

Attracting Tomorrow



# TDK Investors Meeting 2021

**TDK Corporation**  
Corporate Communications Group  
May 24, 2021

# Attendees



**Shigenao Ishiguro**  
President & CEO



**Seiji Osaka**  
Executive Vice President,  
GM of Corporate Strategy HQ



**Tetsuji Yamanishi**  
Executive Vice President,  
Global Chief Compliance  
Officer,  
GM of Finance &  
Accounting HQ



**Noboru Saito**  
Senior Vice President,  
CEO of Sensor Systems  
Business Company



**Michael Pocsatko**  
Senior Vice President,  
GM of Corporate Marketing  
& Incubation HQ



**Andreas Keller**  
Senior Vice President,  
GM of Human  
Resources HQ



**Shigeki Sato**  
Senior Vice President,  
GM of Technology &  
Intellectual Property HQ



**Fumio Sashida**  
Corporate Officer,  
CEO of Energy Solutions  
Business Company



**Ji Bin Geng**  
Corporate Officer,  
GM of Energy Devices  
Business Group of Energy  
Solutions Business Company



**Taro Ikushima**  
Corporate Officer,  
CEO of Electronic  
Components Business  
Company

# Agenda (from 10:00 to 11:30)

- **Presentation**

Medium-Term Plan (from FY2022 to FY2024)

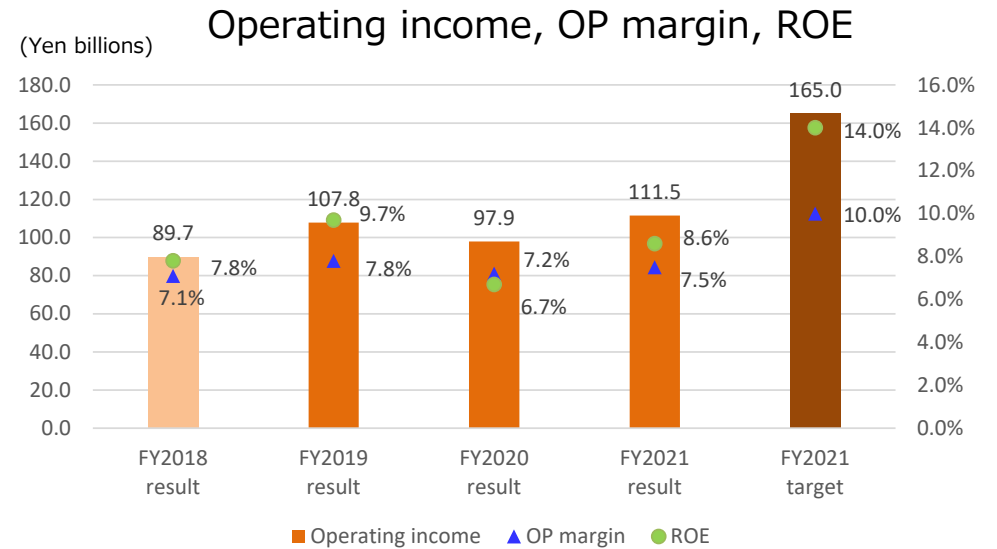
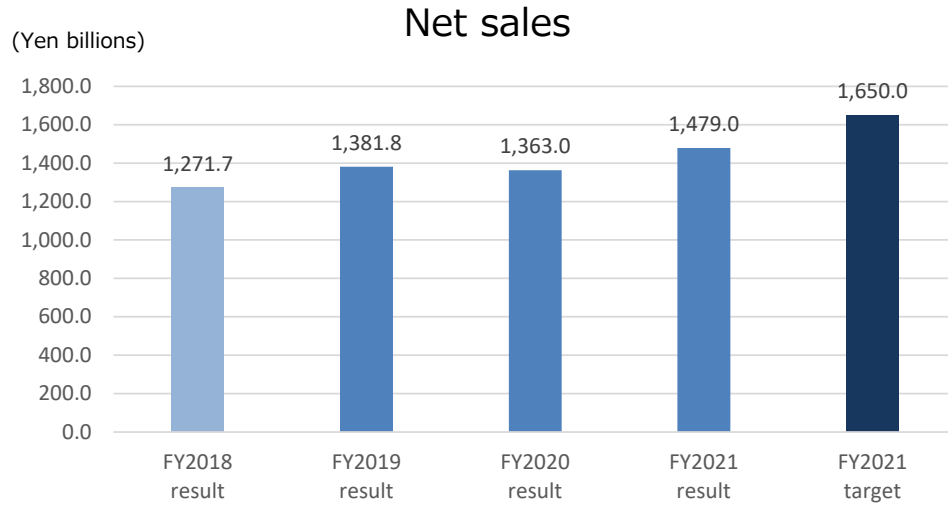
Shigenao Ishiguro, President & CEO

Tetsuji Yamanishi, Executive Vice President

- **Q&A**

# Medium-Term Plan (from FY2022 to FY2024)

# Review of the Previous Medium-Term Plan



## Results of our growth strategies

- ▼ Downturn in the automotive market (to FY2021/1H)
- ▼ Worsening tension between the U.S. and China (Chinese economy slowdown)
- ▼ COVID-19 lockdowns (production activities suspension)
- △ "New Normal" (remote work and education)
  - ⇒ Expanding the share of rechargeable batteries
- △ Expanding 5G-related demand
  - ⇒ Rechargeable batteries, passive components, and sensors
- △ Expanding EX-related demand
  - ⇒ The launch of new power cell products

## Results of efforts to improve social value

- E: Full-scale activities of Sustainability Promotion HQ
- S: Full-scale deployment of Global HR Project
- S: Reinforcement of diversity activities
- G: Introduction of global common regulations (KITEI Project)

①

## Speedy change of global market competition

~because of the Rise of China & the Transformation of US leadership

- Change of geopolitical balance and national defense policy
- Conflict of initiative in advanced technology

## COVID-19 Pandemic

②

Land and Capital created wealth



Information and Data create wealth



③

SUSTAINABLE DEVELOPMENT GOALS



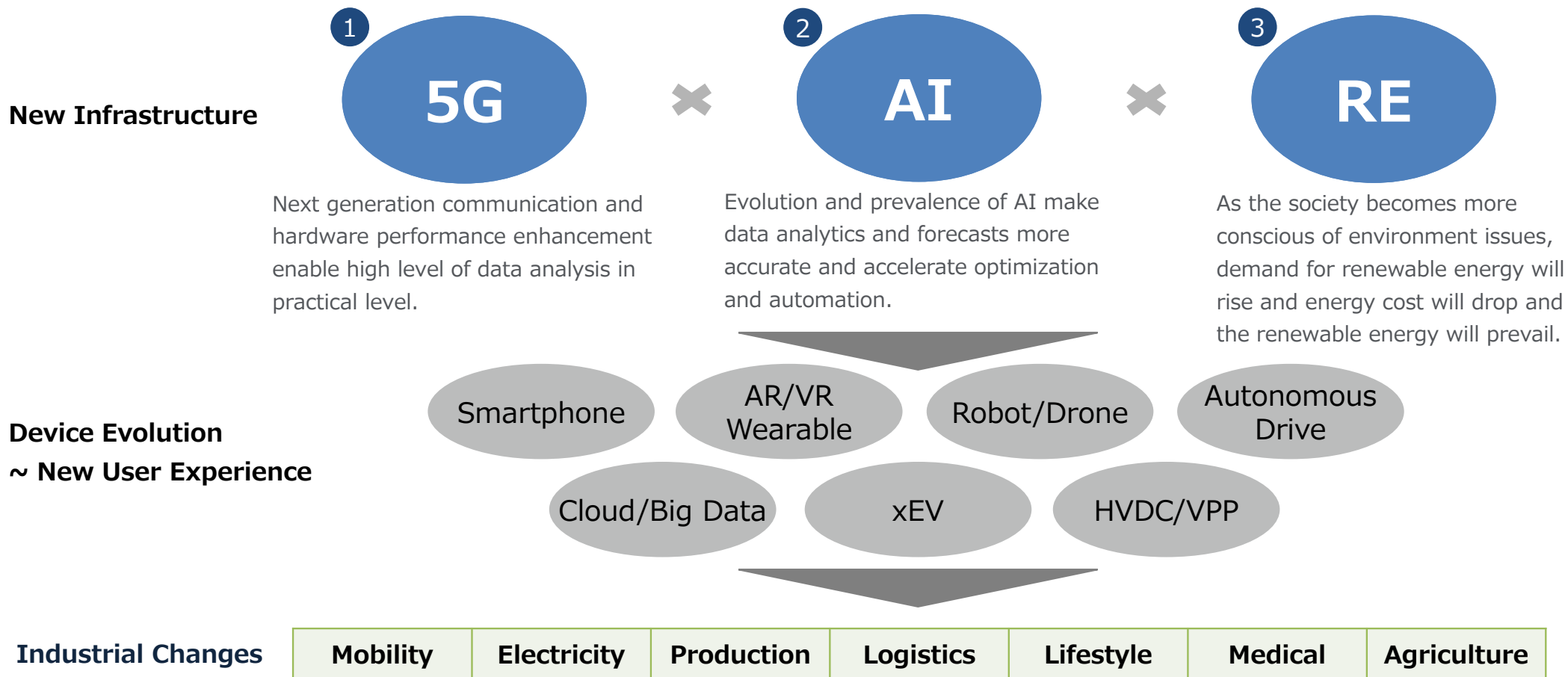
Change of values of sustainability

~ Change of requirement to companies

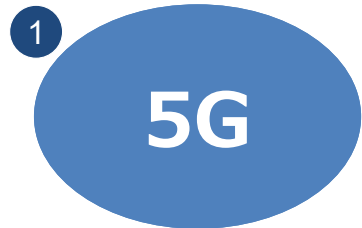
- Contribute to social sustainability through business activities.
- Environment, Energy, Society, Human rights...SDGs.

# 5G, AI and RE will become the social infrastructure to uphold the evolution of industries and devices (DX/EX)

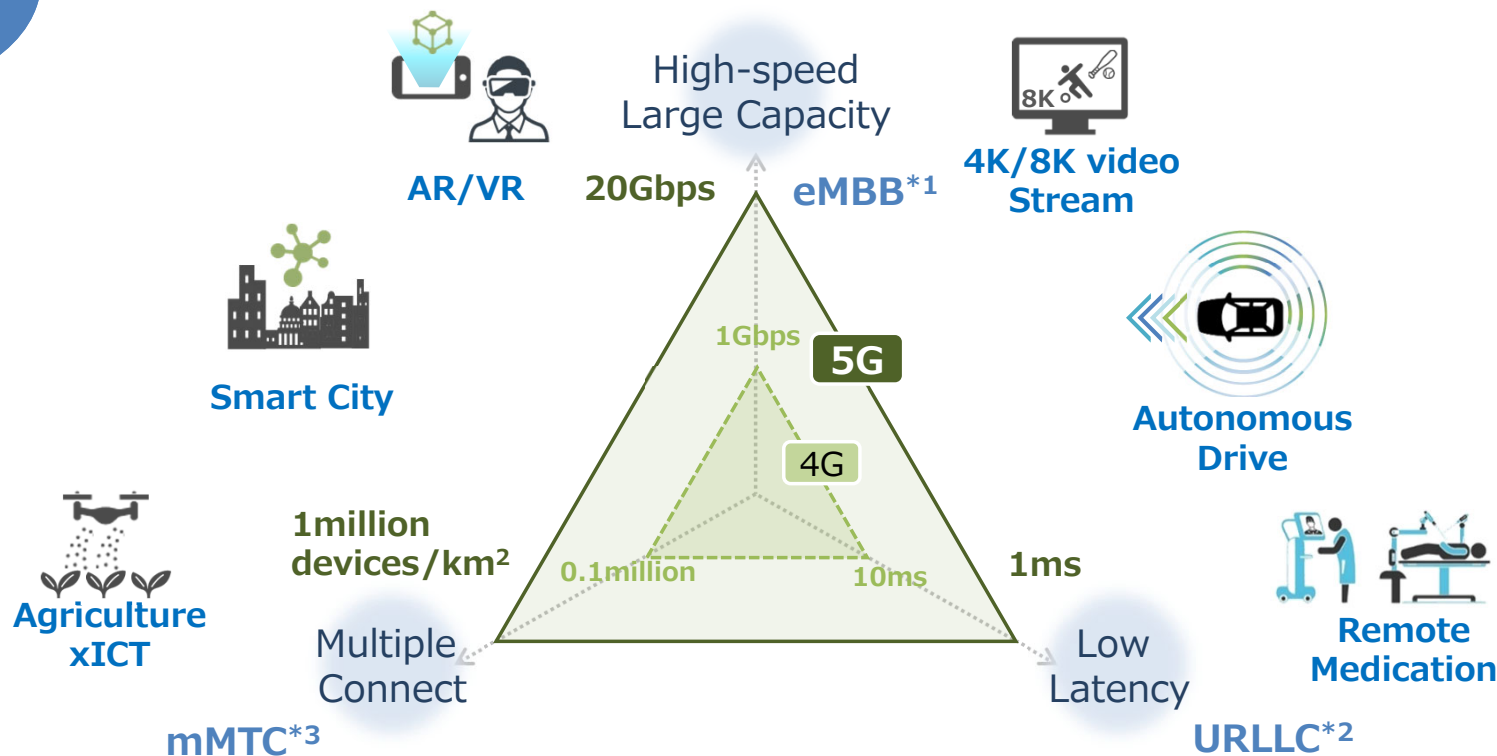
## Key Innovations for the next 10 years



# 5G communication will impact on multiple industries



## Applications utilizing 5G



- \*1 enhanced Mobile Broadband
- \*2 Ultra-Reliable Low Latency Communications
- \*3 massive Machine Type Communications

Source : DTC

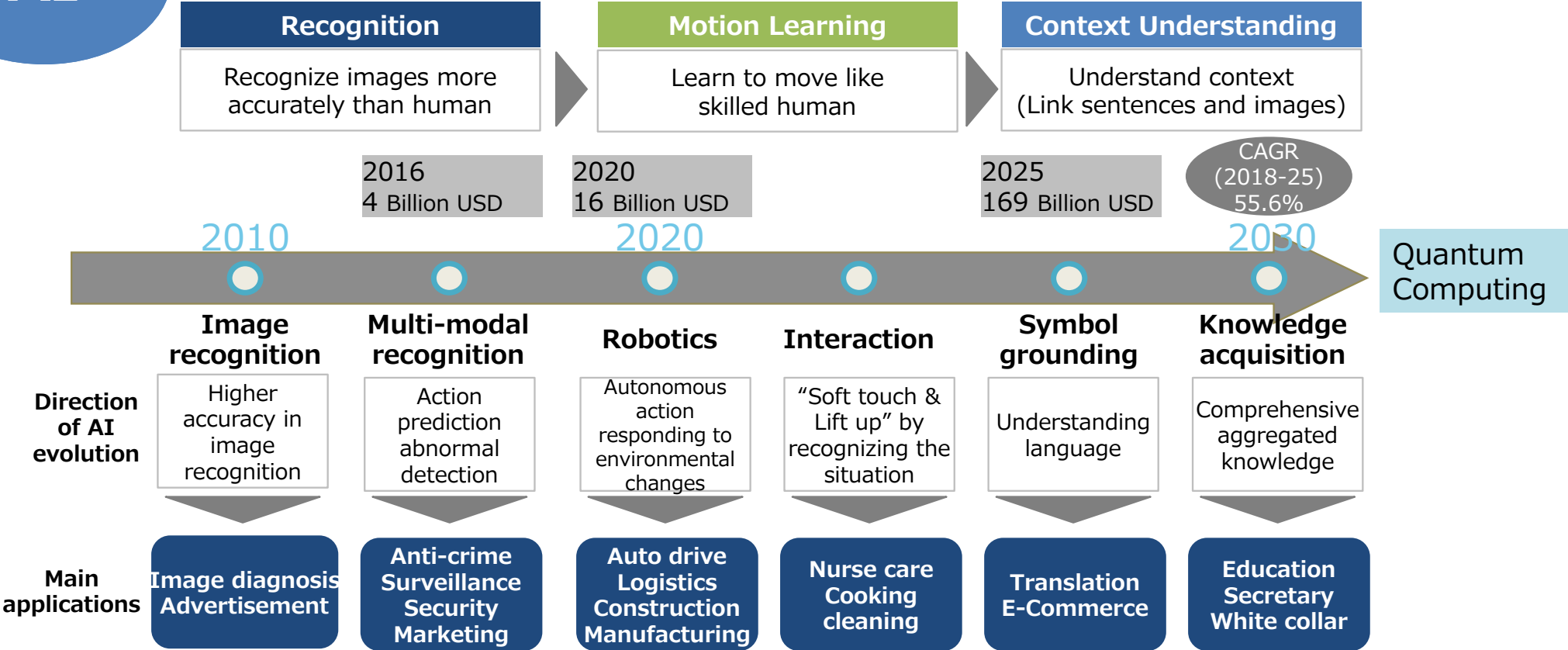


# AI will evolve from recognition accuracy, motion learning, context understanding and prevail in every industry

2

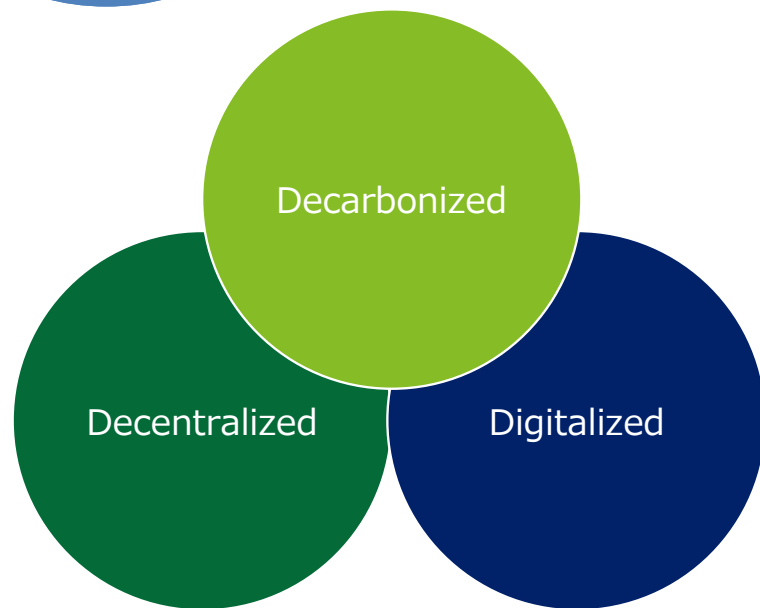
AI

AI's technological evolution based on deep learning (~2030)



Source: Deloitte based on Allied Research "Global Artificial Intelligence AI Market 2018-2025" and various books and materials

## 3 RE Mega Trends in Energy Industry



### **a Decarbonized**

- ✓ Electricity producers will focus on renewable energy
  - Paris Protocol requests elimination of CO<sub>2</sub> emission
  - Almost all electricity demand needs to be supplied by renewable energy.

### **b Decentralized**

- ✓ Cost reduction of renewable energy
  - Due to increase of installations, economy scale will work on cost reduction of renewable energy
  - Increase of distribution cost makes renewable energy cost competitive
- ✓ Better utilization of electricity distribution









### **c Digitalized**

- ✓ Resolving issues with renewable energy
  - Digital technologies will solve the instability of renewable energy generation
  - Adjust and optimize renewable energy generation as entire grid

# Key Technology Trends in 7 Strategic Markets

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Technology trends that will support evolution & changes		7 Seas	How 7 Seas will evolve and change		
			Now – 2023	By 2026	By 2030
DX       EX	<b>High frequency-compatible technologies to support 5G</b> LCP, LTCC, fluororesins	5G Smartphone 	More sub 6GHz smartphones/ extension of current UX	Appearance of millimeter wave smartphones/ acceleration of use of AR	Diffusion of millimeter wave smartphones/ further improved UX
	<b>Preprocessing &amp; new sensors to support smartification</b> Sensor fusion*, 3D sensors	New Mobile Device AR/VR 	Increasing use from consumer to industrial	Optimization of AR & VR for each use case	Everyday and common use of AR & VR
	<b>Improving processing by optimizing uses</b> Edge AI chips, photoelectric fusion	Wearable 	Increasing use from consumer to industrial	Better health support via use of biodata	Improved biocompatibility by biocompatible devices
	<b>Fusion of people &amp; machine/HMIs that help multitasking &amp; automation</b> Foldables, smaller & better actuators	Robotics/Drone 	Solved labor shortages/ mechanizing simple tasks for improved productivity	Solved labor shortages/ mechanizing complex tasks for improved productivity	Full automation via distributed autonomous systems
	<b>Better processing capabilities while using less energy</b> High density energy, WPT, low-voltage devices	Data Storage 	Shift to distributed processing & storage due to latency & bandwidth issues	Greater use of edge/ private cloud storage	Optimization of each type of storage according to its demand
	<b>More efficient power electronics and improved battery performance</b> All-solid-state batteries, more efficiency with higher voltage	Autonomous Driving 	Increasing use of LVL2 partially autonomous vehicles	<b>LVL3: Autonomy with conditions</b> Autonomous highway driving under certain conditions (human intervention still required in emergencies)	<b>LVL4: Automated advanced driving functions</b> 1) Fully autonomous highway driving 2) Autonomous driving on local roads under limited conditions
	<b>Shift away from carbon to distributed &amp; digital solutions</b> Offshore wind power, HVDC, EMS, ESS	xEV 	Greater use of BEVs/PHEVs particularly in China and Europe	More large electric vehicles due to greater driving range & quicker charging	Commercialization of FCVs, well-to-wheel emission reductions
		Renewable Energy 	Expansion of distributed power sources, PV & onshore wind power, reaching parity with offshore wind turbines	Spread of digitalization to all fields: from resource development to consumption	Pursuing zero-emissions: renewable smart cities & H2 societies

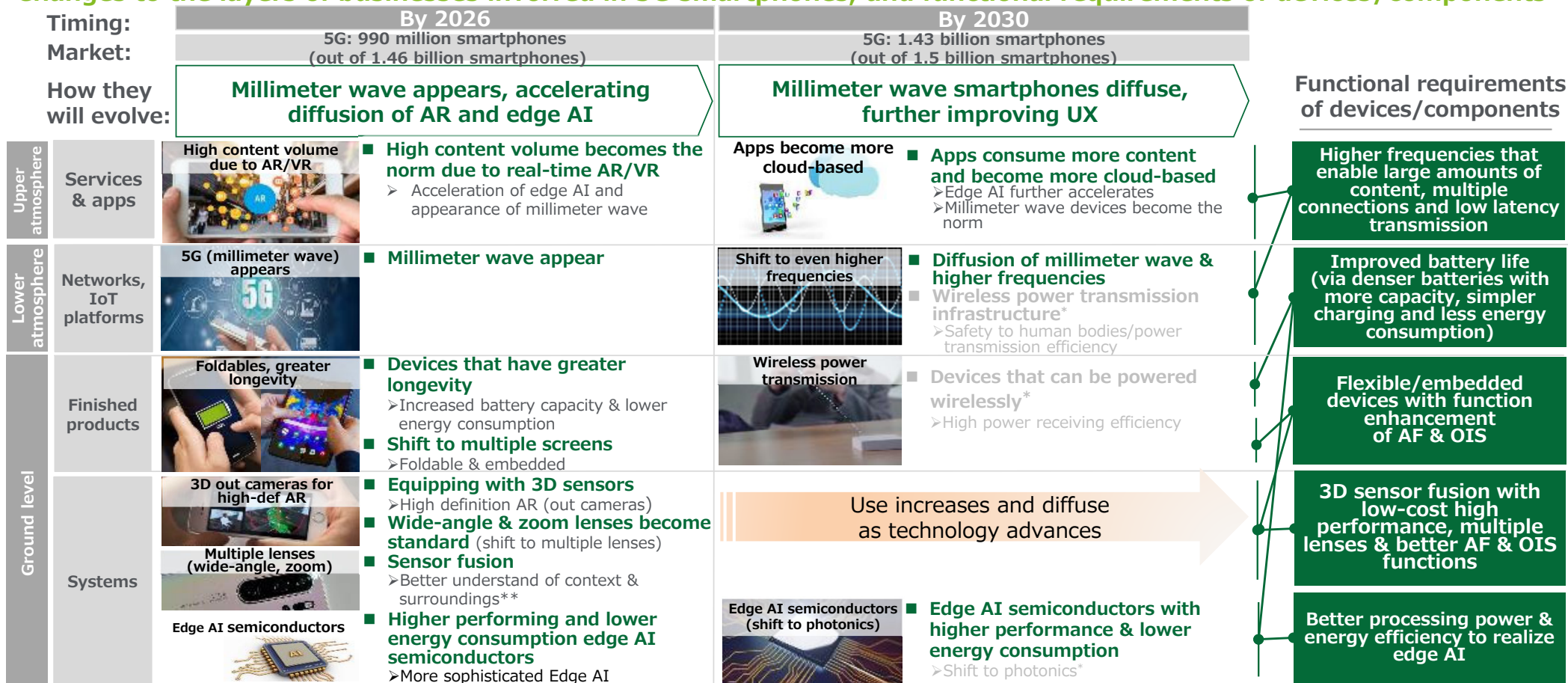
\*Sensor fusion: Collectively processing data from many sensors to achieve greater recognition function than could be obtained from only 1 sensor

# Outlook 2030: millimeter wave compatible 5G smartphones will appear and diffuse, while edge AI makes smartphones intelligent, leading to greater amounts of content being consumed and increased use of clouds

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## Changes to the layers of businesses involved in 5G smartphones, and functional requirements of devices/components











\*Grayed out since they are not expected to become a reality until 2030 or later

\*\*Function that changes content as the surrounding environment changes (context awareness)

# Key Technology Trends in 7 Strategic Markets

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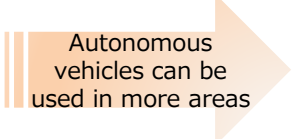





Technology trends that will support evolution & changes		How 7 Seas will evolve and change			
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\*Sensor fusion: Collectively processing data from many sensors to achieve greater recognition function than could be obtained from only 1 sensor



# Outlook 2030: EVs will link up with the power grid, wireless charging will become more efficient, systems will have higher voltage, parts will be integrated, systems will be safer, and energy sources will diversify

## Changes to the layers of businesses involved in EVs, and functional requirements of devices/components

Timing:		By 2026	By 2030	Functional requirements of devices/components
Market:		Battery EVs sold: 7 million	Battery EVs sold: 13 million	
How they will evolve:		More large electric vehicles due to greater driving range & quicker charging	Commercialization of FCVs, well-to-wheel emission reductions	
Power generation	Services, apps	 <ul style="list-style-type: none"> <li>■ <b>V2G will allow EVs energy to be used</b> <ul style="list-style-type: none"> <li>➢ Relieve electricity demand peaks</li> </ul> </li> <li>■ <b>Bi-directional power supplies</b> <ul style="list-style-type: none"> <li>➢ Charging equipment will become 2-way</li> </ul> </li> </ul>	 <ul style="list-style-type: none"> <li>■ <b>Use of V2G expands in emerging nations</b></li> <li>■ Commercialization of hydrogen energy systems*</li> </ul>	Seamless linkage with the power grid
	Systems, devices			
Power transmission & distribution	Networks, IoT platforms	 <ul style="list-style-type: none"> <li>■ <b>Wireless charging introduced to commercial-use vehicles</b> <ul style="list-style-type: none"> <li>➢ WPT for autonomous vehicles</li> </ul> </li> </ul>	 <ul style="list-style-type: none"> <li>■ Use of autonomous vehicles over a broad area expands WPT to passenger vehicles*</li> </ul>	Safer & more efficient conversion in wireless charging
	Systems, devices	 <ul style="list-style-type: none"> <li>■ <b>Fast-charging equipment goes high voltage</b> <ul style="list-style-type: none"> <li>➢ Expansion of 900kW-grade charging equipment</li> </ul> </li> </ul>		High voltage infrastructure and vehicle systems that can withstand fast charging
Power consumption	Systems, devices	 <ul style="list-style-type: none"> <li>■ Higher voltages expand commercial-use EVs</li> <li>■ <b>Batteries &amp; related parts for EVs become integrated**</b></li> <li>■ Better battery performance                             <ul style="list-style-type: none"> <li>➢ Denser energy, charging &amp; discharging, longer battery life</li> </ul> </li> </ul>	 <ul style="list-style-type: none"> <li>■ <b>Autonomous vehicle systems become redundant</b> <ul style="list-style-type: none"> <li>➢ Vehicles equipped with additional power control components to improve safety</li> </ul> </li> <li>■ <b>Next-generation batteries introduced</b> <ul style="list-style-type: none"> <li>➢ Post-LiBs, all-solid-state batteries</li> </ul> </li> <li>■ FC stacks become common*</li> </ul>	Integrated parts** and redundant systems
				Diversification of vehicle energy sources

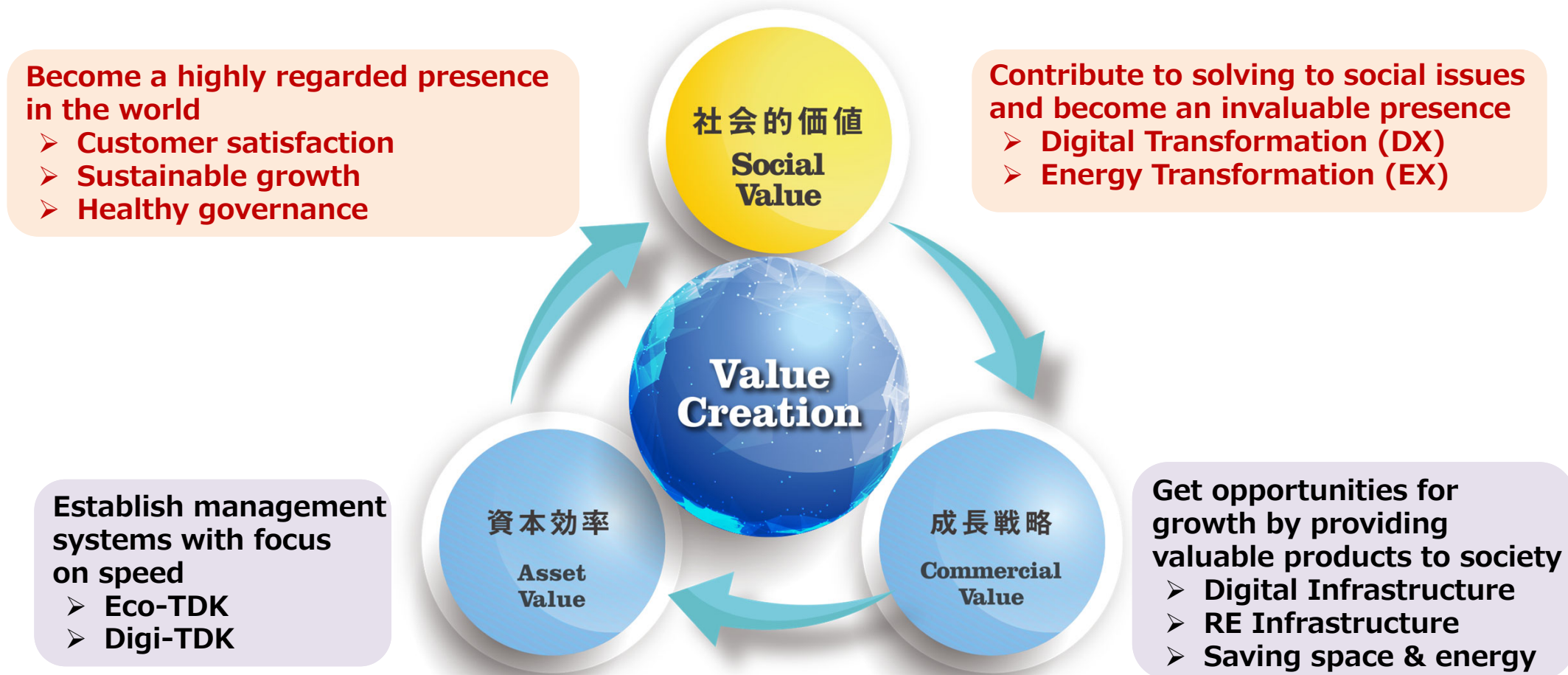
\*Grayed out since they are not expected to become a reality until 2030 or later

\*\*Batteries, DC-DC converters, and onboard chargers will become integrated

Source: public information

# Value Creation Cycle

~Accelerate DX and EX in order to realize 2CX and create value for a sustainable society



2CX: Customer Experience, Consumer Experience

# Achieve Sustainable Growth

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## Digital Solution

Sensors, data storages, and electronic components supporting digital transformation

### <Data storage>

HDD heads                      Industrial storages

### <Transducer>

Temperature sensors    Pressure sensors  
Hall IC                      TMR magnetic sensors  
MEMS sensors            MEMS microphones  
Piezo actuators

### <Electronic components>

5G~High-frequency components  
RF inductors  
Noise suppression components  
Heat countermeasure components  
Anechoic chambers & EMC measurement systems

## Energy Solution

Batteries, power supplies, and electronic components supporting effective use of energy

### <Energy storages>

Small / medium size rechargeable batteries

### <Power supplies>

Bi-directional power supplies  
Programmable power supplies  
High quality medical / industrial power supplies  
EV power supplies (DC-DC, onboard chargers)

### <Motor & generators>

Magnets for EV / wind power generations

### <Electronic components>

Automotive MLCC    High capacitance MLCC  
Power inductors      Transformers

- ◆ Corporate Marketing & Incubation HQ
- ◆ Corporate venture capital
- ◆ Global R&D center function (Japan, U.S., Europe, China)

- ◆ Global HR system
- ◆ Global common regulations
- ◆ Global sustainability promotion function



## “Value Creation 2023”

Accelerate DX and EX in order to realize  
2CX and create value for a sustainable society

### Commercial Value

Execute Growth Strategy

Net Sales 2,000.0 billion yen

### Asset Value

Improve Asset Efficiency

OP margin

Over 12%

ROE

Over 14%

Capex (3 years) 750.0 billion yen

### Social Value

Enhance Enterprise Value

Contribute to solving social issues

# Management Target in Medium Term

(Yen billions)	FY March 2021 Result	FY March 2024 Target	CAGR
Net sales	1,479.0	2,000.0	11%

Segment	CAGR
Passive Components	7%
Sensor Application Products	25%
Magnetic Application Products	12%
Energy Application Products	11%

# TDK Group's Materiality



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## Medium-Term Policy : Accelerate DX and EX in order to realize 2CX and create value for a sustainable society

### Energy transformation (EX): Contribution to energy and environmental solutions by minimizing waste heat and noise with electronic devices

- Effective use of energy and expanding use of renewable energy toward the realization of net zero CO<sub>2</sub> emissions in 2050
- Provide products and solutions for creating clean energy to realize a zero-carbon society
- Provide products and solutions for realizing an efficient energy society by storing, converting, and controlling energy

### Digital transformation (DX): Promotion of the digitization of society by adding software technology to material science and process technology

- Provide products and solutions to help build resilient communication network infrastructure
- Provide products and solutions for supporting robotics and mobility to promote human capability enhancement and complementation
- Promote digitalization at TDK

#### Quality Management

- Pursue zero-defect product quality
- Reduce quality costs
- Maximize customer satisfaction with product and service quality

#### HR Management

- Develop human resources to lead the TDK Group
- Foster greater diversity and inclusion
- Improve employee engagement and job satisfaction to attract and retain talented employees

#### Supply Chain Management

- Enhance global procurement capabilities and mechanisms
- Ensure responsible procurement
- Ensure societal and environmental consideration in the supply chain

#### Opportunity & Risk Management

- Identify and capture business opportunities effectively by strengthening marketing capability with full use of digital technology
- Strengthen the group's risk management capabilities

#### Pursuing Both Delegation of Authority and Internal Controls

- Ensure speed and transparency in operations, based on the clearly defined roles, authorities and responsibilities of each organization
- Make management systems of each group company more effective and efficient, aligned with the group's unified policy
- Implement appropriate post-merger integration (PMI) for acquired companies

#### Asset Efficiency Improvement

- Rebuild business portfolio
- Optimize facilities and manufacturing sites

# Value Creation 2023

## ~Business Strategy~

# **Value Creation 2023**

## **~Passive Components Business Strategy~**

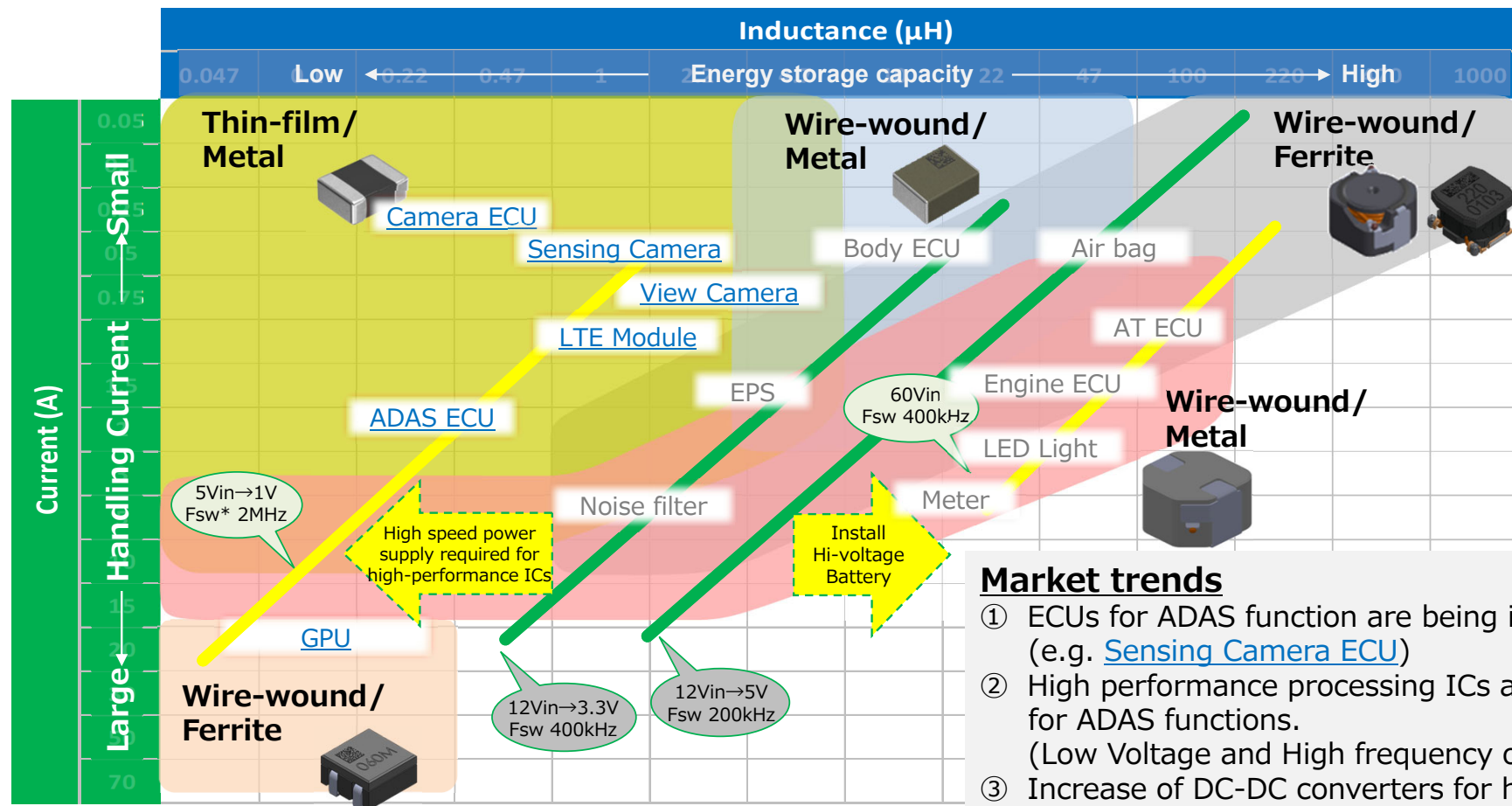
# Electronic Components: Launch distinctive products for strategic growth markets using proprietary elemental technologies

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# Power Inductor for Automotive Grade: Optimize products with multiple elemental technologies for growing applications (e.g., ADAS, Autonomous driving)

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\*Fsw = Operation frequency

## Market trends

- ① ECUs for ADAS function are being installed. (e.g. [Sensing Camera ECU](#))
- ② High performance processing ICs are being employed for ADAS functions. (Low Voltage and High frequency operations)
- ③ Increase of DC-DC converters for high voltage battery (48V~60V) for xEVs

# Ceramic High Frequency Components

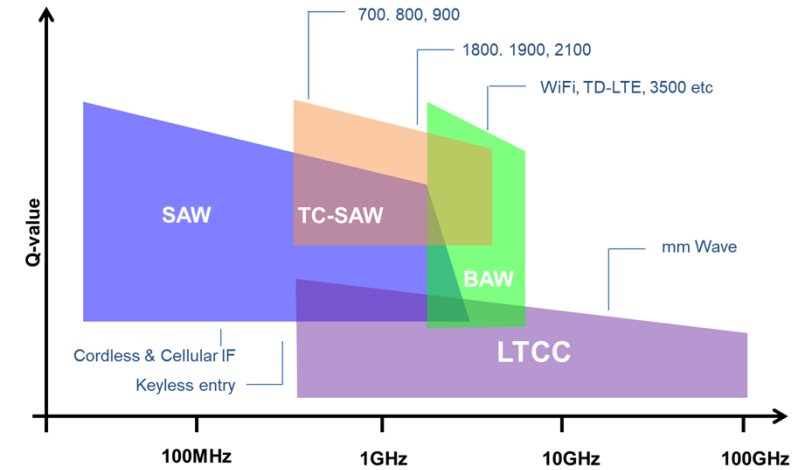
## Market and Strategic Products

**LTCC = Low Temperature Co-fired Ceramics**

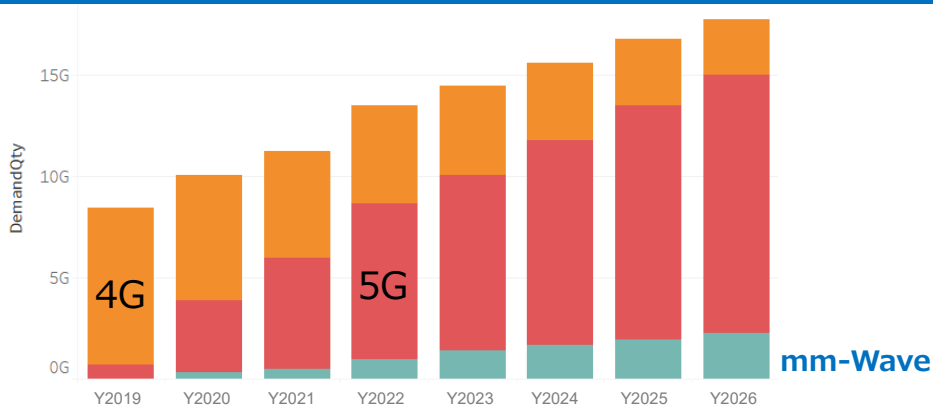
- ✓ Conductors are formed on the ceramic sheet with silver paste and fired simultaneously in multiple layers
- ✓ High Frequency Components using LTCC technology  
RF Filters, Diplexer, Coupler, Balun, Antenna ...



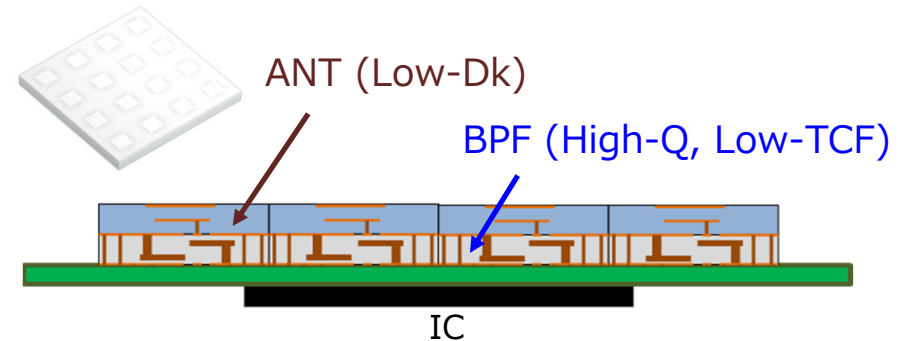
Filtering technologies and frequencies



LTCC Demand Volume for Smartphones

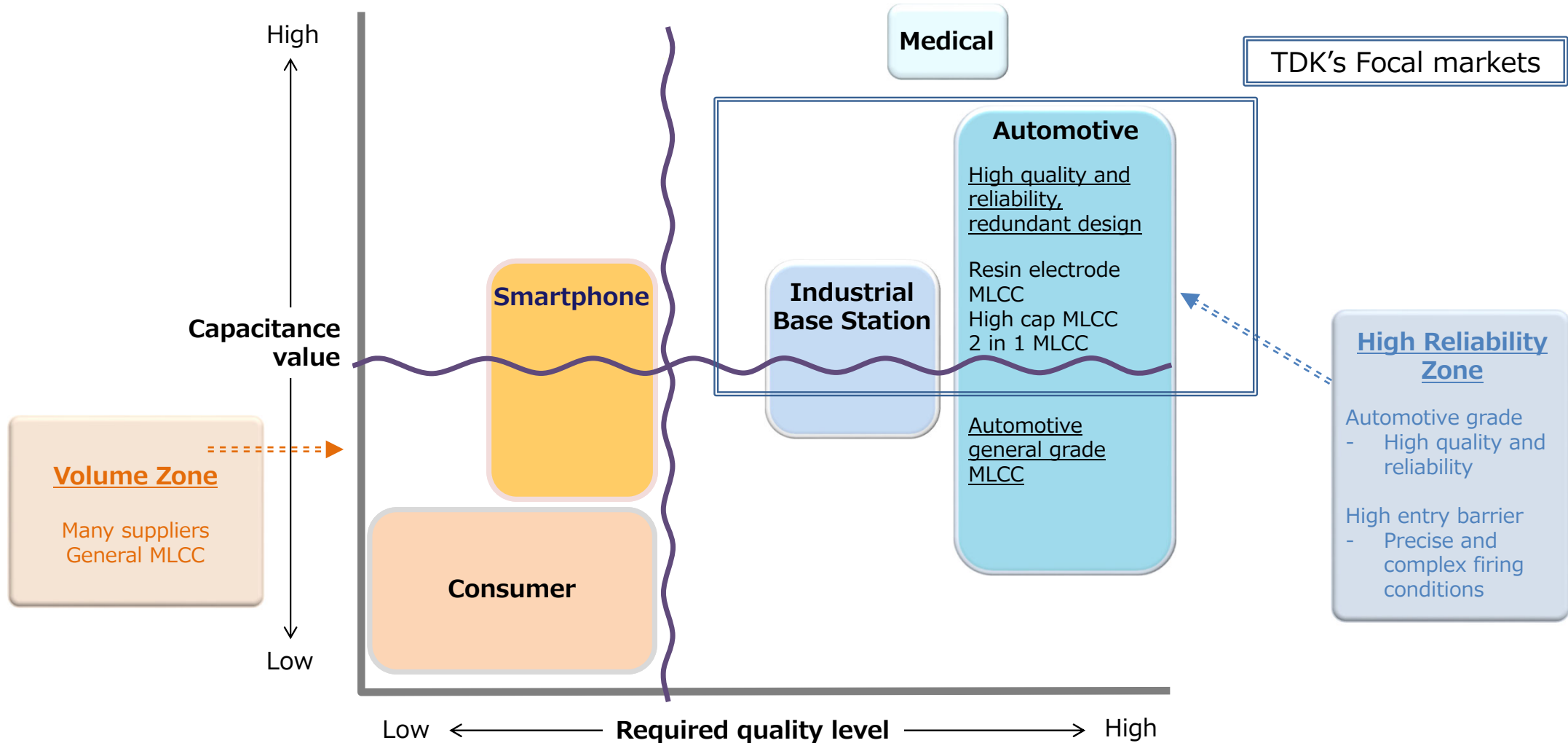


LTCC Antenna for mm-Wave





# MLCC Market and Strategy

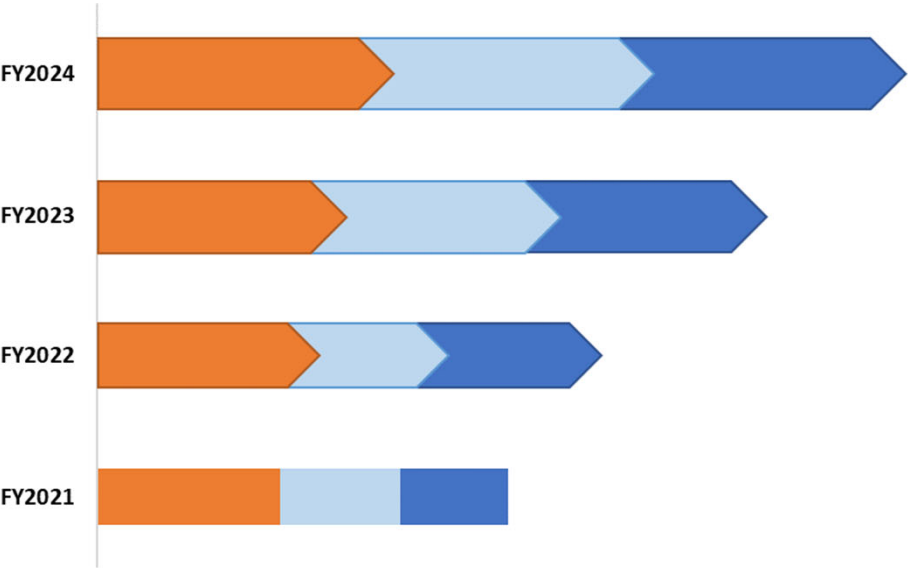


# Value Creation 2023

## ~Sensor Business Strategy~

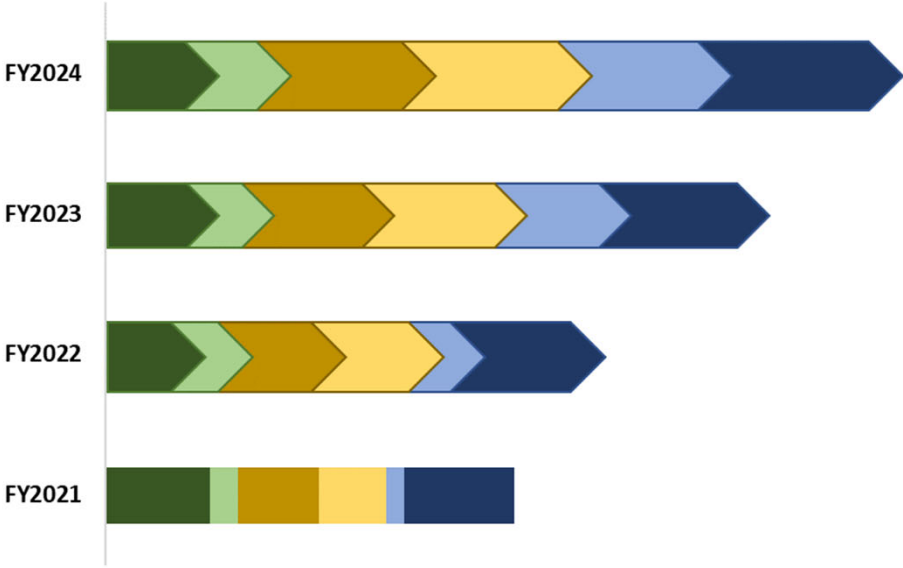
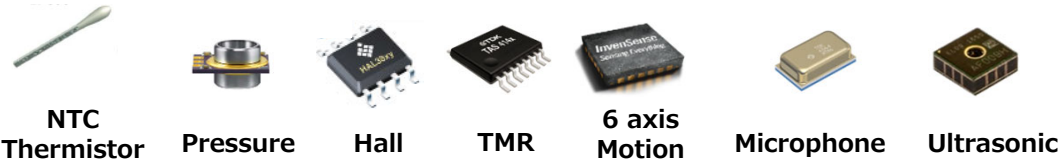
# Expansion of Sensor Business

Sales by Segment



Automotive Industrial/HA ICT

Sales by Product



Temp Pressure Hall TMR Mic Motion

# Measures for Sensor Business toward Positive Profit

## Expansion of Customer Base

### TMR Sensor

- Continuous expansion of automotive customer base
- Expansion of consumer and industrial customer base

### Hall Sensor

- Expansion of consumer customer base

### MEMS Sensor

- Establishment of major position in expanded customer base (Motion Sensor)
- Expansion of non-mobile customer base (TWS, AR/VR, Drone, Wearable, Industrial/Robotics...)
- Expansion of automotive customer base (Navigation...)

### Temp & Pressure Sensor

- Expansion of industrial customer base

## Enrichment of Product / Application

### TMR Sensor

- Continuous expansion of automotive applications
- Launch and expansion of compass business
- Launch of digital products

### Hall Sensor

- Continuous expansion of 2D/3D sensor business
- Development and launch of sensors for consumer applications

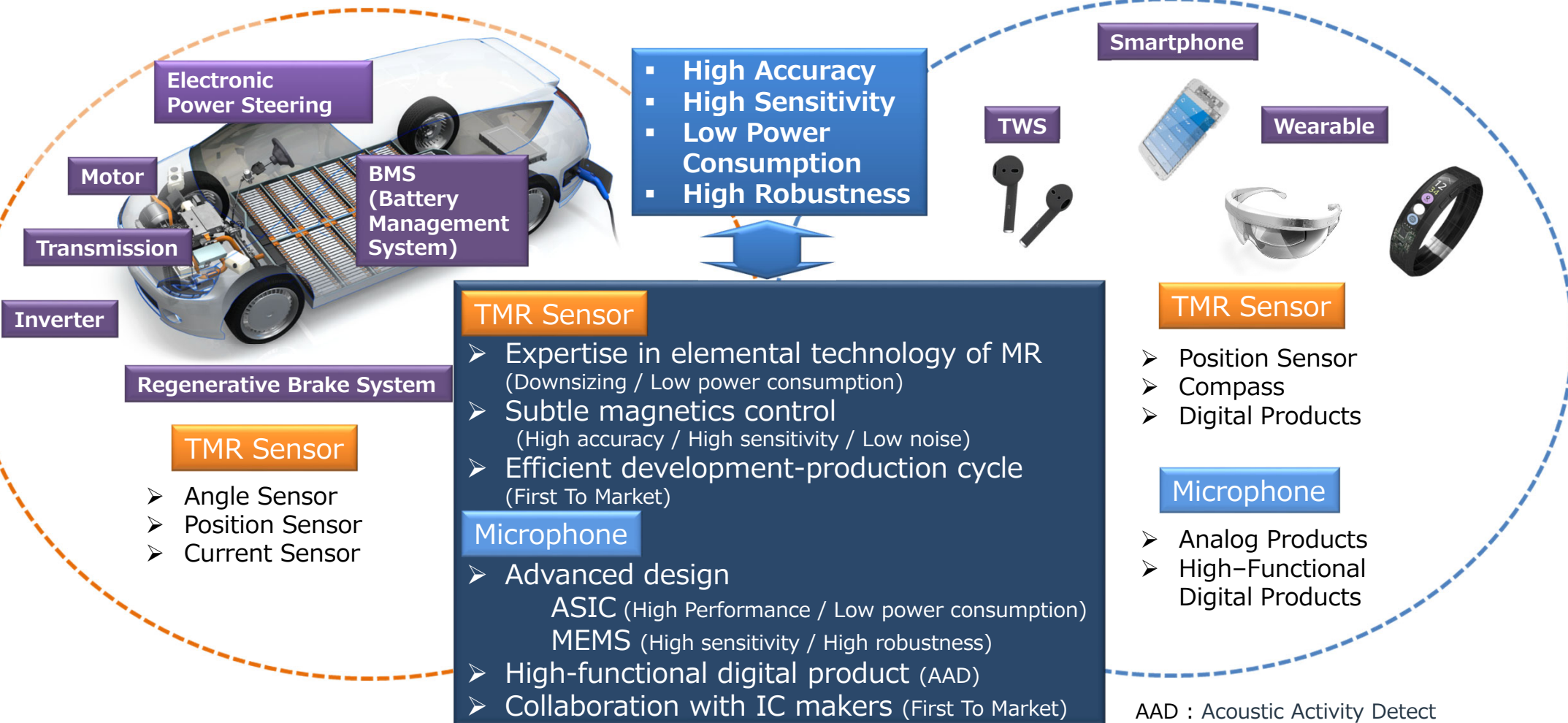
### MEMS Sensor

- Expansion of mic business (Digital products, Noise-cancellation...)
- Establishment of motion sensor line-up
- Expansion of barometer business
- Expansion of ultrasonic ToF sensor applications (IoT, Robotics...)

### Temp & Pressure Sensor

- Expansion of xEV applications

# Sensor Solution: Strategic Products

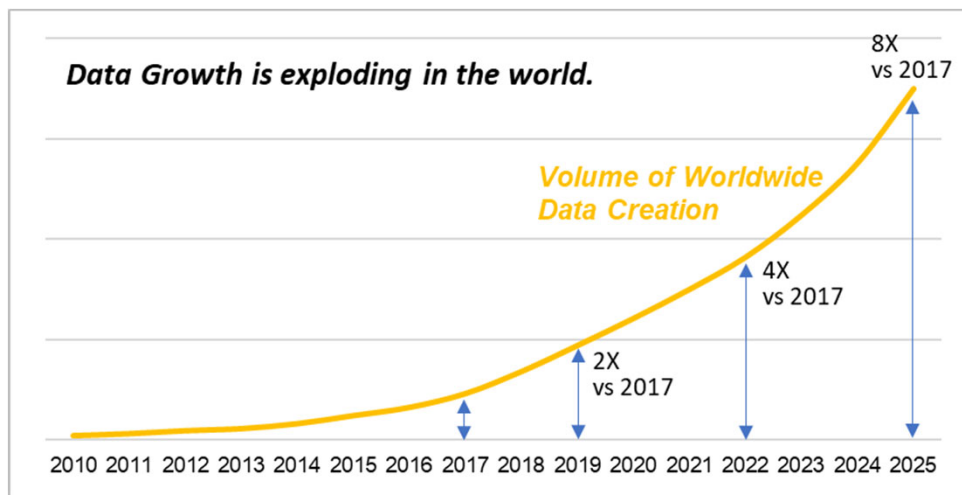


# **Value Creation 2023**

## **~HDD Head Business Strategy~**

# Head/HGA demand will increase

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**HDD Heads up two times  
Capacity increase four times  
(Nearline HDD)**



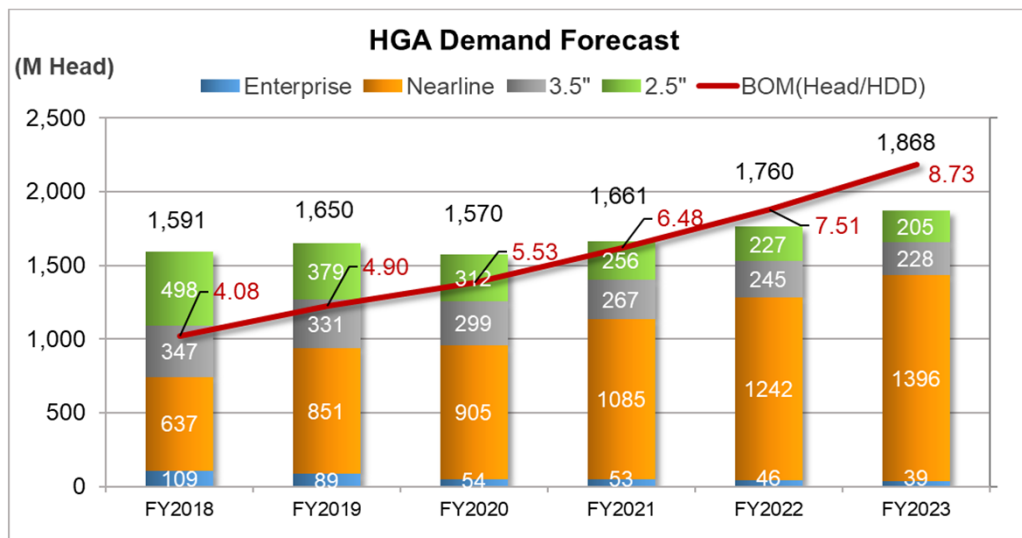
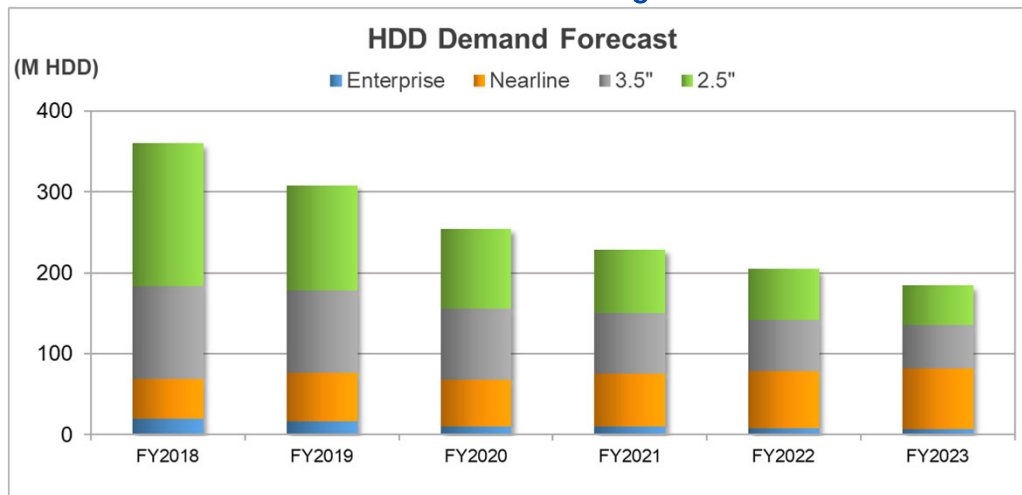
**Y2014  
Head/HDD : 3.26**

**5discs 10Heads (5TB)**



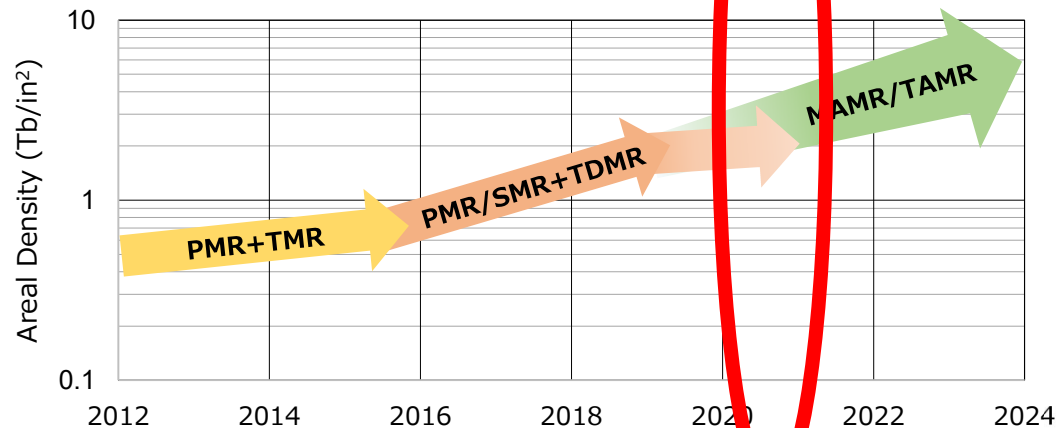
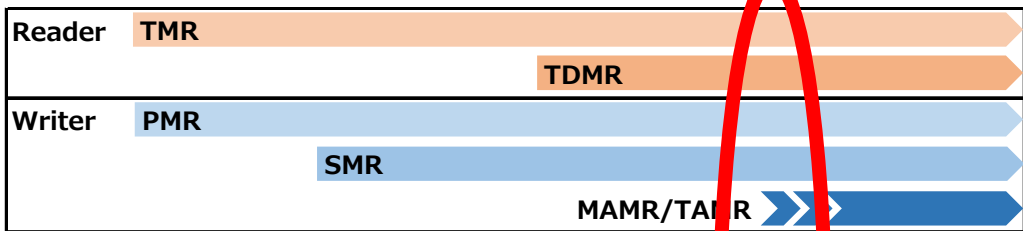
**Y2021  
Head/HDD : 6.48**

**10discs 20Heads (20TB)**



# We are ready for all advanced technology (New technology implementation is a chance!!)

HDD Technology Roadmap



~2004 LMR+GMR

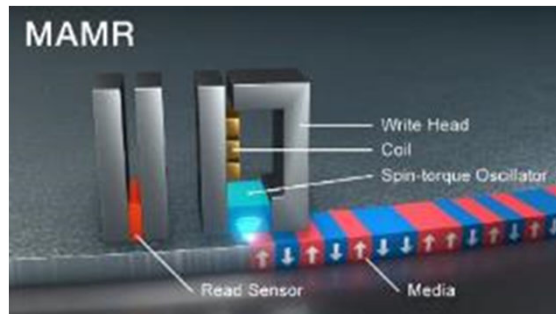
2005~ PMR+TMR

202X~ M/TAMR+TDMR

**We are here now**

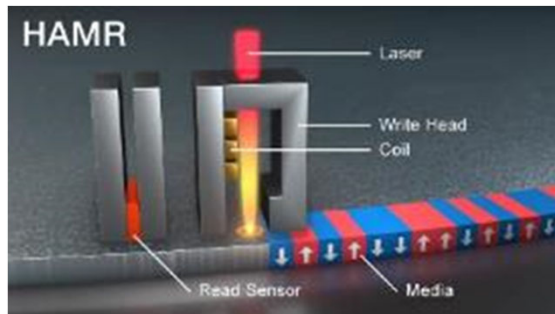
## MAMR :

Microwave assist magnetic Head



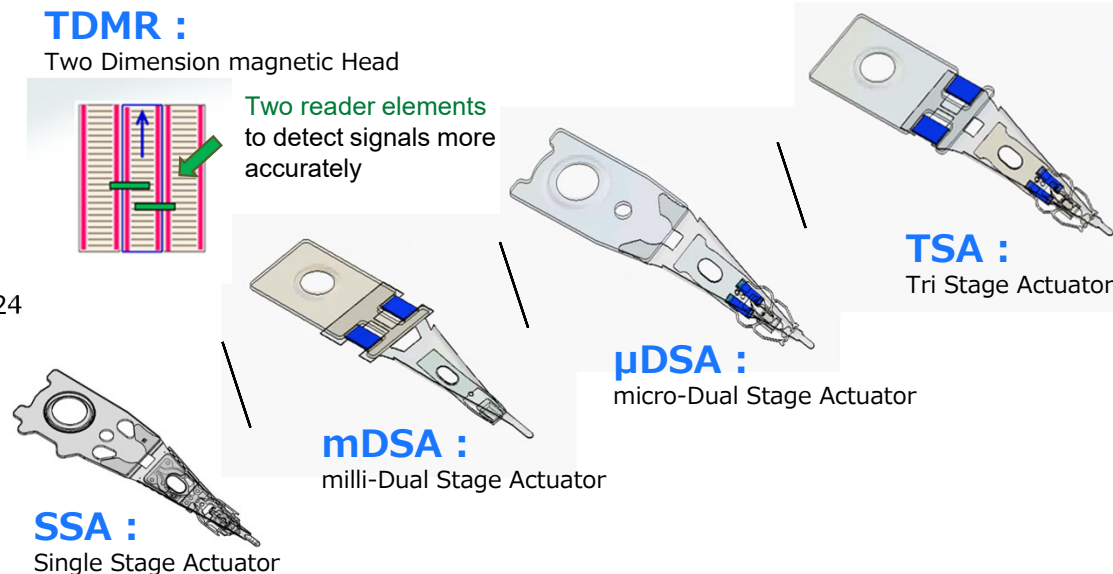
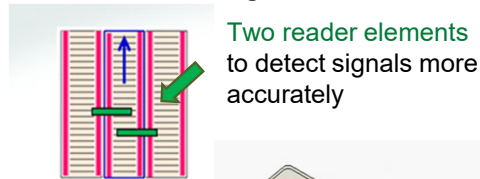
## TAMR (HAMR):

Thermal(Heat) assist magnetic Head



## TDMR :

Two Dimension magnetic Head



## SSA :

Single Stage Actuator

## mDSA :

milli-Dual Stage Actuator

## μDSA :

micro-Dual Stage Actuator

## TSA :

Tri Stage Actuator



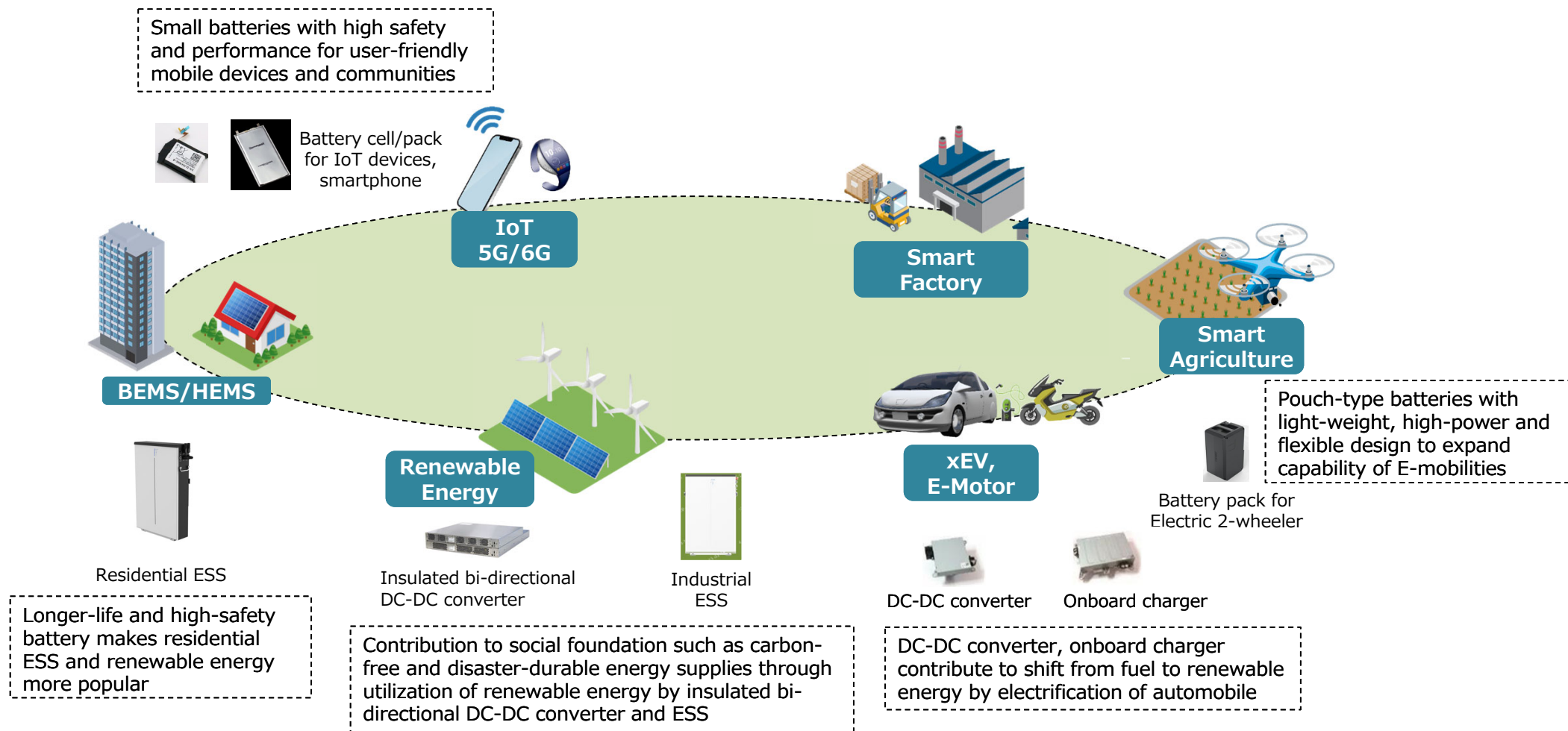
**Succeed as the world's only independent manufacturer in the field of magnetic head storage by supplying technologies catering to the needs in the era of large-capacity data storage**

- **Retain MAMR technology leadership and make smooth transition to TAMR:**
  - ✓ Successfully ramp the MAMR 1<sup>st</sup> generation, and extend the MAMR to 2<sup>nd</sup> and 3<sup>rd</sup> generation.
  - ✓ Advance the TAMR technology and prepare for mass-production.
  - ✓ Support all customers for technological migration.
- **Optimize production capacity and operations to support future growth:**
  - ✓ Prepare the wafer and backend capacity to support new technology mix, such as TDMR, MAMR and TAMR, and demand growth in the HDD industry.
  - ✓ Achieve operation excellence by continuing to deploy automation, Smart Factory system, AI and Big Data.
- **Effectively utilize high-precision suspension technology into new fields:**
  - ✓ Launch next generation Tri-stage actuator technology to support high-capacity N/L drives.
  - ✓ Apply HDD Suspension component technologies for micro electronic components in ICT market.

# **Value Creation 2023**

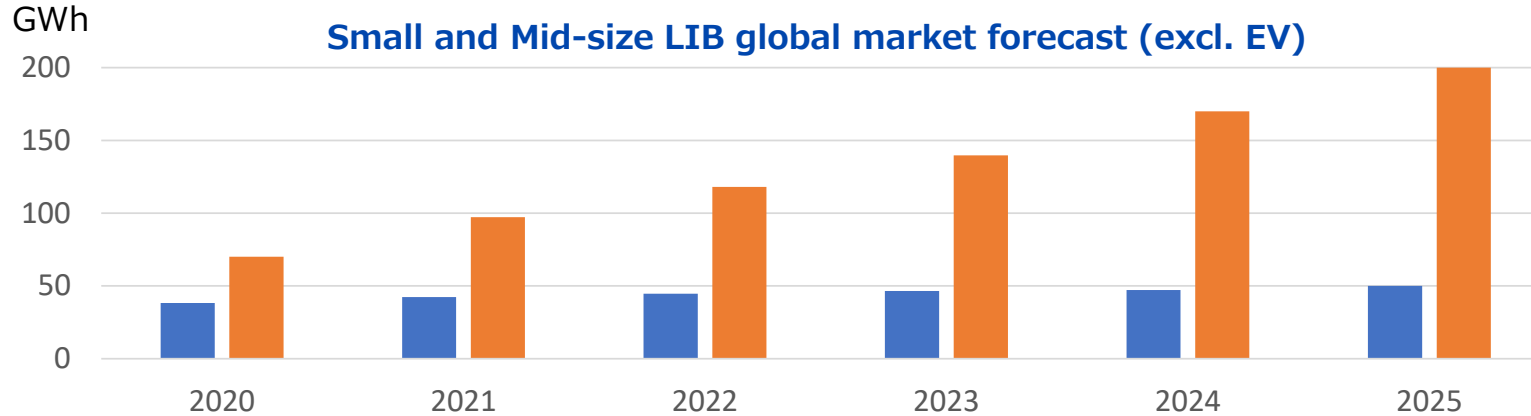
## **~Energy Solutions Business Strategy~**

# Energy Solutions for Sustainable Society



# Mid-Term LIB Market Overview and Strategy

Attracting Tomorrow

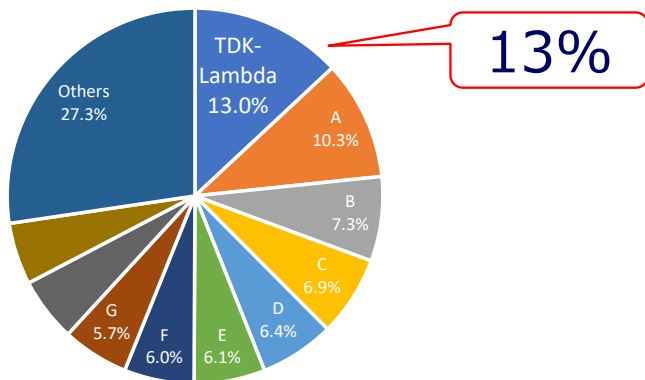


	Small-size Batteries	Mid-size Batteries
Markets & Opportunities	<ul style="list-style-type: none"><li>Stable growth in ICT market</li><li>Expansion in IoT devices market</li><li>Tap into emerging applications</li></ul>	<ul style="list-style-type: none"><li>Demand expansion in ESS and E-motorcycle batteries under “de-carbonization”</li><li>Battery demand growth in smart-factory/agriculture utilizing robot and IoT</li></ul>
Strategies	<ul style="list-style-type: none"><li>Maintain leading position in ICT market by advanced technology and performance</li><li>Intensify actions for stable sourcing and delivery (BCM, Supply chain etc.)</li></ul>	<ul style="list-style-type: none"><li>Secure competitive edge by leveraging small cell technologies for safety, longer life, higher power, higher ED etc.</li><li>Enhance safety technologies in depth such as BMS</li></ul>

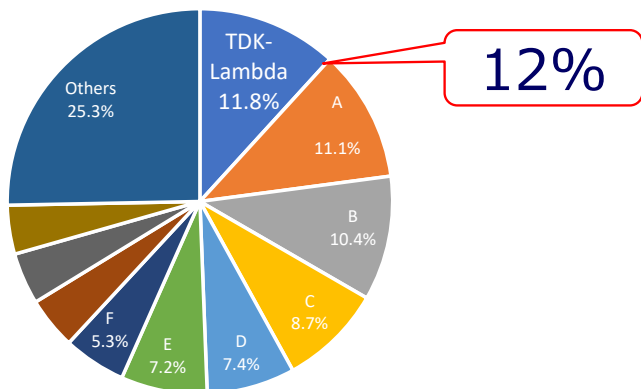
# Power Supply Business

No. 1 Share in Industrial and Medical Healthcare Segment

## Industrial



## Medical Healthcare



Source: Omdia Power Supply report, Sept 2020

Attracting Tomorrow 

## Energy

For the use of renewable energy, a bi-directional converter is a key device. which is suitable for efficiently charging and discharging batteries.

AC, DC Grid



EZA Series



## Semiconductor Mnfg. / Tester

A programmable power supply with excellent operability that is widely used in semiconductor Mhfg. equipment, ICs and storage battery testers.

IC Tester



Genesys Series



## Medical Healthcare

The customers in this space demand the ultimate quality and reliability of our power's proposition in MRI, PCR tester, Patient monitor, etc.

MRI



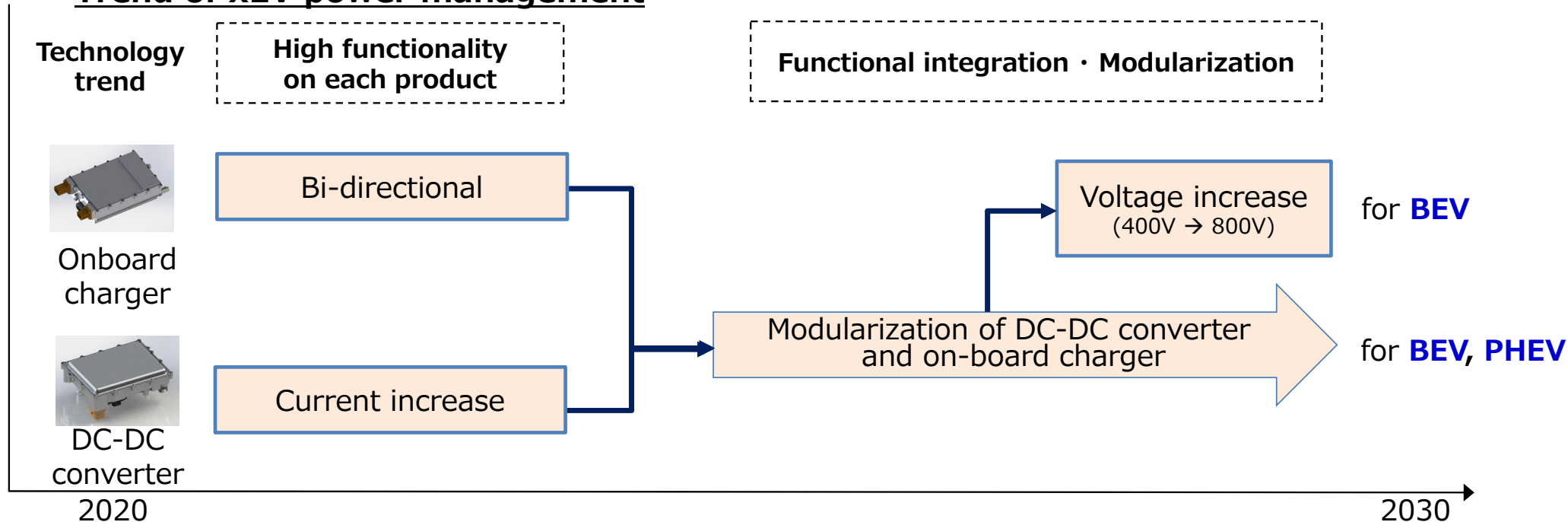
CME Series



## Contribute to xEV market expansion by “Value adding” & “Modularization”

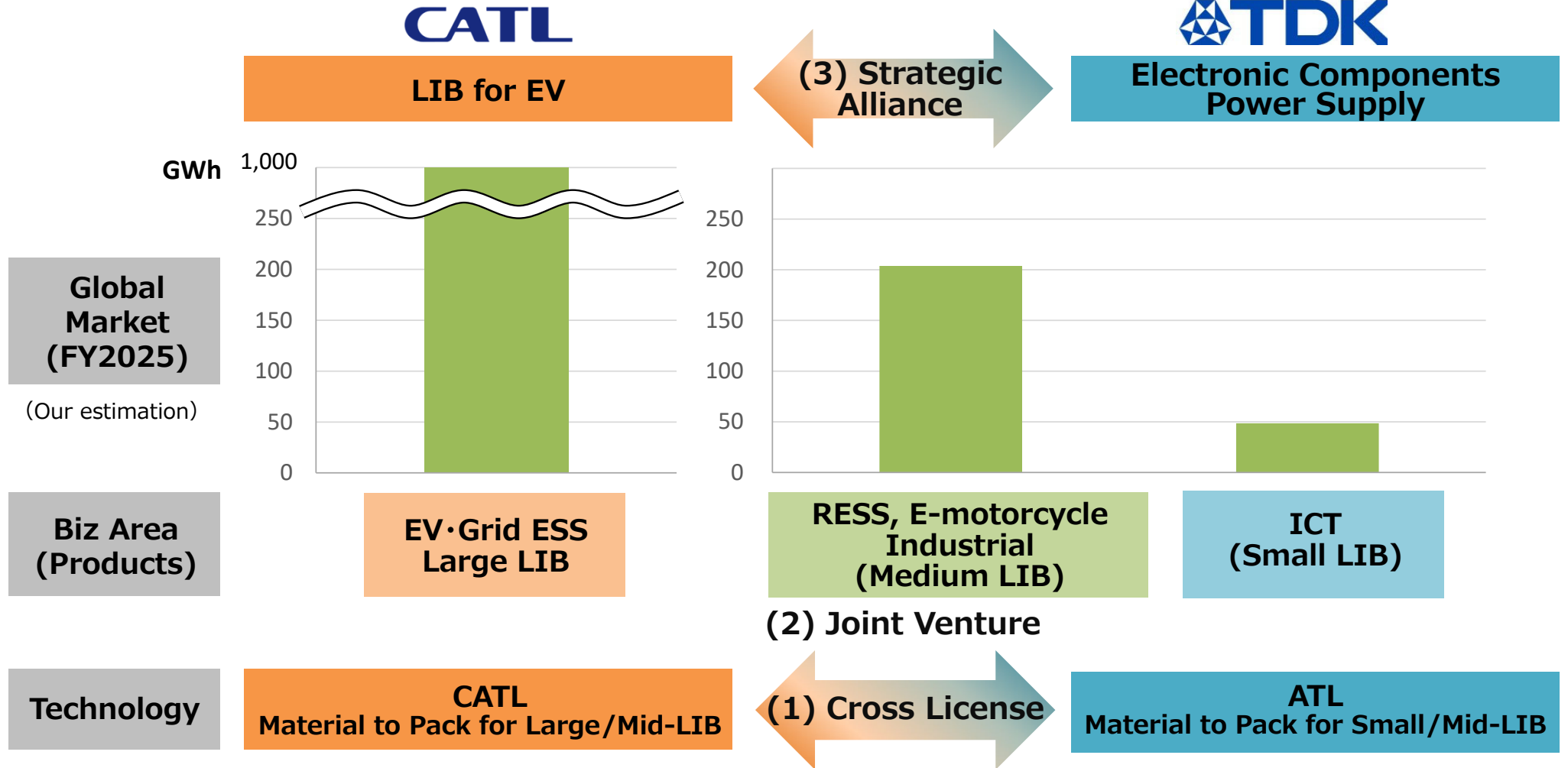
- Value adding : Enable to adapt increase of electric power demand because of multi-functionalization (for safety, improvement of comfort, etc.) and fast charging, by making current & voltage higher with our high-performance components and power supply system.
- Modularization : Realize weight saving by low-profiling & miniaturization utilizing original HTC-PCB and high-power density design.

## Trend of xEV power management



# Alliance Scheme with CATL

Attracting Tomorrow **TDK**



# Value Creation 2023

## ~Financial Strategy~



# Mid-Term Financial Strategy / Capital Allocation Policy

Attracting Tomorrow



■ Make aggressive growth investment to grasp accelerating DX/EX trend and improve cash flow generating capability, which leads strong financial base to support sustainable growth

- Investment will be allocated to core biz with inclined distribution to improve cash flow
- Secure positive 3 years total free cash flow (after SH return), maintain financial discipline
- Implement stable shareholders return through growth of earnings per share

## Previous Mid-term capital allocation result

FY19/3~FY21/3 mid-term accumulated (b JPY)

Cash-IN	Cash-OUT	
RF360 124.3	Debt repayment 124.3	DE ratio 49% (FY21/3 end)
Debt	Shareholder return	Div payout 29%
OP CFW 585.5	Capex 559.4	Energy 49%
	EBITDA ratio 81%	Passive 20%
		Magnetic 17%
		Others 14%

## New Mid-term capital allocation plan

FY22/3~FY24/3 mid-term accumulated (b JPY)

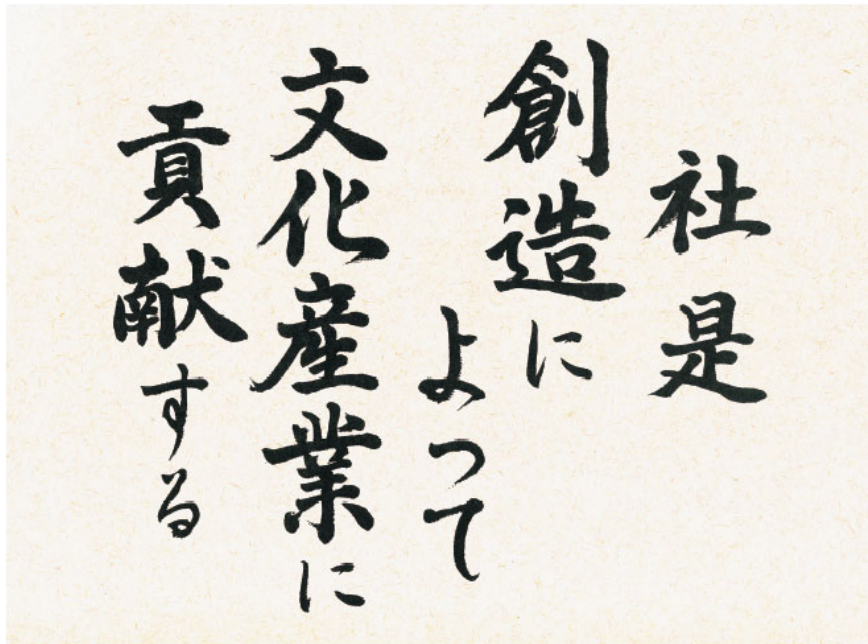
Cash-IN	Cash-OUT	
OP CFW 900.0	Strengthen Financial position	DE ratio 40% aim
	Shareholder return	Div payout 30% aim
	Capex 750.0	Energy 60%
	EBITDA ratio 65%	Passive 20%
		Magnetic 16%
	Others 4%	

Dividend improve steadily and sustainably based on mid-term profit growth

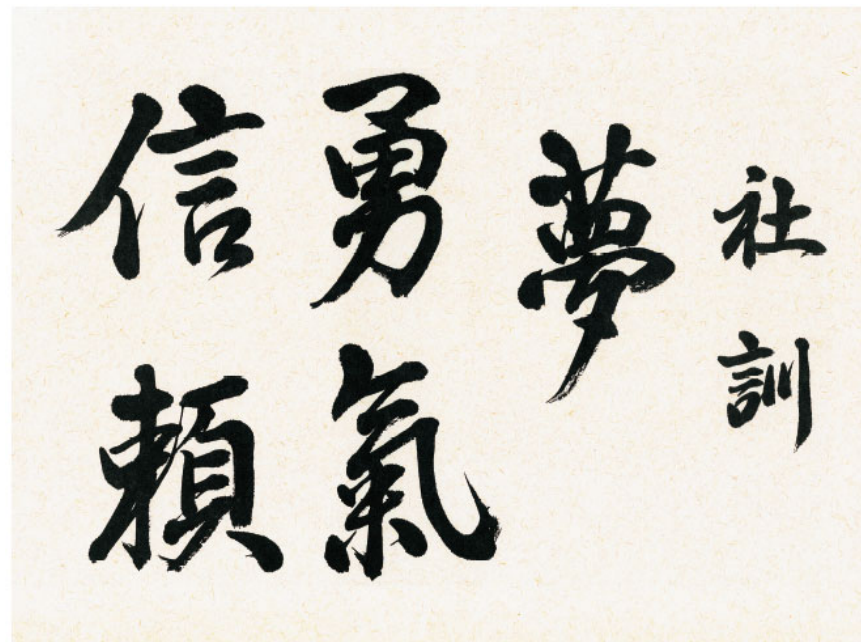
Investment will be allocated to growth area with inclined distribution

- Rechargeable batteries
- xEV, ADAS, 5G
- HDD head, suspension/applied products

# Corporate Motto & Principles



Corporate Motto  
Contribute to culture and industry  
through creativity



Corporate Principles  
Vision Courage Trust

