

# Consolidated Full Year Projections for FY March 2022

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President and CEO

Hello, I'm Shigenao Ishiguro, President and CEO of TDK. I will be presenting our consolidated full-year projections for the fiscal year ending March 2022.

## Key points concerning revisions to FY March 2022 full year projections

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### ● Market forecast (changes from initial forecasts)

- The global economic growth rate is expected to deteriorate slightly overall, as economic growth will likely slow in the U.S. and China, despite the improvement trend in the eurozone.
- Automobile production is forecast to remain at a similar level as the previous fiscal year, falling behind the initial projection, due to the shortage in supply of semiconductors and other components.
- Smartphone production is predicted to be slightly lower than the previous fiscal year's level, falling behind the initial projection due to the shortage in supply of semiconductors and other components and the negative effects of the resurgence of COVID-19.
- Production of HDDs, notebook PCs and tablets is anticipated to remain firm, exceeding the initial projection.

### ● Upward revision to full year projections (sales and income)

- Sales and income of full year projections were upgraded in light of operating results for the first half and the recent stronger booking momentum. While the forecast for automobile and smartphone production has been revised downward, orders and sales are anticipated to exceed the initial projection, on the back of an increase in the number of components installed per vehicle and the movement to secure stock of components.

### ● Revisions to interim dividend and year-end dividend projection

- In line with the revision of the full-year projections, the interim dividend and year-end dividend forecast have been increased by ¥5 per share and ¥12 per share, respectively, with a plan to pay out an annual dividend of ¥208 per share (conversion prior to the stock split).

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First, let me talk about the key points behind the full-year projections.

First of all, automobile production has been stalled due to the shortage in supply of semiconductors and other components, regardless of ultimate customer demand. Therefore, we are afraid that automobile production for the current fiscal year will be at the same level as that of the previous year. We project that global demand for smartphones will fall slightly below our initial forecast, due to the aforementioned shortage in components supply, as well as the effect of the resurgence of COVID-19 in India and Southeast Asia, where the markets were expected to expand.

As for HDDs, we expect that demand related to data centers will remain robust. In addition, demand for notebook PCs and tablets is anticipated to exceed the initial forecast on a full-year basis.

Amid the situation where automobile and smartphone production has been sluggish, demand for electronic components is forecast to remain brisk for the foreseeable future on the back of increasing demand for xEVs and vehicles with advanced driving systems, expansion of markets that utilize electronic components such as industrial equipment and medical devices, and a gradual increase in demand related to 5G telecommunications facilities and devices, although demand has stalled slightly at the moment.

In consideration of this market environment and the status of efforts by each business to promote their expansion measures so far, we have decided to revise upward our full-year projections for both sales and income.

In line with this, we have also revised upward our interim dividend and year-end dividend forecast. Consequently, the interim dividend will increase by 5 yen per share to 100 yen per share, while the year-end dividend forecast will increase by 12 yen per share to 108 yen per share, with a plan to pay out an annual dividend of 208 yen, based on the conversion prior to the stock split.

## Projections for 3Q of FY March 2022

### - Image of changes in sales

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(Yen billions)

Segment	2Q of FY March 2022	3Q projections (QoQ change)
Passive Components	127.3	-1%~-4%
Sensor Application Products	32.7	-2%~-5%
Magnetic Application Products	65.4	-3%~-6%
Energy Application Products	235.5	+3%~+6%
Other	13.2	—
<b>Total</b>	<b>474.1</b>	<b>±0%</b>

Forex assumptions

US\$(JPY)  
EURO(JPY)

110.07  
129.83

109.00  
128.00

Now, I would like to discuss our projection regarding changes in net sales for the third quarter by segment. While there are changes for each segment, we anticipate that overall sales for the third quarter will be at the same level as the second quarter.

In the Passive Components segment, demand is expected to remain stable. As for the assumptions for the projections, while sales are forecast to decline slightly from the second quarter given seasonality among other factors, I think that sales will remain virtually flat through the third quarter. As for the market inventory level, we recognize that pipeline inventory has increased compared to before. However, looking at the flow of products at VMI warehouse and others, we believe that it is not an “excessive” level.

In Sensor Application Products segment, sales are predicted to decrease by 2-5% from the second quarter, as the segment is more likely to be affected by seasonality and the circumstances of individual customers.

In the Magnetic Application Products segment, no significant decline in sales is anticipated thanks to robust demand related to data centers, albeit with slight fluctuation elements.

In the Energy Application Products segment, sales are expected to increase slightly from the second quarter, on the assumption that sales of Rechargeable Batteries to the smartphone market in China will rebound marginally compared with the second quarter of the current fiscal year. Demand for Power Supplies is forecast to remain at a high level.

## FY March 2022 full year / dividend projections

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	(Yen billions)	FY March 2021 full year results	FY March 2022 full year projections (announced on Jul. 28, 2021)	FY March 2022 full year projections (announced on Nov. 1, 2021)	YoY change	
					Yen billions	%
Net sales		1,479.0	1,600.0	1,800.0	321.0	21.7
Operating income		111.5	150.0	157.0	45.5	40.8
Operating income margin		7.5%	9.4%	8.7%	+1.2 pt	-
Income before income taxes		121.9	150.0	162.0	40.1	32.9
Net income		79.3	100.0	110.0	30.7	38.6
Earning per share (JPY)		628.08	791.61	290.25	-	-
Dividends (JPY)		Interim : 90 Year-end : 90 Annual : 180	Interim : 95 Year-end : 96 (32) Annual : 191 *(Post-stock split standard)	Interim : 100 Year-end : 108 (36) Annual : 208 *(Post-stock split standard)	-	-
Ex-rate	US\$ (JPY)	106.05	105.00	109.00	-	-
	EURO (JPY)	123.67	124.00	128.00	-	-
Capital expenditure		212.4	300.0	300.0	87.6	41.3
Depreciation and amortization		140.3	160.0	160.0	19.7	14.1
Research and development		127.0	140.0	160.0	33.0	25.9

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Finally, I would like to discuss our consolidated full-year projections for the fiscal year ending March 2022.

We have revised upward our projections for net sales to 1,800.0 billion yen, operating income to 157.0 billion yen, income before income taxes to 162.0 billion yen, and net income to 110.0 billion yen. Compared with the full-year results of the previous fiscal year, net sales, operating income, and net income are forecast to increase by 21.7%, 40.8%, and 38.6%, respectively.

The exchange rate assumptions are set at 109 yen against the U.S. dollar and 128 yen against the euro. The aforementioned upward revisions to net sales have reflected an increase in sales on a yen-equivalent basis from the initial forecast based on the assumption of a lower yen, as well as an increase in sales reflecting the hike in selling prices in line with the soaring raw material prices.

Meanwhile, research and development expenses have been increased by 20.0 billion yen, but, as Mr. Yamanishi explained earlier, this reflects the recognition of royalty fees related to Rechargeable Batteries, and there will be no impact on TDK's consolidated results.

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

## Cautionary statements with respect to forward-looking statements

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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.

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