electronic components remained robust. Consequently, net sales increased in all segments. Our earnings structure became more balanced and profitability increased as profit of the Passive Components business expanded and the Sensors business achieved profitability. Net sales increased 28.6% year on year and operating income increased 49.4% year on year, with both net sales and operating income achieving record highs.

In the automotive market, although production volume remained unchanged from the previous fiscal year due to the supply chain constraints in procurement of components, demand remained brisk on the back of an increase in the number of components installed per vehicle and stockpiling by customers, reflecting the further evolution of xEVs and the acceleration of electrification such as ADAS. Against such backdrop, sales of Passive Components and Sensors expanded.

In the ICT market, demand for PCs and tablet devices remained brisk for the fiscal year ended March 2022. As demand related to data centers picked up and production of HDDs for servers remained strong, sales related to PCs, tablets and HDDs increased. Smartphone production volume for the fiscal year ended March 2022 fell below that of the previous fiscal year as the resurgence of COVID-19 and other factors negatively affected components procurement and smartphone demand. However, sales related to smartphones rose on the back of increased adoption of products for smartphone applications. Consequently, sales of Rechargeable Batteries, Sensors, and HDD Heads increased.

In the industrial equipment market, corporate capital expenditures remained strong. As a result, sales related to semiconductor manufacturing equipment and renewable energy increased, and sales of Passive Components and Power Supplies for Industrial Equipment also expanded. In addition, in Rechargeable Batteries, sales of medium-sized batteries grew, particularly for residential energy storage systems and other applications.

TDK recorded gain on valuation of investment securities of 60.2 billion yen in other income for the fiscal year ended March 2022, which boosted net income. Since net income on an actual business performance basis, excluding the impact of valuation gain, increased from the full-year forecast announced on January 31, 2022, we increased the year-end dividend forecast by 9 yen, considering the growth in earnings per share.

## Consolidated full year results for FY March 2022

Attracting Tomorrow



(Yen billions)	FY March 2021 full year results	FY March 2022 full year results	Change	
			Yen billions	%
Net sales	1,479.0	1,902.1	423.1	28.6
Operating income	111.5	166.7	55.1	49.4
Operating income margin	7.5%	8.8%	+1.3 pt	-
Income before income taxes	121.9	234.2	112.3	92.1
Net income	79.3	183.6	104.3	131.4
Earnings per share (JPY)	209.36	484.53	-	-
Ex-rate US\$ (JPY)	106.05	112.33	Depreciated by 5.9%	
EURO (JPY)	123.67	130.53	Depreciated by 5.5%	
Ex-rate impact to net sales & operating income	Net sales : Increased by about 125.7 billion Yen Operating income : Increased by about 6.9 billion Yen			

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 5

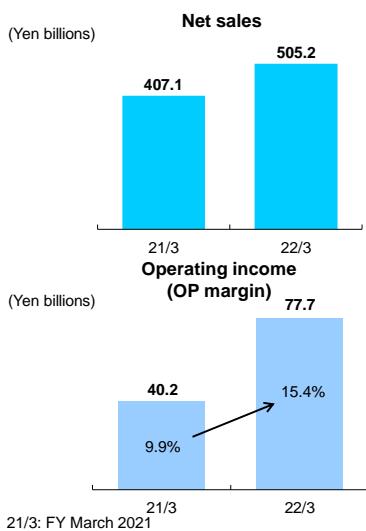
Next, I would like to present an overview of our results. There was an increase of about 125.7 billion yen in net sales and an increase of about 6.9 billion yen in operating income due to exchange rate fluctuations against the U.S. dollar and other currencies. Including this impact, net sales were 1,902.1 billion yen, an increase of 423.1 billion yen, or 28.6%, year on year. Operating income was 166.7 billion yen, up 55.1 billion yen, or 49.4%, year on year. As explained earlier, as a result of the recording of gain on valuation of investment securities of 60.2 billion yen in other income, income before income taxes and net income surged by 234.2 billion yen and 183.6 billion yen, respectively, setting record highs for all P/L items. Earnings per share were 484.53 yen.

With regard to exchange rate sensitivity, we maintain our estimate that a change of 1 yen against the U.S. dollar will affect annual operating income by about 1.2 billion yen, while a 1-yen change against the euro will have an impact of about 0.2 billion yen.

## FY March 2022 results

### - Passive Components segment

Attracting Tomorrow 



**Net sales 505.2 billion yen (up 24.1% year on year)**  
**Operating income 77.7 billion yen (up 93.2% year on year)**

#### ● Ceramic Capacitors

- ¬ Sales and profit increased year on year.
- ¬ Sales increased to the automotive market and distributors, while decreased to the ICT market.

#### ● Aluminum Electrolytic Capacitors and Film Capacitors

- ¬ Sales increased and profitability improved year on year.
- ¬ Sales increased to the industrial equipment and the automotive markets.

#### ● Inductive Devices

- ¬ Sales and profit increased year on year.
- ¬ Sales increased to the automotive and the industrial equipment markets.

#### ● High-Frequency Components

- ¬ Sales increased while profit decreased year on year.
- ¬ Sales increased to the automotive market.

#### ● Piezoelectric Material Products and Circuit Protection Components

- ¬ Sales and profit increased year on year.
- ¬ Sales increased to the industrial equipment and the automotive markets.

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022  
IR&SR Group • May 11, 2022 • 6

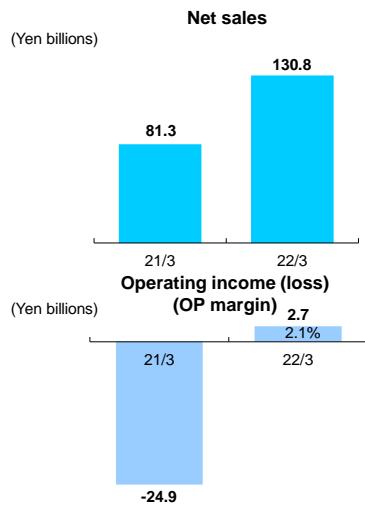
Next, I would like to explain our business segment performance for the full year.

Net sales in the Passive Components segment were 505.2 billion yen, an increase of 24.1% year on year. While automobile production volume remained flat year on year, sales to the automobile sector remained robust on the back of an increase in the number of components installed per vehicle. Demand from the industrial equipment market has also been brisk, particularly for applications related to renewable energy and production equipment. Demand from the ICT market increased only slightly reflecting a decline in smartphone production volume. Operating income increased about 1.9 times year on year to 77.7 billion yen, and the operating margin was 15.4%, indicating a significant improvement in profitability.

By business, both net sales and operating income increased year on year in businesses with a high ratio of sales to the automotive market, except for the High-Frequency Components business. In particular, improvement in the profitability of Capacitors and Inductive Devices contributed to the expansion of earnings as a whole.

## FY March 2022 results - Sensor Application Products segment

Attracting Tomorrow



21/3: FY March 2021

**Net sales 130.8 billion yen (up 60.8% year on year)**  
**Operating income 2.7 billion yen (up —% year on year)**

### ● Sensors

- The segment achieved profitability due to a significant increase in sales and profit from the previous fiscal year.
- Sales of Temperature and Pressure Sensors increased to the automotive market and for home appliances. Earnings also improved.
- In Magnetic Sensors, sales of Hall Sensors increased to the automotive market and earnings improved. Sales of TMR Sensors increased to the ICT market and earnings expanded significantly.
- In MEMS sensors, sales of Motion Sensors and Microphones increased significantly, owing to the expansion of the customer base and applications. Earnings improved greatly.

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 7

In the Sensor Application Products segment, net sales increased 60.8% year on year to 130.8 billion yen, setting a record high. The segment also posted 2.7 billion yen in operating income for the full year on the back of increased sales and positive changes in the product mix, despite one-time expenses of 2.0 billion yen recorded in the fourth quarter.

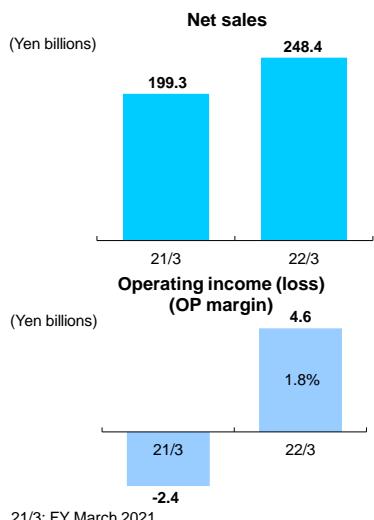
As demand for Temperature and Pressure Sensors from the industrial equipment and home appliances markets, in addition to the automotive market, remained firm, net sales increased year on year. Sales of Hall Sensors to the automotive market surged, with earnings also improving greatly.

Sales and profit from TMR Sensors rose substantially, driven by their increased adoption in addition to an increase in demand from the ICT market. In MEMS Sensors, sales of Motion Sensors and MEMS Microphones surged, reflecting steady growth on the back of the expansion of the customer base and applications. As a result, earnings further improved and operating loss diminished significantly.

## FY March 2022 results

### - Magnetic Application Products segment

Attracting Tomorrow 



**Net Sales 248.4 billion yen (up 24.7% year on year)  
Operating income 4.6 billion yen (up —% year on year)**

#### • HDD Heads and HDD Suspension Assemblies

- Sales and profit of HDD heads increased year on year due to a surge in sales for nearline HDDs reflecting the recovery of investment in data centers.
- While sales of HDD Suspension Assemblies increased year on year thanks to robust sales for nearline HDDs, profit decreased year on year due to one-time costs.

#### • Magnets

- Sales increased year on year, reflecting a rise in sales to the automotive market. Improvement in earnings did not progress due to the effects of soaring material prices among other factors.

21/3: FY March 2021

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 8

In the Magnetic Application Products segment, net sales increased 24.7% year on year to 248.4 billion yen, and operating income amounted to 4.6 billion yen, compared with a loss recorded in the previous fiscal year.

In terms of HDD Heads, as demand for servers for data centers continued to recover from the beginning of the fiscal year, the sales volume of Nearline HDD Heads increased 1.9 times year on year. The sales volume of HDD Heads as a whole also increased 33% year on year, resulting in increases in both sales and profit.

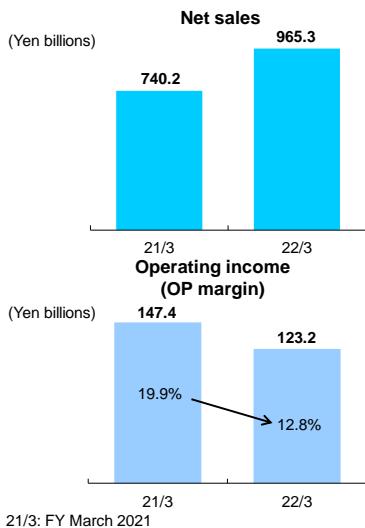
HDD Suspension Assemblies also saw an increase in net sales as well as an increase in operating income on an actual basis, excluding one-time expenses, as sales of Nearline HDDs remained brisk.

In Magnets, while net sales increased as sales to the automotive market remained robust, operating loss remained at the same level as in the previous fiscal year due to the effects of soaring raw material prices.

## FY March 2022 results

### - Energy Application Products segment

Attracting Tomorrow 



**Net sales 965.3 billion yen (up 30.4% year on year)**  
**Operating income 123.2 billion yen (down 16.4% year on year)**

#### • Energy Devices (Rechargeable Batteries)

- ¬ Sales increased while profit decreased year on year. Profit decreased due to upfront investments for power cell products and soaring raw material prices.
- ¬ Sales volume related to mobile applications (smartphones, tablets, and notebook PCs) remained flat year on year.
- ¬ Sales of power cell products for residential energy storage systems and electric motorcycles expanded significantly.

#### • Power Supplies

- ¬ Sales and profit from power supplies for industrial equipment increased year on year.

21/3: FY March 2021

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

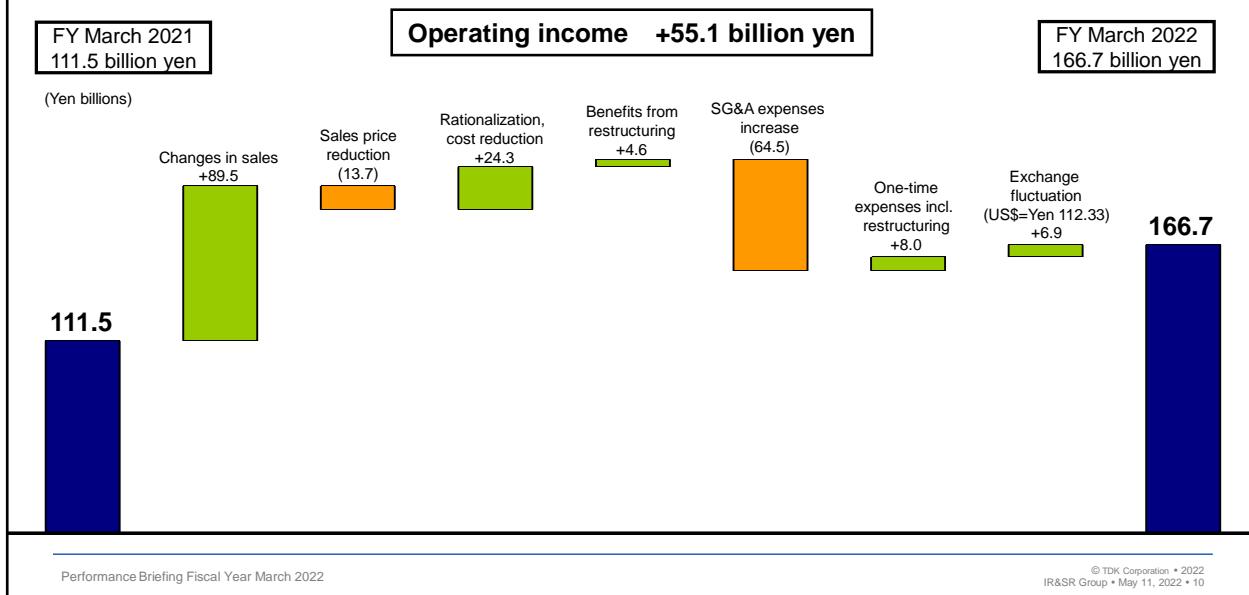
IR&SR Group • May 11, 2022 • 9

In the Energy Application Products segment, net sales increased by 30.4% year on year to 965.3 billion yen, while operating income decreased 16.4% year on year to 123.2 billion yen.

In Rechargeable Batteries, sales to the ICT market increased only slightly as smartphone production volume decreased year on year, when excluding the effects of exchange rate fluctuations and an increase in sales as a result of cost pass-through measures to cope with soaring material prices. On the other hand, sales of power cell products for electric motorcycles and residential energy storage systems expanded steadily, and overall sales increased by over 10% year on year. Amid the situation where actual sales to the ICT market remained sluggish, operating income decreased on a year-on-year basis, as negative effects on profit remained due to the resurgence of steep rises in raw material prices from the third quarter of the fiscal year ended March 2022 as well as royalty fees of about 15.0 billion yen. In Power Supplies for Industrial Equipment, demand for semiconductor manufacturing equipment and other industrial equipment remained robust, resulting in increases in both sales and profit.

## Breakdown of operating income changes

Attracting Tomorrow



Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022  
IR&SR Group • May 11, 2022 • 10

Next is the breakdown of the change in operating income. Let's take a look at the main factors behind the 55.1-billion-yen increase in operating income. First, there was an increase in profit of 89.5 billion yen attributable to an increase in sales, reflecting increased sales and profit of Passive Components, profitability achieved by Sensors, and a recovery in profit of HDDs, despite the negative effects of soaring material prices for Rechargeable Batteries and other products. While the negative impact of the reductions in sales prices remained minimal, there was an increase in profit of 28.9 billion yen in total as a result of rationalization and cost reduction as well as the benefits from restructuring during the fourth quarter of the previous fiscal year, which boosted profitability.

On the other hand, SG&A expenses increased by 64.5 billion yen. This was owing primarily to the impact of an increase in royalty fees related to Rechargeable Batteries of about 15.0 billion yen, an increase in sales expenses in line with the expansion of sales of Passive Components, an increase in global logistics costs due to COVID-19, and an increase in expenses due to the expansion of the power cell pack business in Rechargeable Batteries. One-time expenses including restructuring recorded in the fourth quarter decreased by 8.0 billion yen from 17.6 billion yen of the previous fiscal year to 9.6 billion yen, and exchange rate fluctuations had a positive impact of 6.9 billion yen due to the depreciation of the yen. As a result, the overall increase in operating income came to 55.1 billion yen.

# FY March 2022 quarterly results by segment

Attracting Tomorrow



	(Yen billions)	4Q of	3Q of	4Q of	YoY change		QoQ change	
		FY March 2021 (A)	FY March 2022 (B)	FY March 2022 (C)	Yen billions	%	Yen billions	%
Net sales	Capacitors	44.3	50.8	<b>50.4</b>	6.1	13.8	(0.4)	-0.7
	Inductive Devices	39.0	47.0	<b>45.7</b>	6.8	17.4	(1.2)	-2.6
	Other Passive Components	30.6	31.8	<b>31.0</b>	0.4	1.4	(0.7)	-2.3
	<b>Passive Components</b>	<b>113.9</b>	<b>129.5</b>	<b>127.2</b>	13.3	11.7	(2.3)	-1.8
	<b>Sensor Application Products</b>	<b>23.9</b>	<b>36.1</b>	<b>35.1</b>	11.3	47.2	(1.0)	-2.8
	<b>Magnetic Application Products</b>	<b>54.6</b>	<b>64.0</b>	<b>58.4</b>	3.8	7.0	(5.6)	-8.7
	<b>Energy Application Products</b>	<b>187.3</b>	<b>256.1</b>	<b>274.1</b>	86.7	46.3	17.9	7.0
	Other	12.5	13.9	<b>13.4</b>	0.9	7.2	(0.4)	-3.1
	<b>Total</b>	<b>392.2</b>	<b>499.7</b>	<b>508.3</b>	116.1	29.6	8.6	1.7
Operating income	Passive Components	9.5	22.6	<b>15.7</b>	6.2	65.8	(6.9)	-30.6
	Sensor Application Products	(8.5)	3.7	<b>(0.3)</b>	8.2	-	(3.9)	-
	Magnetic Application Products	(4.1)	3.3	<b>(3.5)</b>	0.6	-	(6.8)	-
	Energy Application Products	25.0	39.0	<b>26.5</b>	1.5	5.9	(12.5)	-32.1
	Other	(8.3)	(0.7)	<b>(0.9)</b>	7.5	-	(0.2)	-
	<b>Sub total</b>	<b>13.6</b>	<b>67.8</b>	<b>37.5</b>	24.0	176.8	(30.3)	-44.7
	<b>Corporate and eliminations</b>	<b>(9.5)</b>	<b>(8.6)</b>	<b>(10.1)</b>	<b>(0.6)</b>	-	<b>(1.5)</b>	-
	<b>Total</b>	<b>4.1</b>	<b>59.2</b>	<b>27.4</b>	<b>23.4</b>	<b>577.1</b>	<b>(31.8)</b>	<b>-53.7</b>
Exchange rate	Operating income margin	1.0%	11.8%	<b>5.4%</b>	+4.4pt	-	-6.4pt	-
	US\$ (JPY)	105.87	113.67	<b>116.14</b>				
	EURO (JPY)	127.75	130.06	<b>130.35</b>				

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 11

Now, I will explain some of the factors behind the change in segment net sales and operating income from the third quarter to the fourth quarter of the fiscal year ended March 2022.

First, in the Passive Components segment, net sales decreased by 2.3 billion yen, or 1.8%, from the third quarter, and operating income dropped by 6.9 billion yen, or 30.6%, from the third quarter. As for net sales, sales to the automotive market remained brisk, while sales for smartphone applications decreased in the ICT market and sales of High-Frequency Components declined significantly. Operating income in this segment decreased from the third quarter due to one-time expenses of 2.1 billion yen recorded in the fourth quarter and the decline in operations during the Chinese New Year holiday.

In the Sensor Application Products segment, net sales decreased by 1.0 billion yen, or 2.8%, from the third quarter, and operating income dropped by 2.0 billion yen from the third quarter, excluding one-time expenses of 2.0 billion yen recorded in the fourth quarter. Sales of Temperature and Pressure Sensors rose slightly from the third quarter due to an increase in sales to the automotive market. In Magnetic Sensors, sales of Hall Sensors for automobile applications remained robust. Meanwhile, in TMR Sensors, sales volume of new products sold to major smartphone manufacturers decreased significantly from the third quarter due to seasonal factors, while sales of Motion Sensors remained flat from the third quarter. As for operating income, earnings from TMR Sensors declined from the third quarter due to a decrease in sales, earnings from MEMS Sensors decreased slightly from the third quarter reflecting an increase in development costs, and earnings from Hall Sensors dropped from the third quarter due to the effects of soaring energy costs, among other factors.

In the Magnetic Application Products segment, net sales decreased by 5.6 billion yen, or 8.7%, from the third quarter, and operating income dropped by 3.9 billion yen from the third quarter, excluding one-time expenses of 2.9 billion yen recorded in the fourth quarter. As for net sales, the sales volume of HDD Heads for Nearline HDD and PC applications decreased by about 19% from the third quarter, due to the decline in demand related to data centers, among other factors. Sales of assembled HDDs also declined significantly from the third quarter due to a decrease in the sales volume by about 17%, while sales of HDD Suspension Assemblies dropped slightly from the third quarter. Sales of Magnets increased slightly from the third quarter reflecting robust demand for automobile applications. As for operating income, earnings of HDD Heads decreased significantly from the third quarter due to the decline in operations during the Chinese New Year holiday, on top of a decline in sales volume. Earnings of HDD Suspension Assemblies increased slightly from the third quarter, excluding the impact of one-time expenses. Operating loss of Magnets increased from the third quarter owing to the lingering effects of soaring raw material prices, even without the effects of one-time expenses of 1.7 billion yen.

In the Energy Application Products segment, net sales increased by 17.9 billion yen, or 7.0%, from the third quarter, and operating income dropped by 12.5 billion yen, or 32.1%, from the third quarter. Sales of Rechargeable Batteries increased slightly from the third quarter on the basis of excluding the effects of exchange rate fluctuations and an increase in sales as a result of cost pass-through measures to cope with soaring material prices, despite a decrease in smartphone production volume. Sales of Power Supplies for Industrial Equipment rose slightly from the third quarter. As for operating income, earnings of Rechargeable Batteries decreased from the third quarter as a result of the lingering effects of the further rise in material prices in the fourth quarter. Earnings of Power Supplies for Industrial Equipment rose from the third quarter on the back of increased sales.

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

## Consolidated Full Year Projections for FY March 2023

Noboru Saito  
President & CEO

Hello, I am Noboru Saito. I assumed the position of President and CEO on April 1, 2022. Thank you for joining us today. I would like to go over our full-year earnings projections for the fiscal year ending March 2023 and the progress of our medium-term plan.

## FY March 2023 full year / dividend projections

Attracting Tomorrow



	FY March 2022 full year results (U.S. GAAP) (Yen billions)	FY March 2022 full year results (IFRS)	FY March 2023 full year projections (IFRS) (announced on May 11, 2022)	YoY change	
				Yen billions	%
<b>Net sales</b>	1,902.1	1,902.1	<b>2,200.0</b>	297.9	15.7
<b>Operating profit</b>	166.7	166.8	<b>185.0</b>	18.2	10.9
<b>Operating profit margin</b>	8.8%	8.8%	<b>8.4%</b>	-0.4 pt	-
<b>Profit before tax</b>	234.2	172.5	<b>190.0</b>	17.5	10.2
<b>Net profit</b>	<u>183.6</u>	<u>131.3</u>	<b>145.0</b>	<u>13.7</u>	<u>10.4</u>
<b>Earnings per share (JPY)</b>	<b>484.53</b>	<b>346.44</b>	<b>382.56</b>	-	-
<b>Dividends (JPY)</b>	Interim : 100 (33.3) Year-end : 45 Annual : - (78.3) *(post-stock split standard)	Interim : 100 (33.3) Year-end : 45 Annual : - (78.3) *(post-stock split standard)	Interim : 53 Year-end : 53 Annual : 106	-	-
<b>Ex-rate</b>	US\$ (JPY)	112.33	<b>120.00</b>	-	-
	EURO (JPY)	130.53	<b>130.00</b>	-	-
<b>Capital expenditure</b>	291.4	<b>291.3</b>	<b>300.0</b>	<b>8.7</b>	3.0
<b>Depreciation and amortization</b>	168.7	177.0	<b>200.0</b>	23.0	13.0
<b>Research and development</b>	163.8	165.3	<b>190.0</b>	24.8	15.0

(Note) The consolidated forecasts for fiscal 2023 are calculated in accordance with IFRS. Account titles are presented in accordance with IFRS. The actual IFRS figures for fiscal 2022 used in the calculation of percentage change from the previous fiscal year are approximate estimates at this time.

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 13

First, I would like to discuss our projections for consolidated financial results and dividends for the fiscal year ending March 2023 and the underlying market conditions.

The global economic growth rate for the fiscal year ended March 2022 was 6.1% in line with the recovery from the COVID-19 pandemic, but the forecast for the fiscal year ending March 2023 was revised downward from the initial forecast of 4.4% to 3.6% in April 2022. Although recovery from the pandemic and the movement toward economic normalization will accelerate and production activities will be on a recovery track, there are still concerns that the macroeconomy will further deteriorate in the future due to the impact of the risks associated with higher-than-expected interest rate hikes, the conflict between Russia and Ukraine, lockdowns in some regions due to the resurgence of COVID-19, and other factors.

We predict that production volume for automobiles will increase year on year while that for smartphones will remain flat year on year. However, production volume for PCs and tablets, which had been at a high level reflecting demand related to remote working until the previous year, will likely decrease on a year-on-year basis. In addition, we expect the impact of rising energy and material prices to continue for some time due to heightened geopolitical risks.

Our full-year projections in light of production volume and order status for our major markets are as follows: net sales of 2,200.0 billion yen; operating income of 185.0 billion yen; income before income taxes of 190.0 billion yen; and net income of 145.0 billion yen. Our exchange rate assumptions are 120 yen against the U.S. dollar and 130 yen against the euro.

In light of an increase in earnings per share, the annual dividend is projected to increase from 78.3 yen (conversion after stock split) for the fiscal year ended March 2022 to 106 yen for the fiscal year ending March 2023. We expect capital expenditures to be 300.0 billion yen, depreciation and amortization to be 200.0 billion yen, and research and development expenses to be 190.0 billion yen.

As announced earlier, TDK has voluntarily adopted the International Financial Reporting Standards (IFRS), instead of U.S. GAAP, starting from the Annual Securities Report for the fiscal year ended March 2022. The full-year projections for the fiscal year ending March 2023 have been calculated based on IFRS, and the figures converted based on IFRS standards are presented as reference values for the fiscal year ended March 2022 as the basis for comparison. Gain on valuation of investment securities of 60.2 billion yen recorded in the fiscal year ended March 2022 is included in "Other income (deductions)" based on U.S. GAAP. However, based on the IFRS standards, it will be reported under "Net change in fair value of equity instruments measured at fair value through other comprehensive income" on the balance sheet, not under "Other income (deductions)."

## Market forecast of FY March 2023

Attracting Tomorrow



Production Trend (Unit: Mil. unit)	FY2022	FY2023 (YoY)
Automobile*	79	83 (+5%)
<i>therein</i> xEV	10.1	14.4 (+43%)
Smartphone	1,319	1,319 (±0%)
<i>therein</i> 5G Smartphone	586	663 (+13%)
HDD	250	231 (-8%)
<i>therein</i> Nearline	75	77 (+3%)
Notebook PC	258	240 (-7%)
Tablet	165	152 (-8%)

\*The number of Automobile includes commercial vehicles.

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 14

Next, I will explain demand and production volume in the major markets related to TDK.

We have assumed that automobile production volume, including commercial vehicles, for the fiscal year ending March 2023 will be 83 million units, an increase of 5% year on year. However, since actual production volume has been slightly less than this assumption, we believe that close attention must be paid to the future trends.

Among automobiles, investment in EVs and environmentally friendly vehicles, which have a significant impact on TDK's earnings, has been accelerating. Therefore, we have assumed that xEV production volume will increase by 43% year on year to 14.4 million units.

Production volume for smartphones, which represent the ICT market, is assumed to be 1,319 million units, the same level as the previous fiscal year. Meanwhile, production volume for 5G smartphones is expected to continue to grow, reaching 663 million units.

While the overall HDD market shrinks, production volume for Nearline HDDs for data centers is assumed to increase by 3% year on year to 77 million units. Production volume for PCs and tablets, whose demand had been robust thanks to the spread of remote working and learning, is expected to decrease year on year.

As there have been uncertainties surrounding the macroeconomy in general, we think that it is necessary to carefully monitor the sales trends for finished products and determine the trends for component demand.

## Projections for FY March 2023

### - Image of changes in sales

Attracting Tomorrow



(Yen billions)

Segment	FY March 2022 full year results	FY March 2023 full year projections (YoY change)
Passive Components	505.2	+7～+10%
Sensor Application Products	130.8	+13～+16%
Magnetic Application Products	248.4	+15～+18%
Energy Application Products	965.3	+17～+20%
Other	52.4	—
<b>Total</b>	<b>1,902.1</b>	<b>2,200.0</b>

Forex assumptions

US\$(JPY)	112.33	120.00
EURO(JPY)	130.53	130.00

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 15

Now, I would like to explain the image of changes in sales by segment for the fiscal year ending March 2023.

Sales of the Passive Components segment are expected to grow by 7-10% year on year overall. Sales to the automotive market are forecast to increase at a rate exceeding the growth in automobile production volume. Sales to the industrial equipment market are also projected to increase. As demand is expected to expand over the medium to long term, we will aggressively invest in the reinforcement of development and production capacity in order to capture business opportunities.

Sales of the Sensor Application Products segment are expected to grow by 13-16% year on year. We expect an increase in adoption of Magnetic Sensors, mainly TMR Sensors, and MEMS Microphones, whose demand has been brisk for ICT applications. As for Temperature and Pressure Sensors as well as Hall Sensors, sales of the products for the automotive market will likely increase as robust growth in sales is expected in line with electrification.

Sales of the Magnetic Application Products segment are expected to grow by 15-18% year on year. Despite sluggish production volume for HDDs, demand for Nearline HDDs is expected to remain brisk reflecting active investment in data centers. As a result, production volume for HDD Heads on the whole will likely increase. Sales of Magnets are also expected to grow on the back of an expansion of sales of products for xEV applications.

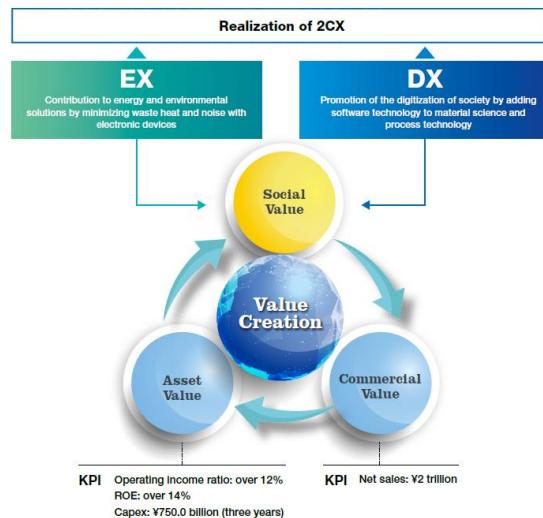
Sales of the Energy Application Products segment are expected to grow by 17-20% year on year. While production volume for smartphones is anticipated to remain unchanged from the previous year, sales of medium-sized batteries for residential energy storage systems and electric motorcycles will likely grow. In the standard power supply business, demand related to semiconductor manufacturing equipment and the infrastructure market is forecast to increase.

## Progress of Medium-Term Plan

Next, I would like to talk about the progress of our medium-term plan, "Value Creation 2023," which started from the previous fiscal year.

# Medium-Term Plan "Value Creation 2023"

Attracting Tomorrow 



Management targets in medium term			
	Fiscal 2021 result	Fiscal 2024 target	CAGR
Net sales	¥1,479.0 billion	¥2,000.0 billion	11%
CAGR by segment			
Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products
7%	25%	12%	11%

## New medium-term capital allocation plan

Fiscal 2022 to fiscal 2024 three-year accumulated base (billions of yen)

Cash In	Cash Out
Operating cash flow 900.0	Strengthened financial position ◀ D/E ratio 40% range
	Shareholder returns ◀ Target dividend payout ratio of 30%
Capex 750.0	Energy 60% ◀ Passive 20% ◀ Magnetic 16% ◀ Other 4%
EBITDA ratio 65%	Improvement of dividends steadily and sustainably based on medium-term profit growth Priority allocation of investment to growth areas -Rechargeable batteries -xEV, ADAS, 5G -HDD head, suspension/applied products

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022  
IR&SR Group • May 11, 2022 • 17

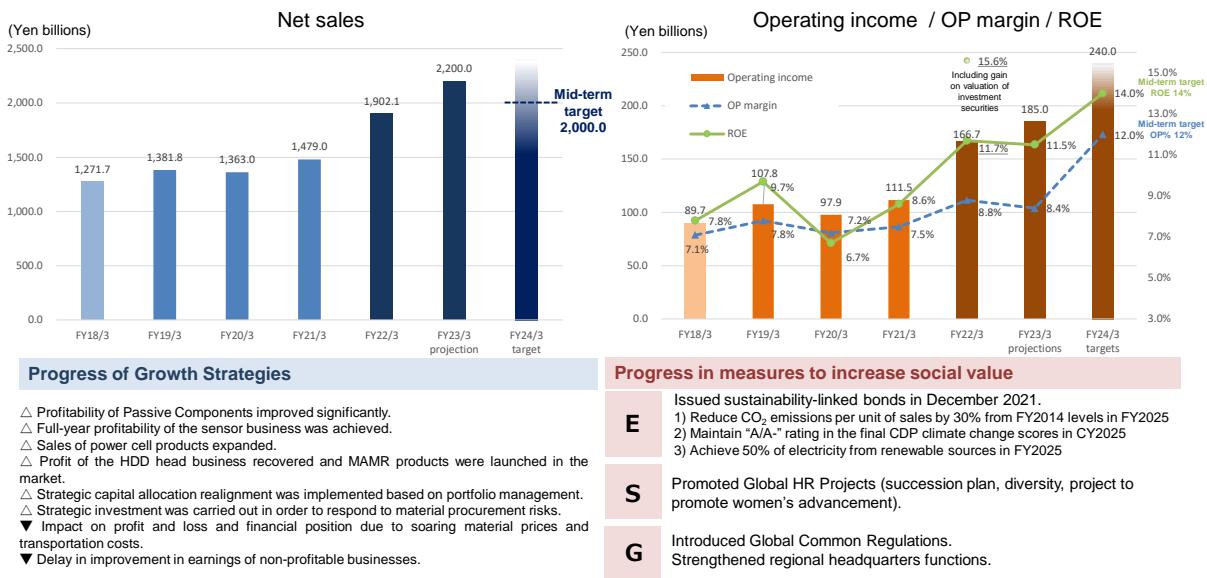
The TDK Group endeavors to increase its corporate value by contributing to social trends such as energy transformation (EX) and digital transformation (DX) through its businesses.

Our KPIs for net sales and operating income and our capital allocation plans are as shown on this slide.

Next, I would like to explain the key points for progress of our medium-term plan.

# Progress of Medium-Term Plan

Attracting Tomorrow 



Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 18

First, let me explain the progress of growth strategies. Both sales and profitability of Passive Components exceeded our plan. Full-year profitability of the Sensor business was achieved as earnings improved at a pace slightly faster than initially anticipated. In Rechargeable Batteries, the power cell business expanded as planned. Profit of the HDD Head business also recovered and MAMR products featuring next-generation technology were launched in the market.

In the capital allocation plan, we initially planned to allocate about 60% of our capital expenditures of 750.0 billion yen in total for three years to Energy Application Products, but we will reduce it to about 40% taking into consideration the medium- to long-term business environment and the changes in business strategy. On the other hand, we plan to increase the allocation to Passive Components from about 20% to 30% with the aim of boosting production capacity. In addition, we will change the allocation significantly in order to ensure that growth opportunities in growth areas such as next-generation HDD Heads and TMR Sensors will be captured.

In terms of our financial position and cash flows, we implemented strategic measures toward stable procurement of battery-related materials over the medium to long term by investing about 100.0 billion yen. As a result, it has become difficult to achieve our medium-term target of generating positive free cash flow after shareholder returns during the medium-term period. However, we regard this as advance investment in order to gain sustainable competitiveness from a long-term perspective.

Meanwhile, there has been an impact on our financial position due to higher-than-expected rises in material prices and transportation costs, among other factors. We will strive to minimize such impact by cost pass-through measures and cost reduction. In addition, as there has been a delay in improvement in earnings of non-profitable businesses, we will take priority measures.

Next, I will explain the progress in measures to increase social value from the ESG perspective.

In terms of "E (Environment)," we issued TDK's first sustainability bonds of 40.0 billion yen in December 2021. Toward achieving the targets through fiscal 2025, we have started initiatives to reduce CO<sub>2</sub> emissions by focusing on both Lower Energy and Renewable Energy.

In terms of "S (Social)," we established the Global Human Resources HQ in Munich, Germany in the fiscal year ended March 2018 and have been engaging in full-fledged operations. In addition to the activities aimed at promoting succession plans and diversity, we have been promoting a project to promote women's advancement in order to achieve a female manager ratio of 15% in Japan in 2035.

In terms of "G (Governance)," we have established the Global Common Regulations, which set out basic rules to be observed by TDK Group companies around the world, while encouraging each Group company and region to develop an autonomous decentralized organization based on the concept of "Empowerment & Transparency." We will further strengthen regional headquarters functions in order to facilitate prompt and adequate decision-making by frontline workers.

## Key points of future initiatives by segments

Attracting Tomorrow



Segment	Mid-term Net sales CAGR	FY22/3 Actual	FY23/3 Forecast	Key points of future initiatives
<b>Passive Components</b>	7%	24%	+7~10%	<ul style="list-style-type: none"> <li>✓ Respond to changes in the structure of the automotive market and customer composition and expand sales and profit mainly related to EVs and ADAS fields which TDK has focused on, even amid sluggish automobile production</li> <li>✓ Promote adoption in a broader range of applications, including industrial equipment</li> <li>✓ Commence operations at the new MLCC plant by the end of 2024</li> </ul>
<b>Sensor Application Products</b>	25%	61%	+13~16%	<ul style="list-style-type: none"> <li>✓ Achieve profitability during FY2022/3 and realize medium-term earnings targets</li> <li>✓ Continue to promote strategy to expand customer base and applications</li> </ul>
<b>Magnetic Application Products</b>	12%	24%	+15~18%	<ul style="list-style-type: none"> <li>✓ Embark on full-fledged mass production of MAMR, a next-generation HDD head</li> <li>✓ Expand the suspension application products business</li> <li>✓ Improve productivity towards boosting profitability of the magnet business</li> </ul>
<b>Energy Application Products</b>	11%	30%	+17~20%	<ul style="list-style-type: none"> <li>✓ Realize growth with a balance between investment and profit through the JVs with CATL in the medium-sized cell market, which is the next growth market</li> <li>✓ Further expand the standard power supply business</li> </ul>

Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 19

Now, I would like to talk about key points of future initiatives by segment.

In the Passive Components segment, by flexibly responding to changes in the industrial structure and customer composition of the automotive market, which accounts for about 40% of net sales, we will aim to expand sales and profit by continuing to increase sales mainly related to the EV and ADAS fields which TDK has focused on, even amid sluggish automobile production. We will also boost sales of products for a broader range of applications, including renewable energy and industrial equipment, in addition to sales to the automotive market.

In addition, as announced by a press release, we have decided to construct a new MLCC factory. The outline of the plan is provided on the next slide.

In the Sensor Application Products segment, while profitability was achieved during the fiscal year ended March 2022, we will continue to promote a strategy to further expand the customer base and applications as planned in order to realize medium-term earnings targets. Steady growth in sales is anticipated for Temperature and Pressure Sensors as well as Hall Sensors for automobiles. We believe that sales growth can be realized by further increasing the adoption of Magnetic Sensors, mainly TMR Sensors, MEMS Microphones, and DX applications, whose demand is expected to grow in the future.

In the Magnetic Application Products segment, we expect robust demand for Nearline HDDs as investment in data centers has been brisk, despite sluggish production volume for HDDs. Sales of HDD Heads are expected to increase reflecting a rise in production volume for heads overall. We will embark on full-fledged mass production of next-generation HDD Heads using MAMR technology and aim to further expand the suspension application products business other than HDD products. We will also improve productivity toward boosting the profitability of the magnet business.

In the Energy Application Products segment, we will aim to realize growth with a balance between investment and profit through the joint ventures(JVs) with CATL in the medium-sized battery market with growth prospects such as residential energy storage system and electric motorcycle applications, as production volume of smartphones is expected to remain flat from the previous fiscal year.

# New MLCC factory construction plan

Attracting Tomorrow



- New building with the capability of integrated production from materials to finished products
- Compact, high-performance, highly reliable products for automotive applications
- A factory designed to save energy and be environmentally friendly (reduced CO<sub>2</sub> emissions)

## Kitakami Factory in Iwate

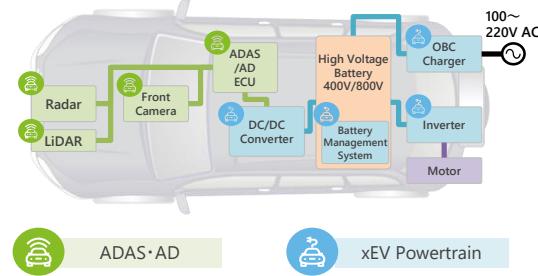


Performance Briefing Fiscal Year March 2022

## Outline

1. Construction site : 106-163, 2 Jiwari, Goto, Wagacho, Kitakami-shi, Iwate
2. Total floor area : Approx. 33,000 m<sup>2</sup>
3. Building structure : 4 stories
4. Construction start date : March 2023 (plan)
5. Completion date : June 2024 (plan)
6. Mass production start date : September 2024 (plan)

## Main Applications and Uses



© TDK Corporation • 2022  
IR&SR Group • May 11, 2022 • 20

We have decided to construct a new plant on the site of the Kitakami Factory (Kitakami-shi, Iwate Prefecture), one of TDK's main MLCC production bases, by investing about 50.0 billion yen. The construction is scheduled to complete in June 2024 and full-fledged mass production will start in September of the same year. The new plant, with the capability of integrated production from materials to finished products, is designed to save energy and reduce CO<sub>2</sub> emissions.

The new plant will mainly manufacture products for automobile applications, whose demand is expected to grow significantly in the future. Specifically, it will manufacture compact, high-performance, highly reliable products to be installed in high voltage conversion units for ADAS and xEV applications.

By combining the new plant and the production expansion plan that has already been commenced, our production capacity is expected to increase to 190% as of the end of 2024 compared with the fiscal year ended March 2021.

## Joint Ventures with CATL in Energy Application Products Business

---

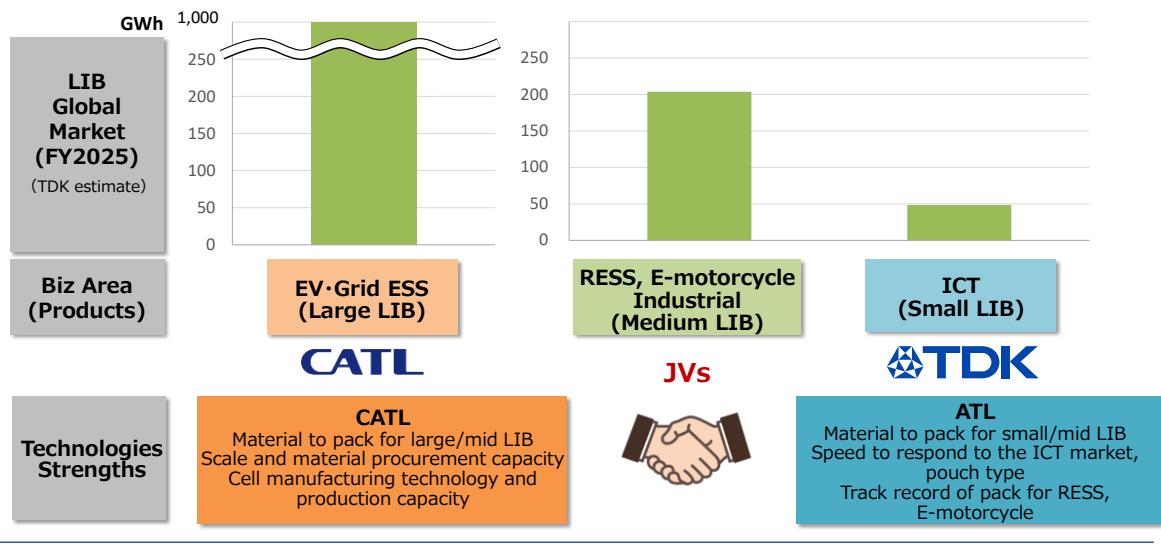
Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022  
IR&SR Group • May 11, 2022 • 21

I am Fumio Sashida, Corporate Officer of TDK. I will explain about the JVs with CATL in the Energy Applied Products business.

## JVs with CATL

Attracting Tomorrow



Performance Briefing Fiscal Year March 2022

© TDK Corporation • 2022

IR&SR Group • May 11, 2022 • 22

Now, let me explain the progress and direction of the establishment of the joint ventures with CATL announced in April 2022.

First, I would like to go over the background behind our entry into the medium-sized battery market and the alliance with CATL once again.

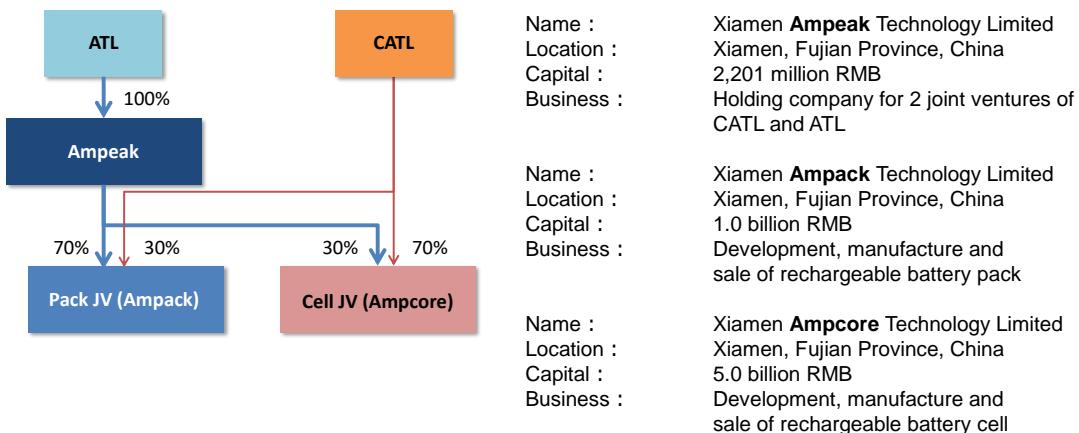
TDK has achieved high growth by focusing on the small-sized battery business for ICT applications. While growth of the ICT market is anticipated to slow down in the future, significant growth is projected for large-sized batteries for EV applications and medium-sized batteries for residential energy storage systems and electric motorcycles. We estimate that the medium-sized battery market will grow to 200 GWh by 2025, becoming four times as large as the small-sized battery market. We think that the key to success in rapidly growing markets is to acquire the necessary technical and management resources on a timely basis (Time to Market, Time to Volume) as we did in the small-sized battery market.

TDK's battery business has grown to the current size over the past 20 years or so since the establishment of ATL. The size of the medium-sized battery market is expected to grow further at a faster pace than that of the small-sized battery market. In order to succeed in such circumstances, enormous technical and management resources will be required. Although TDK has already entered the medium-sized battery market on its own, we have decided to form an alliance with CATL, taking into account the need to efficiently expand the business quickly in light of market potential in the future as well as long-term raw material procurement and technical advancement.

We have a similar corporate culture to CATL and have collaborated with them in some development areas before. Therefore, we believe that we will be able to generate synergy effects through our partnership in a speedy manner.

The cross-licensing agreement concluded last year is indispensable for the future growth of our battery business as it will not only provide us with access to technical resources related to medium-sized batteries but also enable application and utilization for small-sized battery products.

## Composition of the holding company and JVs



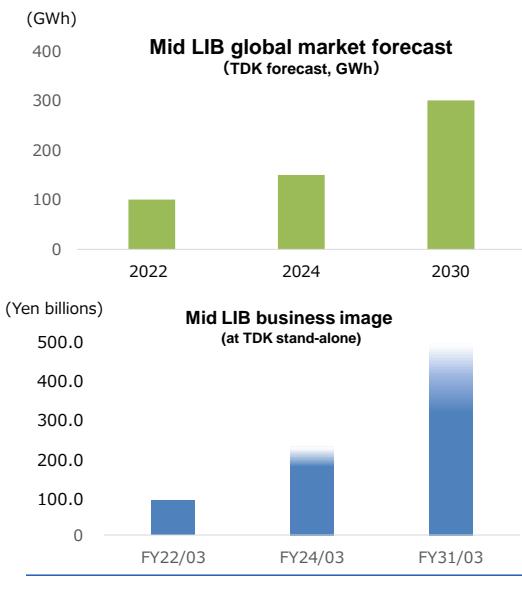
Now, I would like to explain the capital composition of the holding company, whose establishment has been announced, and joint ventures.

We announced the establishment of a new company on April 27, 2022. The name of the new company is Xiamen Ampeak Technology Limited. We will establish this company as a holding company of the two joint ventures in order to implement more flexible management. It will be located in Xiamen, Fujian Province, China.

The name of the joint venture for rechargeable battery packs, in which TDK will have a 70% stake, is Xiamen Ampack Technology Limited. The name of the joint venture for rechargeable battery cells, in which TDK will have a 30% stake, is Xiamen Ampcore Technology Limited. Both companies will be located in Xiamen, Fujian Province, China. While Ampcore will be in charge of manufacturing cells and Ampack will be in charge of manufacturing packs, the cell company Ampcore will act as the sales contact for customers.

## Medium- to long-term directions

Attracting Tomorrow



Performance Briefing Fiscal Year March 2022

### ■ Synergies from JVs

- Product portfolio
- Technical resources
- Operation



- Achieve global top share in the mid LIB market
- Increase competitive advantage through synergy effects of JVs
- Achieve an effective return on investment by sharing burden through JVs

© TDK Corporation • 2022  
IR&SR Group • May 11, 2022 • 24

Next, I would like to talk about the medium- to long-term direction of our joint ventures.

The forecast of the medium-sized battery market is presented at the left top of this slide. The current market size is about 100 GWh. We estimate that the market will grow to around three times as large by 2030.

First, I will explain the scenario in which TDK engages in the medium-sized battery business on its own, based on the assumption of a rapidly expanding market. Medium-sized batteries accounted for about 10% of the battery business sales overall in the fiscal year ended March 2022 and have grown to about 90.0 billion yen in value. Our long-term target is to gain a market share of 10% or higher and grow the business as large as the current ICT business in terms of capacity by 2030. The expected sales of medium-sized batteries at that point will be between 400.0 billion yen and 500.0 billion yen.

The biggest benefit of the joint venture scenario, in comparison with the aforementioned scenario in which TDK engages in the business on its own, is the ability to harness synergy effects while complementing each other's insufficiencies.

In terms of products, the addition of CATL's prismatic and cylindrical cells to TDK's specialty, pouch-type cells, will make it possible to meet a wide range of customer needs and to rapidly expand market share in fast-growing markets. In terms of technology, the two companies will work together to secure human resources to support the business, and we believe that by complementing each other in terms of intellectual property, we can create highly competitive products. In terms of operations, we believe that we can achieve a high level of cost competitiveness through economies of scale in material procurement and production, and manufacturing by leveraging each other's production technologies.

Through these synergies, we will aim to achieve a global top share of 30-40% over the medium to long term. We expect that net sales to be reflected in TDK's consolidated financial results will reach the level we initially anticipated based on the scenario in which TDK engages in the business on its own. On the profit front, we believe that higher profitability will be realized on the back of synergy effects compared to the TDK's stand-alone scenario. Investment burden will be borne according to the joint venture ratio. More effective returns can be expected, and we believe that we will be able to achieve growth that balances investment and earnings. By promoting the medium-sized battery business through our joint ventures, we hope to achieve faster and greater growth.

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

## **Cautionary statements with respect to forward-looking statements**

Attracting Tomorrow



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.  
[https://www.tdk.com/en/ir/ir\\_events/conference/2022/4q\\_1.html](https://www.tdk.com/en/ir/ir_events/conference/2022/4q_1.html)