



#### **TDK Transformation**

to enhancement of enterprise value

**Long-term Vision & New Medium-term Plan** 

> **TDK Corporation** IR&SR Group May 22, 2024

Hello, I am Noboru Saito. Thank you for your attendance. I would like to explain our long-term vision and new medium-term plan.



I am going to talk about the contents as you can see.

### 1 Long-term Vision





TDK was founded in 1935, aiming to industrialize ferrite, a magnetic material developed at the Tokyo Institute of Technology.

This is a picture that shows Teiichi Yamazaki, the second president of TDK, writing our founding spirit. Under the Company's Corporate Motto – "Contribute to culture and industry through creativity", we have made progress until now, continuing to produce our unique and innovative products for society.

### My commitment as President & CEO



- We have formulated our vision of what we want to be 10 years from now (long-term vision). We have back-casted from our vision for 10 years to identify the path to enhancing our enterprise value.
- Based on our materials x processes x software technologies, we will become the No.1 partner for our world-wide customers and accelerate social transformation for a sustainable future.
- We will enhance our business portfolio management, increase the spread between ROIC and WACC, increase cash flows, improve capital efficiency, and strengthen business management to increase financial capital.
- We will evolve the Ferrite Tree and reinforce business management to increase pre-financial capital, which is the source of future cash flows.
- · We will focus more on investor dialogue and investor relations.

TDK Investor Day 2024

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This indicates my commitment, which I hope to convey to you today.

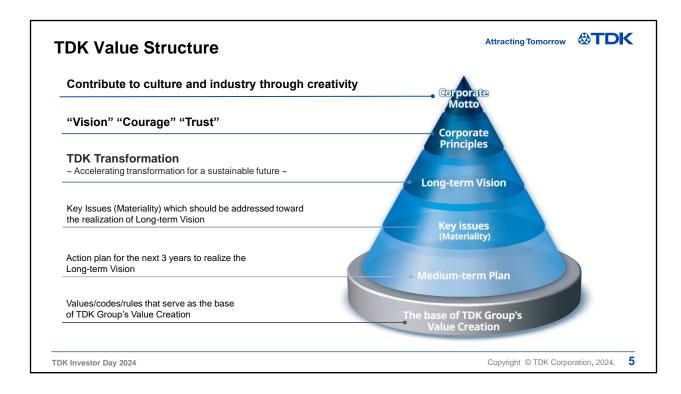
This long-term vision and new medium-term plan are the first to be formulated by the company since I assumed the role of president.

Our management formulated by having relevant members deliberate on our competitive advantages and vision of what we want to be for the Company when we look 10 years into the future, and then back-casting from that vision.

- We will accelerate the transformation to apply our core technology towards being a No. 1 partner to our customers and helping realize a sustainable future for society.
- We will strengthen our business portfolio management and enhance management to increase financial capital by improving the spread between ROIC and WACC, expanding cash flow, and increasing capital efficiency.
- We will also evolve the Ferrite Tree our Company has inherited and developed over the generations. This will enable us to strengthen management towards increasing the efficiency of the pre-financial capital that will become a source of financial capital in the future.
- As I believe it is important that we increase collaborations with investors, we will strengthen dialogue and IR activities.

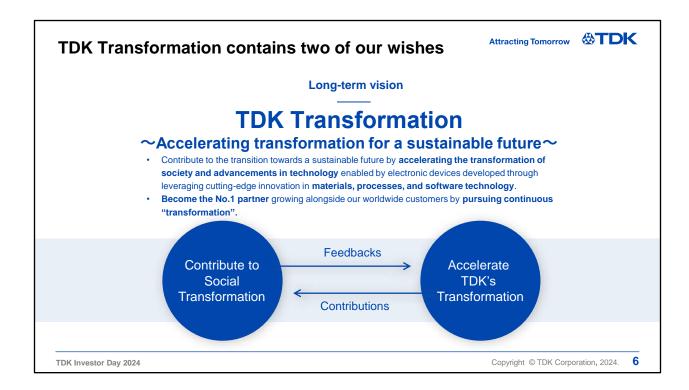
These will lead to increase enterprise value.

With this explanation of my commitment in mind, I now would like to explain the long-term vision for the Company.



Our Corporate Motto is "Contribute to culture and industry through creativity" and we uphold the Corporate Principles of "Vision" "Courage" and "Trust". These represent the spirit of TDK that has been embraced by employees throughout and history and will continue to embrace moving forward.

With this persevering spirit as our foundation, we reevaluated our value structure to outline a new long-term vision, identify the key issues (Materiality), and formulate a new medium-term plan.



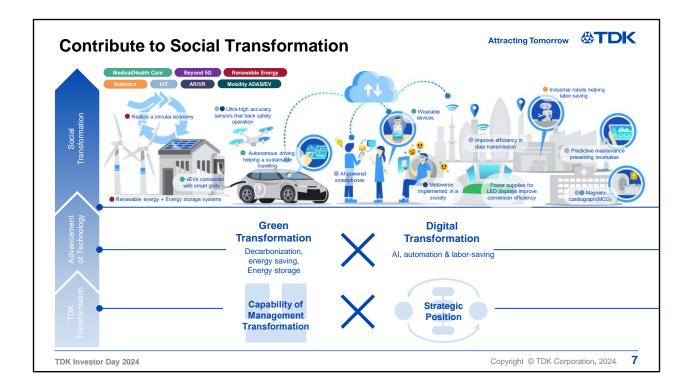
Based on the TDK Value Structure, we designated the vision of what we want to be for TDK as our long-term vision, the "TDK Transformation."

This long-term vision holds two meanings: The first is contributing to the social transformation; the second is continuously pursing internal transformation, in other words, to transform ourselves.

"TDK Transformation" represents our commitment to accelerating these two cycles towards contributing to a sustainable future.

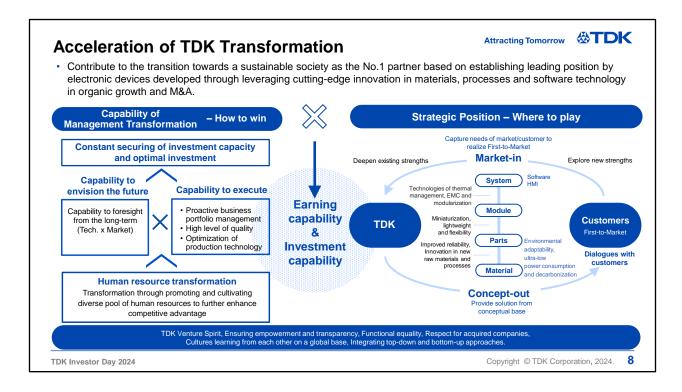
From audio and video to computers and smartphones, throughout our history, TDK has contributed to social transformation by providing key elements of the industry trends in each generation.

From here onward, we expect to see the increased acceleration and evolution of transformations in society such as Green Transformation (GX) and Digital Transformation (DX). This means that the domains in which TDK can make contributions will continue to expand.



This slide is an image of the types of social transformation we are projecting. In the previous medium-term plan, we were focusing on applications that can impact on social transformation as the "Seven Seas", but now as a major business trend, we expect this transformation, represented by GX and DX, to continue in the future. Moving forward, in a society equipped with 6G networks, the Metaverse, smart cities, clean energy, electrified vehicles, and various devices will become terminals that are connected to networks. This means that data transmission volume will increase dramatically. In such a society, the global electricity supply will be outpaced by the power consumption of data centers, creating demand for the improved energy efficiency of various electronic components.

As long as social transformation, represented by GX and DX, will last, I expect we will see the continued growth of domains that can benefit from high value-added electronic components and materials that contribute to increased energy efficiency by achieving low power consumption, size reductions, and low CO<sub>2</sub> emissions.



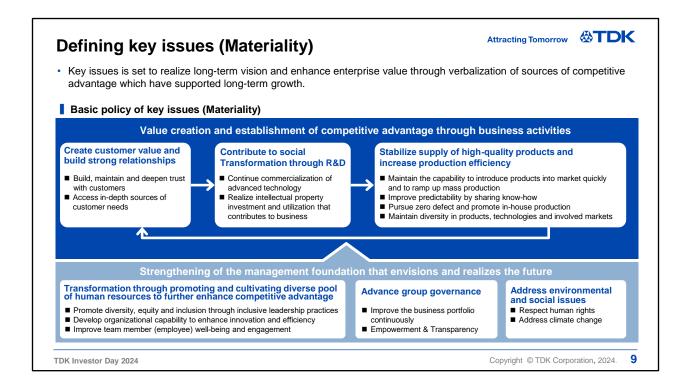
We believe that it is important to accelerate transformation for TDK as a whole for continuous contributing to social transformation.

Over the years, we have used both organic growth and M&A to refresh our business portfolio and achieve business growth. We will contribute to the transition towards a sustainable society as the No.1 partner based on establishing leading position by electronic devices developed through leveraging cutting-edge innovation in materials, processes and software technology in organic growth and M&A.

This shows our Company's business model, which consists of two key drivers: The capability of management transformation—how to win, shown on the left, and the strategic position – where to play, shown on the right.

With strengthening both the capability to envision the future to identify long-term trends of society and technology, and the capability to execute our vision, on the foundation of transforming human capability by diversity, we will constantly secure investment capacity and implement optimal investment, which enable us to enhance capability of management transformation.

We will contribute to the realization of a sustainable society to elevate our positioning. We will accomplish this by evolving and accelerating the cycle of rapidly identifying customer needs and providing broad-based solutions, from unique materials to systems.

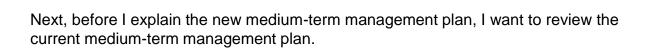


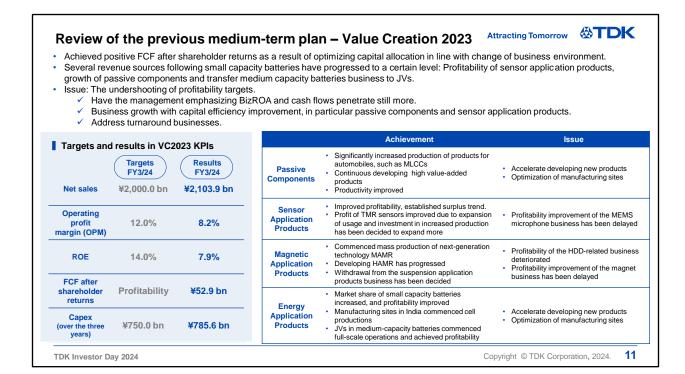
In formulating this long-term vision, we reassessed the key issues (Materiality) the TDK Group must prioritize as we work towards realizing this vision.

Recognizing that materiality is a prerequisite to achieving long-term value creation for all stakeholders, we are focused on issues that will help maximize our enterprise value. We will take the approach of pursuing the synchronization of sustainability for both society and the company.

## Review of Previous Medium-term Plan







When drafting the previous medium-term plan, the Company was promoting growth strategy focused on the diversification of revenue sources to follow small capacity batteries as a profit contributor. In other words, the plan focused on propelling the Company towards a new growth stage.

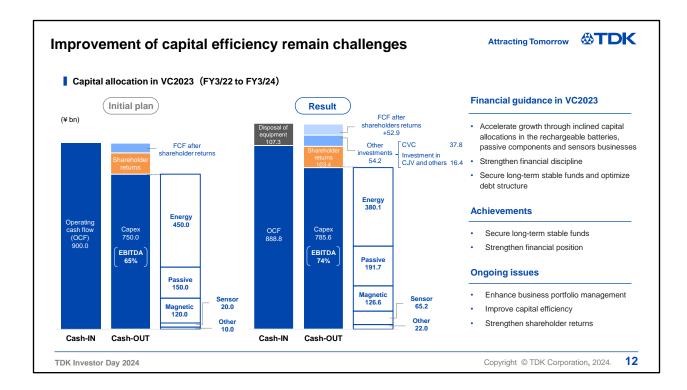
As a result, the Company diversified its revenue sources, made progress in cash management, and was successful in recording positive free cash flow after shareholder returns for the cumulative three-year period.

On the other hand, issues remained as operating profit and ROE fell short of targets. This was due to the rapid stagnation of the HDD market resulting in a decline in profitability for related businesses, and efforts to improve the profitability of other turnaround businesses did not proceed as planned.

Looking at business-specific results, the Passive Components business became the second largest revenue source after rechargeable batteries.

Looking at the Sensor Application Products business, TMR sensors and MEMS sensors also contributed to profits.

Profitability for small capacity batteries increased on market share growth. Looking at medium capacity batteries, the full launch of operations at our joint ventures (JVs) solidified the platform that will help drive growth.



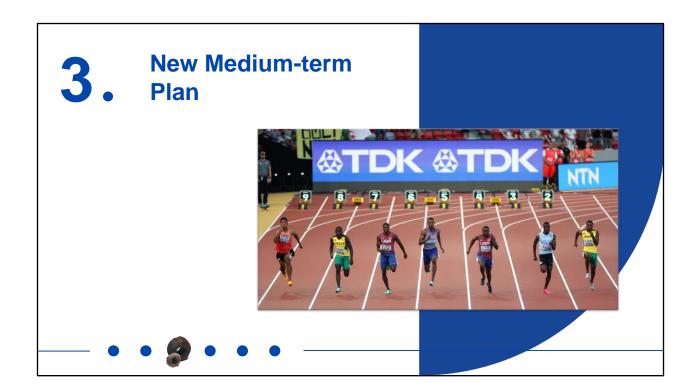
I will explain initial plans and results for capital allocation.

During the previous medium-term plan, we set a goal of 750.0 billion yen in capital expenditures over the cumulative three-year period. In addition to the roughly 100.0 billion yen increase due to foreign currency fluctuations, the cumulative total for the three-year period was 785.6 billion yen in advance investments in businesses expected to see future growth.

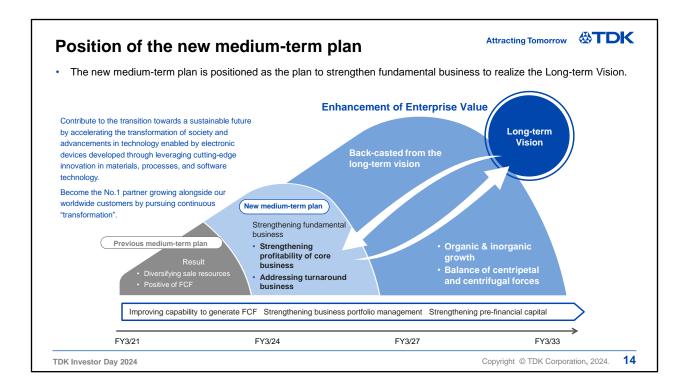
We have allocated capital appropriately to each segment in the light of a market environment.

We achieved our goal of increasing free cash flow after shareholder returns. This was attributable to increased cash-inflow resulting from improvements in working capital and the disposal of equipment to the JVs for medium capacity batteries. On the other hand, issues remained as capability to continuous generate cash and improvement of capital efficiency.

This concludes my review of the previous medium-term plan.

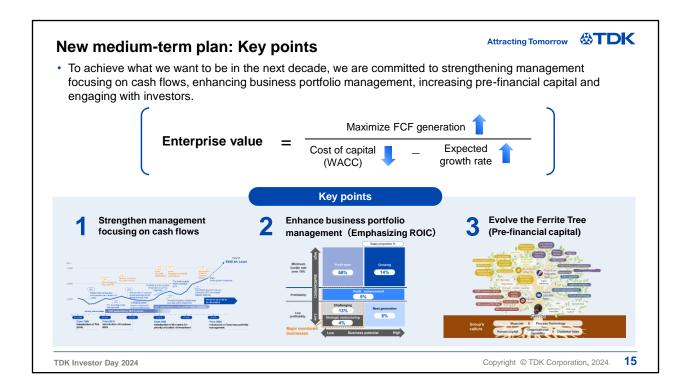


Next, I will explain the new medium-term plan.

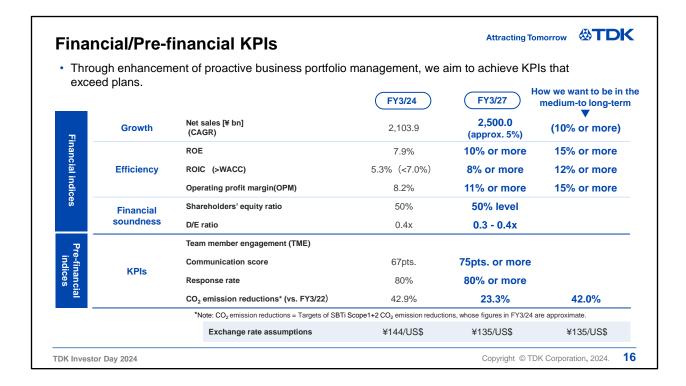


This new medium-term plan from the FY March 2025 was formulated by outlining what we want to be and future vision in light of the long-term social transformation ahead, and bask-casting from that point.

As we work towards achieving our long-term vision, we view the period of this medium-term plan as a time to strengthen our fundamental business.

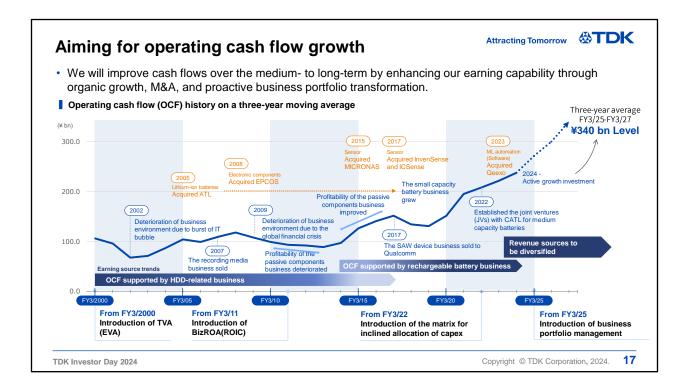


It is vital for enhancing our enterprise value to maximize free cash flow (FCF) generation, reduce the cost of capital, and increase the expected growth rate. We will pursue three pillars of this medium-term plan: Strengthening our management to focus on cash flow, improving our business portfolio management, and enhancing the pre-financial capital.



With these three pillars, the new medium-term plan has set the pre-financial KPIs in addition to the conventional financial KPIs; it is based on the ways of thinking to enhance our enterprise value through pursuing not only the financial value but the pre-financial value, the source of future financial value, and balancing between the achievement of the short to medium-term target and the activities to continuously generate value in the long-term.

We aim to achieve beyond these KPIs by strengthening the business portfolio transformation, including addressing turnaround businesses, and the pre-financial capital, in addition to ensuring the growth strategies of core businesses.



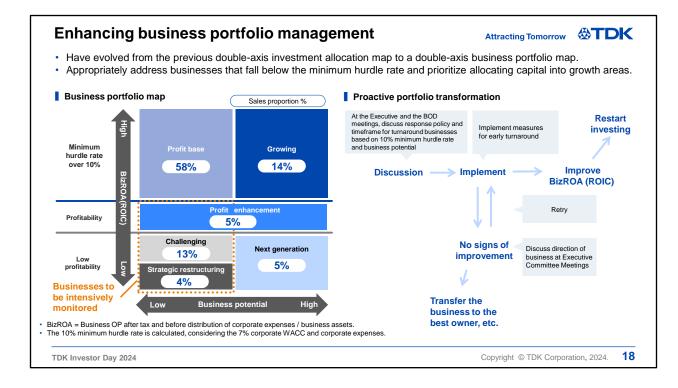
I will explain about the approach of focusing on operating cash flow as the first pillar. Thus far, we have transformed our business portfolio and increased our earning capability by utilizing organic growth and M&A.

This graph shows our 3-year moving average operating cash flow. In the past, this was around 100.0 billion yen, improved to around 200.0 billion yen, and will aim for roughly 340.0 billion yen during the term of the new medium-term plan.

Furthermore, for the past 20 years, our company has been engaged in accounting and financial management focused on the cost of capital, e.g., adopted TDK value added (TVA)\*1. From the FY March 2022, we adopted the matrix for priority allocation of investment, which I will explain later.

From this fiscal year, we will further evolve our efforts into business portfolio management.

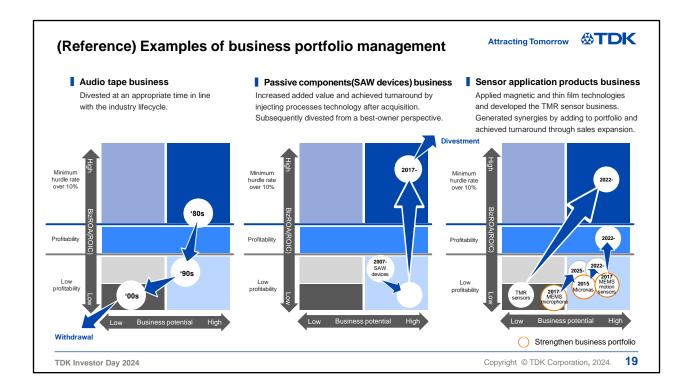
\*1: TVA is the TDK Group's proprietary value-added indicator that compares earnings after taxes but without deducting interest expenses with the minimum profit (cost of shareholders' equity) required for the business assets of each business.



Since the FY March 2022 we have promoted a portfolio shift and optimization by reorganizing what had been nearly 80 cash flow business units (CBU) across four segments based on a double axis, "asset profitability" and "business potential", and further separating those CBU into six tiers to clarify priority for investment allocation. We set 10% as a minimum hurdle for return on invested capital, and prioritize investments in businesses that clear this standard as well as have strong future potential.

From the new medium-term plan, we will further evolve from a double-axis map for investment allocation to a double-axis map for our business portfolio management. For businesses that fall below the minimum hurdle, we will implement preventative measures by conducting appropriate monitoring, even if the business has a positive operating profit margin, and take a proactive approach to implementing policies towards achieving a turn-around.

Then, from the perspective of best ownership, we will evaluate the business based on competitive advantage and continuity to strengthen proactive portfolio management. In other words, the point of proactively implementing policies is to scrutinize the competitive advantage and viability of each business before the business drops down into the zone in the bottom left. Throughout these measures, we will improve asset profitability, prioritize resource allocation for growth areas, and strengthen growth businesses.

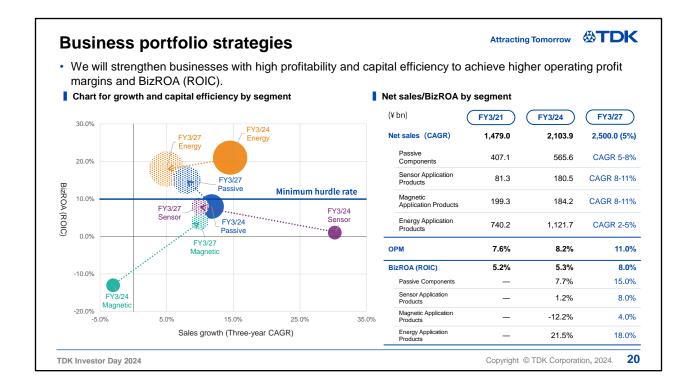


Up to now, we have refreshed our portfolio by conducting M&A and divestment, looking towards the industrial life cycle.

Using audio tapes as an example, we divested around the 2000's. With the SAW filter business, we acquired EPCOS and then successfully turned the business around by evolving our processes technology to improve quality and profitability. Then, from the perspective of best ownership, in 2017 we sold the business to Qualcomm for roughly 300.0 billion yen.

With the capital gained from that sale, we began strengthening the sensor business by purchasing InvenSense to expand our sensor portfolio, growing it into a highly profitable business that exceeds the minimum hurdle rate.

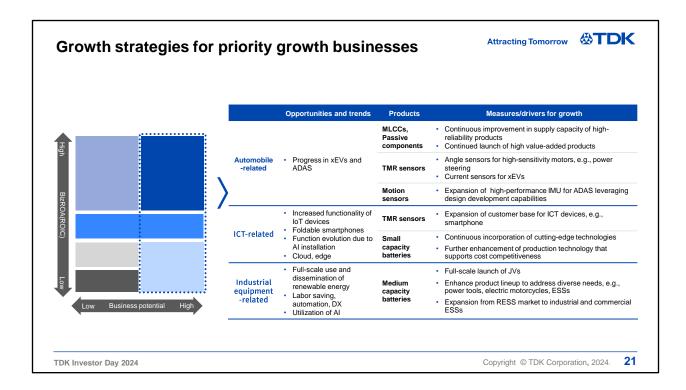
Moving forward, we will increase our awareness of the minimum hurdle rate. We will take a more proactive approach to portfolio management so as not to be reactive.



We will promote portfolio management for each of the 80 individual CBU to strengthen them to work towards improving segment-specific ROIC as shown here. The figure to the left shows ROIC on the vertical axis, and the three-year growth rate of sales on the horizontal axis.

From the current medium-term plan, we will disclose target figures and actual figures for segment-specific ROIC to increase our focus on asset profitability. At the same time, in our dialogue with investors, we will seek to engage in more detailed discussions based on asset profitability for each business.

It should be noted that the Magnetic Application Products and the Sensor Application Products businesses have set these targets in this medium-term plan, although in the medium-to long-term they will aim to exceed the minimum hurdle rate through further restructuring.



I will explain our growth strategy for businesses that will drive growth. In the automobile-related sectors, we will steadily capture demand by continuing with aggressive investments aimed at strengthening our competitiveness. Target investments include high reliability passive components and sensors, which are expected to increase demand driven by the advancing shift to electrification such as xEVs and advanced driver-assistance systems (ADAS).

In ICT-related sectors, we will further expand sales of high value-added products such as silicon anode lithium batteries and TMR sensors as demand increases for advanced-function terminals such as products equipped with AI and foldable smartphones.

In industrial equipment-related sectors, we will expand sales over the medium and long-term by maximizing synergy with our JVs to meet expected increases in demand for the medium capacity batteries used in residential and commercial energy storage systems (ESS) and data center uninterruptible power system (UPS).

### Financial strategies to enhance capital efficiency

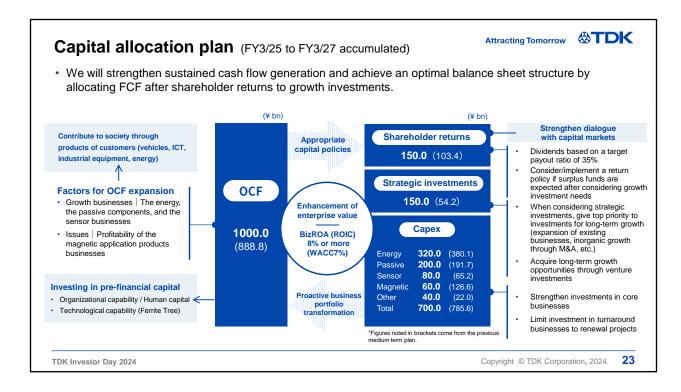


Three directions	Priority measures
Enhance business portfolio management and BizROA (ROIC)	Improve BizROA (ROIC) of businesses that fall short of the 10% minimum hurdle rate an determine the direction of the business.
Strengthen growth investment	<ul> <li>Determine areas for growth investment (e.g., further growth investment in existing businesses, potential M&amp;A)</li> <li>Prioritize allocation of FCF after returns to M&amp;A and growth investments (Surplus funds will be allocated to share buybacks and other forms of shareholder return</li> </ul>
Optimize balance sheet structure and reinforce shareholder returns	<ul> <li>Achieve the optimal balance sheet structure based on financing needs to support the growth strategies</li> <li>Pay dividends based on a target dividend payout ratio of 35%</li> </ul>

I will now explain the financial strategy we will adopt to achieve the growth strategies. These are the major directions of the financial strategy we will employ to increase capital efficiency. We will enhance our business portfolio management to improve ROIC and reevaluate the direction of businesses that fall below the minimum hurdle rate of 10%.

We will also continue working to increase growth investments in growth businesses. Furthermore, we will evaluate capital needs associated with the promotion of our growth strategy to achieve an optimal balance sheet structure while also increasing shareholder returns.

So those are three points for the financial strategy.

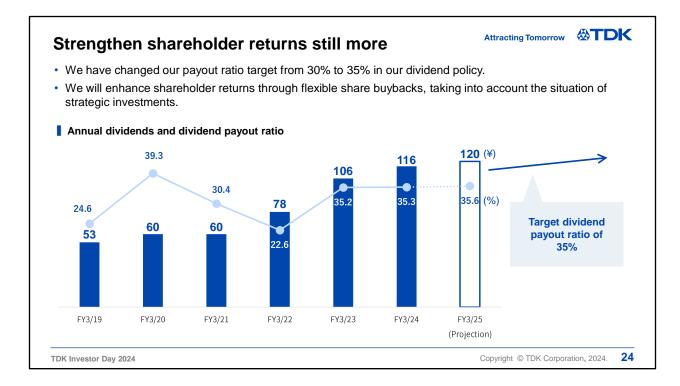


As our capital allocation policy, over the cumulative three-year period, we are projecting operating cash flow of approximately 1,000 billion yen.

Of that amount, we will allocate roughly 70 percent towards capital expenditures and 150.0 billion yen towards shareholder returns.

The breakdown of remaining 30 percent is that approximately 150.0 billion yen will be allocated towards strategic investments aimed at generating long-term growth opportunities through strategies that include M&A and CVC, and the other 150.0 billion yen towards shareholder returns.

As shown here, the ratio of capital expenditures can be broken down as roughly 46 percent towards Energy Application Products, nearly 29 percent towards Passive Components, and approximately 12 percent towards Sensor Application Products. We also plan to make a certain level of investments in Magnetic Application Products and other businesses.



Following a comprehensive evaluation of changes in our business environment, investments in growth businesses, and factors such as ROE and dividend on equity ratio (DOE), during the period of the new medium-term plan, we plan to increase shareholder returns to a dividend payout ratio of 35 percent, up from the previous dividend payout ratio of 30 percent.

For the fiscal year ending March 2025, we are projecting an annual dividend of 120 yen, an increase of four yen.

Based on the progress of strategic investments, we will also consider dynamic stock buybacks to strengthen shareholder returns.

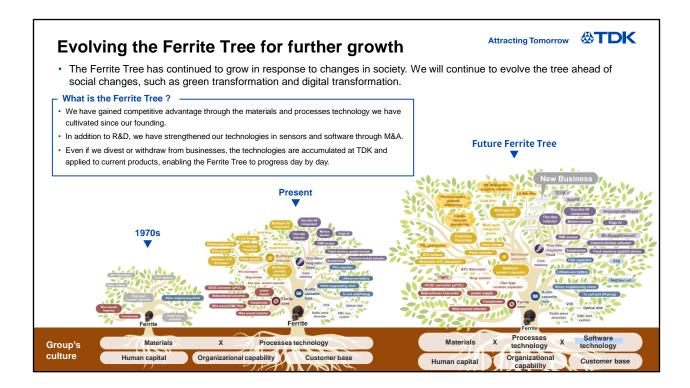
# Pre-Financial Assets Supporting Transformation



Thus far, I have discussed the strategies and financial targets of the medium-term plan. However, corporate management must pursue more than financial value. It is also critical that we increase our enterprise value by balancing ESG and other activities that generate pre-financial value.

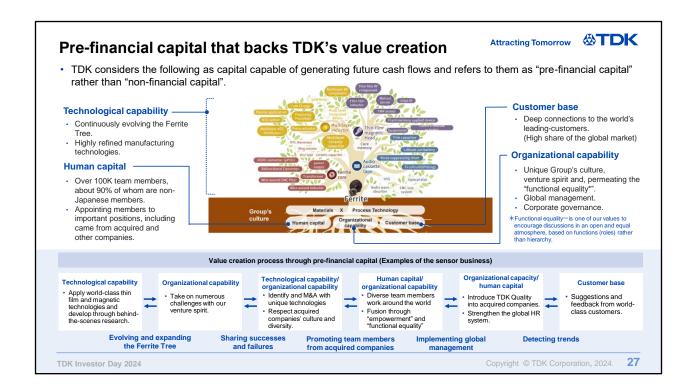
At TDK, we view such sustainability activities and initiatives in areas such as human capital, intellectual property, and governance as future value creation activity, and definite these categories as pre-financial capital.

Next, I will explain our initiatives in these areas.



As stated early in this chapter, this shows our Ferrite Tree, which explains the links between the four great world-class innovations that began with ferrite, and that are incorporated into products on which we have based business for generations. At the time of our founding, this only consisted of ferrite core. In the 1970s, this Ferrite Tree was just a small tree like the one shown to the far left. By adding materials, processes, the sustained development of derivative technology, and by conducting M&A, we have continued to evolve and grow the branches and leaves of technology that originated from ferrite.

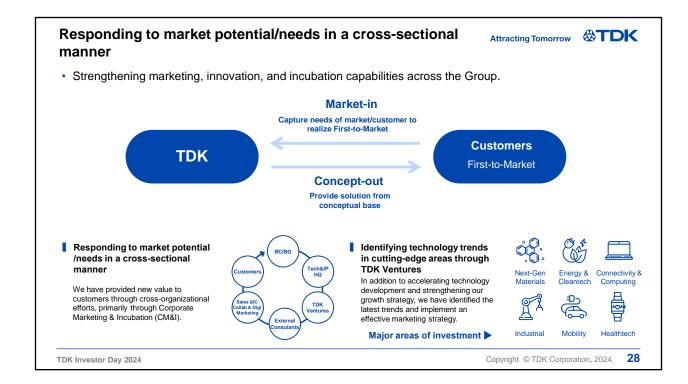
As the driver of our long-term vision, we will have this Ferrite Tree further evolution and growth moving forward.



This Ferrite Tree was a familiar picture with our investors, which shows a linkage of our technology. This time, we have decided to describe the Tree's roots i.e., the importance of pre-financial capital, including technological capability, human capital, organizational capability, and customer base.

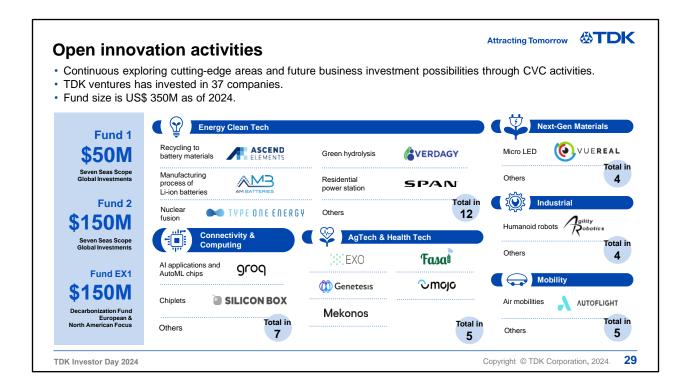
The technological capability, organizational capability, and customer base we cultivate for the success of a single business, including some failures, are shared across the company and inherited for the next opportunities.

Also, at the foundation of the pre-financial capital is our Group's culture we have embraced since our founding, our venture spirit and a functional equality. Have the courage to take on new challenges and embracing a functional equality. Encourage open discussion as equals regardless of role or title and respect the existing cultures of the companies we acquire. Learn from each other globally and generate a unique synergy. By valuing this culture, we have successfully created innovative new products throughout the years.



The light that will shine our path towards continuously evolving the Ferrite Tree is the social transformation and the resulting societal needs born from such transformation. In the FY March 2021, our Company established the Corporate Marketing & Incubation (CM&I) HQ as an organization in a cross-sectional manner. This HQ works to strengthen our Market-In functions and ensure our ability to rapidly identify the needs of the market and our customers. This enables us to quickly respond to market potential and needs that exist in society. Prior to that, we also established TDK Ventures as Corporate Venture Capital (CVC).

To create new value and fulfill the role of identifying a broad range of market, customer, and application needs, corporate R&D will collaborate on initiatives applicable to all business companies to strengthen the new value creation chain for the entire Group.

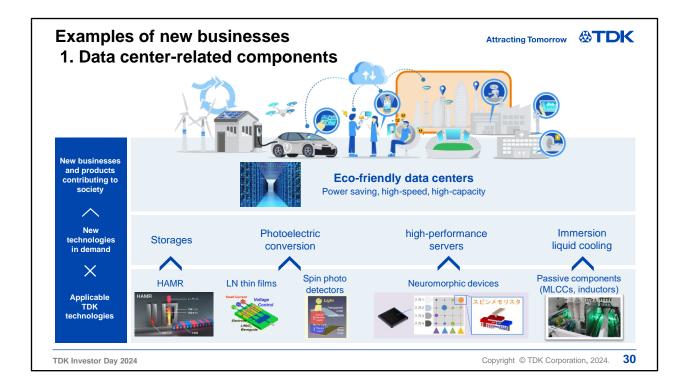


We began conduct CVC activities in 2019, and since then we have already formed our third fund and currently are investing in some 37 venture companies.

Through these activities, we are searching for new value creation potential from a long-term perspective and investing in technology domains that are not yet accessible or viable based on their current business scope, focusing on generating synergies with businesses that we own.

For example, in the GX domain, we are investing in a company engaged in battery materials recycling and manufacturing processes as well as green hydrogen. In the DX domain, we are investing in Groq, an AI and machine-learning chip company. Groq is a company developing language processing units (LPU) specifically designed for large language models (LLM). The company was founded an engineer who formerly worked at Google. The LPU provided by Groq is able to execute LLM at rates faster than GPU. This indicates a strong potential for providing value in the age of generative AI.

Furthermore, in the mobility domain, we are investing in humanoid robot companies and electric air mobility companies.



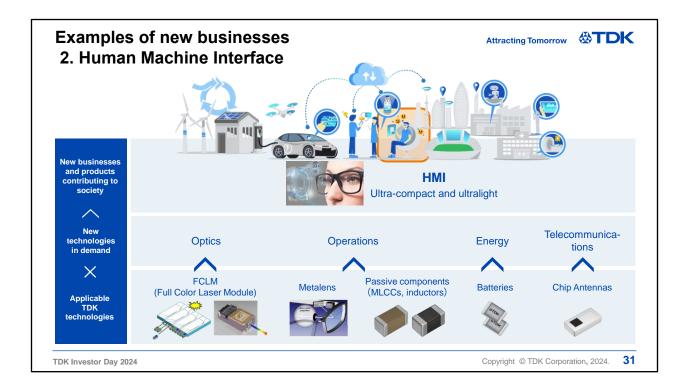
Next, I will introduce three examples of new business based on company-wide activities in the applications domain, an area of focus on our Company.

The first is advanced technology used in data centers.

Of the electricity consumed across the society, an incredibly large percentage is attributable to the data processing of data centers. With future advancements in AI, this load is expected to become massive.

As a solution to resolve this problem, TDK is conducting research into neuromorphic devices. These are devices that mimic the human brain and are characterized for comprising both memory and calculation functions.

These devices enable high-speed, large-volume processing compared to conventional systems, which retrieve data from memory, process it, and then return that data to complete a calculation, which requires massive amounts of energy. However, the devices we are developing are based on revolutionary technology that eliminates the need for this read/write process. In other words, we are developing a device as a neurological circuit capable of simultaneously memorizing and calculating data.



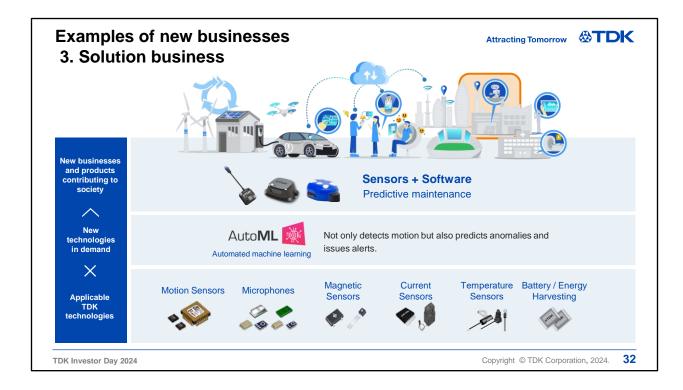
The second example is in the world of human-machine interface (HMI). We are developing an LED laser for use in applications such as AR glasses, which are projected to grow in popularity in the future.

TDK has succeeded in size reductions for our laser module by focusing on planar waveguide technology, a new technology that does not use lenses or mirrors. As a result, we have achieved dramatic size reductions to one-tenth the volume compared to a typical spatial optics module.

This device achieves a maximum display color of approximately 16.2 million colors and a full-color video display. High-quality images will further enhance the quality of the AR experience.

As lasers become smaller, the demand for size and weight reductions for the batteries used in smart glasses will increase.

In 2017, we developed an all-solid-state battery called the ultra-compact Cera Charge. Today, we are currently developing a next-generation product with a capacity that is several steps higher than the previous generation, and are planning to issue a press release soon.

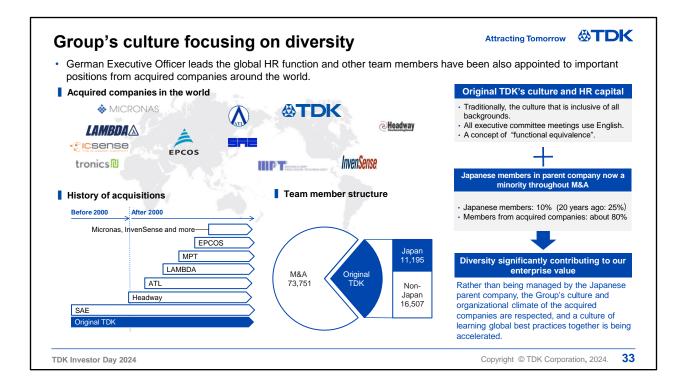


The third example is a solutions business that combines hardware and software centered on the sensors used in the predictive maintenance of factories and logistic sites.

At manufacturing and logistics sites, the challenge is how to promote DX towards and predict anomalies in machinery and equipment in advance to improve productivity by reducing downtime and gaining labor-savings through automation.

TDK also developed the i3 Micro Module, an ultra-compact sensor module with edge Al compatibility.

We make it possible to predict equipment malfunctions by combining the various sensors we possess, enabling the real-time monitoring of equipment vibrations, temperature, noise, and air pressure. By combining this hardware with the AI functions of Auto ML by Qeexo, a company we acquired, we can realize high added value for edge sensing and edge AI. This enables us to offer sensing solutions that provide massive value to customers towards promoting DX and increasing productivity. We have already started evaluations towards future commercialization.



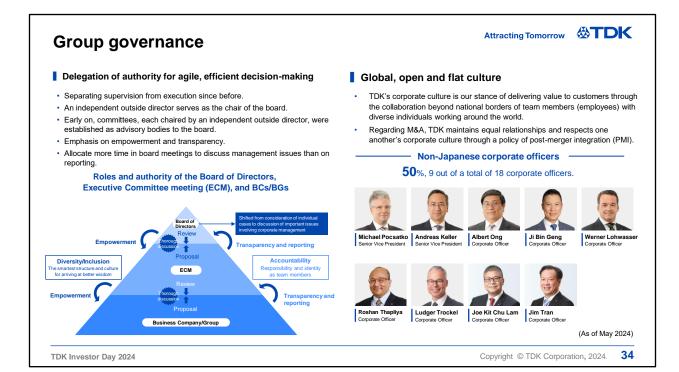
I will discuss human capital diversity.

It goes without saying that people are the foundation that supports new business creation and the sustainable growth of the company.

The largest strength of TDK's human capital is its diversity.

The TDK Group is a global corporation operating over 250 locations in more than 30 countries and regions around the world, and roughly 90 percent of our nearly 100,000 team members (employees) are non-Japanese.

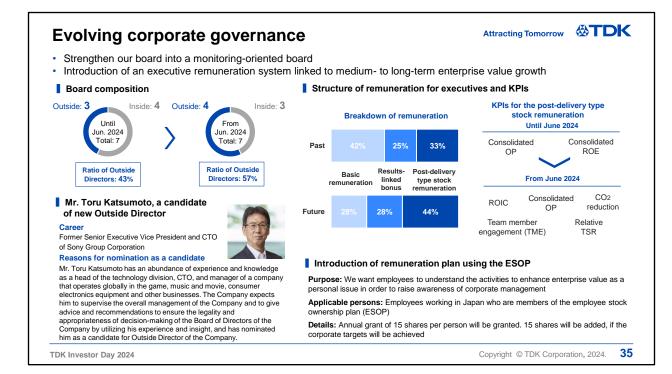
We believe respecting the corporate culture of the companies we acquire contributes to the strength of the Company. Furthermore, some of our important positions are team members originally from companies we acquired.



I will introduce some of our governance initiatives.

Our group governance policy is based on the concept of empowerment and transparency, and we proactively promote the delegation of authority to regional headquarters and core subsidiaries.

We have promoted a system of group management for a decentralized autonomous organization that appreciates each personality while establishing basic regulations to be observed as Global Common Regulations to govern the group companies. From the perspective of management system diversity and globalization, we also have adopted a system in which 50% of all executive officers are non-Japanese.

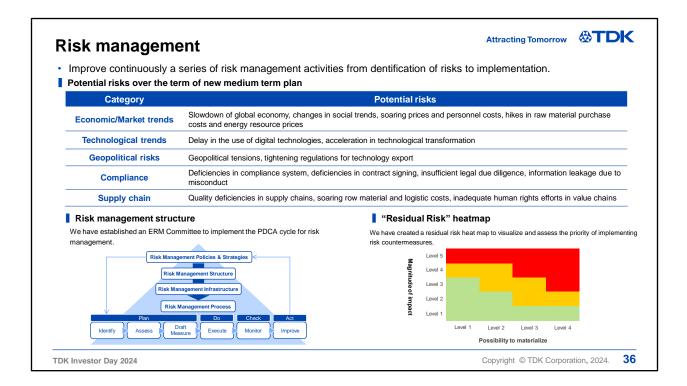


The Corporate Governance Committee, which has been established as an advisory committee to the Board of Directors, engaged in deliberations aimed at further evolving our corporate governance. As a result of these discussions, the Company has decided to adopt a structure by which a majority of directors will be outside directors. This change will take effect from this fiscal year onwards after approval at the Ordinary General Meeting of Shareholders in June.

Future financial indicators will be linked to executive compensation and, from this fiscal year, we plan to link CO2 emission reduction and employee engagement score as well.

Additionally, we have introduced a remuneration plan for domestic employees with the goal of encouraging each employee to view efforts to improve enterprise value as their own personal responsibility and to increase their sense of participation in management.

Each employee participating in the employee stock ownership plan (ESOP) will be allocated 15 shares per year, with an additional 15 shares will be issued if management goals are achieved.



Next, I will discuss risk management.

The main risks assumed during the period of new medium-term plan are as indicated here.

As we aim for sustainable growth, our Group conducts enterprise risk management (ERM) activities to promote a company-wide response to factors (risks) that could impede the achievement of organizational goals and ensure the appropriate management of these measures.

As a risk assessment, each fiscal year we calculate the degree of impact held by residual risks and create a residual risk heatmap that combines this degree of impact with the possibility of the risks materializing. We then visualize and evaluate the priority of risk countermeasures.

We will continue to improve our risk management structure and pursue an optimal governance structure.

### Enhancing enterprise value through the pursuit of "Quality"

Attracting Tomorrow



· We are instilling a concept of "Quality First" throughout the Group. This applies not only to product quality but also to a wide range of Quality improvements, such as improving production efficiency, improving yield rate, strengthening marketing, and even improving the work environment and team member motivation.

# **Quality First**

#### **Quality of Operations**

**Quality of Products** 

#### **Quality of** Health

#### Quality of Work environment

- Promoting internal DX
- Promoting DX in sales, quality, and pre-financial capital
- · Improving production efficiency
- Improving yield rate
- Strengthening marketing

We recognize that the physical and mental quality of each member is one of increase team member motivation our most important management issues. • Created a pleasant and fulfilling

- Established the TDK Health Declaration.
- Participating in the Health & Productivity Management, whose aims are to create a model for health • Ensure a safe and rewarding and productivity management in Japan and to work together to develop solutions

improving the work environment to

- workplace as part of a publicprivate partnership community development project
- work environment

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When it comes to the pre-financial capital, I have been instilling the Group to reinforce our commitment to "Quality First" since assuming the role of president.

Towards achieving sustainable growth, I am particularly focused on quality.

The word "quality" generally brings to mind only product quality, but my concept of quality has a broader meaning.

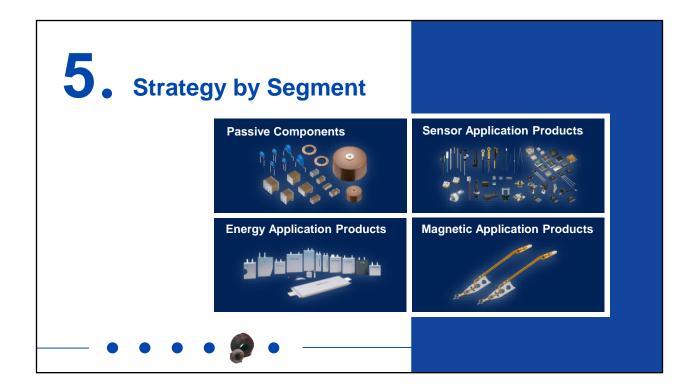
Improving quality in a broad sense also includes increasing motivation of team members by increasing production efficiency, elevating the quality of health, and improving the working environment.

These factors can be improved through our efforts i.e., our strong competence, regardless of the macro market environment.

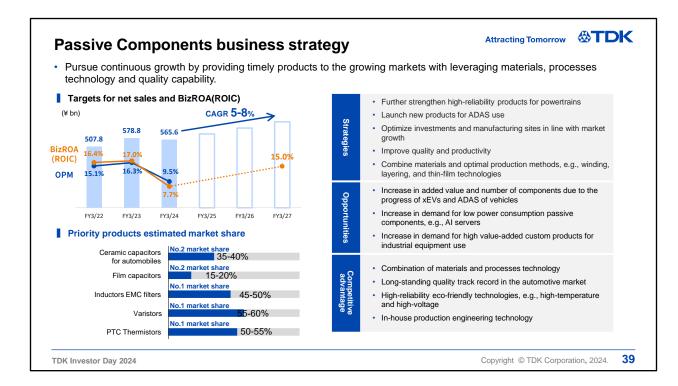
I view those areas as potential for growth.

This concludes our initiatives to maximize the pre-financial capital.

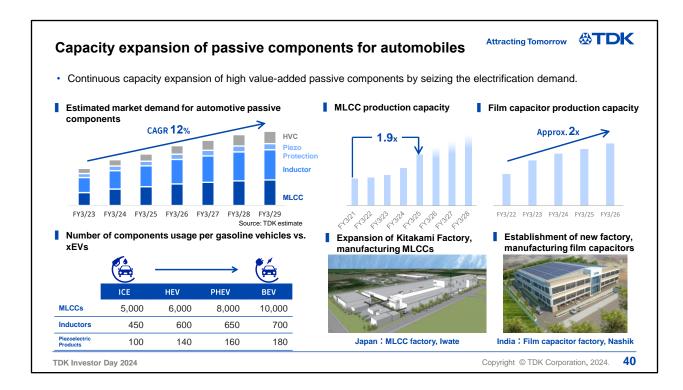
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I would like to introduce our strategy by segment.



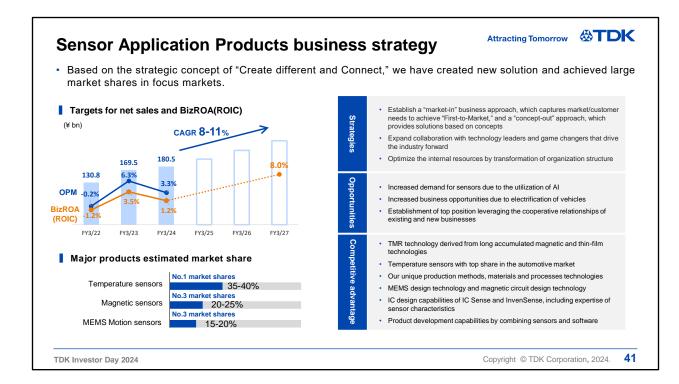
First is Passive Components, which are expected to see continued growth in demand related to xEVs and the adoption of ADAS in automobiles, the dissemination of AI, and industrial equipment applications such as renewable energy. In such an environment, we will improve the competitiveness of our high value-added products, increase quality and productivity, and further strengthen our cost competitiveness as we aim to increase profitability and achieve ROIC of 15% by the FY March 2027.



Among Passive Components, demand for passive components for automotive applications in particular is expected to see steady growth, not only for MLCCs, but also for other products such as inductors and piezoelectric protection components. As shown in the graph on the left, we expect demand to grow at an annual rate exceeding 12%.

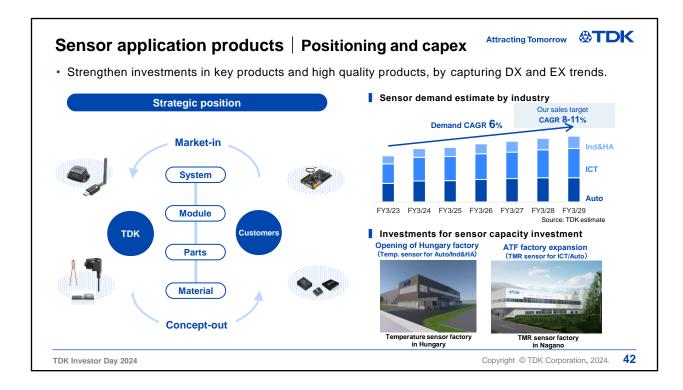
Currently, the market growth rate for EVs is slowing down but we can be convinced a steady increase the number of HEVs and PHEVs.

As such trends, we will appropriately expand our capacity of our major products, such as MLCCs and film capacitors, to ensure we can capture demand and achieve significant business growth.



Next is Sensor Application Products. Demand for sensor products, which serve as the entry point for information in a data-driven society, is expected to increase steadily. We will further increase our market competitiveness by promoting Market-In activities that capture latent customer needs and Concept-Out approaches that provide concept-based services to expand collaborations with technology leaders that are driving industry.

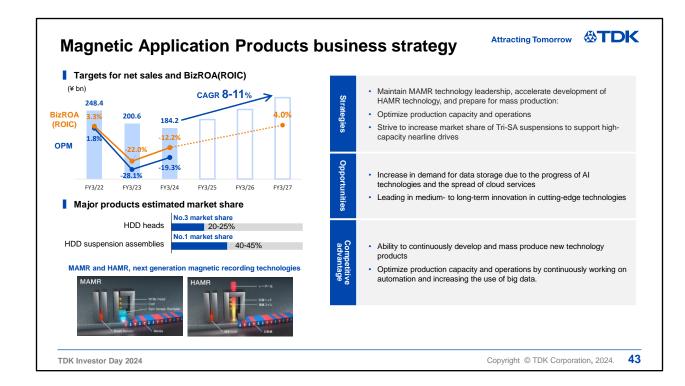
By continuously cultivating our unique and strong products, we will expand our scale and increase profitability to aim for ROIC of 8% in the FY March 2027.



Demand trends related to DX and EX are expected to accelerate in the future. As a result, demand for sensor products is expected to continue growing at an annual growth rate of 5-6%.

We plan to grow our sensor sales at an annual rate of 8-10%, which is higher than the market.

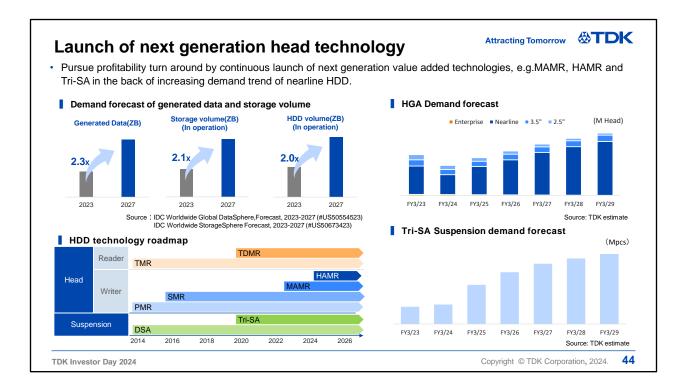
With this in mind, we will expand capacity for temperature sensors, which are expected to see growth for xEVs, and our capacity of TMR sensors, for which demand is expected to increase in various applications, including ICT, vehicles, and industrial equipment. While these efforts are somewhat behind schedule, we will continue to advance efforts in this area.



Next is Magnetic Application Products. Last year, we saw a sudden slowdown in the market but the data center market also appears to be bottoming out, so we expect the market see continued growth in the future.

We will improve profitability and aim for ROIC of around 4% by gradually increasing the mass production ratio of high value-added products such as MAMR technology while also incorporating the benefits of the restructuring implemented during the previous medium-term plan.

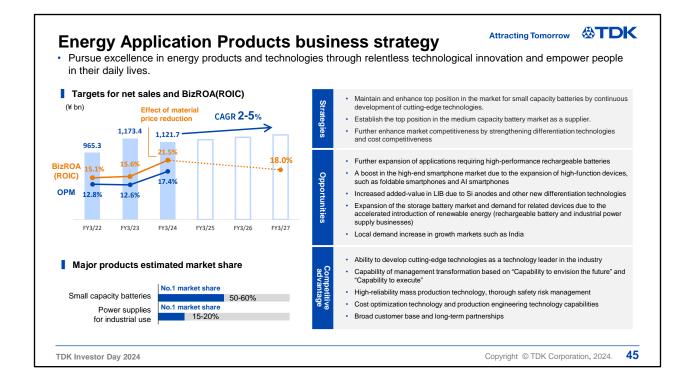
We will also aim to promote future technological innovations by accelerating development towards the mass production of HAMR.



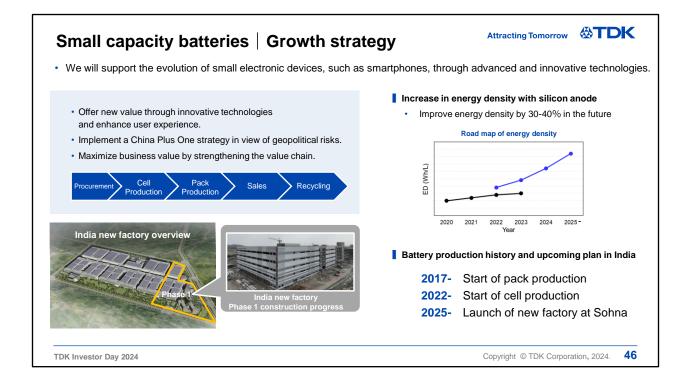
Looking at the HDD and storage market, the amount of data transaction generation will increase by roughly 2.3 times over the four years from 2023 to 2027. HDD storage is also projected to double.

Demand for head gimbal assemblies (HGAs) bottomed out in the FY March 2024, and will have a tendency to increase in the medium to long-term.

With suspensions as well, demand for the triple-stage actuator (Tri-SA) is expected to increase by roughly three times due to an increase in high-capacity models. In such an environment, we will improve profitability and aim for double-digit ROIC over the medium to long-term by fully taking advantage of our technological and operation capabilities and steadily expanding our market share during the period after new medium-term plan.

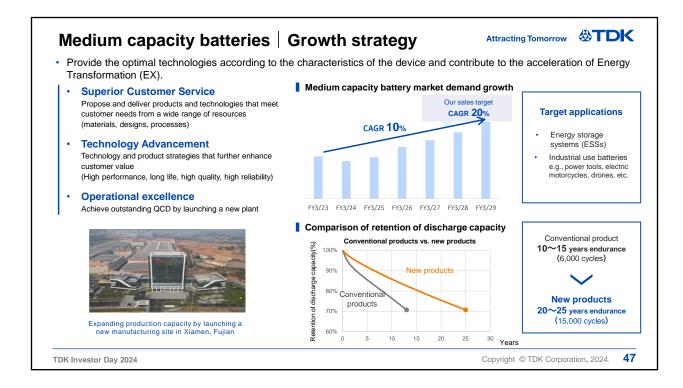


Next is Energy Application Products. In the FY March 2024, ROIC was higher than we expected due to temporary factors such as increased volume attributable to market share expansion and a decline in material market prices. We will work to maintain ROIC in the 18% range by securing the top position in the industry for small capacity batteries for the ICT market and by maintaining a relatively high profit margin within the industry.



In particular, our strategy for small capacity batteries is to use advanced and innovative technologies such as silicon anode to enhance the user experience and support the evolution of smartphones and other compact electronic devices. To implement the China Plus One strategy while accounting for geopolitical risks, in 2017 we started production of back-end processes for battery packs in India. Cell production was also started in 2022.

Additionally, we are planning to start production at our new Sohna factory in 2025, and are currently constructing the phase 1 section as shown in the picture. We will continue to expand gradually in line with growth in local demand. Furthermore, in our materials procurement efforts, we will maximize business value by strengthening our value chain, including pursuing strategic initiatives such as investing in material suppliers.



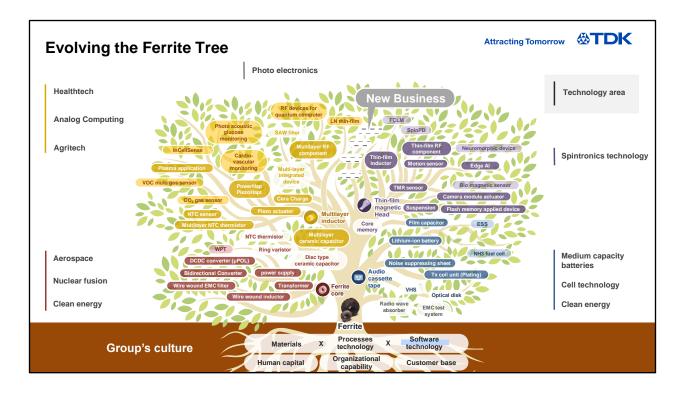
For medium capacity batteries, we contribute to accelerating the EX such as transition to renewable energy.

Our competitive advantage is that we can provide an expansive product portfolio, including laminated (pouch), cylindrical, and prismatic types, as well as various core technologies such as lithium ferro-phosphate (LFP) materials, tailored to the characteristics of each device, such as energy storage systems (ESSs), electric motorcycles, drones, and power devices.

We will further increase customer value by proposing and providing optimal technology solutions.

For the ESS market, we project expanding our share of ultra long-life products in the 20 to 25-year range, which are similar to solar panels. We will also expand our share of Jumbo Power, a high power product for power devices as we aim for top share in the medium capacity battery market.

As future demand and sales grow, we will expand the capacity of our new factory and establish ourselves as a leading position in the industry in terms of quality, cost, and delivery (QCD).



As explained above, we will grow the Ferrite Tree significantly by strengthening our current businesses, exploring new fields, engaging in R&D, and refining our core technologies.

Although there are some products and businesses that we no longer deal with throughout our history, they have been inherited as pre-financial capital in the form of human capital, organizational capability, and customer base that will continue to help grow and evolve our enterprise value.

As TDK United, we will continue contributing to the social transformation by effectively and efficiently integrate CVC, CM&I, corporate R&D functions, and the activities of each business company (BC) to maximize value and improve future growth, even for technologies and applications that cannot be accessed by our current businesses. The three new product and business cases that I introduced today are just a few of the many possibilities. As I have introduced here today, our company's future is brimming with new technology and business possibilities.



### **Ending**



- We will accelerate the transformation within TDK through capabilities to envision
  the future, to execute the envisioned future, and capability of human resources
  transformation so that we can continue to contribute to social transformation.
- · We will deepen existing core technology strengths and explore new strengths.
- · We will enhance proactive business portfolio management.
- We will improve the spread between ROIC and WACC to increase cash flows and improve capital efficiency.
- We will strengthen management that enhances pre-financial capital, evolve the Ferrite Tree, and maximize our enterprise value.
- · We will focus more on investor dialogue and investor relations.

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As I explained earlier, we will accelerate the transformation within TDK through capabilities to envision the future, to execute the envisioned future, and capability of human resources transformation so that we can continue to contribute to social transformation.

We will deepen existing core technology strengths and explore new strengths. We will enhance proactive business portfolio management.

We will improve the spread between ROIC and WACC to increase cash flows and improve capital efficiency.

We will strengthen management that enhances pre-financial capital, evolve the Ferrite Tree, and maximize our enterprise value.

In our pursuit of enhanced enterprise value, one of our strengths as a company is the diversity of our technology, products, and human capital.

The phrase TDK United on the left side expresses our diversity as a company, which is brimming with individuality.

This harsh economic environment is likely to continue, but by combining the power of a diverse TDK United, I believe we will form a resilient corporate structure that can forge forward boldly. It will enable us to continue to provide society with new value and remain an indispensable part of society.

At the core of this diversity is a commitment to incorporating a variety of opinions. We must work to improve our enterprise value over the long term by engaging in dialogue with stakeholders to develop strategies based on opinions that we might not formulate on our own.

I look forward to continuing constructive dialogue and collaborative activities with everyone, and appreciate your continued support.

## Cautionary statements with respect to forward-looking statements





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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