

Fiscal Year March 2025

**First Half
Performance Briefing**

Attracting Tomorrow



TDK Corporation
IR&SR Group
November 1, 2024

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H1, FY March 2025 Results Highlights

Tetsuji Yamanishi

Senior Executive Vice President & CFO

Hello, I am Tetsuji Yamanishi. Thank you for taking the time to attend TDK's performance briefing for the first half of FY March 2025. I would like to explain the highlights of our consolidated results.

H1, FY March 2025 key points

- Net sales increased and operating profit increased significantly year on year, due to recovery in demand from the ICT market and the HDD market.
- Operating profit reached a record high for the first half of the fiscal year.

Net sales (JPY bn)

1,089.5

(Up 2.8% YoY)

Operating profit (JPY bn)

133.3

(Up 55.8% YoY)

- Sales of small capacity batteries, HDD-related components and sensors to the ICT market increased.
- Demand from the HDD market was significantly higher than the previous fiscal year, resulting in a substantial increase in sales of HDD heads and HDD suspension assemblies.
- Growth decelerated due to a slowdown in sales of battery electric vehicles (BEVs), despite an increase in sales of passive components and sensors to the automotive market.
- Sales of medium capacity batteries, power supplies for industrial equipment, passive components and sensors to the industrial equipment market decreased.

I would like to start with the key points of the first half of FY March 2025. During this period, the global economy remained unstable due to the growing tensions in the Middle East on top of the sluggish economy in Europe and the continued economic slowdown in China, although North America remained robust. In terms of exchange rates, the yen continued to weaken against the dollar and the euro.

Looking at the electronics market, which has a large bearing on TDK's business results, an increase in replacement demand, the launch of new models and other factors resulted in a recovery in the production of products related to ICT on a year-on-year basis. Demand for nearline HDDs for data centers also recovered sharply. On the other hand, in the industrial equipment market, capital expenditure demand remained weak in general. In the automotive market, demand for BEVs continued to show signs of slowing, resulting in lower component demand than we had expected at the beginning of the period.

In this business environment, during the interim period, sales of medium capacity batteries, power supplies for industrial equipment, passive components and sensors to the industrial equipment market decreased. In addition, growth in sales of passive components and sensors to the automotive market decelerated due to a slowdown in sales of battery electronic vehicles (BEVs). On the other hand, as a result of an increase in sales of rechargeable batteries, HDD-related products and sensors on the back of the recovery in component demand in the ICT market, net sales increased 2.8% year on year.

Operating profit increased 55.8% year on year due to the sharp depreciation of the yen, an increase in sales of products for the ICT market, as well as rationalization and the benefits from restructuring implemented in the previous fiscal year, setting a new record for operating profit for the first half of the fiscal year.

H1, FY March 2025 results

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- Net sales and operating profit increased year on year.

(JPY bn)	FY3/24	FY3/25	Change	
	H1	H1	JPY bn	%
Net sales	1,059.7	1,089.5	+29.8	+2.8%
Operating profit	85.5	133.3	+47.8	+55.8%
Operating profit margin	8.1%	12.2%	+4.1pts	-
Profit before tax	80.2	137.3	+57.1	+71.1%
Net profit attributable to owners of parent	54.2	105.7	+51.5	+95.1%
Earnings per share (JPY)*	28.57	55.72	-	-
USD (JPY)	140.83	152.76	8.5% JPY depreciation	
EUR (JPY)	153.30	166.03	8.3% JPY depreciation	

*TDK split one share of its common share into five shares with the effective date of October 1, 2024. Earnings per share is calculated on the assumption that the share split had been implemented at the beginning of the previous fiscal year.

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

Net sales Approx. +71.4
OP Approx. +13.6

Forex sensitivity (impact by one JPY change)

USD (JPY bn)

Net sales 11.0
OP 2.0

EUR (JPY bn)

Net sales 2.0
OP 0.3

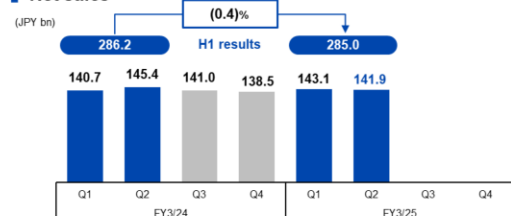
Next, I would like to present an overview of our results for the first half of FY March 2025.

There was an increase of about JPY 71.4 billion in net sales and an increase of about JPY 13.6 billion in operating profit due to exchange rate fluctuations against the U.S. dollar and other currencies. Including this impact, net sales were JPY 1,089.5 billion, an increase of JPY 29.8 billion, or 2.8%, year on year, and operating profit was JPY 133.3 billion, an increase of JPY 47.8 billion, or 55.8%, year on year. Profit before tax was JPY 137.3 billion, an increase of JPY 57.1 billion, or 71.1%, year on year. Net profit attributable to owners of parent was JPY 105.7 billion, an increase of 95.1% year on year. In summary, TDK set record highs in operating profit and all other profit items. Earnings per share amounted to JPY 55.72. In terms of exchange rate sensitivity, we estimate that a change of JPY 1 against the U.S. dollar will affect operating profit by about JPY 2 billion a year, the same as our previous estimate, while a JPY 1 change against the euro will have an impact of about JPY 0.3 billion a year.

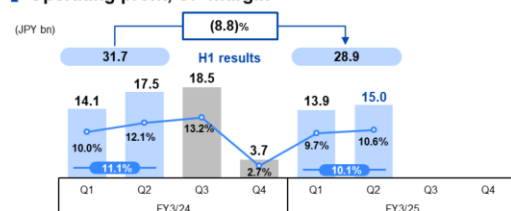
Passive Components segment

- While sales to the ICT market increased, profit decreased due to a decrease in sales to the industrial equipment and a slowdown in sales to the automotive markets.

Net sales



Operating profit, OP margin



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

I will now move on to segment results for the first half of FY March 2025.

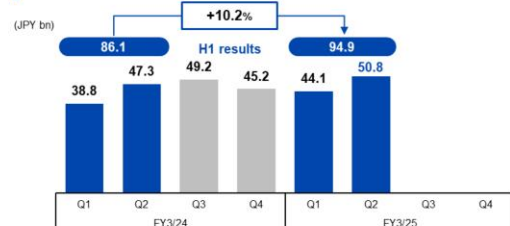
In the Passive Components segment, sales to the ICT market, such as for smartphone applications, increased, while demand from the industrial equipment market remained sluggish, and sales to the automotive market, such as for BEVs, slowed down. As a result, net sales were JPY 285.0 billion, a slight increase of 0.4% year on year. Operating profit was JPY 28.9 billion, a decrease of 8.8% year on year.

Sales and profit decreased year on year for ceramic capacitors and aluminum electrolytic capacitors and film capacitors, which have a high ratio of sales to the automotive and industrial equipment markets. Sales and profit of inductive devices increased year on year on the back of a rise of sales to the ICT market, among other factors. Sales of high frequency components increased year on year due mainly to growth in sales to the automotive market as well as the ICT market, resulting in an improvement in profitability. Sales of piezoelectric material products and circuit protection components decreased year on year reflecting a decline in sales to the automotive market.

Sensor Application Products segment

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

Net sales



Operating profit, OP margin



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

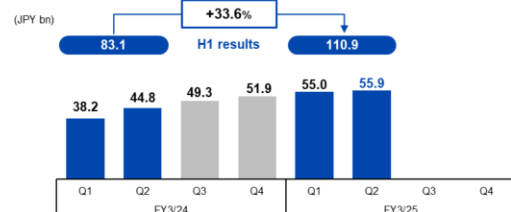
In the Sensor Application Products segment, net sales increased 10.2% year on year to JPY 94.9 billion, while operating profit decreased 36.6% year on year to JPY 3.2 billion.

Sales of temperature and pressure sensors increased year on year reflecting a rise in sales to the automotive market, while profit decreased year on year as a one-time gain from the sale of assets had been included in the previous year. In magnetic sensors, sales and profit increased year on year due to a rise in sales of TMR sensors and Hall sensors for smartphone applications. In MEMS sensors, the profitability of microphones improved as sales to the ICT market increased, while sales of motion sensors for automobiles and industrial equipment applications declined. This resulted in a year-on-year decrease in sales and profit.

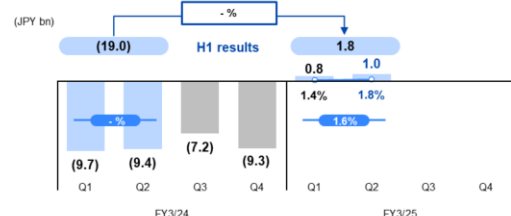
Magnetic Application Products segment

- Sales of HDD-related components increased significantly due to a continued recovery in demand from the HDD market, returning to profitability.

Net sales



Operating profit, OP margin



HDD heads and HDD suspension assemblies	<ul style="list-style-type: none"> Sales increased year on year, returning to profitability.
Magnets	<ul style="list-style-type: none"> Sales and profit decreased year on year. Sales to the xEV market decreased year on year.

Next, in the Magnetic Application Products segment, net sales rose sharply by 33.6% year on year to JPY 110.9 billion, and a positive operating profit was secured, including approximately JPY 4.3 billion in one-time gains for HDD heads and HDD suspension assemblies.

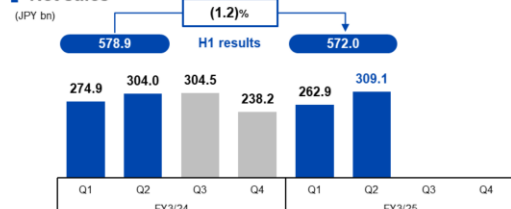
In HDD heads and HDD suspension assemblies, demand for nearline HDDs for data centers increased 1.6 times year on year, resulting in a return to profitability for HDD heads and HDD suspension assemblies as a whole even when excluding one-time gains. The sales volume of HDD heads increased 1.6 times year on year, and the sales volume of nearline HDD heads, in particular, increased about 3 times on a year-on-year basis. While still slightly below the break-even point after the restructuring, HDD heads returned to profitability when excluding one-time gains. The sales volume of HDD suspension assemblies exceeded the break-even point, remaining profitable.

Both sales and profit of magnets decreased year on year due to lower sales to the automotive market.

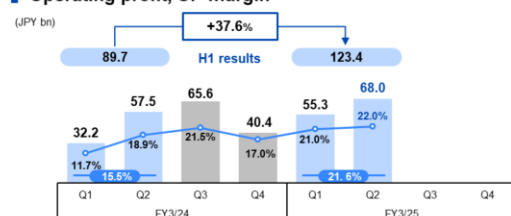
Energy Application Products segment

- Small capacity batteries posted an increase in sales volume and a significant increase in profit due to a continued recovery in demand from the ICT market.

Net sales



Operating profit, OP margin



Energy devices (Rechargeable batteries)

- Profit of small capacity batteries increased year on year due to a rise in sales volume in tandem with the launch of new models, despite a fall in selling prices resulting from lower material prices.
- Sales of medium capacity batteries decreased to the industrial equipment market.

Power supplies

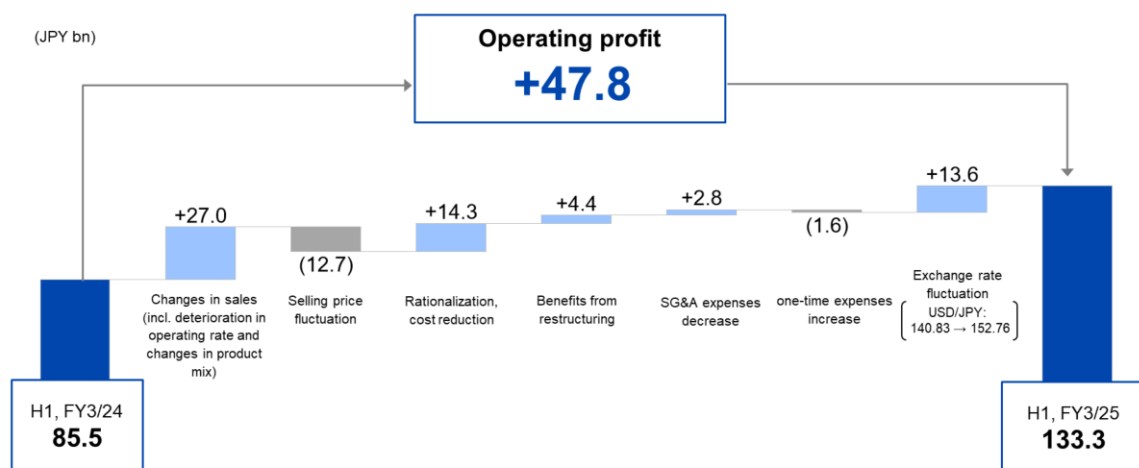
- Sales and profit of power supplies for industrial equipment decreased year on year.
- Sales and profit of EV power supplies decreased year on year.

Next, in the Energy Application Products segment, net sales decreased 1.2% year on year to JPY 572.0 billion, while operating profit rose 37.6% year on year to JPY 123.4 billion.

Sales of rechargeable batteries increased only slightly from the previous year due to a decline in selling prices resulting from lower material prices and a decrease in consolidated sales due to the completion of the transfer of the medium capacity battery business to the joint ventures, despite an increase in sales volume on the back of the launch of new smartphone models. Operating profit increased significantly thanks to volume growth, the effects of ongoing rationalization efforts, and foreign exchange gains.

Power supplies for industrial equipment saw a year-on-year decline in terms of both sales and profit as demand for industrial equipment applications failed to recover, and both sales and profit of power supplies for EVs, such as BEVs, also decreased year on year due to a slowdown in automobile sales.

Analysis of change in operating profit



Next is an analysis of the JPY 47.8 billion year-on-year increase in operating profit for the first half of FY March 2025. Operating profit increased JPY 27.0 billion due to changes in the sales mix, reflecting an increase in the sales volume of rechargeable batteries, HDD heads and HDD suspension assemblies, although there was a negative effect on profit due to a decline in the sales volume of passive components and sensors. The effects of rationalization and cost reduction efforts amounting to JPY 14.3 billion absorbed the JPY 12.7 billion decline in profit caused by changes in selling prices. In addition, there were positive effects on profit, including benefits from restructuring implemented during the previous fiscal year amounting to JPY 4.4 billion, while one-time expenses occurred in JPY 3.0 billion, which were JPY 1.4 billion in the previous fiscal year, resulting in an increase of JPY 1.6 billion year on year. The SG&A expenses decreased by JPY 2.8 billion reflecting JPY 4.3 billion of the one-time gain came from the HDD heads and HDD suspension assemblies. These factors, including the effects of the lower yen amounting to JPY 13.6 billion, contributed to the JPY 47.8 billion increase in operating profit.

Q2, FY March 2025 results

- Net sales and operating profit increased year on year.

(JPY bn)	FY3/24	FY3/25	Change	
	Q2	Q2	JPY bn	%
Net sales	556.3	570.7	+14.4	+2.6%
Operating profit	59.2	75.4	+16.2	+27.3%
Operating profit margin	10.6%	13.2%	+2.6pts	-
Profit before tax	59.2	67.7	+8.5	+14.4%
Net profit attributable to owners of parent	39.5	46.1	+6.6	+16.8%
Earnings per share (JPY)*	20.81	24.29	-	-
USD (JPY)	144.44	149.74	3.7% JPY depreciation	
EUR (JPY)	157.17	164.30	4.5% JPY depreciation	

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

Net sales Approx. +17.6

OP Approx. +2.5

*TDK split one share of its common share into five shares with the effective date of October 1, 2024. Earnings per share is calculated on the assumption that the share split had been implemented at the beginning of the previous fiscal year.

Next, I would like to present an overview of our Q2 results.

There was an increase of about JPY 17.6 billion in net sales and an increase of about JPY 2.5 billion in operating profit due to exchange rate fluctuations against the U.S. dollar and other currencies. Including this impact, net sales were JPY 570.7 billion, an increase of JPY 14.4 billion, or 2.6%, year on year, and operating profit was JPY 75.4 billion, an increase of JPY 16.2 billion, or 27.3%, year on year. Profit before tax was JPY 67.7 billion, an increase of JPY 8.5 billion, or 14.4%, year on year. Net profit attributable to owners of parent was JPY 46.1 billion, an increase of 16.8% year on year.

Quarterly results by segment

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		FY3/24	FY3/25	FY3/25	YoY [C] – [A]		QoQ [C] – [B]	
(JPY bn)		Q2 [A]	Q1 [B]	Q2 [C]	JPY bn	%	JPY bn	%
Net sales	Capacitors	62.6	61.5	58.0	(4.6)	(7.4)%	(3.5)	(5.7)%
	Inductive Devices	50.6	50.8	52.7	+2.1	+4.2%	+1.9	+3.7%
	Other Passive Components	32.2	30.7	31.2	(1.0)	(3.2)%	+0.5	+1.5%
	Passive Components	145.4	143.1	141.9	(3.5)	(2.4)%	(1.1)	(0.8)%
	Sensor Application Products	47.3	44.1	50.8	+3.5	+7.4%	+6.7	+15.2%
	Magnetic Application Products	44.8	55.0	55.9	+11.1	+24.7%	+0.9	+1.7%
	Energy Application Products	304.0	262.9	309.1	+5.1	+1.7%	+46.1	+17.5%
	Other	14.8	13.7	13.0	(1.8)	(12.0)%	(0.7)	(5.3)%
Total		556.3	518.8	570.7	+14.4	+2.6%	+51.9	+10.0%
Operating profit	Passive Components	17.5	13.9	15.0	(2.6)	(14.6)%	+1.1	+7.7%
	Sensor Application Products	4.4	(0.7)	3.8	(0.5)	(12.1)%	+4.5	-
	Magnetic Application Products	(9.4)	0.8	1.0	+10.4	-	+0.3	+34.8%
	Energy Application Products	57.5	55.3	68.0	+10.5	+18.3%	+12.7	+22.9%
	Other	0.7	(0.1)	(1.2)	(1.8)	-	(1.0)	-
	Subtotal	70.7	69.2	86.7	+16.0	+22.7%	+17.5	+25.3%
	Adjustment	(11.4)	(11.3)	(11.3)	(0.2)	-	+0.1	-
Total		59.2	57.9	75.4	+16.2	+27.3%	+17.6	+30.3%
Operating profit margin		10.6%	11.2%	13.2%	+2.6pts	-	+2.0pts	-
USD (JPY)		144.44	155.82	149.74				
EUR (JPY)		157.17	167.79	160.30				

Note: In accordance with the reorganization for the three months ended June 30, 2024, certain products of Other Passive Components are reclassified into Inductive Devices. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

H1, FY March 2025 Performance Briefing

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Now, I will explain some of the factors behind the changes in segment sales and operating profit from Q1 to Q2 of FY March 2025.

First, in the Passive Components segment, net sales decreased by JPY 1.1 billion, or 0.8%, from the first quarter, and operating profit increased by JPY 1.1 billion, or 7.7%, from the first quarter. Sales and profit of ceramic capacitors decreased mainly as a result of a fall in BEV demand. As for aluminum electrolytic capacitors and film capacitors, while sales remained virtually unchanged, profit increased on the back of a rise in sales to the automotive market, despite a decline in sales to the industrial equipment market. Inductive devices saw an increase in both sales and profit, driven by higher sales to the ICT market. High frequency components also saw an increase in both sales and profit, driven by higher sales to the ICT market, while piezoelectric material products and circuit protection components were virtually flat in terms of both sales and profit.

Next, in the Sensor Application Products segment, net sales increased by JPY 6.7 billion, or 15.2%, from the first quarter, and operating profit improved from a loss in the first quarter to a gain of JPY 3.8 billion in the second quarter. Temperature and pressure sensors increased in terms of both sales and profit due to a rise in sales to the automotive market. Magnetic sensors saw an increase in sales due to significantly higher sales for smartphone applications, despite lower sales to the automotive market, resulting in considerable growth in profit. Sales of MEMS sensors increased as a result of a rise in sales of microphones to the ICT market and the expansion of sales of motion sensors for drone applications, which led to a reduction in operating loss.

In the Magnetic Application Products segment, net sales increased slightly by JPY 0.9 billion and operating profit rose by JPY 0.3 billion from the first quarter. The decline in operating profit included one-time expenses of JPY 2.1 billion recorded in the second quarter as well as one-time gains of JPY 2.3 billion and JPY 2.0 billion, respectively recorded in the first and second quarters. On an actual basis excluding these one-time gains and expenses, operating profit in this segment increased by JPY 2.6 billion from the first quarter. Due to the recovery of total demand for nearline HDDs, the sales volume of HDD heads increased by approximately 4%, that of nearline HDD heads rose by approximately 9%, and that of HDD suspension assemblies increased by approximately 18%. As a result, the HDD-related products business increased in terms of sales and secured profitability on an actual basis excluding one-time gains of JPY 2.3 billion and JPY 2.0 billion, respectively recorded in the first and second quarters. As for magnets, on top of a decline in net sales, operating loss increased due to the recording of one-time expenses amounting to JPY 2.1 billion.

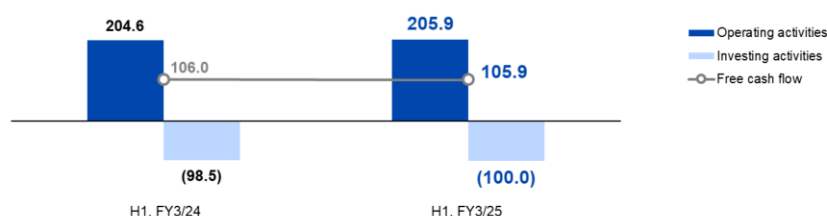
In the Energy Application Products segment, net sales increased by JPY 46.1 billion, or 17.5%, from the first quarter, and operating profit increased by JPY 12.7 billion, or 22.9%, from the first quarter, including one-time expenses of JPY 0.4 billion recorded in the second quarter. Both sales and profit of rechargeable batteries increased as a whole since the sales volume of small capacity batteries for the ICT market rose significantly due mainly to the launch of new smartphone models, and sales of medium capacity batteries also grew on the back of spot orders for residential energy storage system (RESS) applications. Power supplies for industrial equipment decreased in terms of both sales and profit, and power supplies for EVs saw a drop in sales and an increase in loss due to the recording of one-time expenses amounting to JPY 0.4 billion in the second quarter.

Cash flows – H1

(JPY bn)	FY3/24	FY3/25	Change
	H1	H1	
Cash flows from operating activities	204.6	205.9	+1.3
Cash flows from investing activities	(98.5)	(100.0)	(1.5)
Free cash flow	106.0	105.9	(0.2)
Cash flows from financing activities	(17.5)	(32.8)	(15.2)
Effects of ex-rate fluctuation	47.7	(26.4)	(74.1)
Cash and cash equivalents	642.4	696.7	+54.3

■ Cash flows from operating activities, investing activities, free cash flows

(JPY bn)



Next, I would like to present an overview of cash flows.

In the first half of FY March 2025, operating cash flow amounted to JPY 205.9 billion, investing cash flow—such as CAPEX—amounted to JPY 100.0 billion, and free cash flow amounted to JPY 105.9 billion, maintaining a similar level of free cash flow as the JPY 106.0 billion in the same period of the previous year. Free cash flow was significantly above the initial forecast level due to a decline in CAPEX and an increase in profit, on top of our ongoing efforts to maintain an adequate inventory level as in the previous year. While it is already significantly above our full-year free cash flow target of JPY 15.0 billion announced at the beginning of the current fiscal year, we will aim to increase free cash flow through further expanding profits and enhancing capital efficiency.

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

FY March 2025 Projections

Noboru Saito
President & CEO

Hello, I am Noboru Saito. Thank you for your attendance today. I would like to explain our FY March 2025 projections.

Assumptions for performance forecast - key market predictions

- While production volume for the ICT market is expected to increase, the forecast for automobile production volume (especially BEVs) has been revised downward.

(Production volume: Unit mn)	FY3/24 Actual (A)	FY3/25 Forecast			
		As of April 2024		As of November 2024	
		Value (B)	YoY (A) vs. (B)	Value (C)	YoY (A) vs. (C)
Automobile*	89	91	+2%	89.8	+1%
xEV	21.9	26.4	+21%	25.0	+14%
HEV	6.5	7.1	+8%	7.1	+9%
PHEV	4.7	6.2	+24%	6.8	+45%
BEV	10.7	13.0	+20%	11.0	+3%
Smartphone	1,129	1,144	+1%	1,175	+4%
5G Smartphone	639	672	+5%	722	+13%
HDD	116	120	+3%	124	+7%
Nearline	39	51	+31%	59	+51%
Notebook PC	174	179	+3%	180	+3%
Tablet	135	140	+4%	141	+4%

*The number of Automobile includes commercial vehicles.

I would like to begin with the revision of the production volume forecast for key devices as the basis of our performance forecast. In the automotive market, we have revised our forecast for total automobile production volume downward compared to the forecast in April 2024. This is attributable mainly to the downward revision of the forecast for BEVs, in particular, among xEVs. On other hand, we have revised upward the production volume forecast for plug-in hybrid electric vehicles (PHEVs).

Next, as for the production volume of smartphones, which represent the ICT market, we have revised the April forecast of 1,144 million units in April to 1,175 million units. In the HDD market, given the ongoing recovering market trend, we have revised upward the April production volume forecast for nearline HDDs for data centers to 59 million units.

Projections by segment for Q3, FY March 2025

(JPY bn)	Q2, FY3/25 Actual	Q3, FY3/25 projection (QoQ)		Factor
		Assumed exchange rates: Beginning-of-period	Assumed exchange rates: Q2 basis	
Passive Components	141.9	(6) ~ (3)%	(1) ~ +2%	• Sales of products to the industrial equipment market are expected to decrease despite an increase in sales of ceramic capacitors to the automotive market.
Sensor Application Products	50.8	(9) ~ (6)%	(3) ~ ±0%	• Sales of magnetic sensors for the ICT market are expected to decrease.
Magnetic Application Products	55.9	(18) ~ (15)%	(12) ~ (9)%	• Sales of HDD heads are expected to decrease despite an increase in sales of HDD suspension assemblies.
Energy Application Products	309.1	(7) ~ (4)%	(1) ~ +2%	• Sales of small capacity batteries to the ICT market is expected to remain flat.
Other	13.0	-	-	
Total	570.7	(8) ~ (5)%	(2) ~ +1%	
USD(JPY)	149.74	140.00	150.00	
EUR(JPY)	164.30	156.00	167.00	

I would now like to discuss our projections regarding changes in segment net sales for Q3. For Q3, we are not changing our exchange rate assumption of JPY 140 to the U.S. dollar, which we made at the beginning of the fiscal year. However, for the sake of comparison, my discussion will be based on the changes excluding exchange rate fluctuations. First, in the Passive Components segment, segment sales are forecast to remain virtually flat overall on a quarter-on-quarter basis, mainly due to an increase in sales to the automotive market, despite continued weakness in sales to the industrial equipment market. In the Sensor Application Products segment, while sales of temperature and pressure sensors to the automotive market are expected to increase and sales of MEMS sensors, particularly those of microphones, will likely grow, sales of magnetic sensors for smartphone applications are predicted to decrease following the seasonal peak demand. As a result, segment sales are forecast to decrease by 0-3% overall on a quarter-on-quarter basis. Next, in the Magnetic Application Products segment, we expect HDD production to increase by approximately 2% and nearline HDD production to grow by approximately 4%. While sales of HDD suspension assemblies are anticipated to increase, sales of HDD heads are predicted to decline due to the drop-off period before the launch of new products. As a result, segment sales are forecast to decrease by 9-12% overall on a quarter-on-quarter basis. Lastly, in the Energy Application Products segment, while sales of medium capacity batteries and power supplies for industrial equipment will likely decrease due to sluggish industrial equipment market, sales of small capacity batteries for smartphone applications are expected to remain flat or increase slightly due to seasonality. As a result, quarter-on-quarter growth in segment sales is forecast to be between -1% and +2% overall.

FY March 2025 projections

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- FY March 2025 projection and dividend projection have been revised upward reflecting brisk results in the ICT market.

(JPY bn)	FY3/24 Actual	FY3/25 Projection		Change (YoY)	
		As of April 2024	As of November 2024	JPY bn	%
Net sales	2,103.9	2,105.0	2,120.0	+16.1	+0.8%
Operating profit	172.9	180.0	220.0	+47.1	+27.2%
Operating profit margin	8.2%	8.6%	10.4%	+2.2pt	-
Profit before tax	179.2	184.0	227.0	+47.8	+26.6%
Net profit attributable to owners of parent	124.7	128.0	160.0	+35.3	+28.3%
Earnings per share (JPY) *	65.74	67.47	84.33	-	-
Annual dividends (JPY) *	23.20	24.00	28.00	-	-
Interim dividend (JPY)*	11.60	12.00	14.00	-	-
Year-end dividend (JPY)*	11.60	12.00	14.00	-	-
USD (JPY)	144.48	140.00	147.00	-	-
EUR (JPY)	156.69	156.00	161.00	-	-

** TDK split one share of its common share into five shares with the effective date of October 1, 2024. Earnings per share and annual dividend are calculated on the assumption that the share split had been implemented at the beginning of the previous fiscal year.

Now, I would like to go over our full-year projections for FY March 2025. As explained earlier, looking at the electronics market in the first half of this fiscal year, production in the industrial equipment and automotive markets remained weak, production in the ICT market, including that of smartphones and HDDs, remained robust, exceeding the level in the same period of the previous year. Consequently, the actual results in the first half of this fiscal year were above the projections announced on April 26, 2024. In the ICT market, sales of rechargeable batteries and sensors expanded due to the launch of new smartphone models. Furthermore, demand related to data centers, which had been sluggish in the previous fiscal year, recovered sharply, which resulting in brisk sales of HDD heads. As a result of a review of full-year projections in light of the above conditions, TDK has revised upward its consolidated projections for FY March 2025 from the projections announced on April 26, 2024 as follows: net sales of JPY 2,120.0 billion, operating profit of JPY 220.0 billion, and net profit of JPY 160.0 billion. Our exchange rate assumption for the second half of FY March 2025 remains unchanged from our initial projection of JPY 140 against the U.S. dollar. In addition, we will implement measures to enhance asset efficiency looking ahead to changes in future demand trends and recognize one-time expenses including restructuring costs of approximately JPY 10.0 billion in total during FY March 2025. As for dividends, we expect to pay an interim dividend of JPY 14 and a year-end dividend of JPY 14, up from the initial projection of JPY 12 each.

Progress of new Medium-term Plan: key points

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1 Strengthen management focusing on cash flows



Accelerate management focused on FCF

- Forecast of FCF for FY March 2025
- Expected to increase from 15 bn JPY at the beginning of the period to **120** bn JPY.

2 Enhance business portfolio management (Emphasizing ROIC)



Toward increasing asset profitability

- At Executive Committee Meetings, CBU* leaders report their progress instead of four Business Company CEOs.
- Commenced discussions on the turnaround plan for the targeted CBUs to determine directions.

* cash-flow business units

3 Evolve the Ferrite Tree (Pre-financial capital)



Ongoing initiatives aimed at strengthening pre-financial capital

Strengthen human capital

- Conducted the second engagement survey.

Enhance technological capability

- Made progress in development of materials for all-solid-state batteries and neuromorphic devices.
- Established TDK SenseI Pte. Ltd.

Reinforce initiatives related to sustainability and DX

- Received SBT certification by SBTi and rated FTSE 4.3.
- Obtained Gold Medal by EcoVadis.
- Gained the DX Certification from the METI.

H1, FY March 2025 Performance Briefing

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Lastly, let me explain the progress related to the three points of the new Medium-term Plan presented on Investor Day in May 2024.

The first is to strengthen the capability to generate free cash flow. While our initial prediction of free cash flow for FY March 2025 was JPY 15.0 billion, it is now forecast to increase to JPY 120.0 billion, given the progress in the results in the first half of this fiscal year significantly exceeding the initial expectations as explained earlier. We will continue our efforts to strengthen management focused on cash flow through inventory optimization and capital investment in light of the future market demand environment.

The second is the progress in our proactive business portfolio management. While the top management of four Business Companies (BCs) used to take the leading role in providing explanations and discussions on the initiatives toward increasing asset profitability at the Executive Committee and other principal meetings, it has been changed to a structure where the leaders of Cashflow Business Units (CBUs) report on their initiatives from the current fiscal year. Through this change, we can now have more specific discussions on improvement measures by CBU, and commence discussions on the turnaround plans for the target CBUs to determine the future direction. In addition, this structural change has been utilized as succession planning for future General Managers of Business Groups (BGs) and CEOs of BCs, i.e., a platform for developing future executives.

The third is to evolve the Ferrite Tree and to strengthen pre-financial capital. As part of our measures to strengthen human capital, we will focus on enhancing team member engagement by linking engagement scores with the remuneration of directors from the current Medium-term Plan period. We conducted the second survey in September, for which the response rate improved from 80% to 89%. We have started to analyze the detailed results and plan to incorporate them into concrete actions to improve team member engagement.

As for strengthening technological capabilities, looking ahead of contributing to social transformation over the medium- to long-term, we have made progress in developing new technologies such as the development of full-color laser control devices, in addition to the development of materials for all-solid-state batteries and neuromorphic devices. TDK's neuromorphic devices won the Innovation Category Award at CEATEC 2024 which was held in October. In addition, TDK SenseI Pte. Ltd., a new company that provides new solutions through edge AI and sensor fusion to contribute to social DX, was established at the end of July. In addition to these, we will continue our efforts to strengthen sustainability and DX activities. As for the progress in sustainability activities, TDK received SBT certification by SBTi, an international initiative, in June 2024. In addition, in July, TDK was rated Gold Medal by EcoVadis, an international sustainability rating provider, for the first time. On October 1, TDK also has received DX Certification from the Ministry of Economy, Trade and Industry (METI). We will continue to promote company-wide DX initiatives in our sales, marketing, manufacturing and sustainability activities to generate new value.

We will make concerted efforts to realize our Long-term Vision "TDK Transformation" by continuing to strengthen our financial and pre-financial activities explained above. We have been increasing the number of dialogues with investors since the beginning of this fiscal year. We appreciate your continued support as we wish to continue to engage in more constructive dialogues and collaboration with you toward enhancing our corporate value.

This concludes my presentation. Thank you 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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