

Attracting Tomorrow



**Performance Briefing
First Half of Fiscal Year March 2023**

TDK Corporation
IR&SR Group
November 1, 2022

- **Consolidated Results for First Half of FY March 2023**

Tetsuji Yamanishi, Executive Vice President

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

Noboru Saito, President & CEO

Consolidated Results for First Half of FY March 2023

Tetsuji Yamanishi
Executive Vice President

Hello, I'm Tetsuji Yamanishi, Executive Vice President of TDK. Thank you for taking the time to attend TDK's performance briefing for the first half of the fiscal year ending March 2023. I will be presenting an overview of our consolidated results.

Key points concerning earnings for first half of FY March 2023

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Despite a drop in demand mainly in the ICT market, due partly to geopolitical risks and economic slowdown concerns, both net sales and operating profit reached record highs on the back of EX-related demand, among other factors.*

- **Net sales increased 25.5% year on year. Operating profit increased 47.4% year on year.**
- **Sharp depreciation of the yen significantly affected earnings.**

- Automobile production remained on a moderate recovery trend, despite the negative impact of the shortage of component supply. Component demand remained brisk thanks to the spread of xEVs and ADAS. Sales of Passive Components and Sensors contributed to earnings.
- In the ICT market, sales of HDD Heads decreased due to a substantial decline in demand related to PCs and tablets on top of slowing demand related to data centers. Despite sluggish demand related to smartphones on the whole, sales of Rechargeable Batteries and Sensors for new models contributed to earnings.
- Demand related to residential energy storage systems expanded due to soaring energy prices. Sales of medium-sized rechargeable batteries increased.
- Sales of Power Supplies for industrial equipment and Passive Components for renewable energy and energy-saving equipment applications expanded.

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

First, let's take a look at the key points concerning the earnings for the first half of the fiscal year ending March 2023. While there were signs of recovery from the lockdowns imposed in China due to the resurgence of COVID-19, heightened geopolitical risks resulting from Russia's invasion of Ukraine increased concerns over global economic slowdown. Despite a slowdown in demand mainly in the ICT market, demand related to EX remained brisk. In addition, due to the positive effect of the rapid depreciation of the yen, net sales increased 25.5% year on year, setting a record high on a half-yearly basis, and operating profit increased 47.4% year on year.

In the automotive market, while supply chain constraints continued, such as semiconductor shortage, overall demand recovered moderately mainly in China and component demand remained brisk thanks to an increase in the xEV ratio and the spread of ADAS. As a result, sales of Passive Components and Sensors increased.

In the ICT market, demand related to PCs and tablets, which had been strong amid the COVID-19 pandemic, significantly slowed, and demand related to data centers declined rapidly due to economic slowdown and inventory adjustment in the supply chain. As a result, sales of HDD Heads and HDD Suspension Assemblies decreased considerably.

While demand related to smartphones has been sluggish on the whole as demand has not recovered in China, sales of Rechargeable Batteries and Sensors grew due to the launch of new smartphone models by TDK's major customers.

Meanwhile, demand related to residential energy storage systems rapidly expanded due to global concerns over energy supply and soaring energy prices reflecting the heightened geopolitical risks. Against such background, sales of medium-sized rechargeable batteries continued to increase. Reflecting growing demand related to renewable energy and energy-saving, sales of Power Supplies for industrial equipment and Passive Components expanded for relevant equipment applications.

Amid the increasing uncertainty over the outlook of the global economy, there have been rapid changes in component demand. Under such circumstances, we will aim to thoroughly capture EX-related demand through the expansion of business foundations and capitalize on DX-related demand to expand sales by offering distinctive products on an ongoing basis, thus continuing to increase both net sales and operating profit in the future.

Consolidated results for first half of FY March 2023

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(Yen billions)	FY March 2022 Results through 2Q (2021.4.1-2021.9.30)	FY March 2023 Results through 2Q (2022.4.1-2022.9.30)	Change	
			Yen billions	%
Net sales	894.2	1,122.0	227.8	25.5
Operating profit	81.6	120.3	38.7	47.4
Operating profit margin	9.1%	10.7%	+1.6%	-
Profit before tax	84.8	119.9	35.0	41.3
Net profit	68.9	87.0	18.1	26.3
Earnings per share (JPY)	181.71	229.39	-	-
Ex-rate	US\$ (JPY)	109.79	133.80	Depreciated by 21.9%
	EURO (JPY)	130.86	138.67	Depreciated by 6.0%
Ex-rate impact to net sales & operating profit		Net sales : Increased by about 164.1 billion Yen Operating profit : Increased by about 36.9 billion Yen		

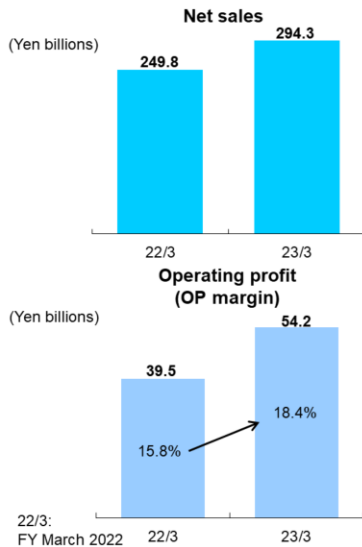
(Note) TDK has voluntarily adopted International Financial Reporting Standards (IFRS) on its consolidated financial statements in the Securities Reports from FY March 2022 in place of the U.S. GAAP. The figures for the previous fiscal year shown in this document are also presented in accordance with IFRS..

Next, I would like to present an overview of our results. There was an increase of about 164.1 billion yen in net sales and an increase of about 36.9 billion yen in operating profit due to exchange rate fluctuations against the U.S. dollar and other currencies. Including this impact, net sales were 1,122.0 billion yen, an increase of 227.8 billion yen, or 25.5% year on year. Operating profit was 120.3 billion yen, an increase of 38.7 billion yen, or 47.4%. Profit before tax was 119.9 billion yen, net profit was 87.0 billion yen, and earnings per share were 229.39 yen.

With regard to exchange rate sensitivity, we estimate that a change of 1 yen against the U.S. dollar will affect actual operating profit by about 2.0 billion yen a year, while a 1-yen change against the euro will have an impact of about 0.6 billion yen a year, in light of the rapid depreciation of the yen and the euro against the U.S. dollar as well as the change in the revenue structure.

First half results - Passive Components segment

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Net sales 294.3 billion yen (up 17.8% year on year)
Operating profit 54.2 billion yen (up 37.0% year on year)

- **Ceramic Capacitors**
 - Sales and profit increased year on year.
 - Sales increased to the automotive market, especially for xEVs.
- **Aluminum Electrolytic Capacitors and Film Capacitors**
 - Sales and profit increased year on year.
 - Sales to the industrial equipment market for renewable energy applications as well as sales to the automotive market increased.
- **Inductive Devices**
 - Sales and profit increased year on year.
 - Sales increased to the automotive and the industrial equipment markets.
- **High-Frequency Components**
 - Sales increased and profit decreased year on year.
 - Sales increased to the industrial equipment and the automotive markets.
- **Piezoelectric Material Products and Circuit Protection Components**
 - Sales and profit increased year on year.
 - Sales increased mainly to the industrial equipment and the automotive markets.

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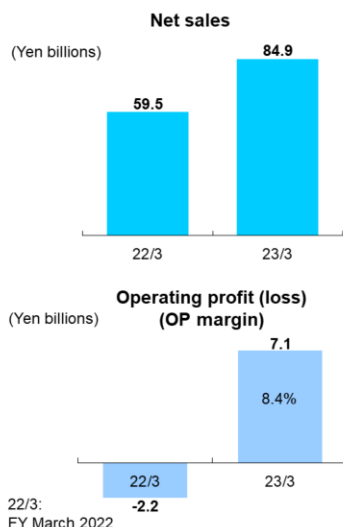
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Next, I would like to explain our business segment performance for the first half.

Net sales in the Passive Components segment were 294.3 billion yen, an increase of 17.8% year on year. Component demand from the automotive market, especially for xEVs and ADAS, has remained brisk. In addition, demand from the industrial equipment market has also been firm, particularly for renewable energy and production equipment. On the other hand, demand related to smartphones declined in the ICT market. As a result, sales and profit of products other than High-Frequency Components, which have a high ratio of smartphone-related sales, increased year on year. In particular, the profitability of MLCCs has increased significantly as full-scale production has continued and there have been positive changes in the product mix.

First half results - Sensor Application Products segment

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Net sales 84.9 billion yen (up 42.7% year on year)
Operating profit 7.1 billion yen (up —% year on year)

● Sensors

- ↪ Sales surged year on year. The segment achieved profitability.
- ↪ Sales of Temperature and Pressure Sensors increased to the automotive market.
- ↪ In Magnetic Sensors, sales of Hall Sensors increased to the automotive market as well as to the ICT market, and sales of TMR Sensors increased significantly year on year, thanks to such as their increased adoption by the ICT market.
- ↪ In MEMS Sensors, sales of Motion Sensors and Microphones increased significantly to the ICT market, etc., owing to the expansion of the customer base and applications. Earnings also improved greatly.

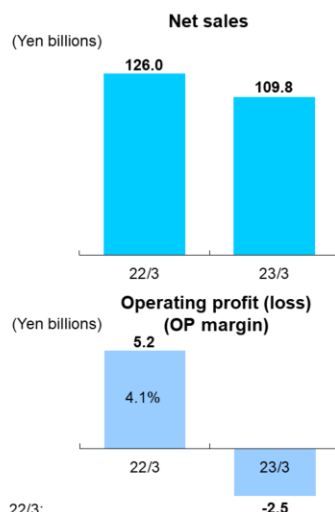
Net sales in the Sensor Application Products segment amounted to 84.9 billion yen, up 42.7% year on year, recording a significant increase. Operating profit was 7.1 billion yen, improving substantially reflecting increased sales, compared with the same period of the previous fiscal year when an operating loss was recorded.

Sales and profit of Temperature and Pressure Sensors decreased year on year, reflecting mainly a decline in orders related to automobiles in Europe due to the supply chain constraints of automotive components as a result of the conflict between Russia and Ukraine. On the other hand, in Magnetic Sensors, sales of Hall Sensors expanded for smartphone as well as automotive applications. Sales of TMR Sensors increased substantially as sales to the automotive market remained firm and smartphone applications expanded. Consequently, the profit of Magnetic Sensors on the whole increased considerably on a year-on-year basis.

Sales of MEMS Sensors increased year on year, owing to the expansion of the customer base and applications for game machines and industry equipment, such as drones, as well as in the automotive market, on top of the expansion of sales to the ICT market where demand had been sluggish. As a result, profitability improved despite a slight loss.

First half results - Magnetic Application Products segment

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Net Sales 109.8 billion yen (down 12.8% year on year)
Operating loss -2.5 billion yen (down —% year on year)

- **HDD Heads and HDD Suspension Assemblies**

- ↪ Sales and profit of HDD Heads and HDD Suspension Assemblies decreased year on year due to sluggish production volume of HDDs for PC applications and data centers.

- **Magnets**

- ↪ Operating loss increased year on year.

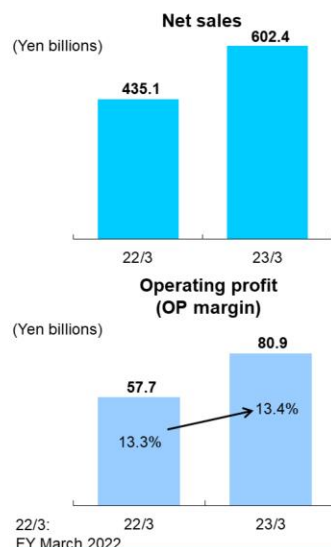
In the Magnetic Application Products segment, net sales decreased 12.8% year on year to 109.8 billion yen, and an operating loss of 2.5 billion yen was posted.

In HDD Heads and HDD Suspension Assemblies, we predicted that HDD demand for PCs would decline further while demand for Nearline HDD Heads would start to recover from the beginning of the second quarter. However, due to the effect of economic slowdown among other factors, investment in data centers declined rapidly and HDD inventory adjustment accelerated. As a result, sales volume of Nearline HDD Heads and HDD Suspension Assemblies during the first half decreased about 13% and about 18%, respectively, from the previous forecast, recording significantly decreased sales and profit year on year.

Sales of Magnets increased year on year reflecting a rise in sales related to xEVs. Profitability has improved on an actual basis, excluding the effect of fluctuations in foreign exchange rates, despite ongoing losses.

First half results - Energy Application Products segment

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Net Sales 602.4 billion yen (up 38.5% year on year)

Operating profit 80.9 billion yen (up 40.1% year on year)

- **Energy Devices (Rechargeable Batteries)**

- ↳ Sales and profit increased year on year.
- ↳ Production volume for mobile applications (smartphones, tablets, notebook PCs) remained sluggish, while sales of small-sized rechargeable batteries for new models expanded.
- ↳ Sales of medium-sized rechargeable batteries for residential energy storage systems and other applications expanded.

- **Power Supplies**

- ↳ Sales and profit from Power Supplies for industrial equipment increased year on year due to strong corporate capital expenditures demand.

In the Energy Application Products segment, net sales increased 38.5% year on year to 602.4 billion yen and operating profit surged 40.1% year on year to 80.9 billion yen.

In Rechargeable Batteries, while sales volume for mobile applications, such as smartphones, tablets, and notebook PCs decreased, sales of small-sized rechargeable batteries increased year on year as a result of the improvement in the product mix among other factors. In addition, sales of medium-sized rechargeable batteries steadily expanded, mainly for residential energy storage systems and other applications. Consequently, sales of Rechargeable Batteries exceeded the previous year's level on an actual basis excluding the effect of fluctuations in foreign exchange rates and surcharges. Operating profit increased year on year on an actual basis excluding the effect of fluctuations in foreign exchange rates as a result of our efforts to reduce overall costs including SG&A expenses as well as to increase the profitability of medium-sized rechargeable batteries, despite the negative impact on profit from the decline in sales volume of small-sized rechargeable batteries.

In Power Supplies for Industrial Equipment, demand for semiconductor manufacturing equipment and other industrial equipment remained robust, resulting in year-on-year increases in both sales and profit.

Breakdown of operating profit changes

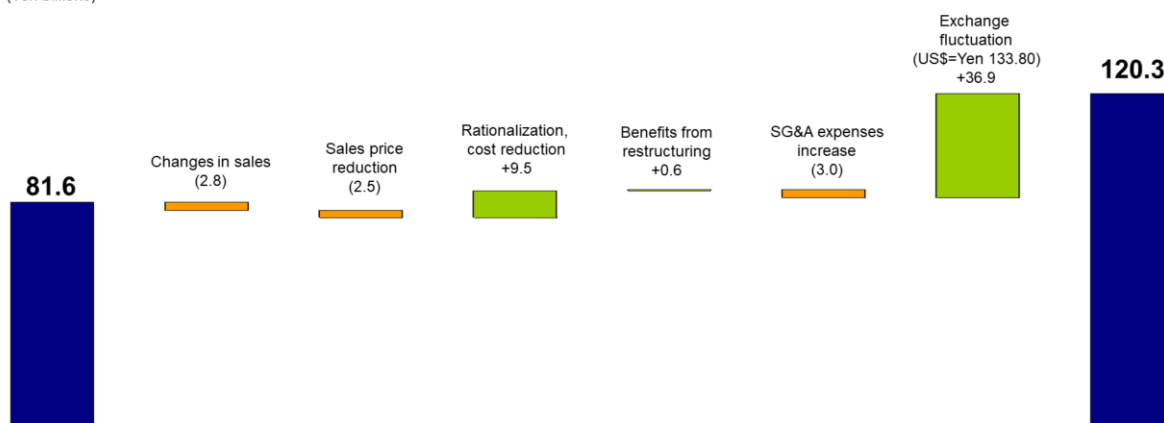
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First half of
FY March 2022
81.6 billion yen

Operating profit +38.7 billion yen

First half of
FY March 2023
120.3 billion yen

(Yen billions)



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Next is a breakdown of changes in operating profit. Let's take a look at the main factors behind the 38.7 billion yen increase in operating profit. First, operating profit increased by 1.8 billion yen excluding the effect of fluctuations in foreign exchange rates. While there was a decrease in operating profit of 5.3 billion yen due mainly to a decline in the sales volume of HDD Heads and HDD Suspension Assemblies and the discounts on selling prices, this was offset by the positive effects of rationalization and cost reduction mainly for Rechargeable Batteries and Passive Components, as well as the benefits from restructuring in the fourth quarter of the previous fiscal year.

While SG&A expenses increased by 3.0 billion yen year on year, actual SG&A expenses decreased year on year, given the fact that license fees to CATL of about 4.1 billion yen had not been recorded in the first quarter of the previous fiscal year, contributing to the year-on-year increase in operating profit. Amid the uncertainties surrounding the demand environment, we have been endeavoring to increase profitability by enhancing management efficiency.

Consolidated results for 2Q of FY March 2023

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(Yen billions)		FY March 2022 2Q results	FY March 2023 2Q results	Change	
				Yen billions	%
Net sales		474.1	611.5	137.4	29.0
Operating profit		50.3	75.7	25.4	50.5
Operating profit margin		10.6%	12.4%	+1.8 pt	-
Profit before tax		52.4	76.0	23.6	45.0
Net profit		41.9	55.5	13.6	32.5
Earnings per share (JPY)		110.59	146.51	-	-
Ex-rate	US\$ (JPY)	110.07	138.20	Depreciated by 25.6% Depreciated by 7.4%	
	EURO (JPY)	129.83	139.39		
Ex-rate impact to net sales & operating profit		Net sales : Increased by about 100.4 billion Yen Operating profit : Increased by about 24.3 billion Yen			

Next, I would like to present an overview of our consolidated results for the second quarter of the fiscal year ending March 2023.

In the second quarter of the fiscal year ending March 2023., net sales rose 29.0% year on year to 611.5 billion yen, operating profit surged 50.5% year on year to 75.7 billion yen, profit before tax was 76.0 billion yen, and net profit was 55.5 billion yen, setting new record highs for all items on a quarterly basis.

Quarterly results by segment

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(Yen billions)		2Q of	1Q of	2Q of	YoY change		QoQ change	
		FY March 2022	FY March 2023	FY March 2023	(C)/(A)	%	(C)/(B)	%
		(A)	(B)	(C)	Yen billions	%	Yen billions	%
Net sales	Capacitors	49.8	57.6	62.9	13.0	26.2	5.3	9.1
	Inductive Devices	45.3	49.3	52.8	7.5	16.5	3.5	7.0
	Other Passive Components	32.9	34.7	37.0	4.1	12.5	2.3	6.7
	Passive Components	128.0	141.6	152.7	24.6	19.3	11.0	7.8
	Sensor Application Products	32.7	39.0	45.9	13.2	40.5	6.9	17.7
	Magnetic Application Products	65.4	55.1	54.7	(10.7)	-16.3	(0.4)	-0.8
	Energy Application Products	235.5	260.1	342.3	106.8	45.3	82.2	31.6
	Other	12.5	14.6	15.9	3.4	26.8	1.3	8.6
Total		474.1	510.5	611.5	137.4	29.0	101.0	19.8
Operating profit	Passive Components	21.5	24.6	29.6	8.1	37.8	5.0	20.3
	Sensor Application Products	1.0	2.8	4.4	3.4	347.3	1.6	56.7
	Magnetic Application Products	2.3	(0.7)	(1.8)	(4.1)	-	(1.1)	-
	Energy Application Products	34.3	27.3	53.5	19.2	55.9	26.2	95.7
	Other	(0.3)	0.4	(0.2)	0.1	-	(0.5)	-
	Sub total	58.7	54.4	85.5	26.8	45.5	31.1	57.2
	Corporate and eliminations	(8.5)	(9.8)	(9.8)	(1.3)	-	(0.0)	-
	Total	50.3	44.6	75.7	25.4	50.5	31.1	69.7
Operating income margin		10.6%	8.7%	12.4%	+1.8pt	-	+3.7pt	-
Ex-US\$	US\$ (JPY)	110.07	129.36	138.20				
Ex-Euro	EURO (JPY)	129.83	137.95	139.39				

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Now, I will explain some of the factors behind the changes in segment net sales and operating profit from the first quarter of the fiscal year ending March 2023.

First, in the Passive Components segment, net sales increased by 11.0 billion yen, or 7.8%, from the first quarter, and operating profit rose by 5.0 billion yen, or 20.3%, from the first quarter. Sales increased across all markets, especially to the automotive and industrial equipment markets, resulting in increased sales and profit in all businesses.

In the Sensor Application Products segment, net sales increased by 6.9 billion yen, or 17.7% from the first quarter, and operating profit increased by 1.6 billion yen, or 56.7% from the first quarter. Both sales and profit of Temperature and Pressure Sensors increased from the first quarter as demand from the automotive market picked up mainly in China. In Magnetic Sensors, sales of TMR Sensors and Hall Sensors rose from the first quarter thanks to seasonal factors such as a significant increase in sales related to new models launched by our major customers during the second quarter. Operating profit of TMR Sensors increased from the first quarter, despite the recording of one-time expenses related to the launch of new models. In MEMS Sensors, sales remained virtually unchanged from the first quarter on the back of an increase in sales of Microphones, despite a decline in sales of Motion Sensors for smartphone applications in China. Operating loss diminished from the first quarter reflecting an increase in sales of high value-added products.

In the Magnetic Application Products segment, net sales decreased by 0.4 billion yen, or 0.8%, from the first quarter, and operating profit decreased by 1.1 billion yen.

Sales volume of HDD Heads on the whole increased by only about 8% from the first quarter, contrary to the previous prediction of an about 40% increase from the first quarter due to the anticipated recovery in demand for Nearline HDD Heads. HDD assembly sales also decreased from the first quarter. Consequently, sales of HDD Heads on the whole increased only slightly from the first quarter. Sales and profit of HDD Suspension Assemblies on the whole decreased from the first quarter as demand from major customers declined sharply as in the case of HDD Heads. Sales of Magnets increased from the first quarter due to an increase in sales related to xEVs.

In the Energy Application Products segment, net sales increased by 82.2 billion yen, or 31.6%, from the first quarter, and operating profit increased by 26.2 billion yen or about 1.9 times, from the first quarter. Sales of rechargeable batteries to the ICT market increased from the first quarter on the back of an increase in sales related to the launch of new models by our major customers, while sales volume of small-sized rechargeable batteries for smartphone applications in China remained virtually unchanged from the first quarter. Meanwhile, sales of medium-sized rechargeable batteries increased mainly for residential energy storage systems and other applications. As a result, sales of Rechargeable Batteries on the whole significantly increased from the first quarter. The operating profit of Rechargeable Batteries also rose significantly from the first quarter as a result of our efforts to reduce costs, in addition to the absorption of the impact of soaring prices through surcharges. In addition, the operating profit of Power Supplies for Industrial Equipment increased from the first quarter reflecting increased sales, resulting in a significant improvement in profitability.

That concludes my presentation.

Consolidated Full Year Projections for FY March 2023

Noboru Saito
President & CEO

I am Noboru Saito. I would like to go over our full-year earnings projections for the fiscal year ending March 2023.

FY March 2023 full year / dividend projections

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	FY March 2022 full year results (Yen billions)	FY March 2023 full year projections (announced on Aug. 1, 2022)	FY March 2023 full year projections (announced on Nov. 1, 2022)	YoY change	
				Yen billions	%
Net sales	1,902.1	2,200.0	2,220.0	317.9	16.7
Operating profit	166.8	185.0	200.0	33.2	19.9
Operating profit margin	8.8%	8.4%	9.0%	+0.2 pt	-
Profit before tax	172.5	190.0	200.0	27.5	15.9
Net profit	131.3	145.0	147.0	15.7	12.0
Earnings per share (JPY)	346.44	382.54	390.35	-	-
Dividends (JPY)	Interim : 100 (33.3) Year-end : 45 Annual : - (78.3) *(post-stock split standard)	Interim : 53 Year-end : 53 Annual : 106	Interim : 53 Year-end : 53 Annual : 106	-	-
Ex-rate	US\$ (JPY)	112.33	135.00	-	-
	EURO (JPY)	130.53	137.00	-	-
Capital expenditure	291.3	300.0	300.0	8.7	3.0
Depreciation and amortization	177.0	200.0	210.0	33.0	18.6
Research and development	165.3	190.0	180.0	14.8	8.9

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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 forecast (announced by the IMF), as a basis for our market forecast, was revised downward to 3.6% in April and to 3.2% in October.

As for production activities, while there have been signs of moderate recovery from the lockdowns imposed in China due to the resurgence of COVID-19, ongoing geopolitical risks resulting from Russia's invasion of Ukraine and interest rate hikes at a pace exceeding expectations have increased concerns over global economic slowdown.

Amid such macro-economic environment, we have revised our projections on demand for and production volume of major devices related to TDK's businesses.

In light of the current order status, our projections have been revised upward from the previous projections as follows: net sales of 2,220.0 billion yen; operating profit of 200.0 billion yen; profit before tax of 200.0 billion yen; and net profit of 147.0 billion yen.

Our exchange rate assumptions for the second half of the fiscal year ending March 2023 are 135 yen against the U.S. dollar and the euro.

There have been no changes in the dividend projections announced at the beginning of the current fiscal year. We expect the interim dividend to be 53 yen, year-end dividend to be 53 yen, and annual dividend to be 106 yen.

While we have reviewed capital expenditure in light of the macro economy and demand trends, there have been no changes from the initial projections due to the effect of the depreciation of the yen. Research and development expenses are projected to decrease from 190.0 billion yen to 180.0 billion yen, and depreciation and amortization is projected to be 210.0 billion yen.

Market forecast of FY March 2023

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Production Trend (Unit: Mil. unit)	FY2022	forecast in	forecast in
		May 11	November 1
		FY2023 (YoY)	FY2023 (YoY)
Automobile*	79	83 (+5%)	84 (+6%)
<i>therein</i> xEV	10.1	14.4 (+43%)	15.4 (+52%)
Smartphone	1,319	1,319 (±0%)	1,184 (-10%)
<i>therein</i> 5G Smartphone	586	663 (+13%)	620 (+6%)
HDD	250	231 (-8%)	161 (-36%)
<i>therein</i> Nearline	75	77 (+3%)	67 (-11%)
Notebook PC	258	240 (-7%)	205 (-21%)
Tablet	165	152 (-8%)	147 (-11%)

*The number of Automobile includes commercial vehicles.

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Next, I will explain demand and production volume in the major markets related to TDK as a basis for our full-year projections.

We have assumed that automobile production volume will slightly increase from our initial projection to 84 million units on the back of an increase in xEV production volume amid the easing of component shortages.

On the other hand, while we had initially predicted that production volume for smartphones, which represent the ICT market, would remain virtually flat from the previous year, it is now projected to be 1,184 million units, down 10% year on year.

We have revised our projections for PC and tablet production volume significantly downward. Production volume is assumed to decrease by 21% year on year to 205 million units for PCs and to decrease by 11% year on year to 147 million units for tablets. Consequently, while we had initially predicted that production volume for HDDs would decrease by 8% year on year, it is now assumed to decrease by 36% year on year to 161 million units due to a rapid decline in demand related to PCs and data centers.

Projections for 3Q of FY March 2023 - Image of changes in sales

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(Yen billions)

Segment	2Q of FY March 2023	3Q projections (QoQ change)
Passive Components	152.7	-1%~-4%
Sensor Application Products	45.9	±0%
Magnetic Application Products	54.7	-14%~-17%
Energy Application Products	342.3	±0%
Other	15.9	—
Total	611.5	-3%~±0%

Forex assumptions

US\$(JPY)	138.20	135.00
EURO(JPY)	139.39	135.00

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Now, I would like to discuss our projection regarding changes in net sales for the third quarter by segment.

We anticipate that overall sales for the third quarter will be somewhere between 3% down from the second quarter and at the same level as the second quarter, based on the assumption of the aforementioned macro-economic environment and the exchange rate assumption of 135 yen against the U.S. dollar and the euro for the second half of the fiscal year ending March 2023.

In the Passive Components segment, sales are expected to decrease by between 1-4% from the second quarter in light of seasonal factors, despite the recovery trend in automobile production and solid demand as a result of the spread of EVs and ADAS.

In the Sensor Application Products segment, sales are predicted to be ±0% from the second quarter in light of current trends in the major markets.

In the Magnetic Application Products segment, sales are projected to decrease between 14-17% from the second quarter given sluggish HDD demand for PC and data center applications.

In the Energy Application Products segment, sales are assumed to be ±0% from the second quarter in light of the ICT market trends, despite robust sales of medium-sized rechargeable batteries.

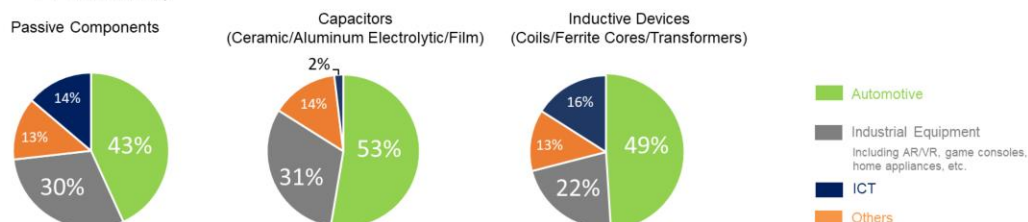
Key points of future initiatives by segments

● Passive Components

- Continue to strengthen product portfolio to incorporate demand related to automobile applications (ADAS, environment-friendly vehicles) and energy saving.
- Investment in Ceramic Capacitors for increased production, which was announced at the beginning of the fiscal year, will be implemented as scheduled.
 - High temperature guarantee, high voltage compatibility, resin electrode with safety design
- Increase production of Film Capacitors for EV and renewable energy applications.
- Increase production of EMI filters for automobile network and Inductive Devices for power supplies.

Sales Ratio by Market

(Actual results for 2Q of
FY March 2023)



Performance Briefing First Half of Fiscal Year March 2023

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

In the Passive Components segment, as a result of the acquisition of EPCOS, business structure reforms with the main focus on Ceramic Capacitors, investment in development and sales expansion efforts mainly for automobile and industrial equipment applications, the automotive market accounts for 43% and the industrial equipment market accounts for 30% in the ratio of Passive Components sales. While we recognize that we have already established a global supply system with a product portfolio that can respond to demand related to the automotive market, with a focus on EVs which are expected to grow rapidly amid the shift toward a decarbonized society, as well as renewable energy and energy-saving applications, it is our policy to continue to strengthen our system in the future.

As for Ceramic Capacitors, we will continue to enhance product capabilities, such as high temperature guarantee and high voltage compatibility, while implementing the investment for increased production announced at the beginning of the fiscal year as scheduled in order to respond to growing demand.

We will also invest in Film Capacitors to increase production while continuing the development of products with high voltage compatibility, as demand is expected to grow for EV and renewable energy applications.

In the field of Inductive Devices, by combining our product development capabilities based on ferrite and other materials with our accumulated manufacturing capabilities such as winding, layering and thin film technologies, we will continue our investment for development and increased production to respond to markets needs related to EVs and ADAS as in the case with Capacitors.

Key points of future initiatives by segments

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● Sensor Application Products

- Increase production of Magnetic Sensors (TMR Sensors) to the ICT market.
- Expand sales of Temperature and Pressure Sensors, and Magnetic Sensors (TMR Sensors) to the automotive market.
- Promote the expansion of customer and application bases for MEMS Sensors.

● Magnetic Application Products

- Magnetic Heads: Expand sales of MAMR Heads and continue the development of HAMR as a next-generation technology.
- Magnets: Continue to improve productivity.

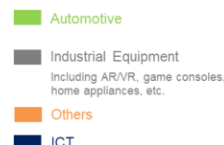
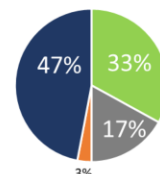
● Energy Application Products

- JVs with CATL for medium-sized rechargeable batteries market progressed as planned.
- Demand related to residential energy storage systems is expected to expand due to concerns over energy supply.
- Further expansion of the standard power supply business is anticipated.

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Sensor Application Products
(Temperature and Pressure Sensors/
Magnetic Sensors/MEMS Sensors)



In the Sensor Application Products segment, the ICT markets accounts for 47%, the automotive market accounts for 33%, and the industry equipment market accounts for 17% of net sales.

In Magnetic Sensors, sales of TMR sensors increased for smartphone applications, and whose demand is expected to continue to grow in the future as cameras become more sophisticated. TMR Sensors have been adopted not only for smartphone applications but also as angle sensors and current sensors used for motors, such as electric power steering, brakes, etc., in automotive applications. In order to respond to growing demand for these applications, we will continue to make aggressive investment for increased production.

Since demand for Temperature and Pressure Sensors and Hall Sensors in Magnetic Sensors is expected to increase in line with the evolvement of EVs, vehicle electrification and automated driving technologies, we will continue to expand sales in the future. We will also continue to promote the expansion of the customer base and applications for MEMS Motion Sensors and MEMS Microphones as in the past.

In the Magnetic Application Products segment, the production volume of HDD Heads has been sluggish in the short term. However, looking ahead to business growth over the medium to long term, we will expand the production of MAMR Heads and continue the development of HAMR as a next-generation technology. In the Magnet business, which is a business with problems, we will continue to improve productivity.

In the Energy Application Products segment, JVs with CATL in the medium-sized rechargeable batteries market have progressed as planned. Recently, demand related to residential energy storage systems has been growing rapidly against the backdrop of concerns over power supply due to heightened geopolitical risks resulting from Russia's invasion of Ukraine. We will also endeavor to incorporate demand which is expected to grow in the future, such as batteries for electric motorcycle and drone applications.

While there have been growing concerns over the slowdown of the global economy in the short term, we will aim to increase our corporate value over the medium to long term by thoroughly implementing the measures we have just explained.

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

Cautionary statements with respect to forward-looking statements

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