

Attracting Tomorrow



Fiscal Year March 2024

**3rd Quarter
Performance Briefing**

TDK Corporation

IR&SR Group

January 31, 2024

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Tetsuji Yamanishi, Executive Vice President

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Q3, FY March 2024 Results Highlights

Tetsuji Yamanishi
Executive Vice President

Q3 (YTD), FY March 2024 key points

- While sales to the automotive market increased, both net sales and operating profit decreased year on year due to the sluggish industrial equipment market on top of the slowdown in the ICT and the HDD markets.

Net sales (JPY bn)
1,619.0
〔 Down 5.3% YoY 〕

Operating profit (JPY bn)
155.7
〔 Down 17.5% YoY 〕

- While sales of passive components and sensors to the automotive market increased, growth slowed owing to protracted inventory adjustments at customers.
- Sales of passive components to the industrial equipment and the ICT markets decreased significantly.
- While sales of HDD heads and HDD suspension assemblies dropped considerably due to a significant year-on-year decline in the HDD market, there have been signs of recovery since Q3.
- Sales of small capacity rechargeable batteries to the ICT market decreased year on year due to a decline in sales price resulting from lower material price, despite sales volume remained at a similar level on a year-on-year basis.

Q3 YTD, FY March 2024 results

- Net sales and operating profit decreased year on year.

	FY3/23	FY3/24	Change	
	Q3 YTD	Q3 YTD	JPY bn	%
(JPY bn)				
Net sales	1,709.0	1,619.0	(90.0)	(5.3)%
Operating profit	188.7	155.7	(32.9)	(17.5)%
Operating profit margin	11.0%	9.6%	(1.4)pts	-
Profit before tax	188.1	157.1	(31.0)	(16.5)%
Net profit attributable to owners of parent	136.9	119.5	(17.4)	(12.7)%
Earnings per share (JPY)	361.06	315.01	-	-
USD (JPY)	136.46	143.21	4.9% JPY depreciation	
EUR (JPY)	140.54	155.22	10.4% JPY depreciation	

Exchange rate impact on net sales and operating profit (OP)

(JPY bn)

Net sales	Approx. +58.0
OP	Approx. +17.2

Forex sensitivity (impact by one JPY change)

USD	(JPY bn)
Net sales	11.0
OP	2.0

EUR	(JPY bn)
Net sales	3.0
OP	0.6

Q3, FY March 2024 results

- Net sales decreased while operating profit increased year on year.

	FY3/23	FY3/24	Change	
(JPY bn)	Q3	Q3	JPY bn	%
Net sales	587.0	559.3	(27.7)	(4.7)%
Operating profit	68.4	70.2	+1.8	+2.7%
Operating profit margin	11.6%	12.6%	+1.0pts	-
Profit before tax	68.2	76.9	+8.7	+12.7%
Net profit attributable to owners of parent	49.9	65.3	+15.4	+30.8%
Earnings per share (JPY)	131.64	172.14	-	-
USD (JPY)	141.75	147.95	4.4% JPY depreciation	
EUR (JPY)	144.26	159.04	10.2% JPY depreciation	

Exchange rate impact on net sales and operating profit (OP)

(JPY bn)

Net sales

Approx. +22.5

OP

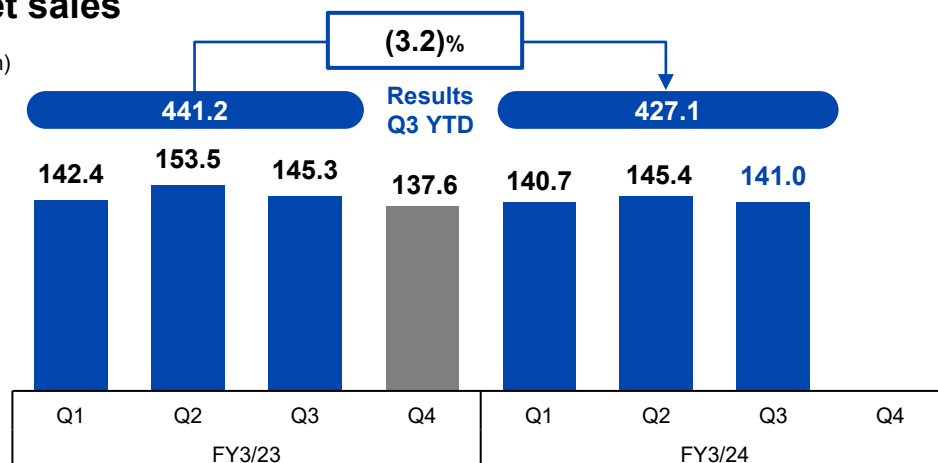
Approx. +3.8

Passive Components segment – Q3 YTD

- While sales to the automotive market increased, both sales and profit decreased year on year due to a decline in sales to the ICT and the industrial equipment markets.

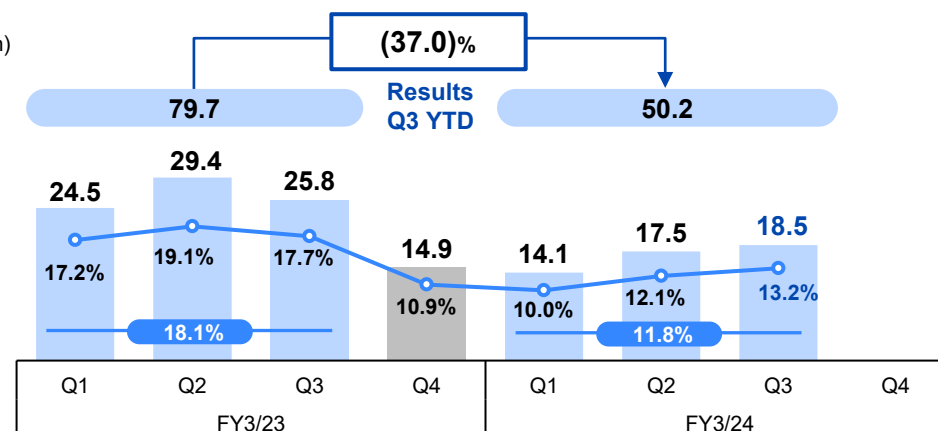
Net sales

(JPY bn)



Operating profit, OP margin

(JPY bn)



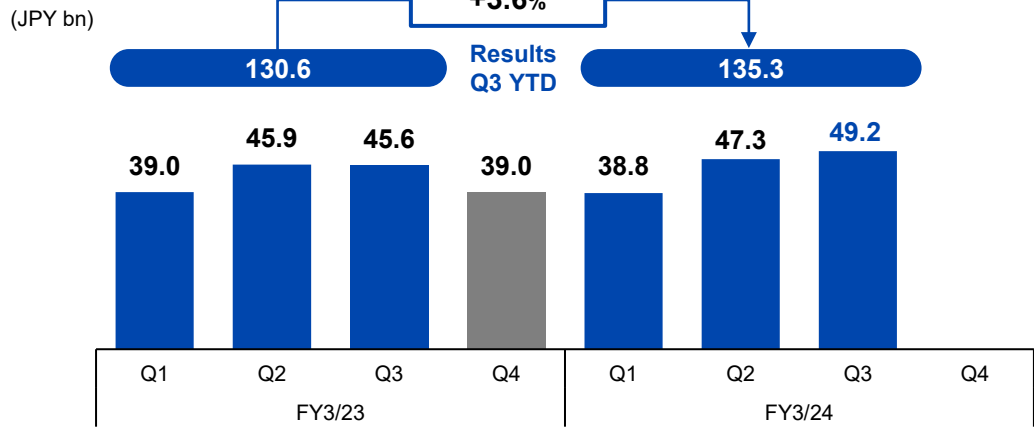
(Note) In accordance with the reorganization for Q1, FY3/24, certain products of Other are reclassified into capacitors of Passive Components. Thus, the FY3/23 figures are also reclassified to conform to the new segmentation.

Ceramic capacitors	<ul style="list-style-type: none"> Sales increased while profit decreased year on year. Sales increased to the automotive market but decreased to the industrial equipment market and distributors.
Aluminum electrolytic capacitors and film capacitors	<ul style="list-style-type: none"> Sales and profit decreased year on year. Sales decreased to the industrial equipment market.
Inductive devices	<ul style="list-style-type: none"> Sales and profit decreased year on year. Sales to the industrial equipment and the ICT markets decreased despite an increase in sales to the automotive market.
High-frequency components	<ul style="list-style-type: none"> Sales and profit decreased year on year. Sales decreased to the ICT market.
Piezoelectric material products and circuit protection components	<ul style="list-style-type: none"> Sales and profit decreased year on year. Sales to the industrial equipment market decreased despite an increase in sales to the automotive market.

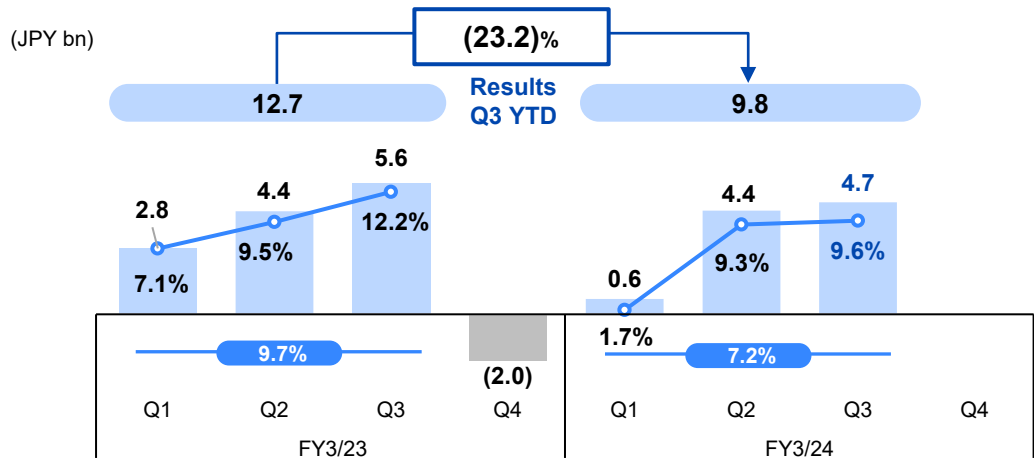
Sensor Application Products segment – Q3 YTD

- Sales increased while profit decreased year on year due to a decline in sales to the industrial equipment and the ICT markets, despite an increase in sales to the automotive market.

Net sales



Operating profit, OP margin

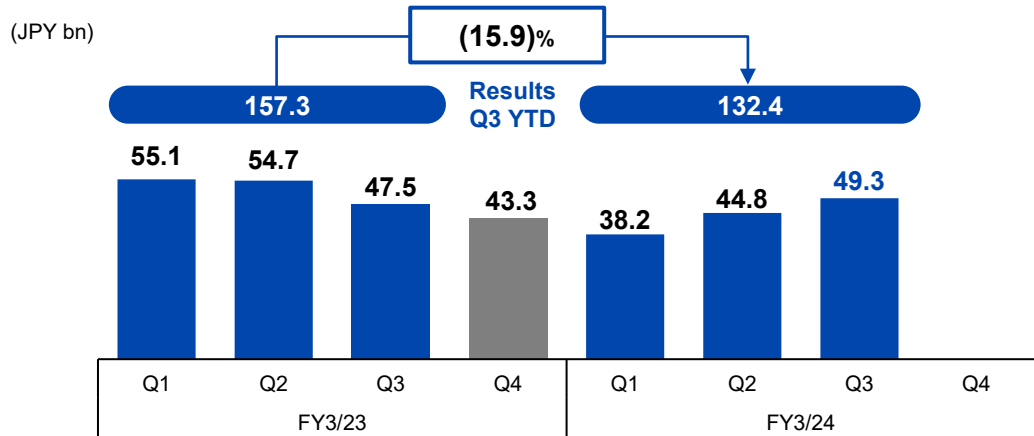


Temperature and pressure sensors	<ul style="list-style-type: none">• Sales and profit increased year on year.• Sales increased to the automotive market but decreased to the industrial equipment market.
Magnetic sensors	<ul style="list-style-type: none">• Sales and profit increased year on year.• Sales of Hall sensors to the automobile market and TMR sensors to the ICT expanded.
MEMS sensors	<ul style="list-style-type: none">• Sales and profit decreased year on year.• Profit decreased significantly year on year due to a decline in sales to the ICT and industrial equipment markets.

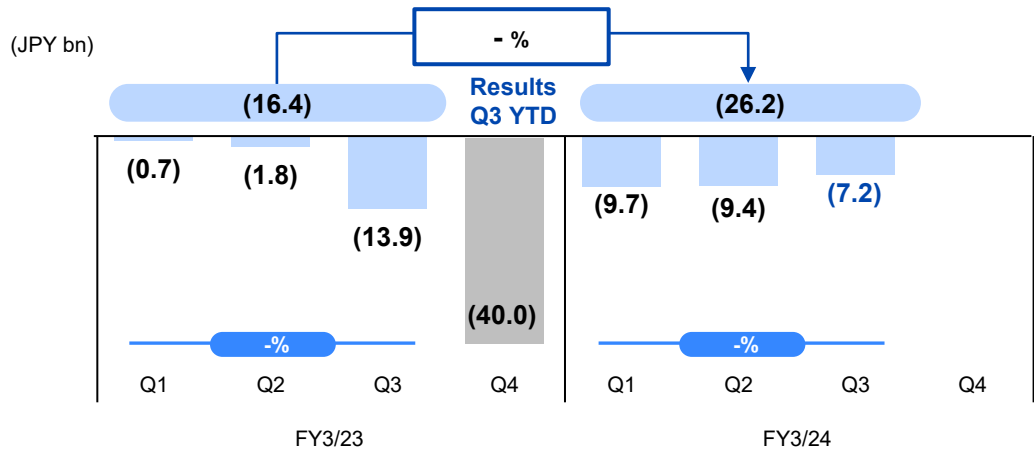
Magnetic Application Products segment – Q3 YTD

- Sales and profit decreased year on year as sales to the HDD market remained significantly below the previous year’s level.

Net sales



Operating profit, OP margin



HDD heads and HDD suspension assemblies

- While both sales and profit decreased year on year for the first nine months of FY March 2024, sales increased year on year and profitability improved in Q3.

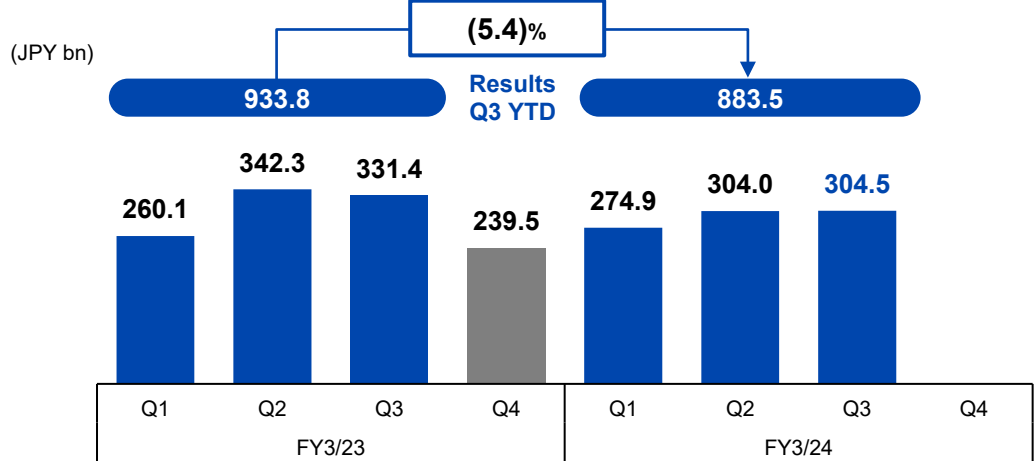
Magnets

- Sales decreased year on year.
- Slower productivity improvement resulted in lag in profit enhancement.

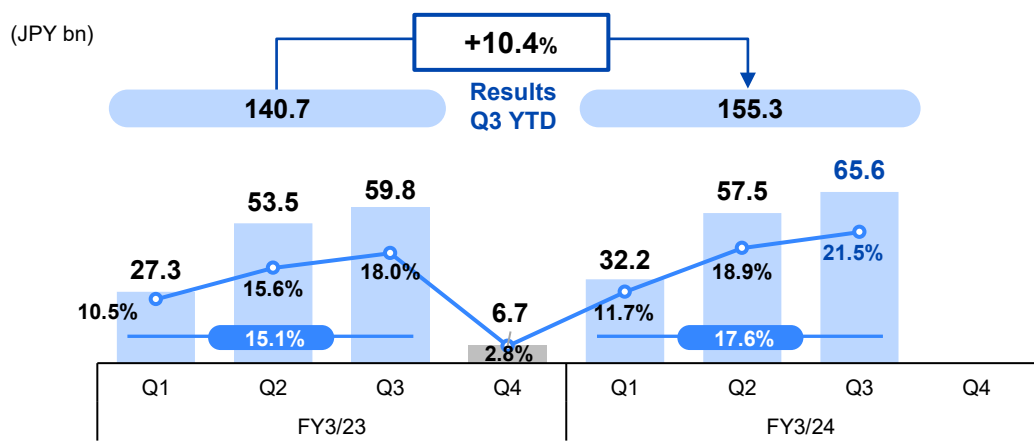
Energy Application Products segment – Q3 YTD

- Profitability of rechargeable batteries further improved, despite a decrease in sales to the ICT market.

Net sales



Operating profit, OP margin



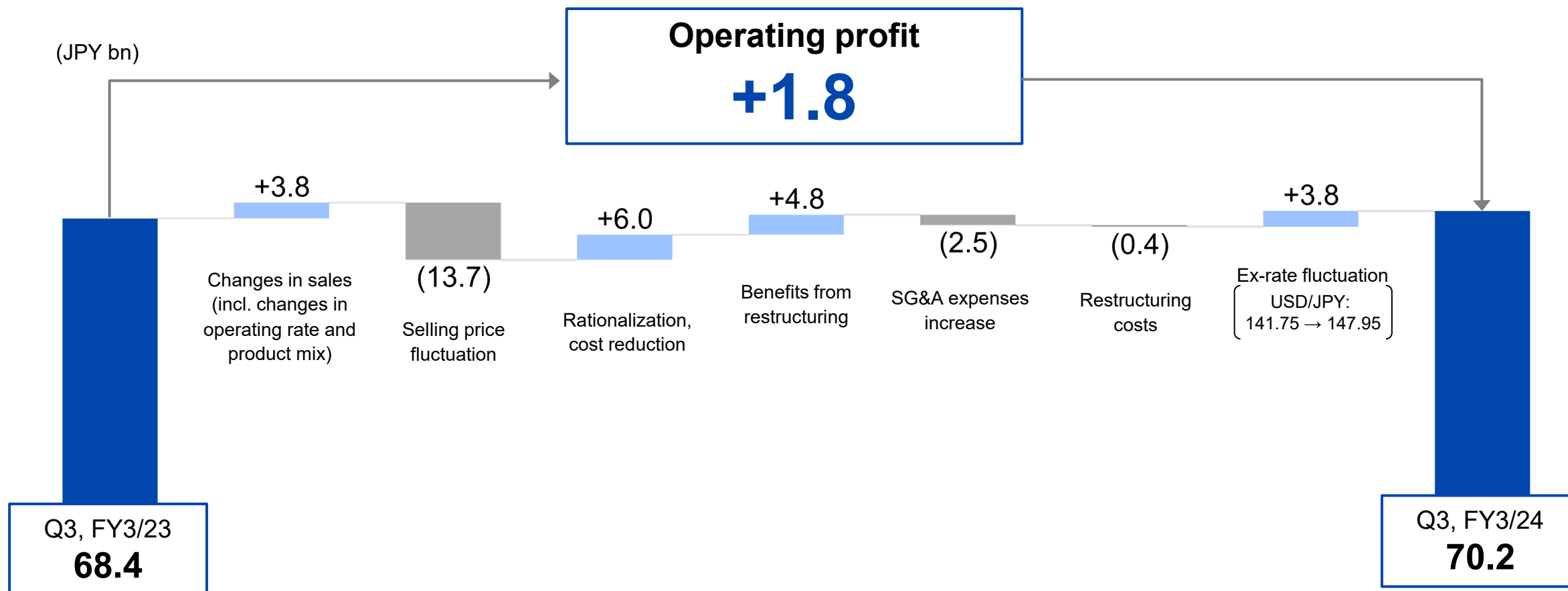
Energy devices (Rechargeable batteries)

- Sales decreased while profit increased year on year.
- Sales decreased due to a decline in sales price resulting from lower material price.
- Profitability improved due to cost reduction efforts including rationalization.
- Sales of medium capacity rechargeable batteries decreased as a result of the business transfer to JVs.

Power supplies

- Sales and profit of power supplies for industrial equipment increased year on year.
- Sales of power supplies for xEVs increased and their profitability improved.

Analysis of change in operating profit – Q3



Quarterly results by segment

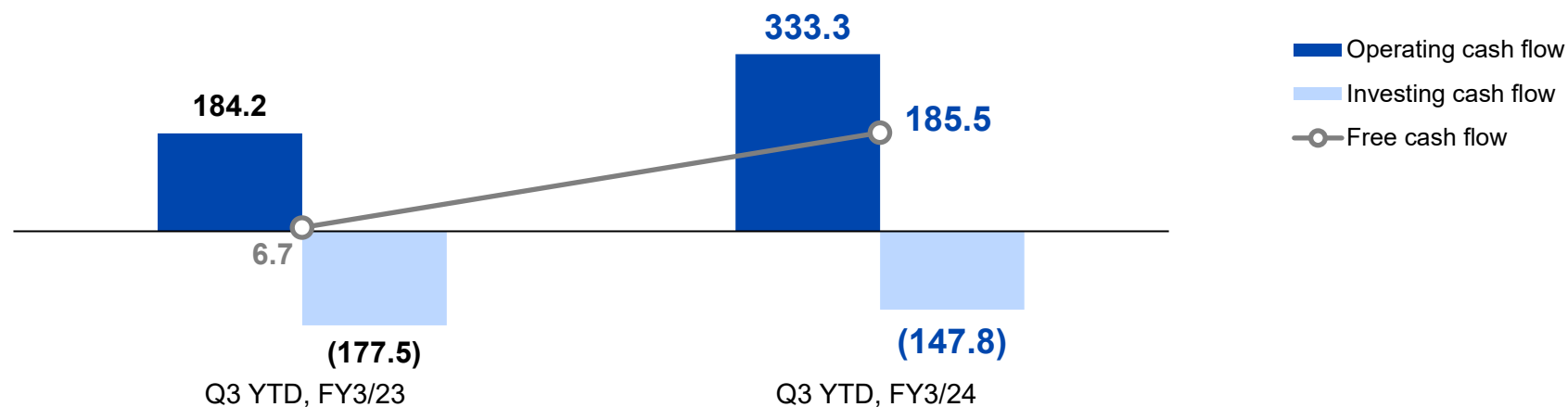
		FY3/23	FY3/24	FY3/24	YoY [C] – [A]		QoQ [C] – [B]	
(JPY bn)		Q3 [A]	Q2 [B]	Q3 [C]	JPY bn	%	JPY bn	%
Net sales	Capacitors	62.1	62.6	59.4	(2.7)	(4.4)%	(3.2)	(5.2)%
	Inductive Devices	50.1	49.3	49.2	(0.9)	(1.8)%	(0.1)	(0.2)%
	Other Passive Components	33.1	33.5	32.4	(0.7)	(2.1)%	(1.1)	(3.4)%
	Passive Components	145.3	145.4	141.0	(4.3)	(3.0)%	(4.5)	(3.1)%
	Sensor Application Products	45.6	47.3	49.2	+3.6	+7.9%	+2.0	+4.2%
	Magnetic Application Products	47.5	44.8	49.3	+1.8	+3.8%	+4.5	+10.0%
	Energy Application Products	331.4	304.0	304.5	(26.9)	(8.1)%	+0.6	+0.2%
	Other	17.1	14.8	15.2	(2.0)	(11.4)%	+0.4	+2.6%
	Total	587.0	556.3	559.3	(27.7)	(4.7)%	+2.9	+0.5%
Operating profit	Passive Components	25.8	17.5	18.5	(7.2)	(28.1)%	+1.0	+5.7%
	Sensor Application Products	5.6	4.4	4.7	(0.8)	(14.9)%	+0.4	+8.0%
	Magnetic Application Products	(13.9)	(9.4)	(7.2)	+6.7	-	+2.2	-
	Energy Application Products	59.8	57.5	65.6	+5.8	+9.7%	+8.1	+14.1%
	Other	1.1	0.7	0.5	(0.6)	(58.7)%	(0.2)	(31.8)%
	Subtotal	78.3	70.7	82.1	+3.8	+4.8%	+11.4	+16.1%
	Adjustment	(10.0)	(11.4)	(11.9)	(1.9)	-	(0.5)	-
	Total	68.4	59.2	70.2	+1.8	+2.7%	+11.0	+18.5%
Operating profit margin		11.6%	10.6%	12.6%	+0.9pts	-	+1.9pts	-
USD (JPY)		141.75	144.44	147.95				
EUR (JPY)		144.26	157.17	159.04				

Cash flows – Q3 YTD

	FY3/23	FY3/24	
(JPY bn)	Q3 YTD	Q3 YTD	Change
Operating cash flow	184.2	333.3	+149.1
Investing cash flow	(177.5)	(147.8)	+29.7
Free cash flow	6.7	185.5	+178.8
Financing cash flow	20.8	(90.0)	(110.8)
Effects of ex-rate changes	8.4	24.7	+16.4
Cash and cash equivalents	475.2	626.5	+151.2

Operating cash flows, investing cash flows, free cash flows

(JPY bn)



FY March 2024 Projections

Projections by segment for Q4, FY March 2024

(JPY bn)	FY3/24		Factor
	Q3	Q4 Projection (QoQ)	
Passive Components	141.0	±0 ~ +3%	<ul style="list-style-type: none"> Sales of ceramic capacitors to the automotive market are expected to increase. Sales of inductive devices to the ICT market are expected to decrease.
Sensor Application Products	49.2	(11) ~ (8)%	<ul style="list-style-type: none"> Sales of TMR sensors to the ICT market are expected to decrease. Sales of MEMS sensors are expected to decrease.
Magnetic Application Products	49.3	±0 ~ +3%	<ul style="list-style-type: none"> Sales of HDD heads and HDD suspension assemblies are expected to increase. Sales of magnets to the automotive market are expected to decrease.
Energy Application Products	304.5	(27) ~ (24)%	<ul style="list-style-type: none"> Sales of small capacity rechargeable batteries to the ICT market are expected to decrease. Sales of medium capacity rechargeable batteries are expected to decrease as a result of the transfer to the JVs.
Other	15.2	-	
Total	559.3	(16) ~ (13)%	
USD(JPY)	147.95	145.00	
EUR(JPY)	159.04	156.00	

FY March 2024 projections

- FY March 2024 projections have been revised reflecting the results Q3 YTD.

	(JPY bn)	FY3/23 Actual [A]	FY3/24 Projection			Change (YoY) [B] – [A]	
			As of Apr. 2023	As of Aug. 2023	As of Jan. 2024 [B]	JPY bn	%
Net sales		2,180.8	2,020.0	1,970.0	2,090.0	(90.8)	(4.2)%
Operating profit		168.8	190.0	150.0	170.0	+1.2	+0.7%
OP margin		7.7%	9.4%	7.6%	8.1%	+0.4pts	-
Profit before tax		167.2	188.0	150.0	170.0	+2.8	+1.7%
Net profit attributable to owners of parent		114.2	147.0	105.0	120.0	+5.8	+5.1%
Earnings per share (JPY)		301.19	387.57	276.81	316.34	-	-
Dividends (JPY)		106.00	116.00	116.00	116.00	-	-
USD (JPY)		135.46	130.00	136.00	144.00	-	-
EUR (JPY)		140.89	142.00	148.00	155.00	-	-
Capex		275.7	260.0	240.0	230.0	(45.7)	(16.6)%
Depreciation and amortization		206.3	185.0	180.0	190.0	(16.3)	(7.9)%
R&D expenses		179.5	180.0	170.0	180.0	+0.5	+0.3%

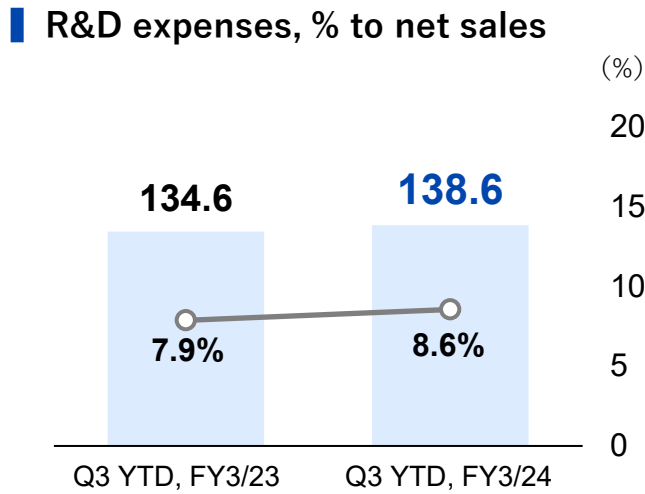
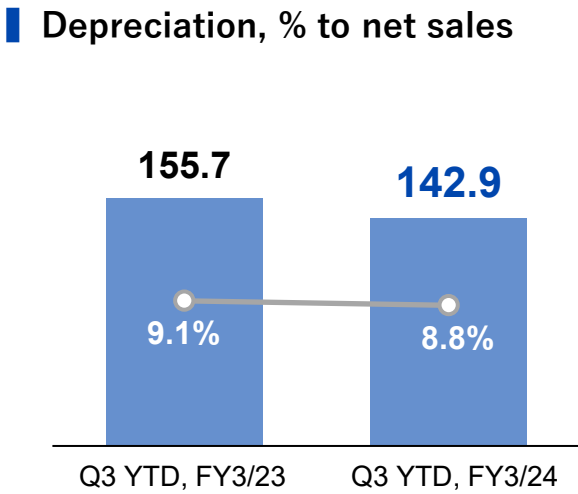
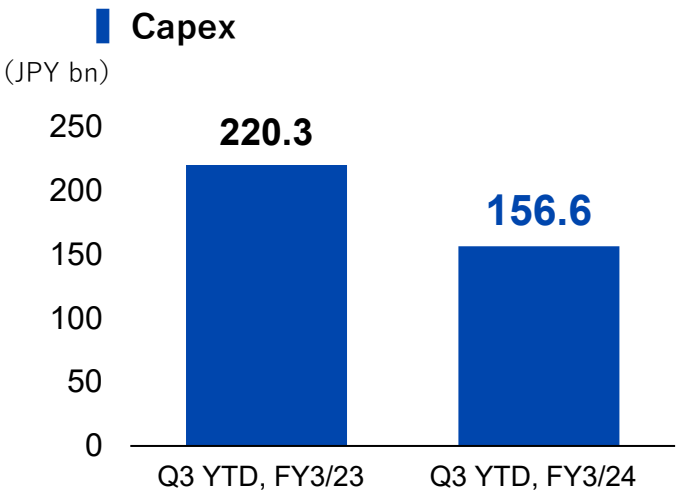
Appendix

Quarterly sales and operating profit by segment

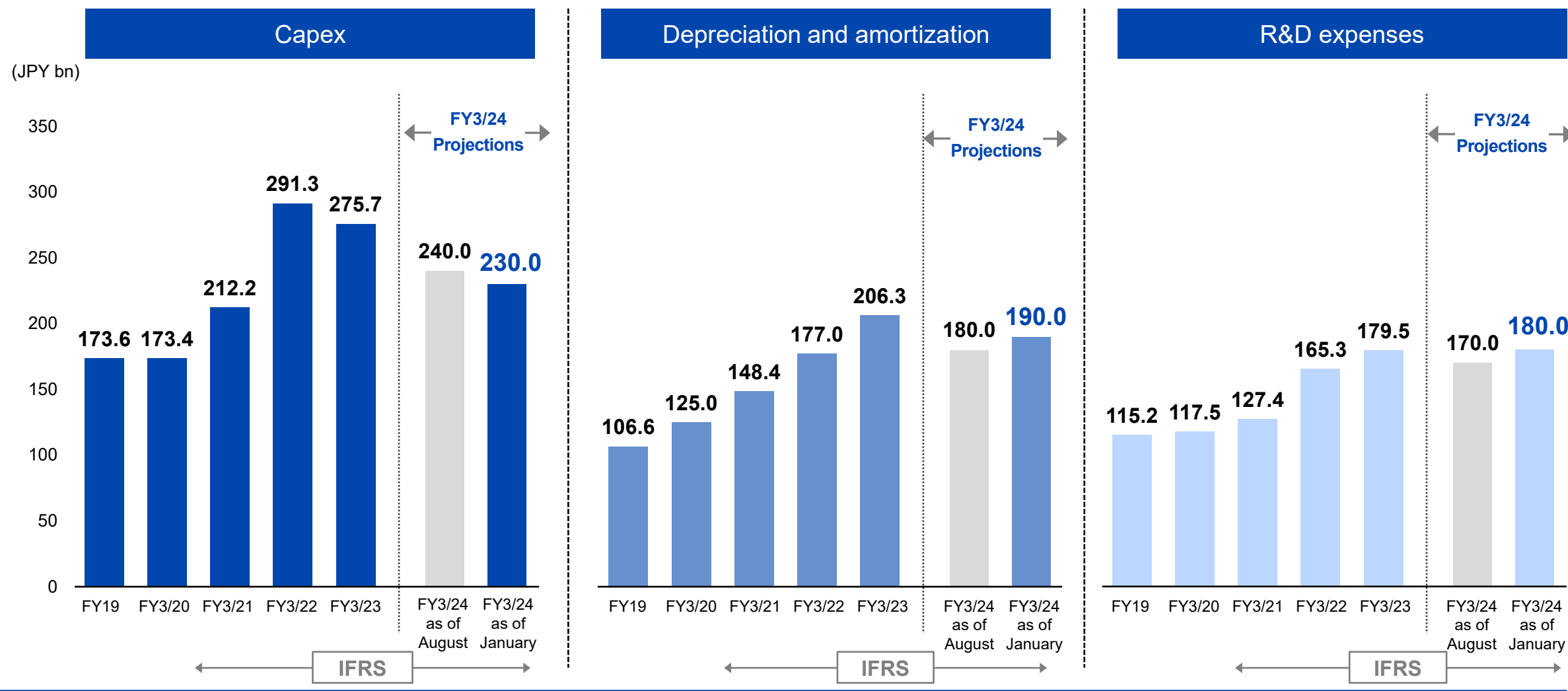
		FY3/23					FY3/24				
(JPY bn)		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Net Sales	Capacitors	58.3	63.7	62.1	58.3	242.5	62.5	62.6	59.4		
	Inductive Devices	49.3	52.8	50.1	46.3	198.5	46.7	49.3	49.2		
	Other Passive Components	34.7	37.0	33.1	33.0	137.8	31.5	33.5	32.4		
	Passive Components	142.4	153.5	145.3	137.6	578.8	140.7	145.4	141.0		
	Sensor Application Products	39.0	45.9	45.6	39.0	169.5	38.8	47.3	49.2		
	Magnetic Application Products	55.1	54.7	47.5	43.3	200.6	38.2	44.8	49.3		
	Energy Application Products	260.1	342.3	331.4	239.5	1173.4	274.9	304.0	304.5		
	Other	13.9	15.0	17.1	12.5	58.6	10.7	14.8	15.2		
	Total	510.5	611.5	587.0	471.9	2,180.8	503.4	556.3	559.3		
Operating profit	Passive Components	24.5	29.4	25.8	14.9	94.6	14.1	17.5	18.5		
	Sensor Application Products	2.8	4.4	5.6	(2.0)	10.7	0.6	4.4	4.7		
	Magnetic Application Products	(0.7)	(1.8)	(13.9)	(40.0)	(56.4)	(9.7)	(9.4)	(7.2)		
	Energy Application Products	27.3	53.5	59.8	6.7	147.4	32.2	57.5	65.6		
	Other	0.5	0.0	1.1	(1.1)	0.5	(1.2)	0.7	0.5		
	Subtotal	54.4	85.5	78.3	(21.4)	196.8	36.1	70.7	82.1		
	Adjustment	(9.8)	(9.8)	(10.0)	1.5	(28.0)	(9.8)	(11.4)	(11.9)		
	Total	44.6	75.7	68.4	(19.9)	168.8	26.3	59.2	70.2		
Operating profit margin		8.7%	12.4%	11.6%	(4.2)%	7.7%	5.2%	10.6%	12.6%		
USD (JPY)		129.36	138.20	141.75	132.40	135.46	137.18	144.44	147.95		
EUR (JPY)		137.95	139.39	144.26	141.95	140.89	149.37	157.17	159.04		

Capex, Depreciation, and R&D expenses – Q3 YTD

	FY3/23	FY3/24	Change
(JPY bn)	Q3 YTD	Q3 YTD	
Capex (Purchase of tangible and intangible assets)	220.3	156.6	(63.7)
Depreciation and amortization	155.7	142.9	(12.7)
% to net sales	9.1%	8.8%	(0.3)pts
R&D expenses	134.6	138.6	+4.0
% to net sales	7.9%	8.6%	+0.7pts



Capex, Depreciation, and R&D expenses – Projections

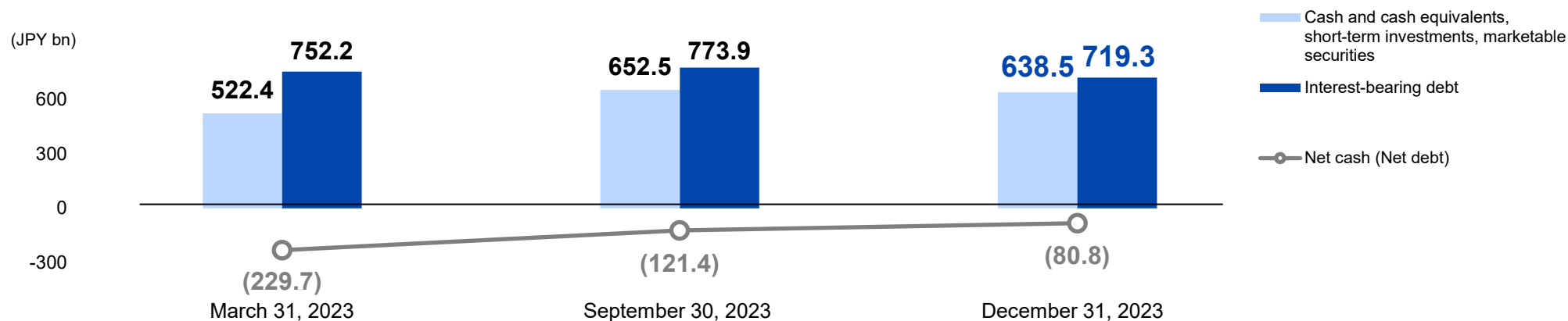


Financial position

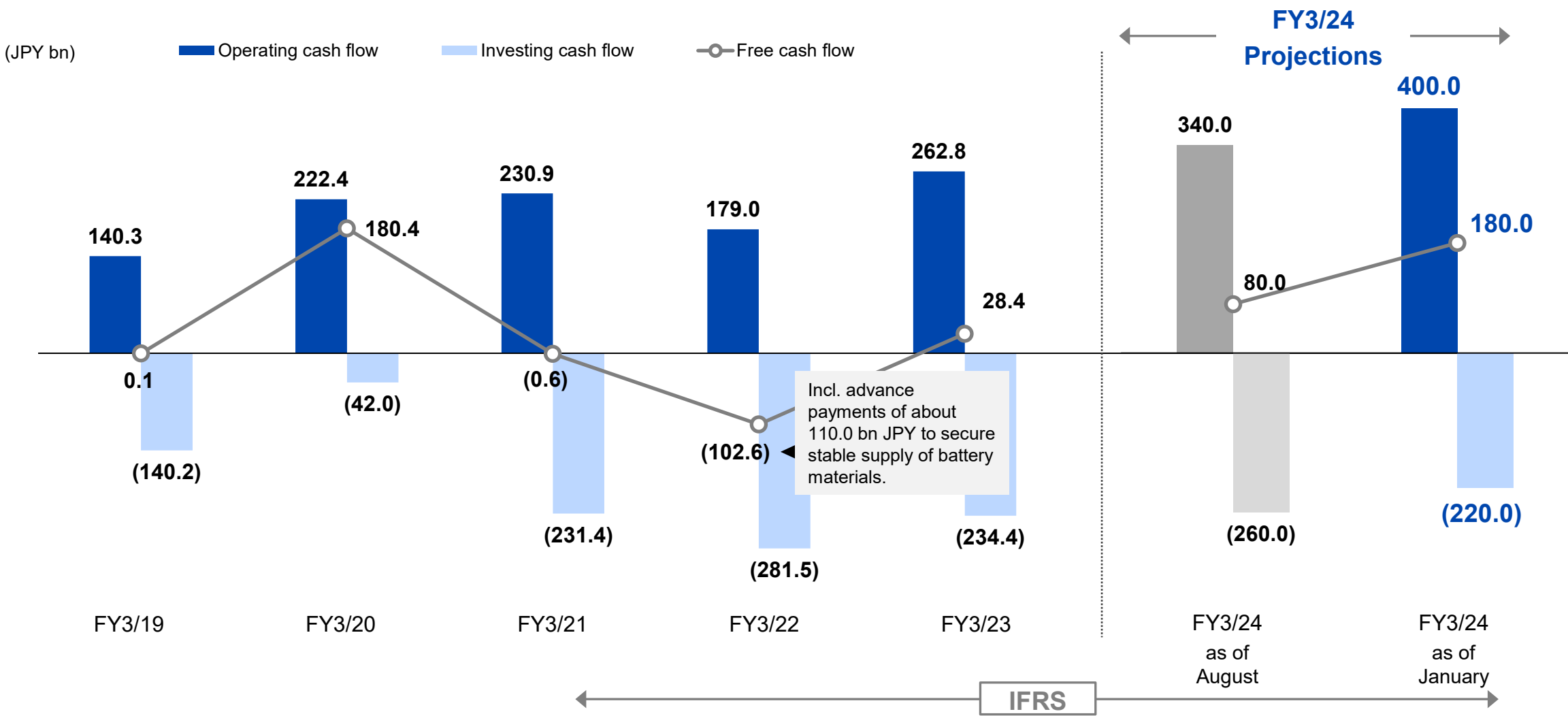
(JPY bn)	March 31, 2023	September 30, 2023	December 31, 2023	Change (vs. March 31)
Total assets	3,147.0	3,417.6	3,314.4	+167.4
Total liabilities	1,684.2	1,779.7	1,697.0	+12.8
Total equity attributable to owners of parent	1,458.4	1,631.1	1,609.6	+151.2
Ratio of equity attributable to owners of parent	46.3%	47.7%	48.6%	+2.3pts
Cash and cash equivalents, short-term investments, marketable securities	522.4	652.5	638.5	+116.1
Interest-bearing debt ^{*1}	752.2	773.9	719.3	(32.9)
Net cash (Net debt) ^{*2}	(229.7)	(121.4)	(80.8)	+148.9

*1: Borrowings + bonds + lease liabilities

*2: Cash and cash equivalents, short-term investments, marketable securities - interest-bearing debt



Cash flow projections



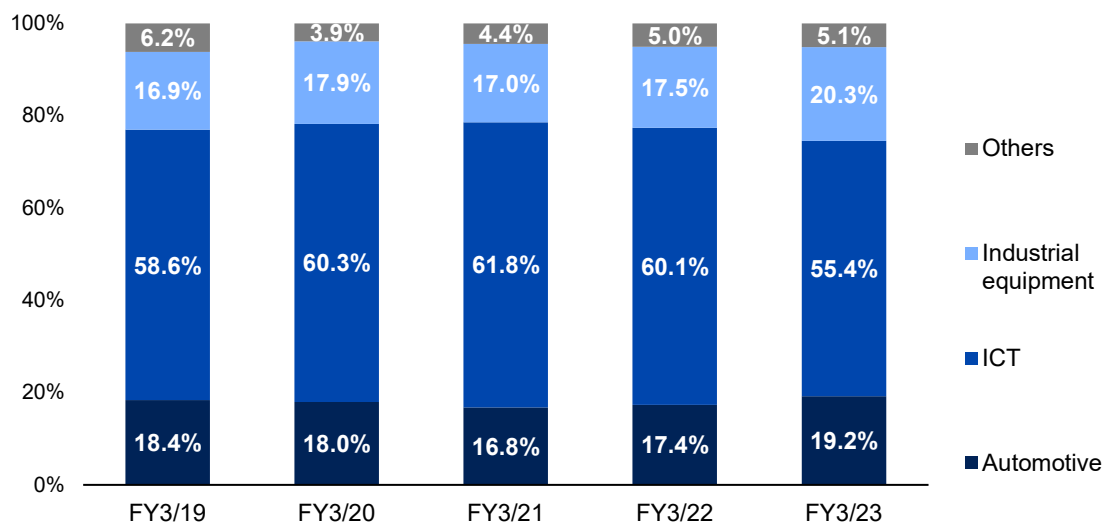
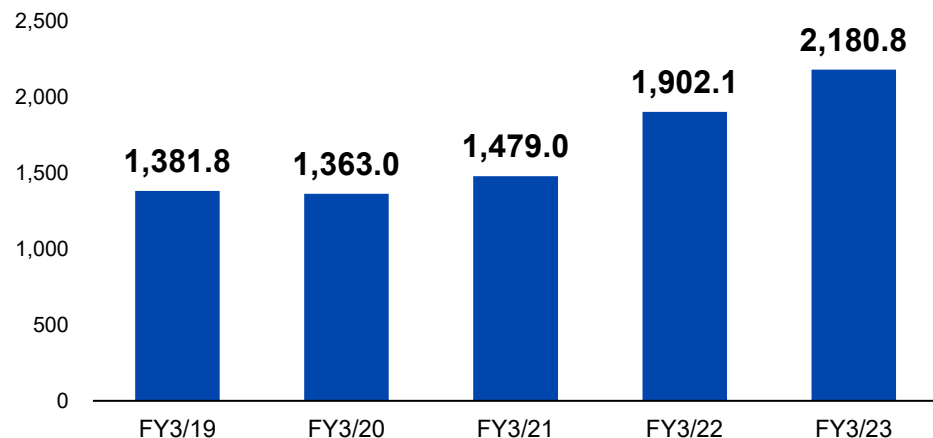
Annual sales by market (FY3/19 – FY3/23)

All

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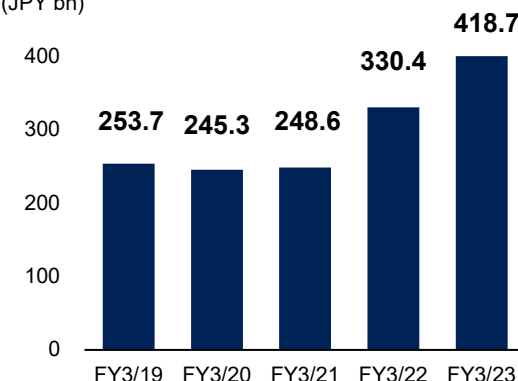


(JPY bn)



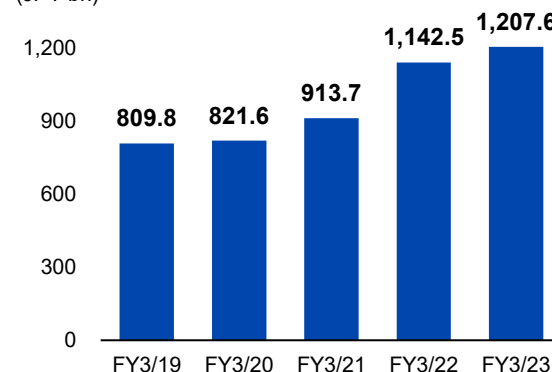
Automotive

(JPY bn)



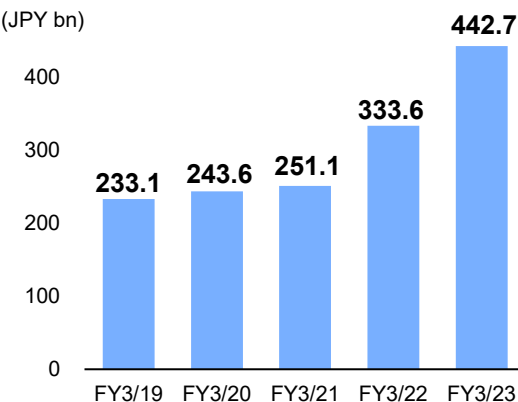
ICT

(JPY bn)



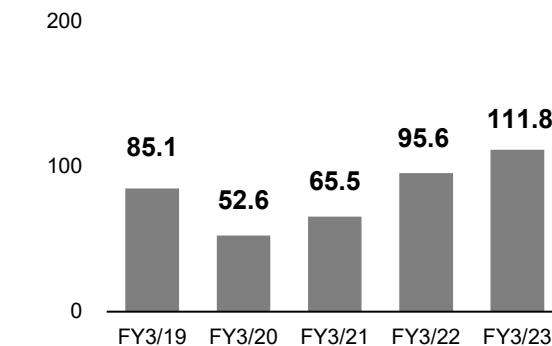
Industrial equipment

(JPY bn)



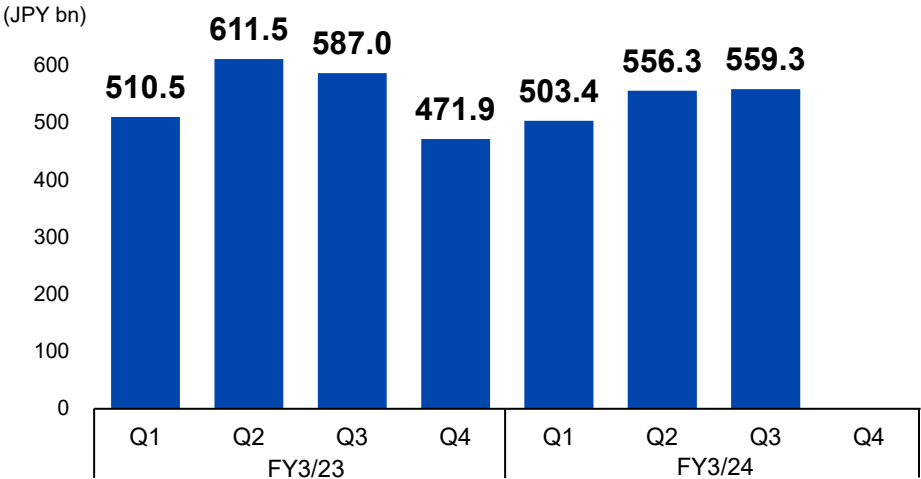
Others

(JPY bn)

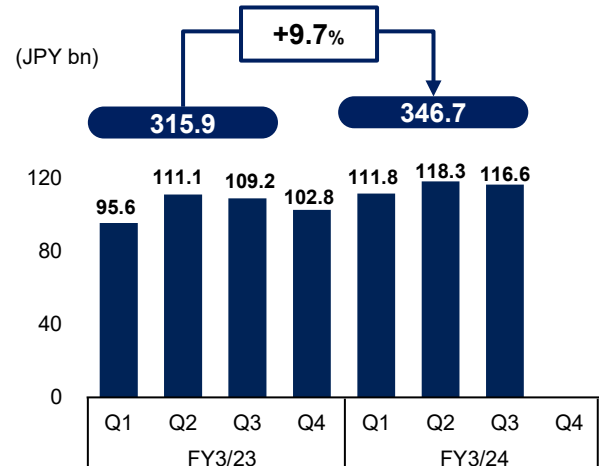


Quarterly sales by market (FY3/23 – FY3/24)

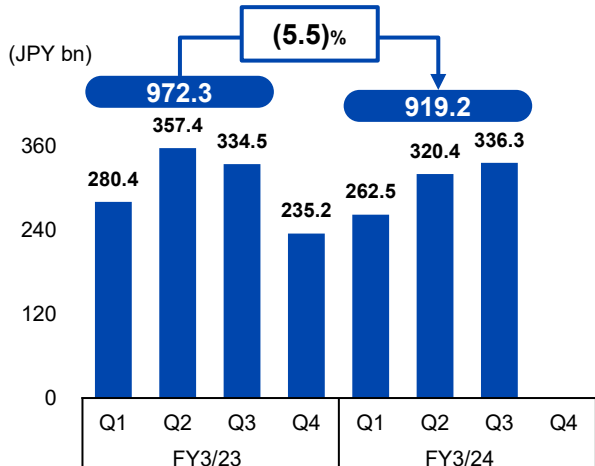
All



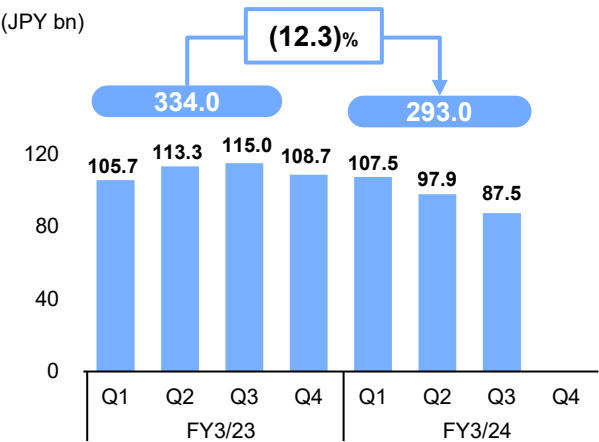
Automotive



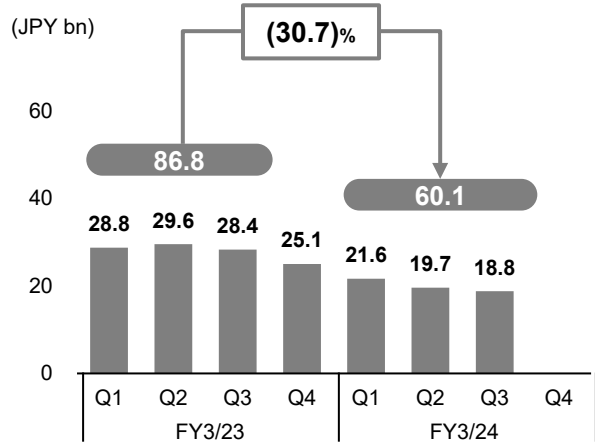
ICT



Industrial equipment



Others



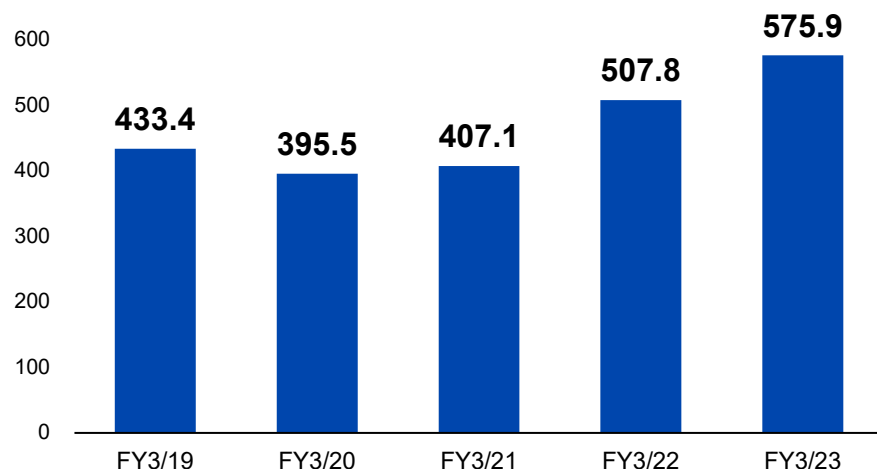
Annual sales by market (FY3/19 – FY3/23)

Passive Components

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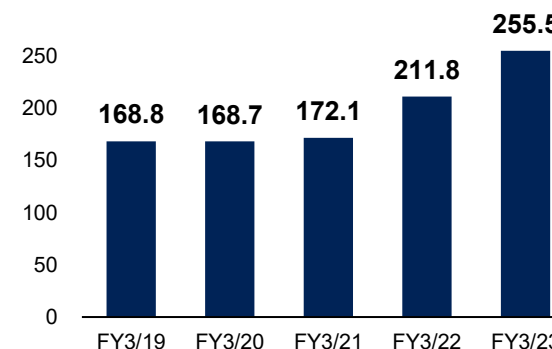


(JPY bn)



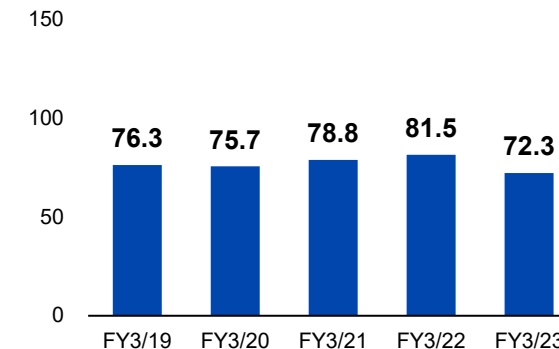
Automotive

(JPY bn)



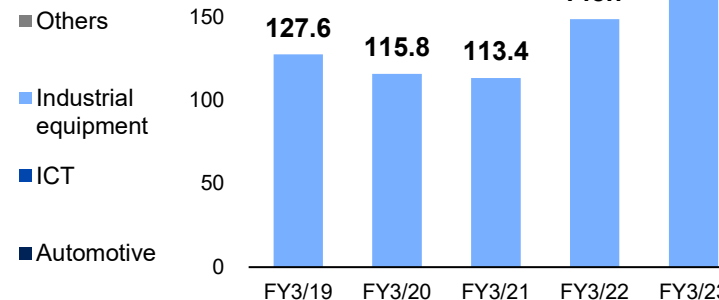
ICT

(JPY bn)



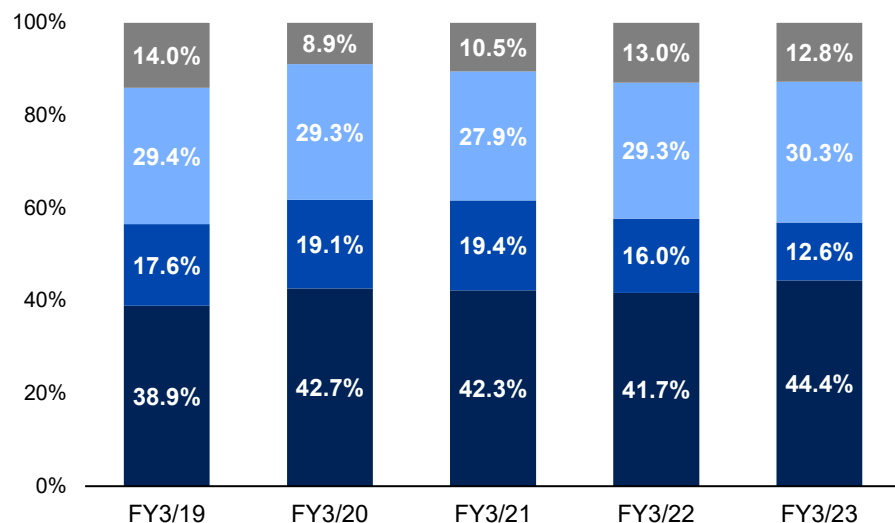
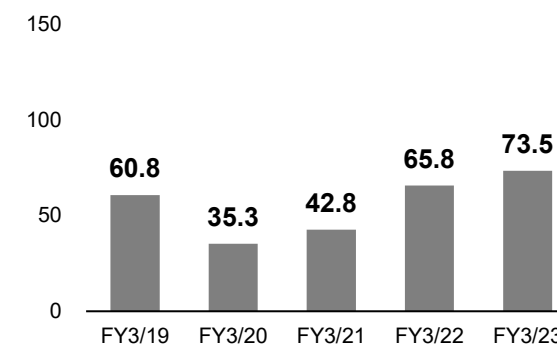
Industrial equipment

(JPY bn)



Others

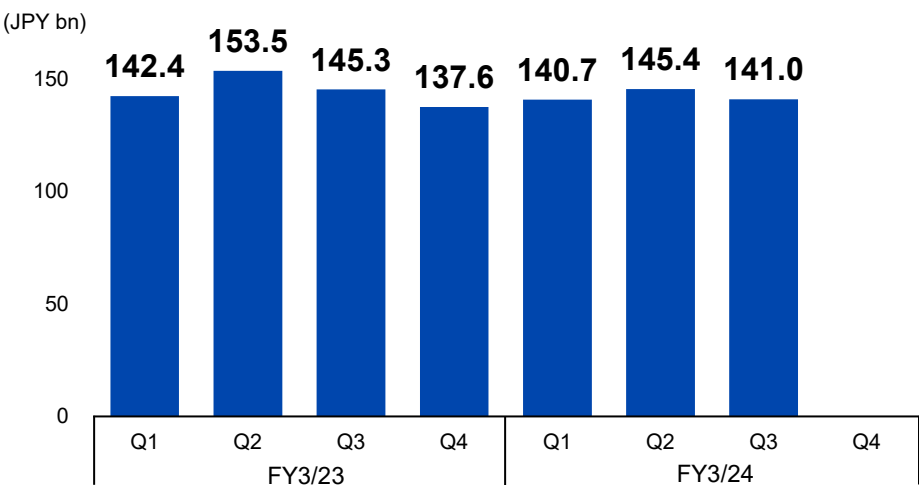
(JPY bn)



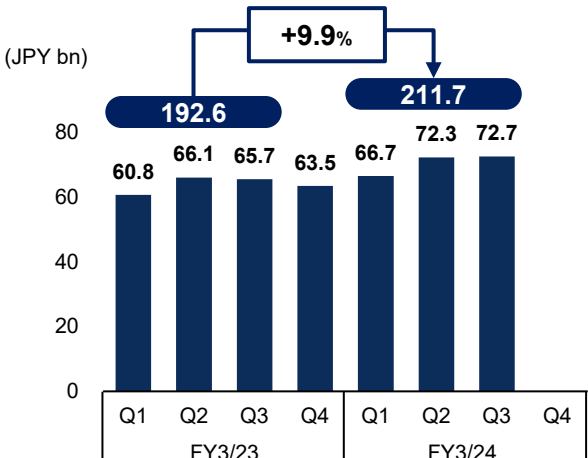
Quarterly sales by market (FY3/23 – FY3/24)

Passive Components

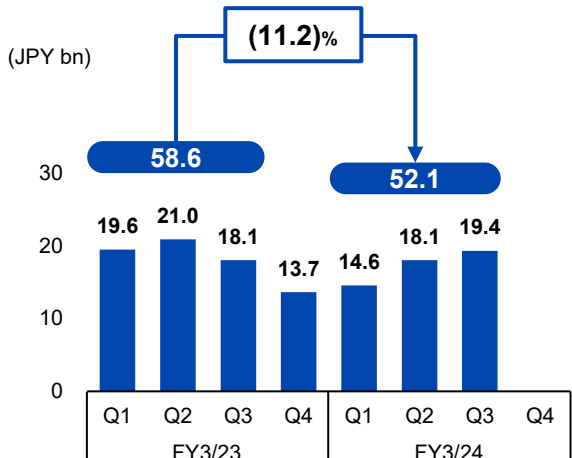
Attracting Tomorrow



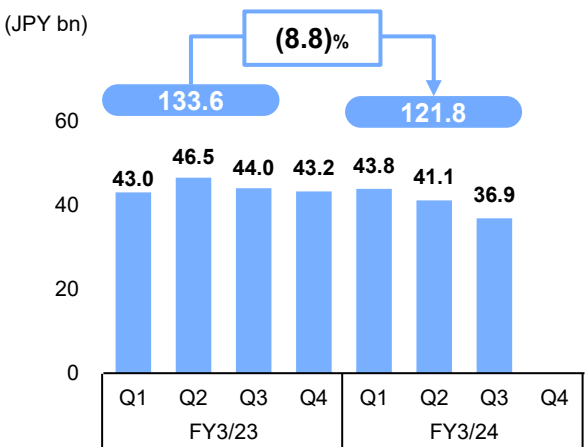
Automotive



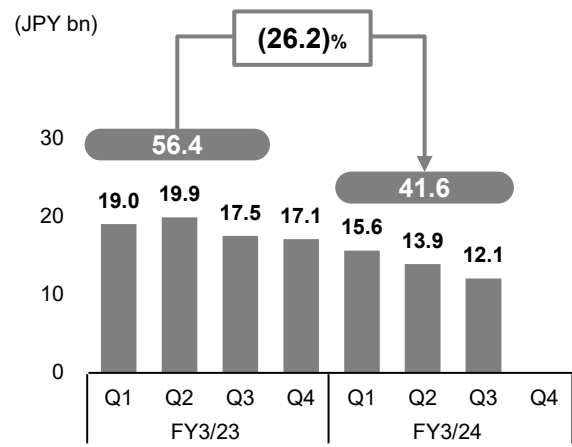
ICT



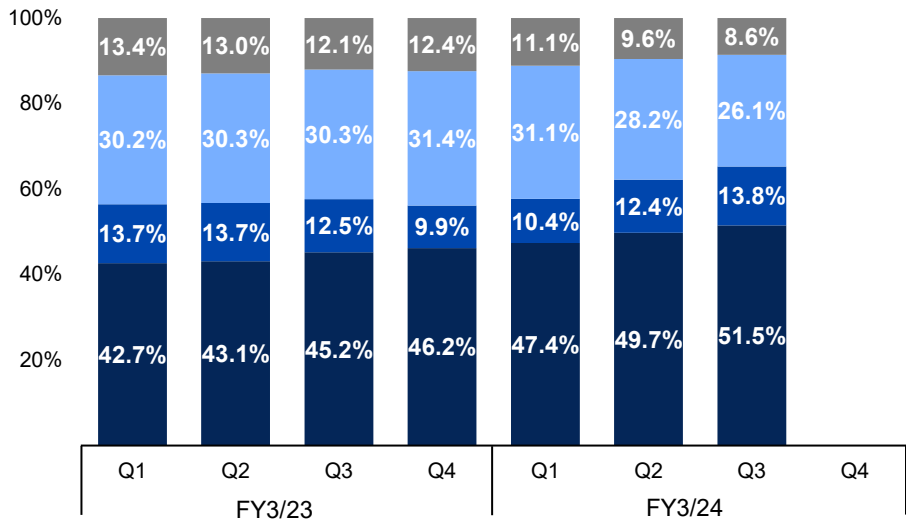
Industrial equipment



Others



- Others
- Industrial equipment
- ICT
- Automotive



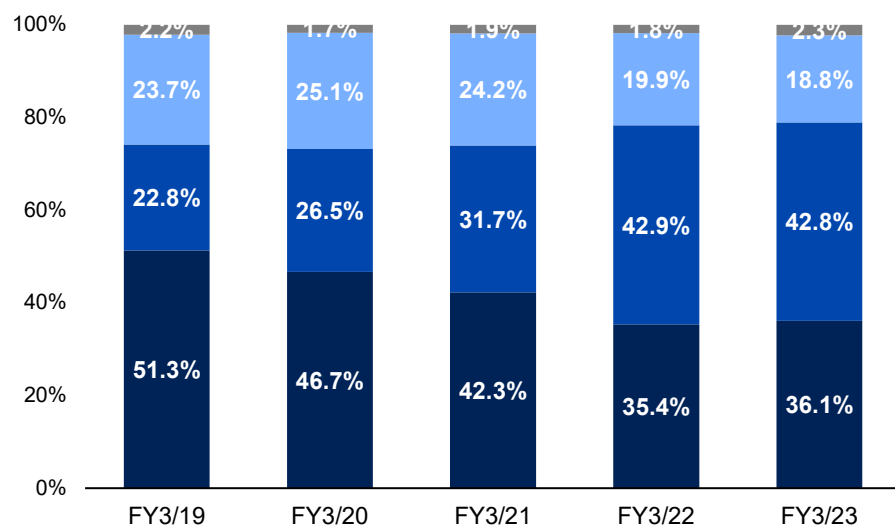
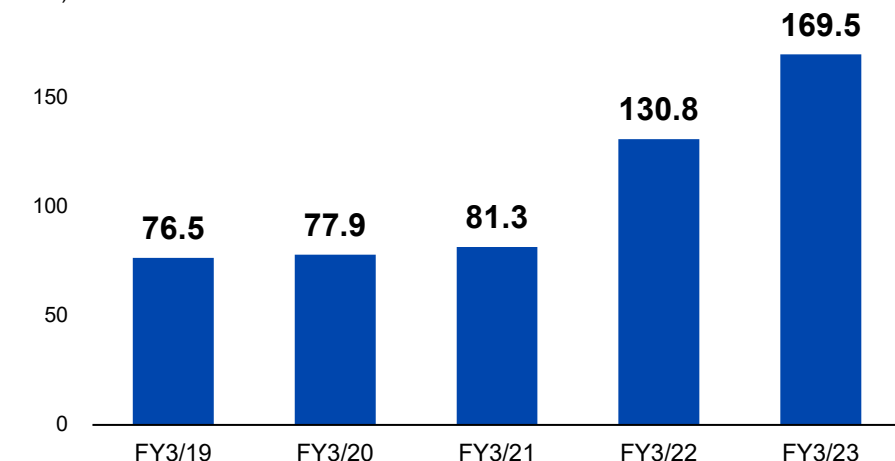
Annual sales by market (FY3/19 – FY3/23)

Sensor Application Products

Attracting Tomorrow

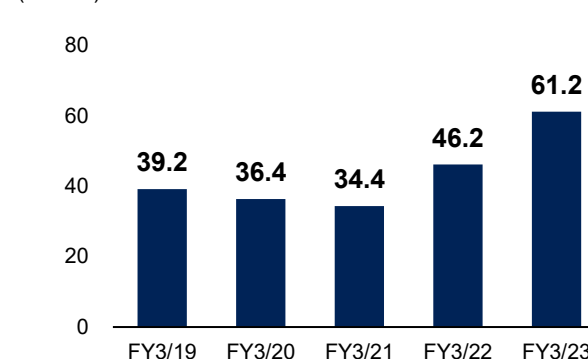


(JPY bn)



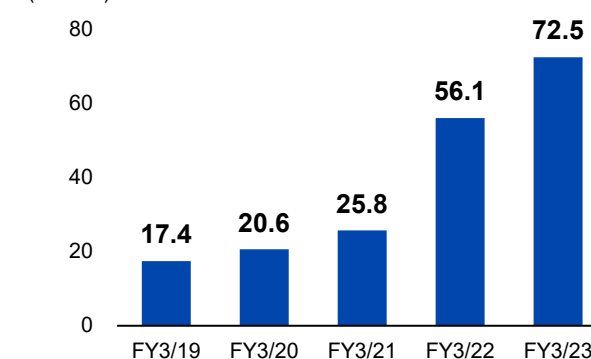
Automotive

(JPY bn)



ICT

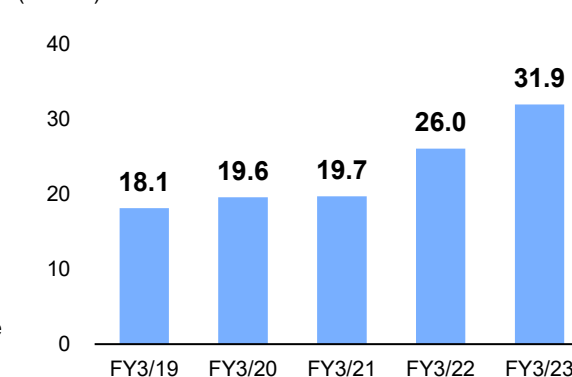
(JPY bn)



Industrial equipment

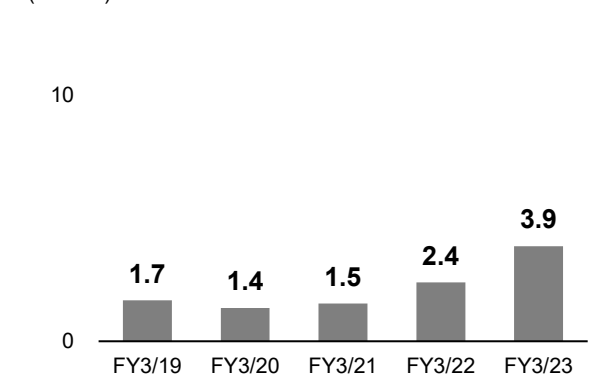
(JPY bn)

Others
Industrial equipment
ICT
Automotive



Others

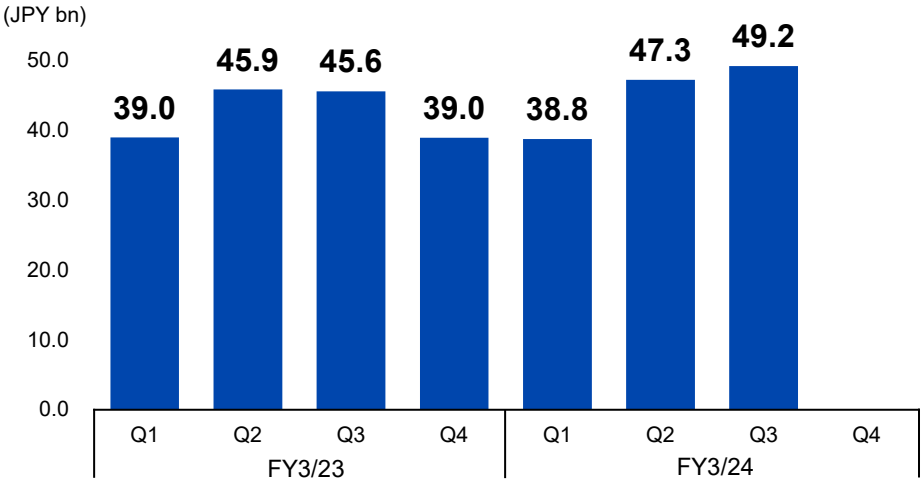
(JPY bn)



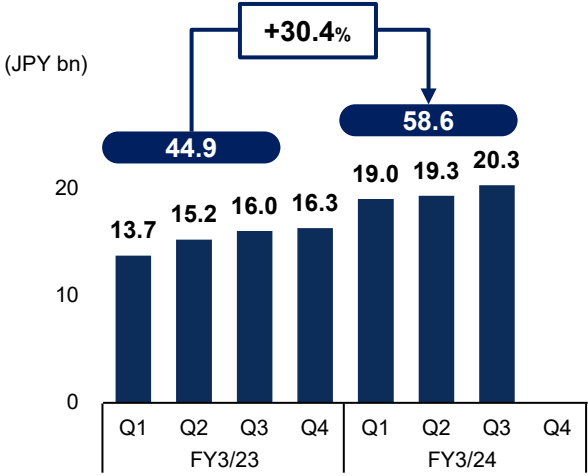
Quarterly sales by market (FY3/23 – FY3/24)

Sensor Application Products

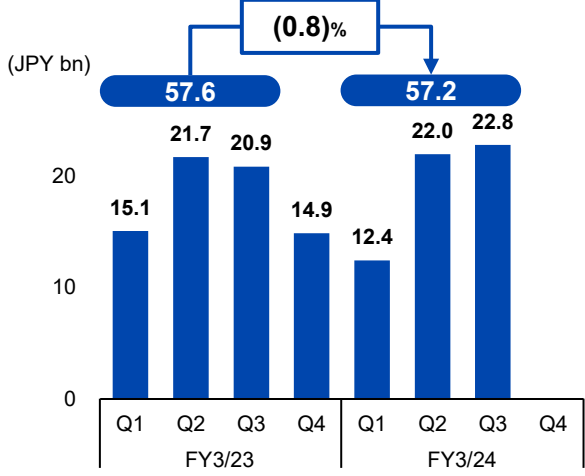
Attracting Tomorrow



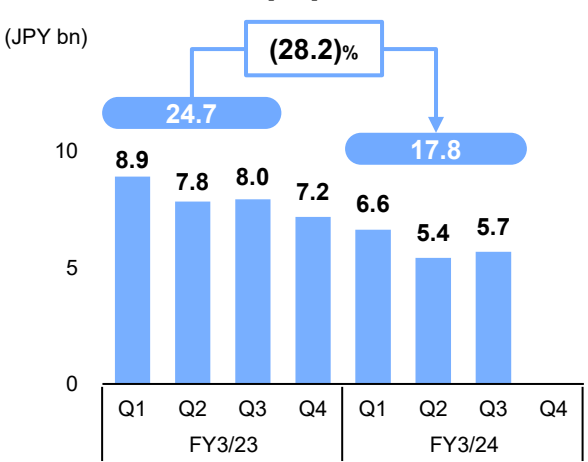
Automotive



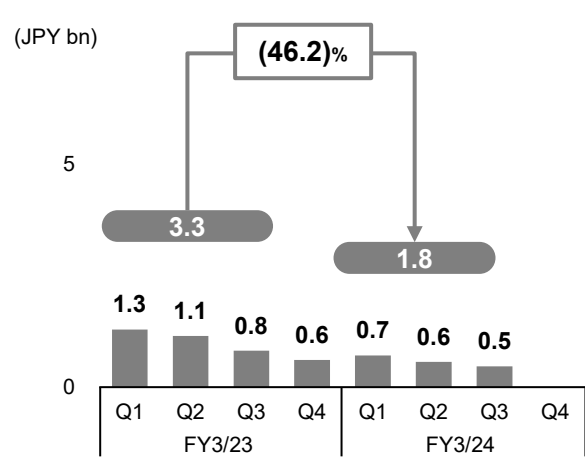
ICT



Industrial equipment



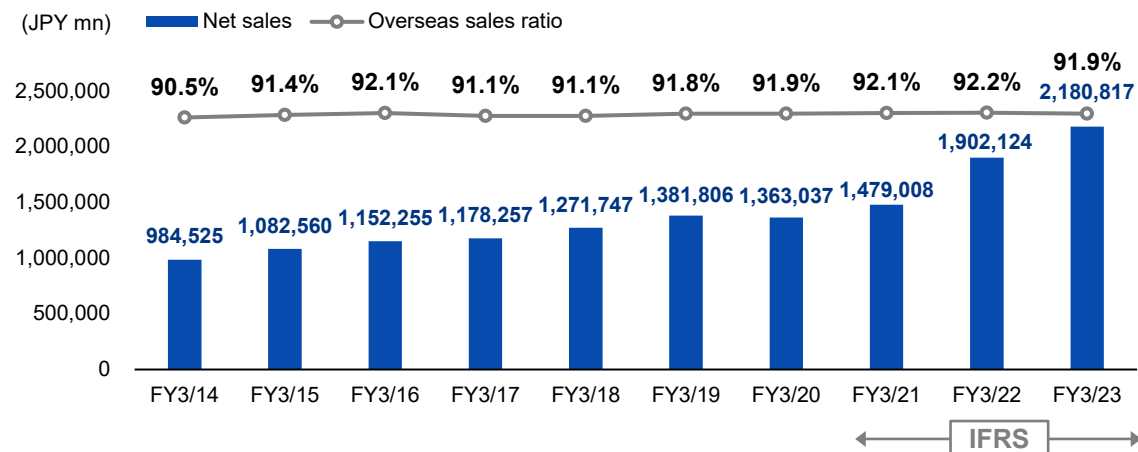
Others



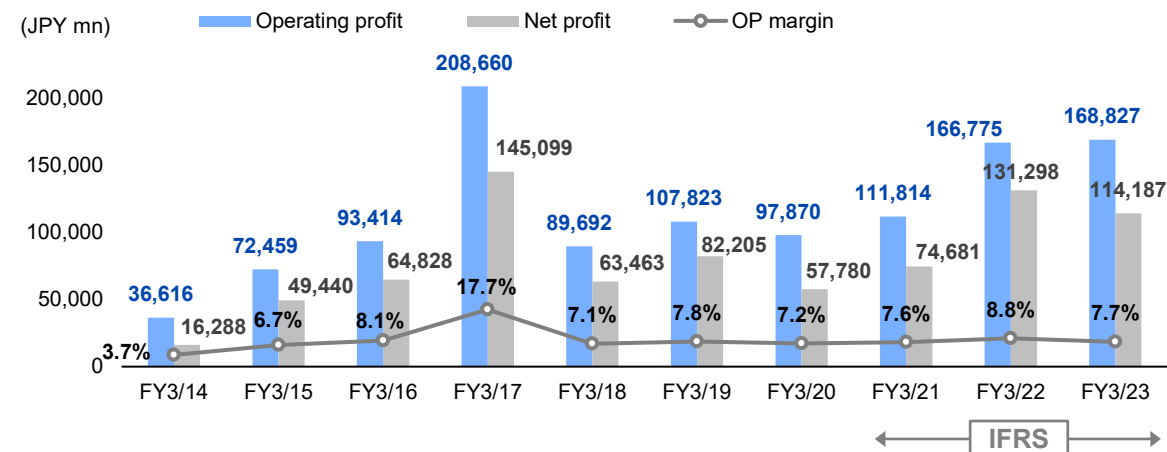
- Others
- Industrial equipment
- ICT
- Automotive

Financial information: 10-year historical trend

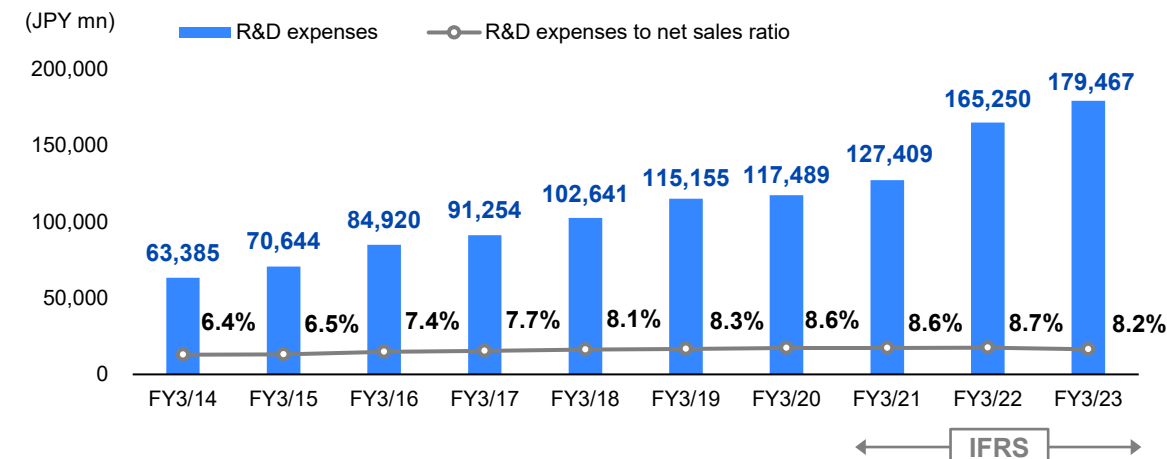
Net sales, Overseas sales ratio



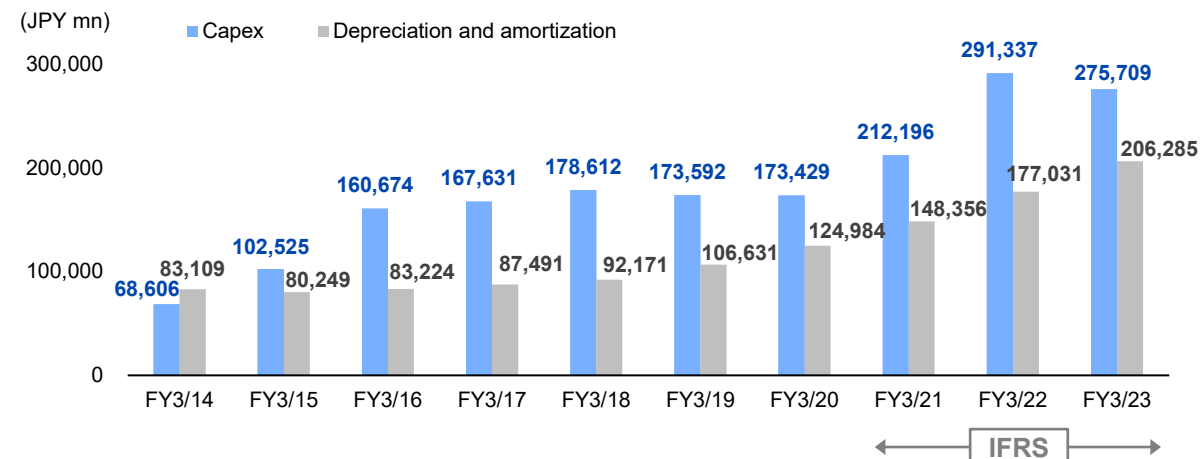
Operating profit, Net profit, OP margin



R&D expenses, R&D expenses to net sales ratio

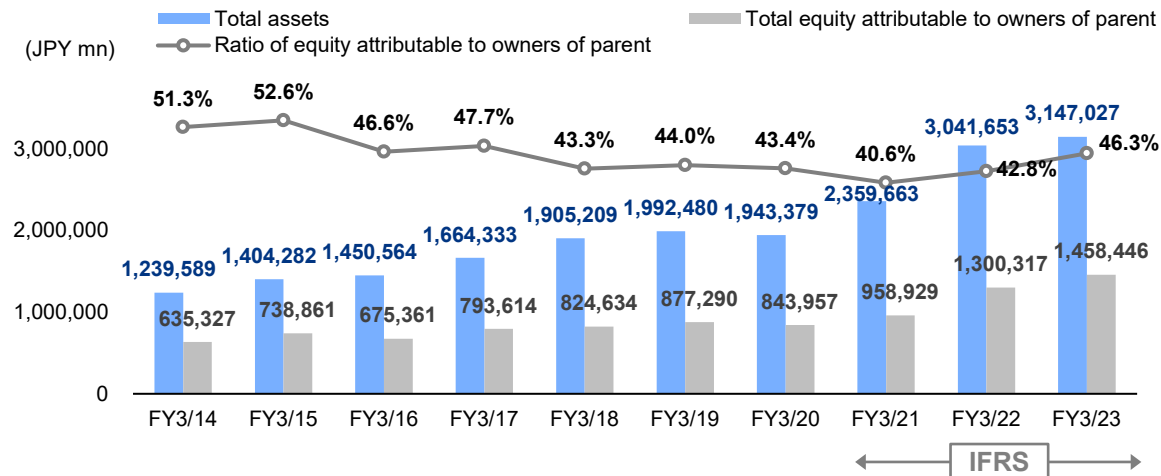


Capex, Depreciation and amortization

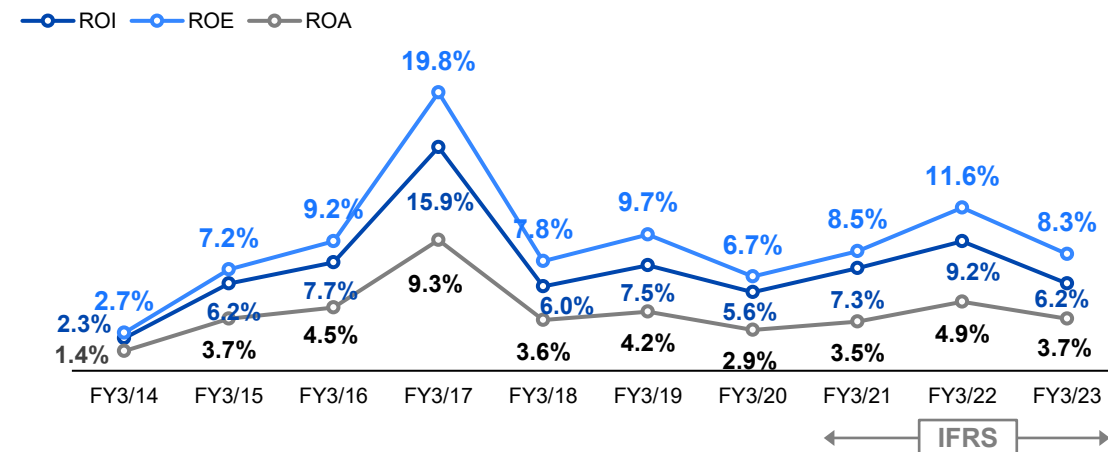


Financial information: 10-year historical trend

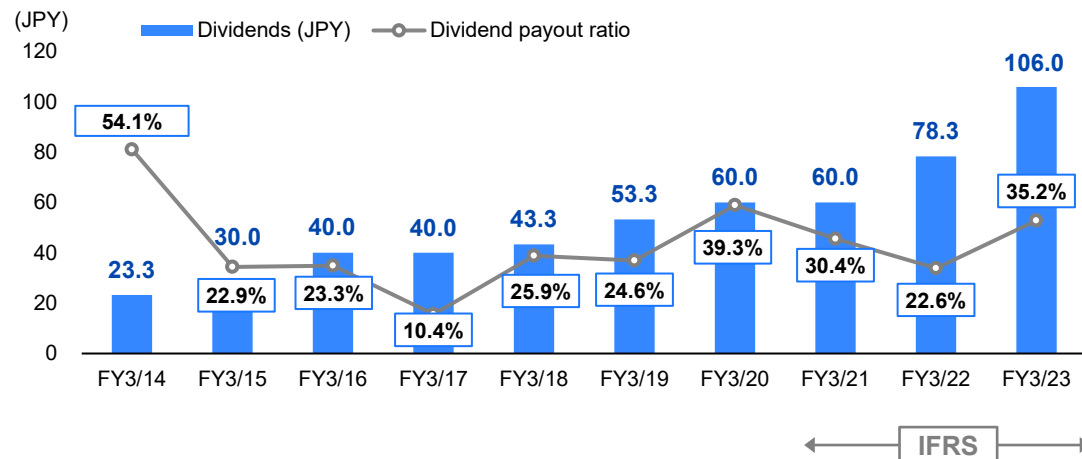
Total assets, Total equity attributable to owners of parent, Ratio of equity attributable to owners of parent



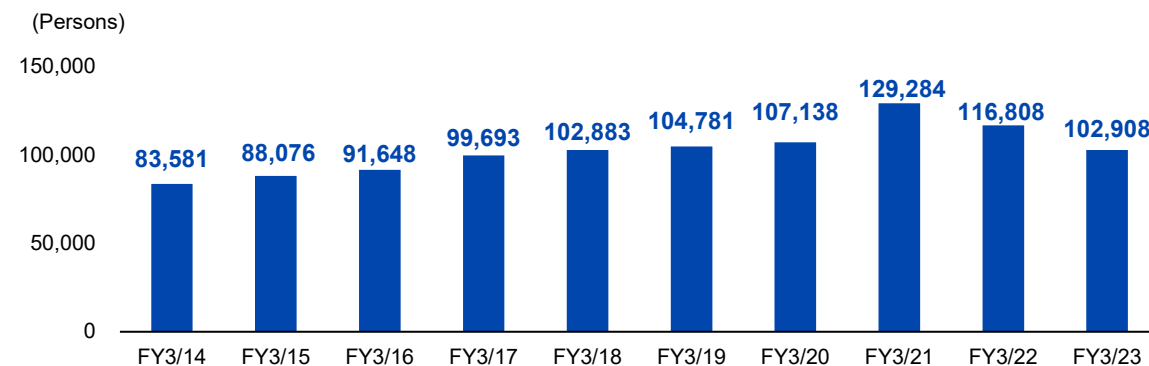
ROI, ROE, ROA



Dividends, Dividend payout ratio



Number of employees



Status of inclusion in the ESG Index / Recognition by investors and rating agencies

Index Funds



FTSE4Good Index Series

An index provided by FTSE Russell that was designed to measure the performance of companies that implement strong ESG measures.



FTSE Blossom Japan Index

An index provided by FTSE Russell that was designed to measure the performance of Japanese companies with outstanding ESG responses.



FTSE Blossom Japan Sector Relative Index

An index provided by FTSE Russell, designed to be sector neutral, reflecting the performance of Japanese companies with outstanding ESG responses.



S&P/JPX Carbon Efficient Index

An index was designed to measure the performance of companies in the Tokyo Stock Price Index (TOPIX) while overweighting or underweighting those companies that have lower or higher levels of carbon emissions per unit of revenue.



Sompo Sustainability Index

An index compiled based on the results of the Buna-no-Mori Environmental Questionnaire and ESG Management Survey conducted by SOMPO Risk Management Inc



iSTOXX MUTB Japan Platinum Career 150

An index tracks the performance of 150 Japanese companies that actively contribute to employee career development.



MSCI ESG Leaders Indexes*1

An index provided by MSCI that selects companies with outstanding ESG evaluation.

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX *2

An index provided by MSCI that selects Japanese companies with outstanding ESG performance.

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN) *3

An index provided by MSCI that selects Japanese companies with excellent gender diversity.

Ratings

CDP Climate Change **A-** (A minus)

CDP Water Security **A** (three consecutive years)



CDP Supplier Engagement Rating Leaderboard (three consecutive years)

TDK was praised because it promotes environmental activities working with suppliers and discloses SCOPE3 emissions.

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Text data including Q&A of performance briefing will be uploaded on following site.
https://www.tdk.com/en/ir/ir_events/conference/2024/3q_1.html