

Performance Briefings First Half of Fiscal Year March, 2014

TDK Corporation October 31, 2013

◆ **Consolidated First Half Results of FY March, 2014**
Consolidated Full Year Projections of FY March, 2014
Takehiro Kamigama, President and CEO

◆ **Consolidated 2Q Results of FY March, 2014**
Takakazu Momozuka, Corporate Officer

◆ **Magnetic Application Products Business and**
Film Application Products Business
Atsuo Kobayashi, Executive Vice President

◆ **Passive Components Business**
Hiroyuki Uemura, Executive Vice President

**Consolidated First Half Results
of FY March, 2014
Consolidated Full Year Projections of
FY March, 2014**

**Takehiro Kamigama
President and CEO**

Consolidated First Half Results of FY March, 2014

(Yen billions)	FY March 2013 Results through 2Q (2012.4.1-2012.9.30)	FY March 2014 Results through 2Q (2013.4.1-2013.9.30)	Change	
			Yen billions	%
Net Sales	412.0	484.7	72.7	17.6
Operating Income	20.3	16.8	(3.5)	-17.2
Operating Income Margin	4.9%	3.5%	(1.4pt)	-
Income before Income Taxes	18.4	17.7	(0.7)	-3.8
Net Income	9.7	6.4	(3.3)	-34.0
Earning Per Share (JPY)	77.25	50.90	-	-
Ex-rate	US\$ (JPY)	79.46	98.88	Deppreciated by 24.4%
	EURO (JPY)	100.72	130.04	Deppreciated by 29.1%
Ex-rate impact to Net sales & Operating Income	Net sales : Increased by about 83 billion Yen Operating income : Increased by about 13 billion Yen			

Note: In accordance with the FASB Accounting Standards Codification ("ASC") No.205-20, "Presentation of Financial Statements - Discontinued Operations", operating results relating to the data tape business are separately presented as discontinued operations in quarterly consolidated statements of income for FY2014. Also reclassifications are made to quarterly consolidated statements of income for FY2013 to conform to the presentation used for FY 2014.

※Discontinued operation (Display business) were deducted in above results

Basic Strategy



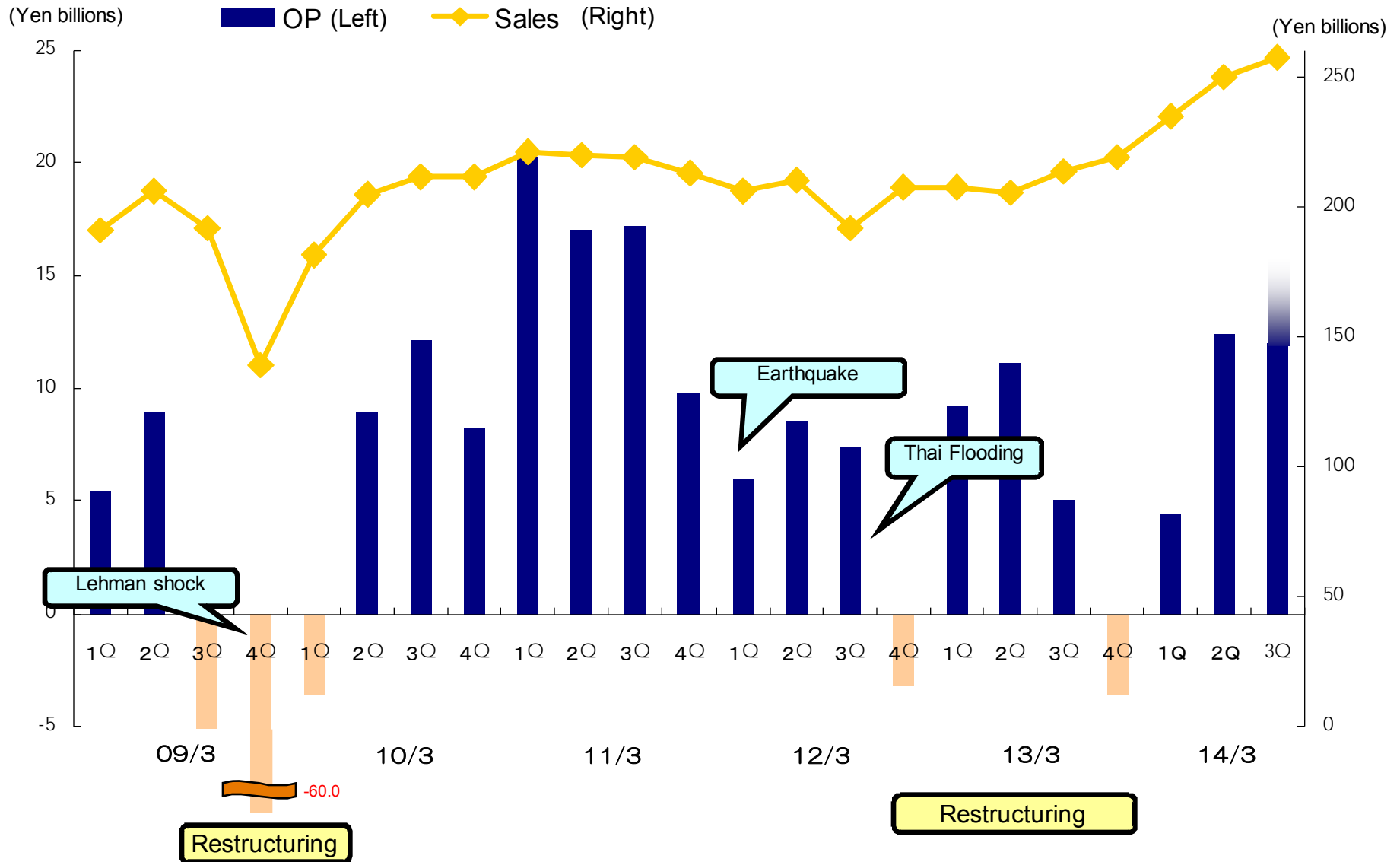
- ◆ FY March 2013: Completed restructuring centered on passive components
- ◆ FY March 2014: Optimize business portfolio and production bases

Expect to complete large-scale restructuring during FY March 2014

◆ Basic Policy for Each Business Segment

Passive Components	TDK has positioned this business as the center of its growth strategy and aims to revitalize it as a pillar of profit of the company
Magnetic Application Products (Recording Device)	Utilize position as an exclusive HDD head specialized manufacturer to create a stable business
Film Application Products (Rechargeable Batteries)	Move to the next growth stage on demand and business domain expansion

Operating results



Brackets show year-on-year change

- ◆ **Passive Components** : Net sales 236.4 billion yen (up 29.8%), operating income 9.0 billion yen (compared with 5.4 billion yen operating loss in FY March 2013 1H)
 - Ceramic capacitors returned to profitability
 - High-frequency components were profitable on a single-month basis in September
 - Expanded VCM and OIS sales for smartphone cameras

- ◆ **Magnetic Application Products**: Net sales 179.1 billion yen (up 4.3%), operating income 12.4 billion yen (down 55.2%)
 - Recording devices (HDD heads) generated operating income within expectations, despite a year-on-year drop in shipments
 - Magnet operating income declined from FY March 2013 1H when TDK recorded an insurance payout related to flooding in Thailand

- ◆ **Film Application Products**: Net sales 60.1 billion yen (up 26.9%), operating income 5.1 billion yen (down 27.4%)
 - Rechargeable battery sales remained strong to smartphones and tablet devices
 - Continued R&D for expanding rechargeable battery customer base and business domains
 - Exiting non-core data tape business (*)
 - Withdrawing from Blu-ray Disc business in FY March 2014 as planned

*LTO tape business for data centers

Full Year Projections of FY March 2014



(Yen billions)	FY March 2013 Full Year Results	FY March 2014 Full Year Projections	Change	
			Yen billions	%
Net Sales	844.2	930.0	85.8	10.2
Operating Income	21.7	30.0	8.3	38.2
Operating Income Margin	2.6%	3.2%	0.6pt	-
Income before income taxes	19.2	28.0	8.8	45.8
Net Income	1.2	13.0	11.8	983.3
Earning Per Share (JPY)	9.50	103.34	-	-

- No change in full year projections for FY March 2014 compared with that of April 26, 2013
- Average yen exchange rates forecast from 3Q of FY March 2014 onward
 US\$: ¥90 (same as previous assumption)
 EURO: ¥118 (same as previous assumption)

TDK keeps initial dividends forecast (on April 26) unchanged.

◆ Dividend forecast per a common share

Interim dividend	30 yen
Year-end dividend	40 yen (forecast)
Annual dividend	70 yen (forecast)

Consolidated 2Q Results of FY March, 2014

Takakazu Momozuka
Corporate Officer

Consolidated 2Q Results of FY March, 2014



(Yen billions)	FY March 2013 2Q Results (2012.7.1-2012.9.30)	FY March 2014 2Q Results (2013.7.1-2013.9.30)	Change	
			Yen billions	%
Net Sales	205.0	249.8	44.8	21.9
Operating Income	11.1	12.4	1.3	11.7
Operating Income Margin	5.4%	5.0%	(0.4pt)	-
Income from Continuing Operations before Income Taxes	9.5	12.7	3.2	33.7
Income from continuing Operations	6.5	9.2	2.7	41.5
Loss from discontinued operations	-0.1	-3.2	(3.1)	-
Net income (loss) attributable to noncontrolling interests	1.2	-0.1	(1.3)	-
Net Income	5.3	6.0	0.7	13.2
Earning Per Share (JPY)	41.74	47.95	-	-
US\$ (JPY)	78.67	99.02	Deppreciated by 25.9%	
EURO (JPY)	98.28	131.11	Deppreciated by 33.4%	
Ex-rate impact to Net sales & Operating Income	Net sales : Increased by about 43.2 billion Yen Operating income : Increased by about 7.2 billion Yen			

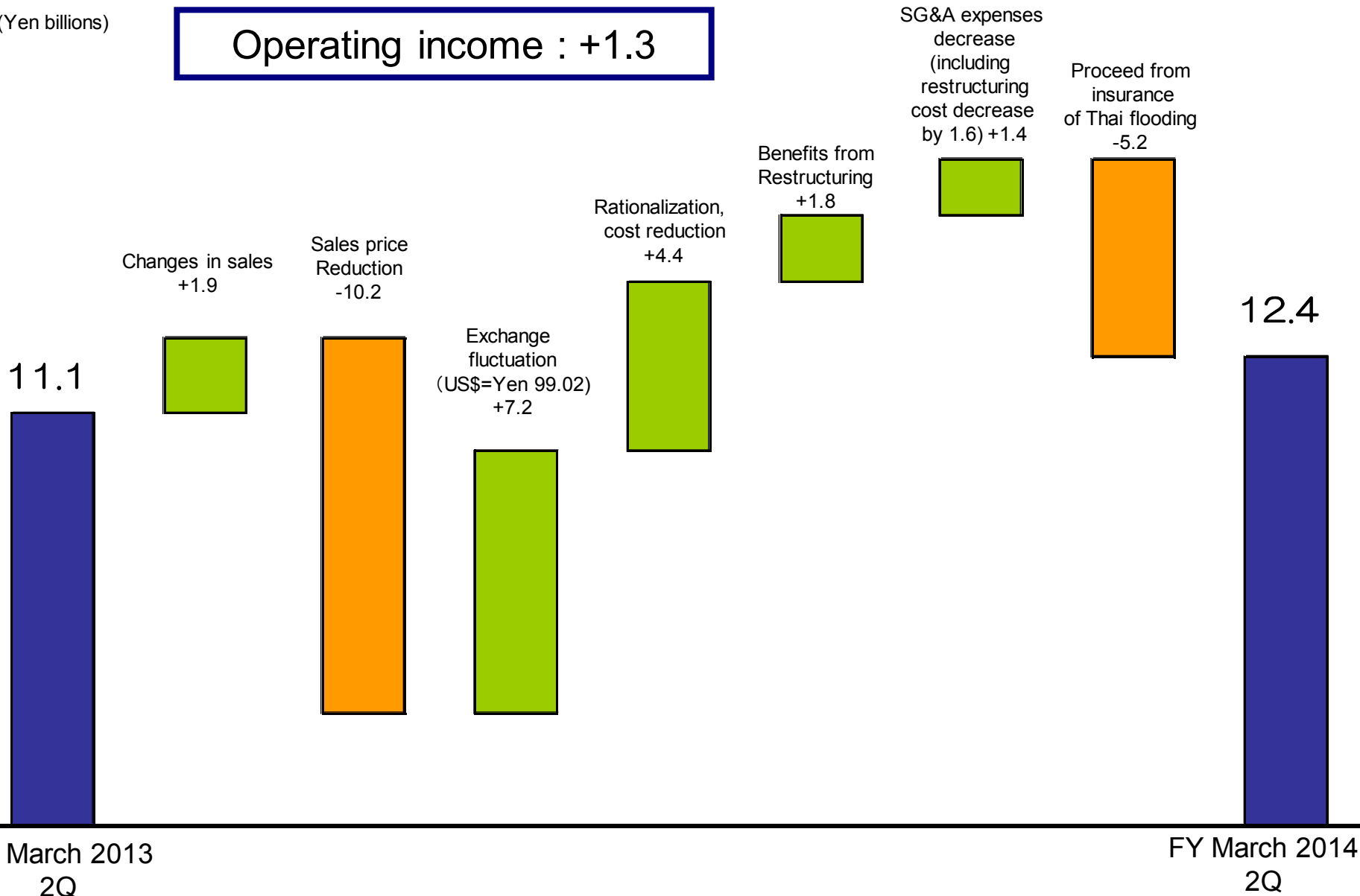
Note: Data tape business is presented as discontinued operation in above results

Breakdown of Operating Income Changes (2Q)



(Yen billions)

Operating income : +1.3



※Discontinued operation (Data tape business) were deducted in above results

■ FY March 2014 Planned Restructuring

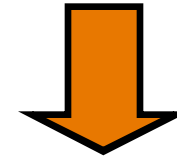
**Promote business
portfolio review**



◇ Exit non-core businesses

- **Withdraw from LTO business**
(Planning to end production in 2H and exit)
- **Withdraw from Blu-ray Disc business**
(Planned for 2H)

**Optimize
production bases**



◇ Further integrate bases worldwide

- (Planned for 2H)
(Targeting bases not already announced for integration)

■ Restructuring costs

Incurred approx. 3.7 billion yen in 1H of planned 10.0 billion yen restructuring costs for FY March 2014 (announced end of April)

■ Expected benefits

Still projecting benefits announced at the end of April of approx. 8.0 billion yen in FY March 2015

Segment Information



(Yen billions)		2Q of FY 2013 Jul 1- Sep 30, 2012 (A)	1Q of FY 2014 Apr 1- Jun 30, 2013 (B)	2Q of FY 2014 Jul 1- Sep 30, 2013 (C)	YoY Change (C) - (A)		QoQ Change (C) - (B)	
					Yen billions	%	Yen billions	%
Net Sales	Capacitor	29.2	33.7	35.1	5.9	20.2	1.4	4.2
	Inductive Device	29.6	35.0	35.5	5.9	19.9	0.5	1.4
	Other Passive Comp	31.7	48.3	48.8	17.1	53.9	0.5	1.0
	Passive Components	90.6	117.0	119.4	28.8	31.8	2.4	2.1
	Recording Devices	55.8	60.2	66.3	10.5	18.8	6.1	10.1
	Other Magnetic Application Products	27.6	26.0	26.6	(1.0)	-3.6	0.6	2.3
	Magnetic Application Products	83.4	86.2	92.9	9.5	11.4	6.7	7.8
	Film Application Products	25.8	27.0	33.1	7.3	28.3	6.1	22.6
	Other	5.2	4.7	4.4	(0.8)	-15.4	(0.3)	-6.4
Total	205.0	234.9	249.8	44.8	21.9	14.9	6.3	
Operating Income	Passive Components	(2.5)	2.8	6.2	8.7	-	3.4	121.4
	Magnetic Application Products	13.2	4.6	7.8	(5.4)	-40.9	3.2	69.6
	Film Application Products	5.0	2.0	3.2	(1.8)	-36.0	1.2	60.0
	Other	(0.5)	(0.8)	(0.8)	(0.3)	-	0.0	-
	Sub total	15.2	8.6	16.4	1.2	7.9	7.8	90.7
	Corporate and Eliminations	(4.1)	(4.2)	(4.0)	0.1	-	0.2	-
	Total	11.1	4.4	12.4	1.3	11.7	8.0	181.8
Operating Income margin		5.4%	1.9%	5.0%	-0.4pt	-	+3.1pt	-

Ex-rate	US\$	Yen 78.67	Yen 98.74	Yen 99.02
	EURO	Yen 98.28	Yen 128.96	Yen 131.11

※Discontinued operation (Data tape business) were deducted in above results

Financial Position



(Yen billions)	March End, 2013	June End, 2013	Sep End, 2013	Change
Total Asset	1,169.6	1,224.0	1,220.7	(3.3)
Total Liability	589.0	615.0	617.2	2.2
Stockholders's Equity	561.2	588.7	588.6	(0.1)
(comprehensive income)	(159.0)	(127.0)	(126.1)	0.9
Stockholders's Equity ratio	48.0%	48.1%	48.2%	+0.1pt
Cash and Cash equivalents(*1)	223.5	244.8	242.5	(2.3)
Interest-bearing Debt(*2)	295.6	304.4	294.5	(9.9)
Net Cash(*3)	(72.1)	(59.6)	(52.0)	7.6

*1: Cash and Cash equivalents + Short-term investments

*2: Short-term debt + Current installments of long-term debt + Long-term debt, excluding current installments

*3: Cash and Cash equivalents - Interest-bearing Debt

(Yen billions)	FY March 2013 Results through 2Q	FY March 2014 Results through 2Q	Change
Capital Expenditures	44.0	29.3	(14.7)
Depreciation and amortization	36.1	41.2	5.1

Magnetic Application Products Business Film Application Products Business

**Atsuo Kobayashi
Executive Vice President**

Recording Device

● HDD market

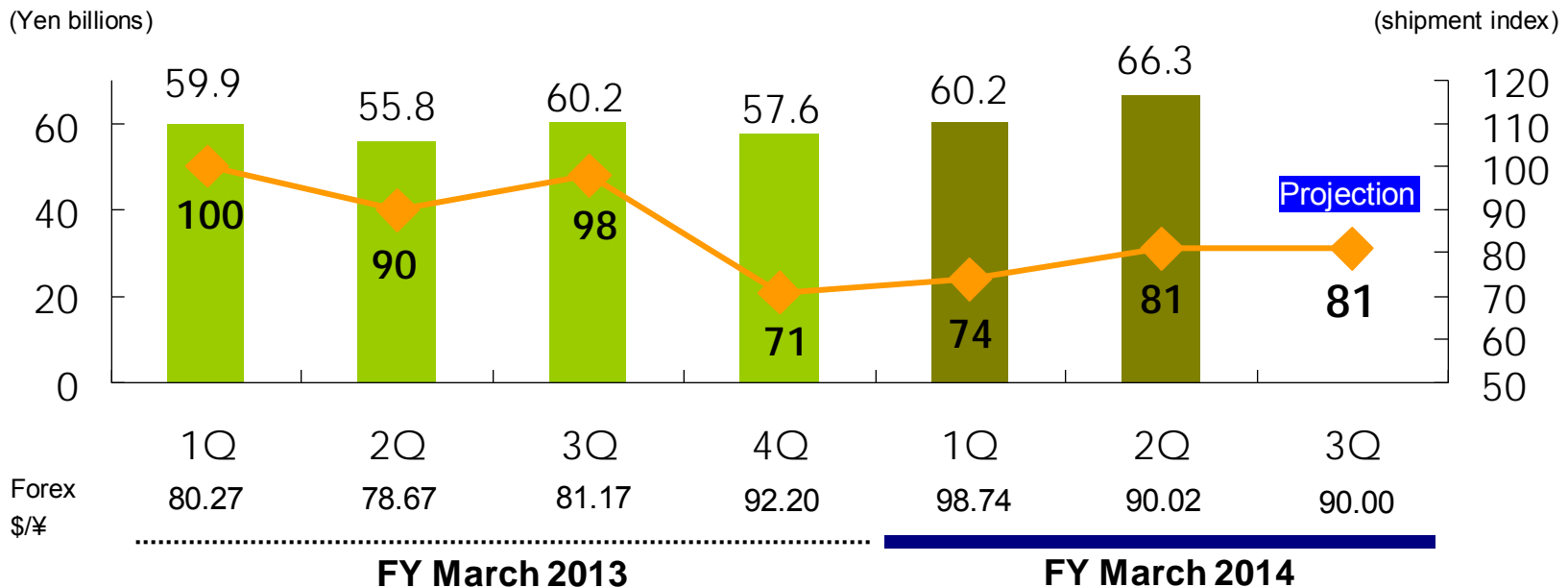
FY March 2013 : About 570 million units (TDK's estimation)

FY March 2014 : About 540 million units (TDK's forecast, increased by 10 million units from the forecast in July)

● Shipment index

■ Recording Device Sales (Left, including HDD Head (HGA) and HDD Suspension)

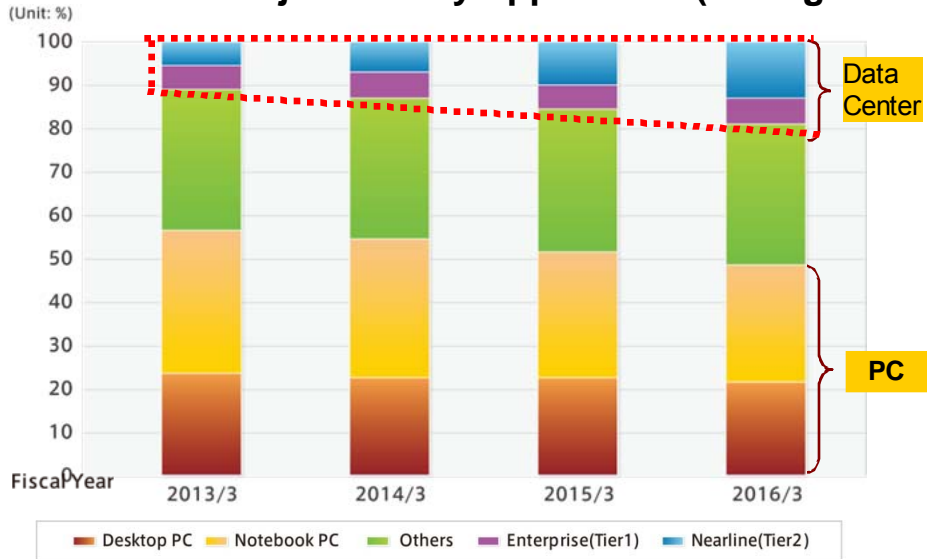
◆ HDD Head Shipment Index (Right)



Magnetic Application Products Business



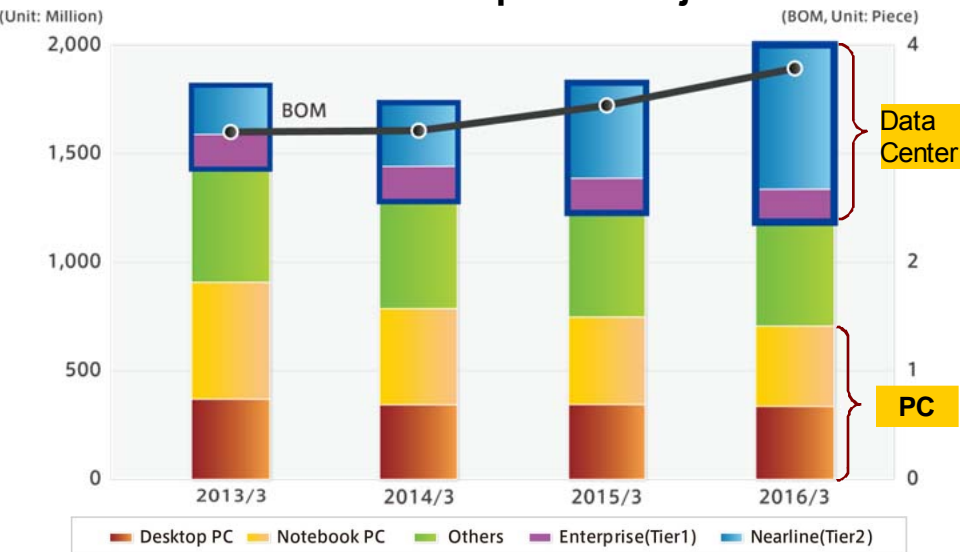
HDD Market Projections by Application (Configuration)



- Expect HDD numbers to be flat for next 2 to 3 years
- Change in applications within the HDD market
→ PC market is shrinking, while data center market is expanding
- HDDs used in data centers use many HDD heads (8 to 10)
- *HDDs for PCs use 1 to 4 HDD heads



HDD Head Market Shipment Projections



The number of heads used per HDD is expected to increase

(TDK estimates as of October 2013)

Other Magnetic Application Products

● Magnet

- Market slow to recover (for HDDs and industrial equipment)
- Consolidated overseas production sites from 4Q to 1Q (Europe JV sites, China contract sites)
- Incurred one-time expenses associated with site consolidation in 1Q
- Expected earnings recovery could fall behind due to delay in launching consolidated site in China in 2Q



➤ Expand sales of rare earth-free magnets

Dy-free neodymium magnets

Rare earth-free high-performance ferrite magnets

➤ Improve profitability by improving productivity


Integrate production in China of wet-molded ferrite magnets

Film Application Products

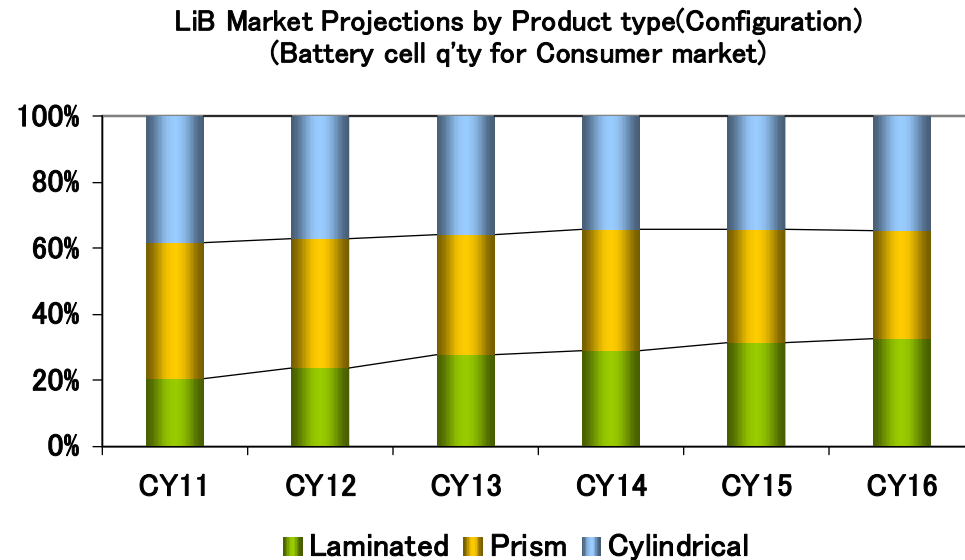
● Energy Devices (Rechargeable Batteries)

◇ Business environment (Lithium polymer batteries)

- ✓ Lithium batteries account for 25-30% of market
- ✓ Annual shipment growth rate above 20%



Rapid increase in lithium polymer battery share for mobile and IT devices



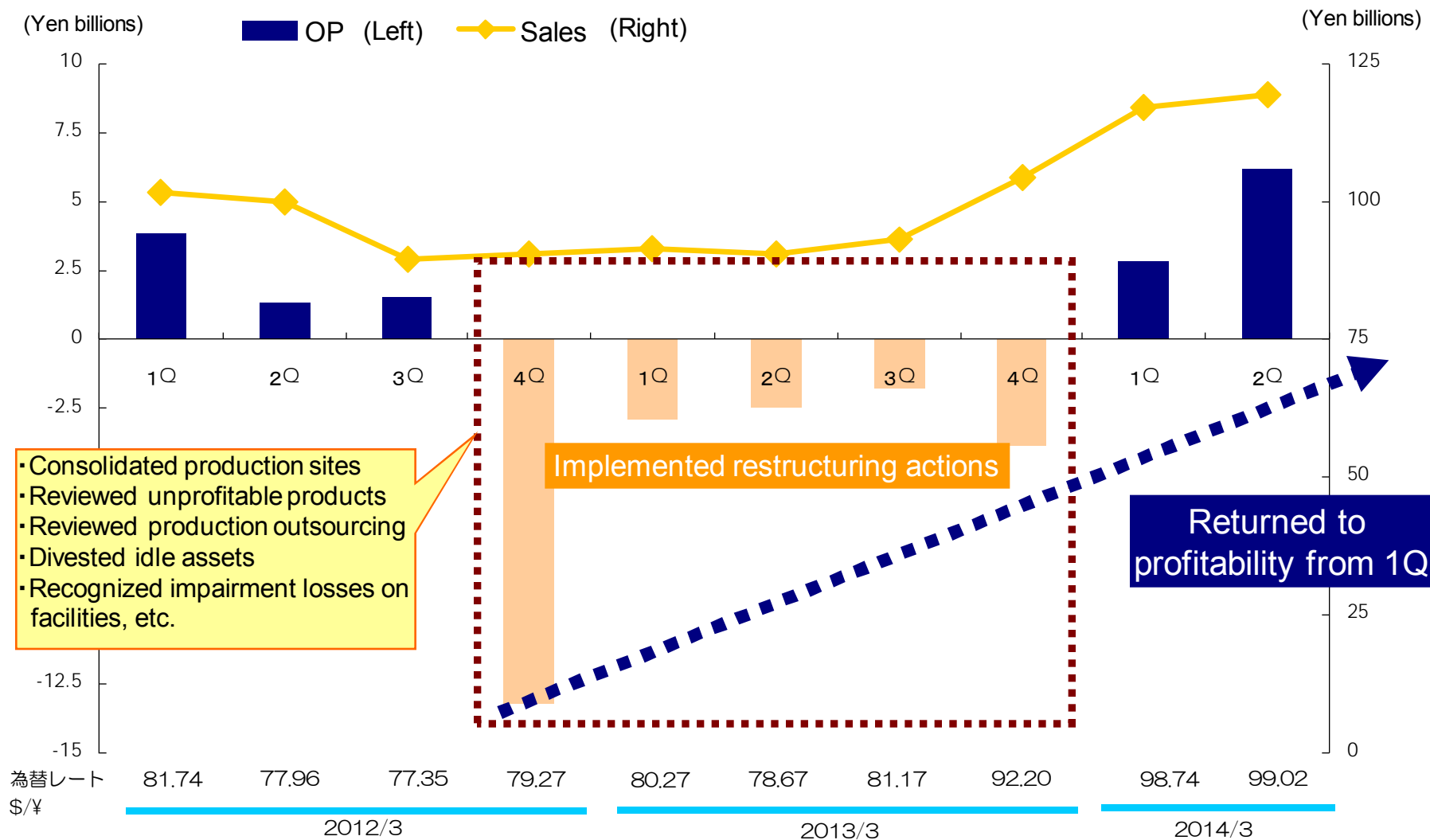
◇ Medium- to long-term direction

- ✓ Respond flexibly to market changes and demands by strengthening business base with a vertically integrated business model
- ✓ Expand business domains
 - Batteries for eco-cars
 - Batteries for storage batteries

Passive Components Business

Hiroyuki Uemura
Executive Vice President

Quarterly Performance of Passive Components Business



● Measures to Further Improve Profitability

◆ Ceramic capacitors

- Continue to bolster products for auto market

◆ Inductive devices

- Flexibly respond to customer requests with a full lineup of thin film, wire-wound coil and multi-layered products

◆ High-frequency components

- Aim to expand healthy SAW (discrete products) sales further by increasing production
- Continue design-in activities for modular products
- Step up reference activities to IC manufacturers

◆ Piezoelectric material products (VCM, OIS)

- Orders strong for use in smartphones in China; secure steady orders for optical image stabilizers (OIS), which are expected to be adopted going forward.

◆ Productivity improvements

- Optimize ceramic capacitor production lines
(Improve productivity further following site consolidation, launch integrated production line from materials to products)
- Continue to improve production processes for high-frequency components
(Dispatch head business process engineers)

Supplementary Data

FY March 2014 Projections –Capex, Depreciation, R&D-

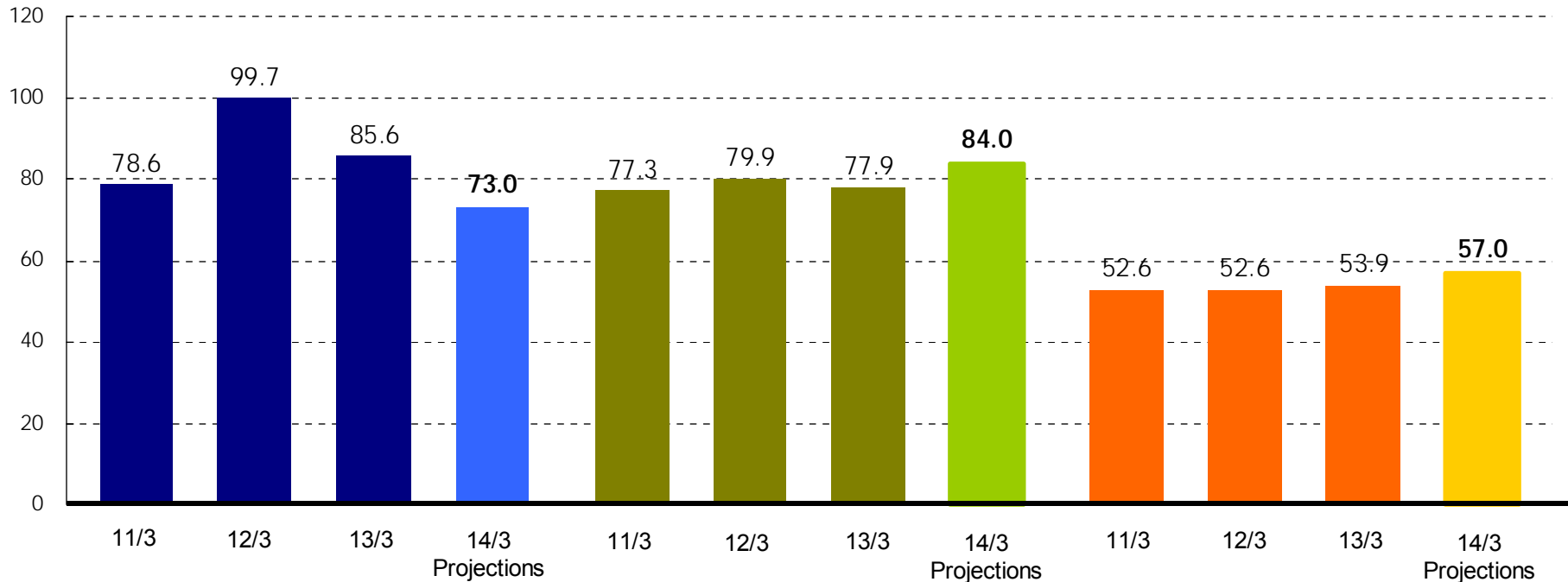
TDK keeps initial projections (April. 26) unchanged.

(Yen billions)

Capital expenditure

Depreciation

R&D



Quarterly sales and operating income by segment



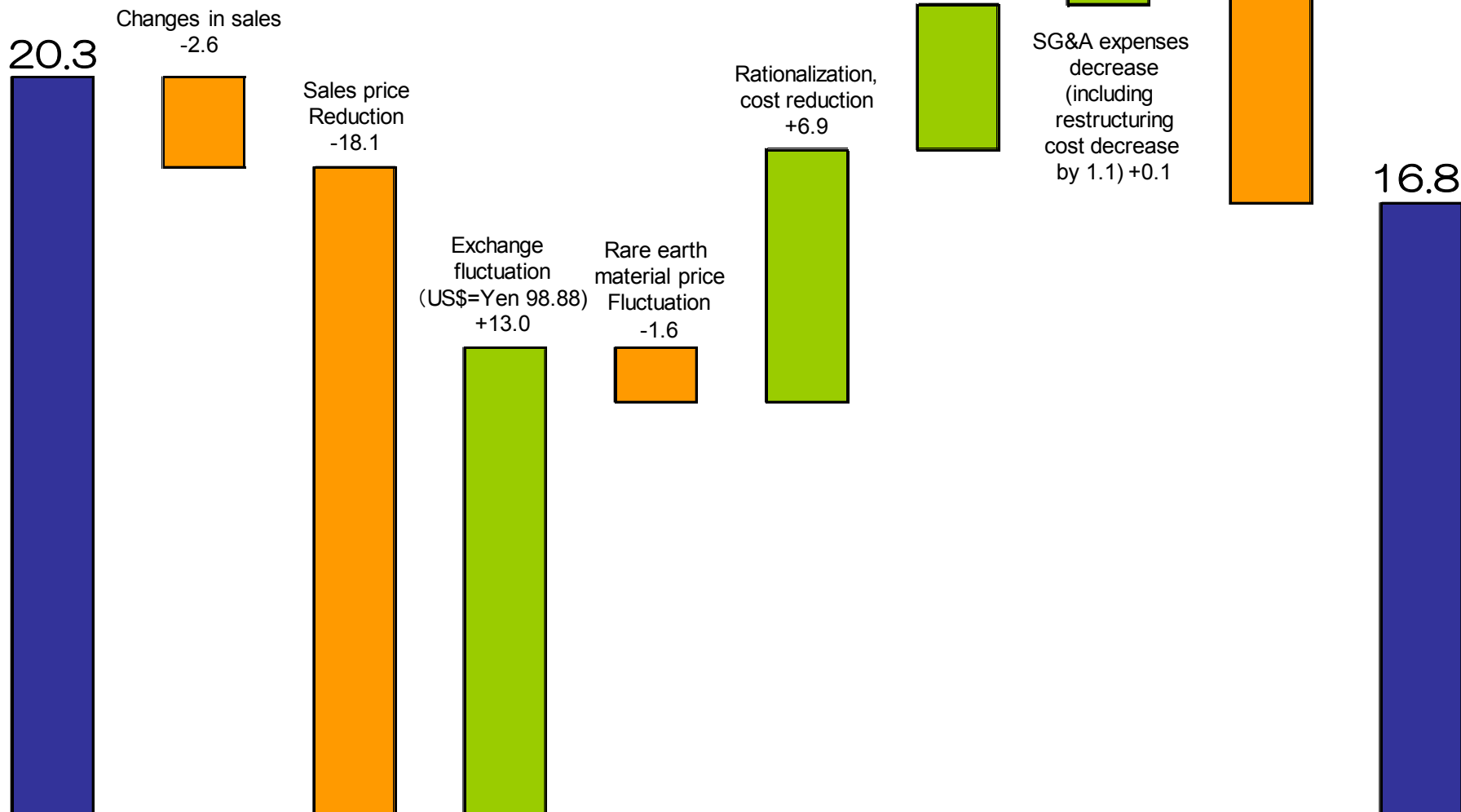
		Yen billions	FY March 2013					FY March 2014				
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales	Capacitors	31.4	29.2	26.6	30.7	118.0	33.7	35.1				
	Inductive Devices	28.2	29.6	30.6	31.2	119.6	35.0	35.5				
	Other Passive Components	31.8	31.7	36.0	42.5	142.1	48.3	48.8				
	Passive Components	91.5	90.6	93.1	104.4	379.6	117.0	119.4				
	Recording Devices	59.9	55.8	60.2	57.6	233.5	60.2	66.3				
	Other Magnetic Application Products	28.3	27.6	24.0	24.5	104.4	26.0	26.6				
	Magnetic Application Products	88.2	83.4	84.2	82.1	337.9	86.2	92.9				
	Film Application Products	21.6	25.8	30.9	26.9	105.2	27.0	33.1				
	Other	5.8	5.2	5.0	5.4	21.4	4.7	4.4				
	Total	207.0	205.0	213.3	218.8	844.1	234.9	249.8				
Operating Income	Passive Components	(2.9)	(2.5)	(1.8)	(3.9)	(11.1)	2.8	6.2				
	Magnetic Application Products	14.6	13.2	7.5	1.8	37.1	4.6	7.8				
	Film Application Products	2.1	5.0	3.6	1.8	12.5	2.0	3.2				
	Other	(0.4)	(0.5)	(0.6)	(0.3)	(1.8)	(0.8)	(0.8)				
	Sub-total	13.3	15.2	8.8	(0.6)	36.7	8.6	16.4				
	Corporate and Eliminations	(4.2)	(4.1)	(3.7)	(3.0)	(15.0)	(4.2)	(4.0)				
	Total	9.2	11.1	5.0	(3.6)	21.7	4.4	12.4				
Ex-rate	¥/USD	80.27	78.67	81.17	92.20	83.03	98.74	99.02				
	¥/EURO	103.18	98.28	105.28	121.74	107.05	128.96	131.11				

Breakdown of Operating Income Changes (First half)



(Yen billions)

Operating income : -3.5



FY March 2013
First Half

FY March 2014
First Half

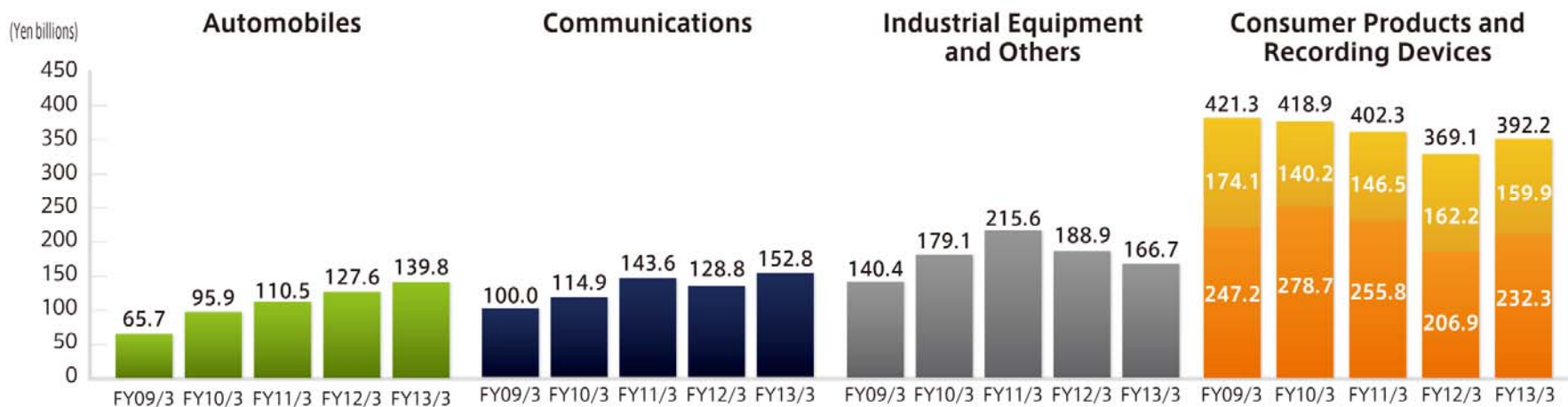
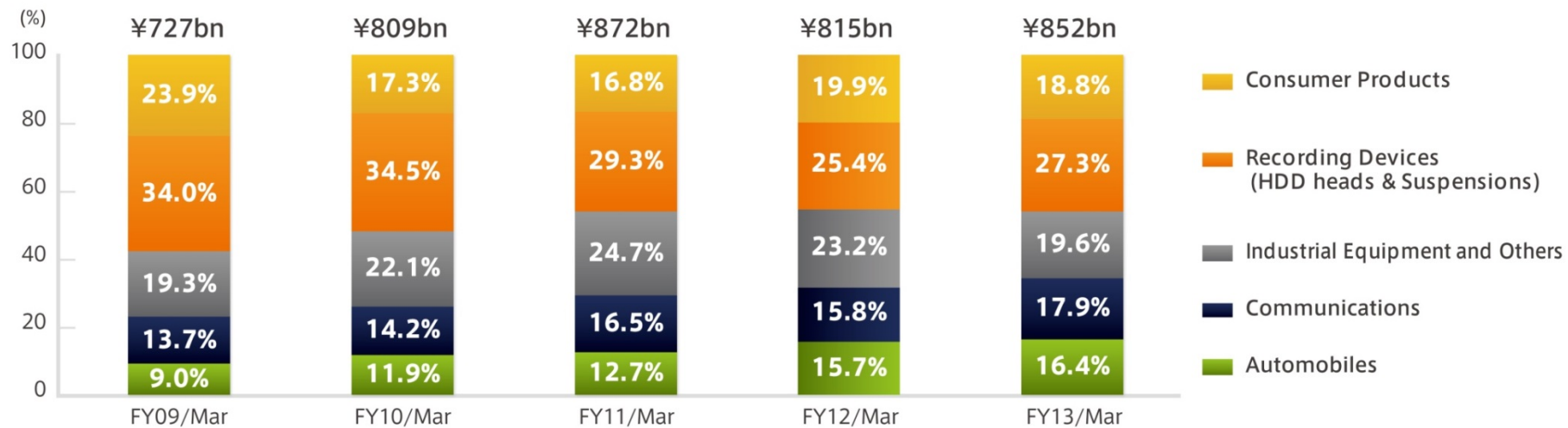
※Discontinued operation (Display business) were deducted in above results

Cash Flow



(Yen billions)	FY March 2013 First Half Results	FY March 2014 First Half Results	Remarks
Operating Cash Flow	43.7	57.3	Increased 13.6 billion yen <Main increase factor> Increase in trade payables: 7.2 billion yen Increase in depreciation: 5.1 billion yen Decrease in inventory: 6.3 billion yen <Main decrease factor> Decrease in net income: 4.5 billion yen
Investing Cash Flow	(50.3)	(23.0)	Decreased 27.3 billion yen <Main increase factor> * Increase in purchase of short-term investments: 3.3 billion yen <Main decrease factor> * Decrease in capital expenditure: 14.7 billion yen * Increase in proceeds from sale and maturity of short-term investments: 9.4 billion yen
Free Cash Flow	(6.6)	34.3	Increased 40.9 billion yen
Financing Cash Flow	6.8	(21.4)	Decreased 28.2 billion yen <Main increase factor> * Increase in repayment of long-term debt: 30.3 billion yen <Main decrease factor> * Decrease in short-term debt: 39.0 billion yen * Acquisition of noncontrolling interests: 14.0 billion yen * Decrease in proceeds from long-term debt: 6.3 billion yen
Effect of exchange rate changes on cash and cash equivalents	(9.2)	8.8	Increased 18.0 billion yen
Cash and Cash Equivalents	157.9	235.4	Increased 77.5 billion

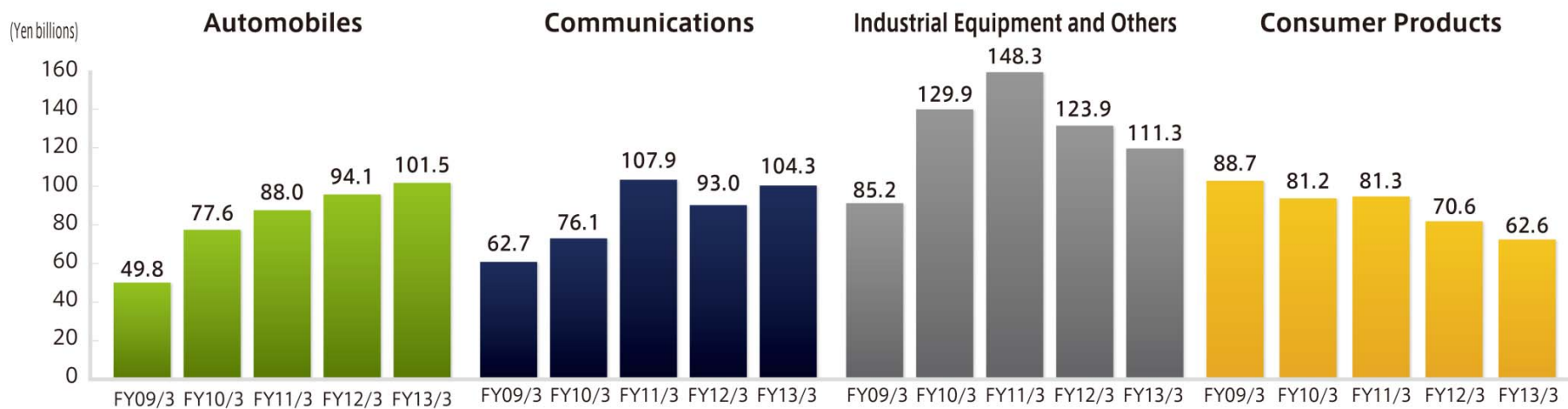
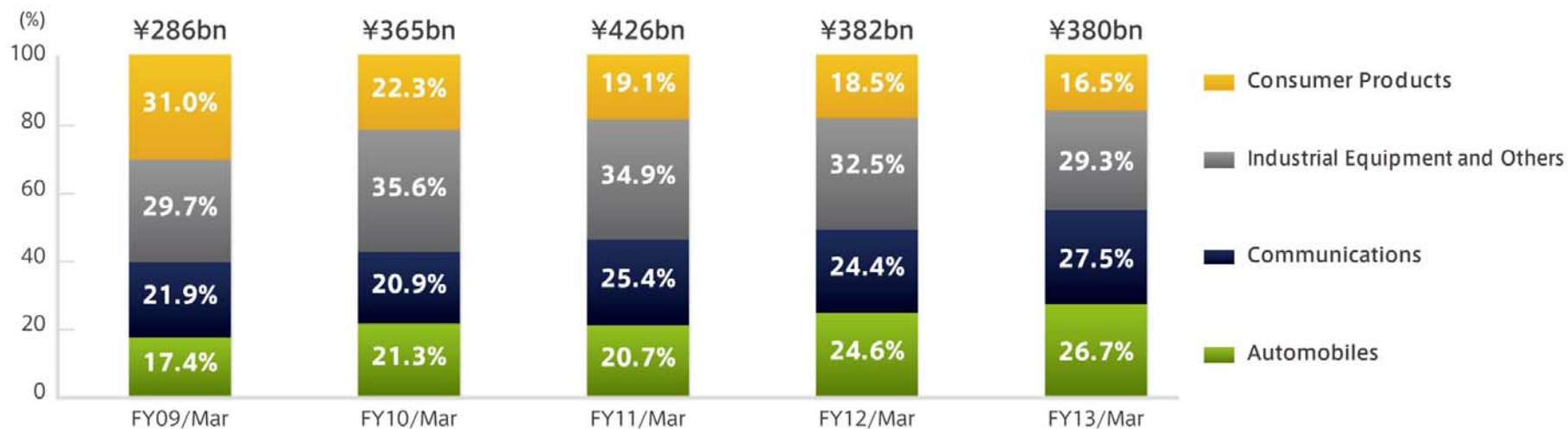
Annual Sales by applications (FY2009/Mar – FY2013/Mar)



※ Consolidation of EPCOS from the second half of 2009/3

※ Discontinued operation (Display business) are included in 2009/3 and 2010/3.

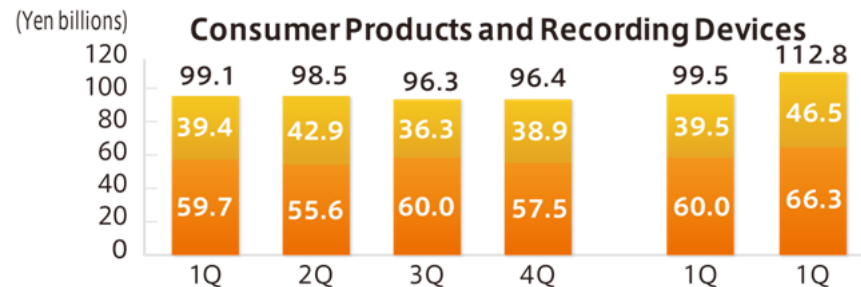
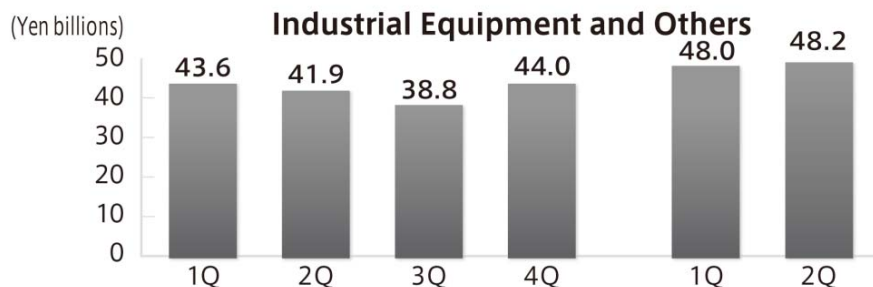
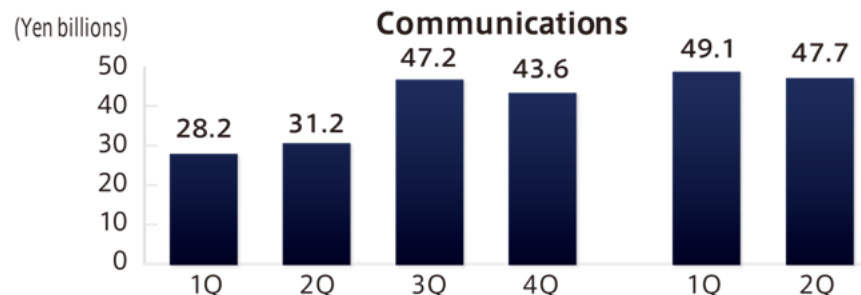
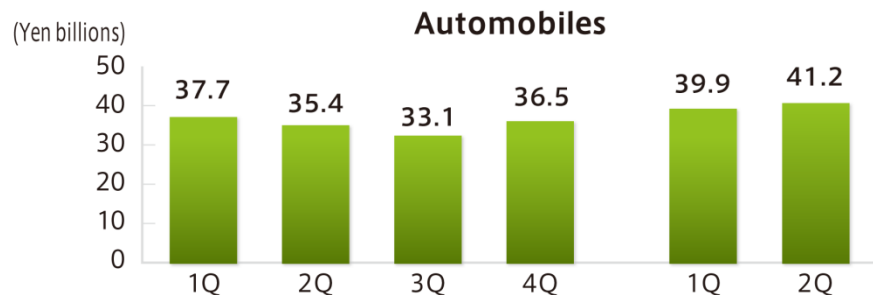
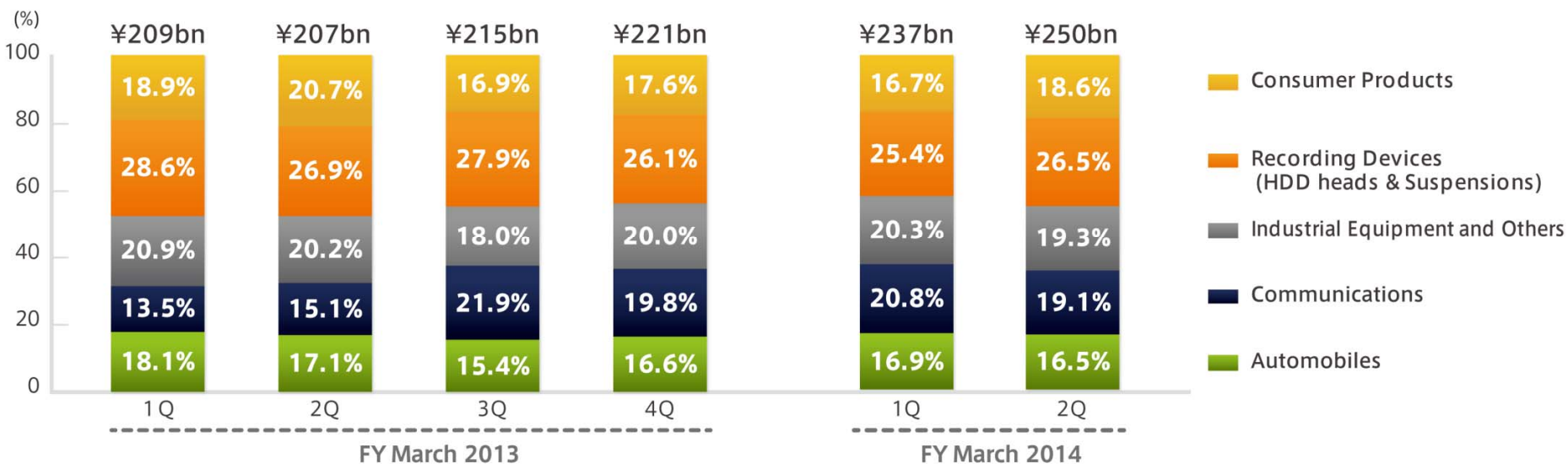
Passive Components Business Annual sales by applications (FY2009/Mar –FY2013/Mar)



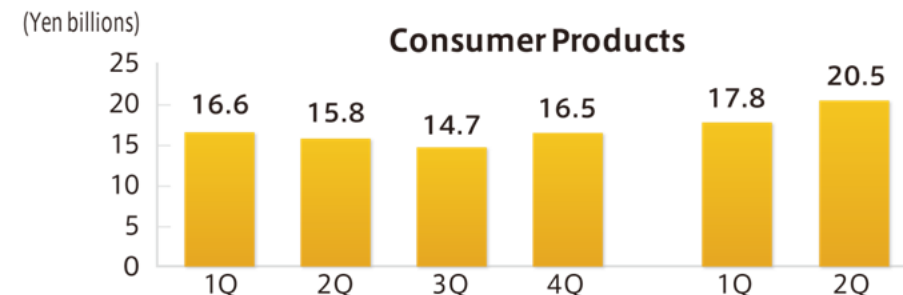
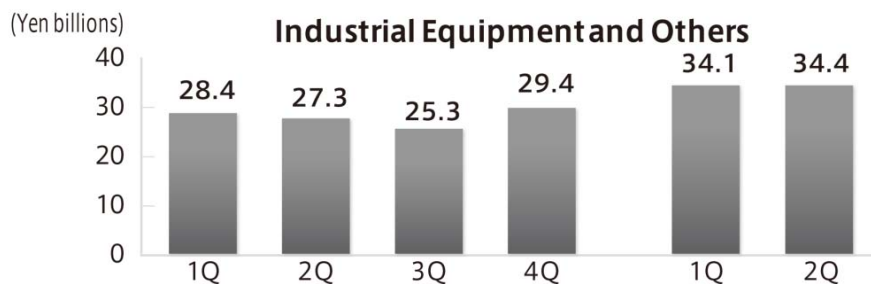
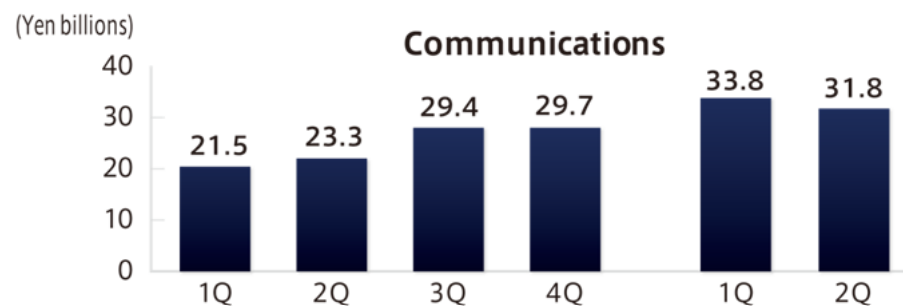
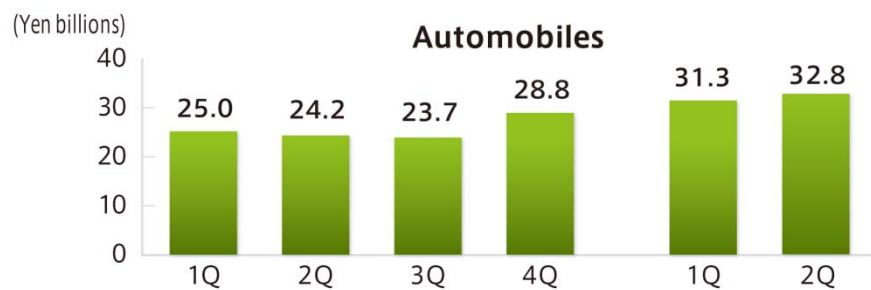
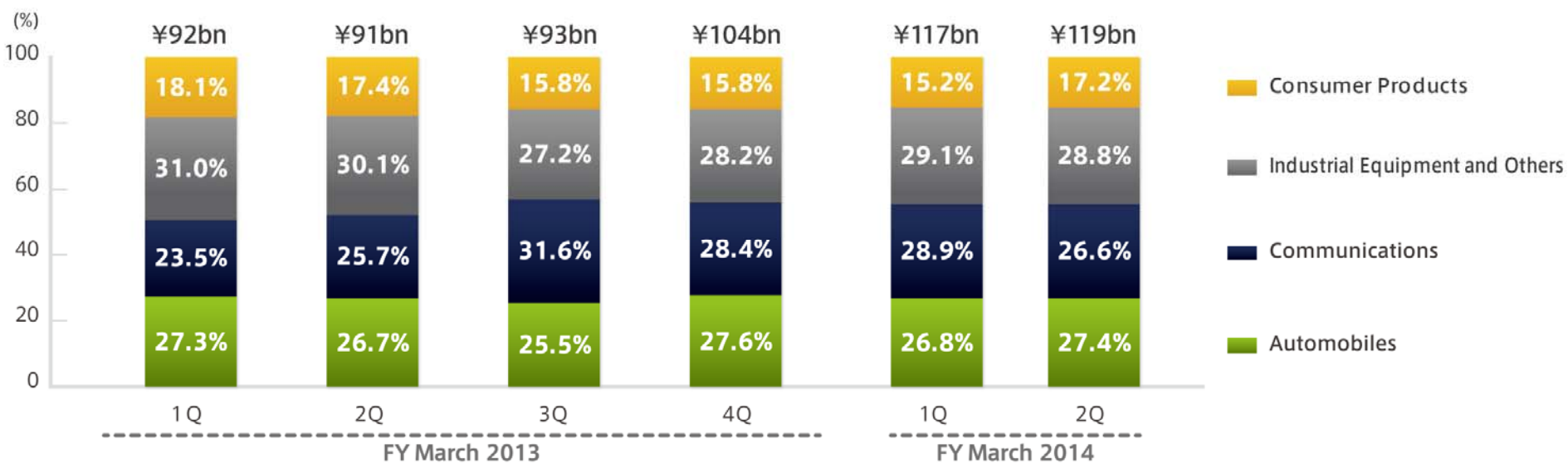
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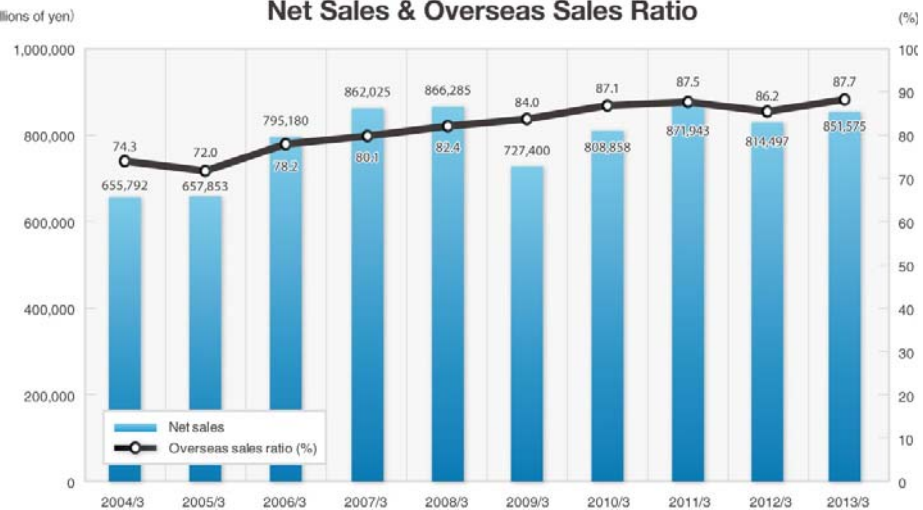
Quarterly sales by applications (1Q of FY March 2013 – 2Q of FY March 2014)



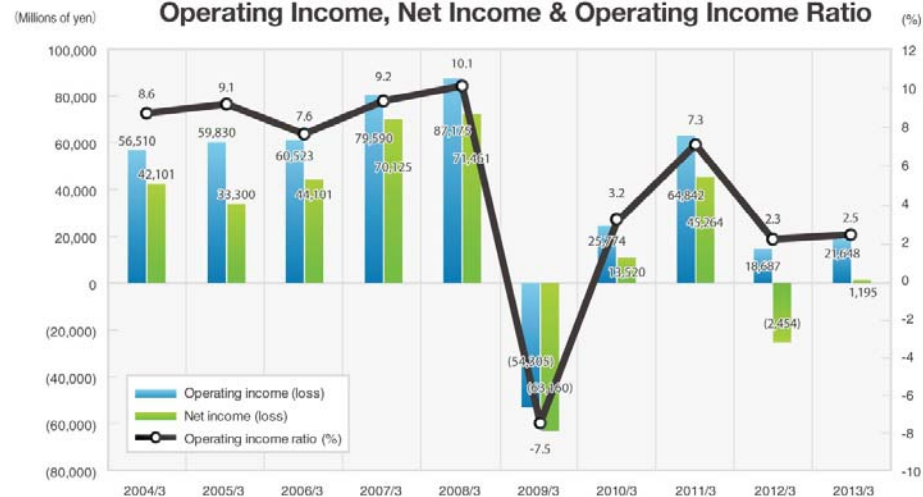
Passive Components Business quarterly sales by applications (1Q of FY March 2013 – 2Q of FY March 2014)



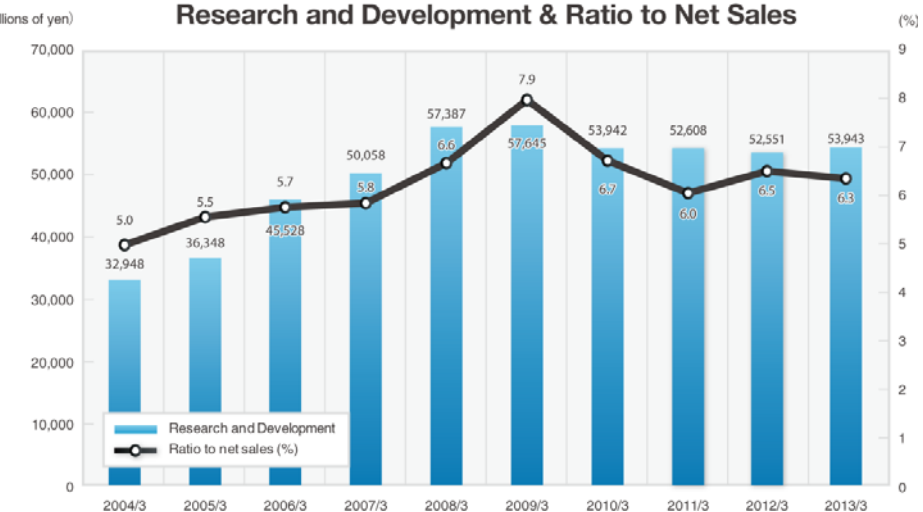
Net Sales & Overseas Sales Ratio



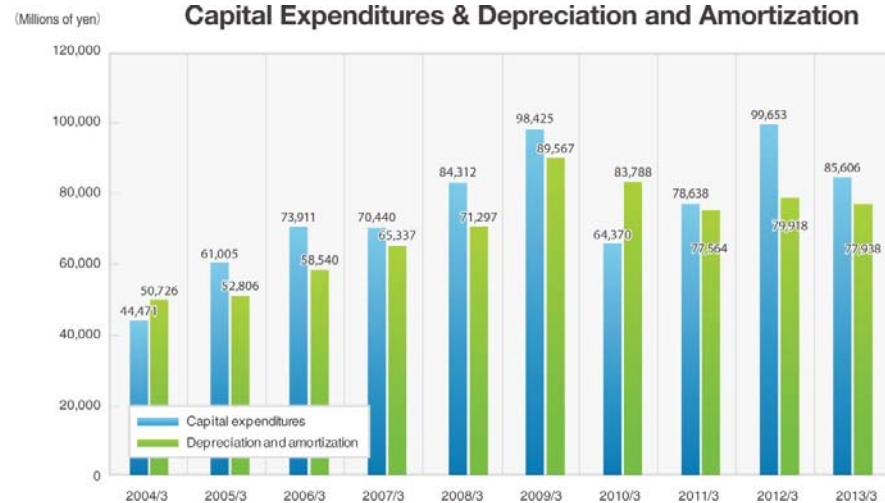
Operating Income, Net Income & Operating Income Ratio



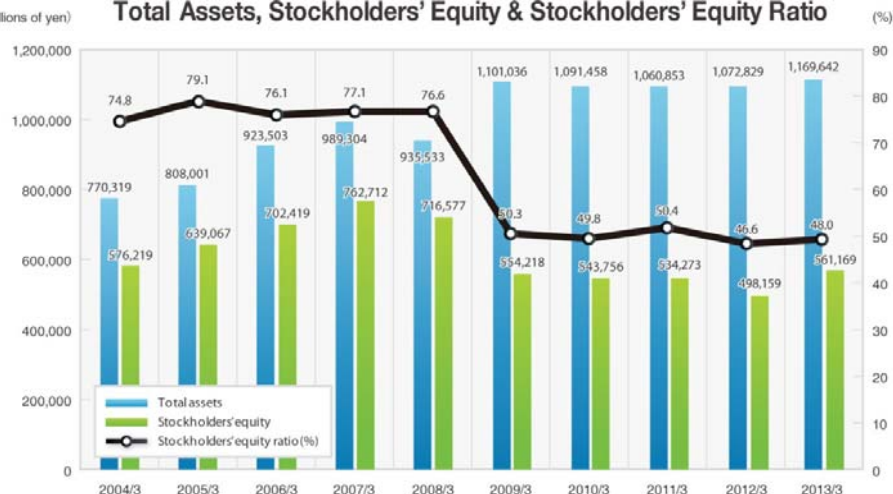
Research and Development & Ratio to Net Sales



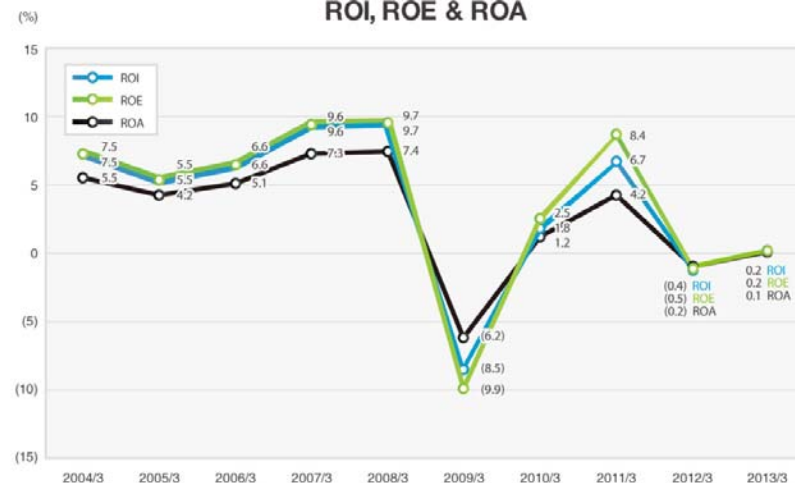
Capital Expenditures & Depreciation and Amortization



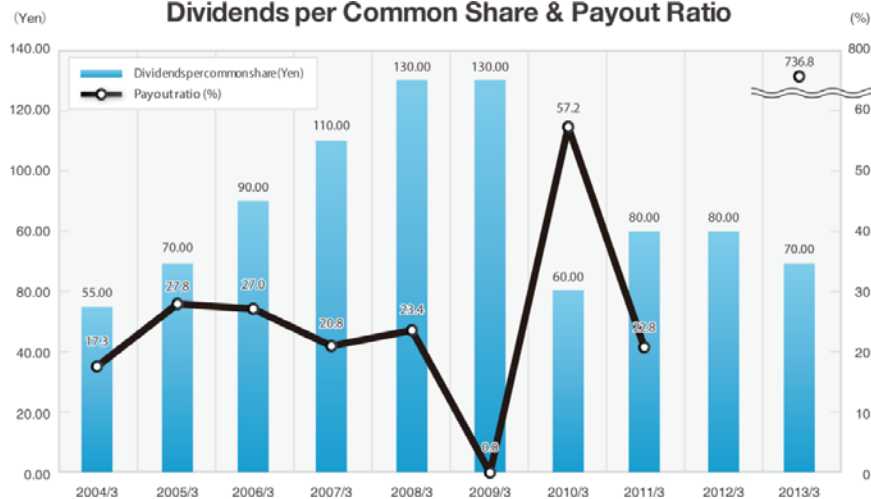
Total Assets, Stockholders' Equity & Stockholders' Equity Ratio (%)



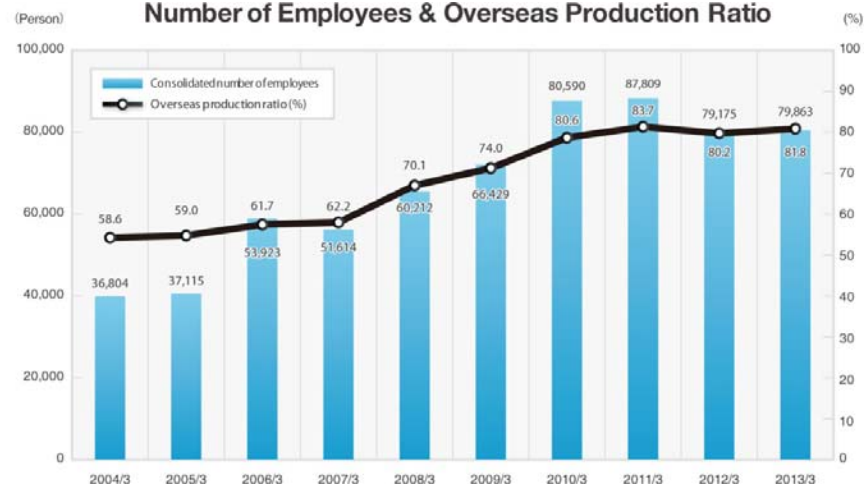
ROI, ROE & ROA (%)



Dividends per Common Share & Payout Ratio (%)



Number of Employees & Overseas Production Ratio (%)



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 TDK Group in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors. TDK Group therefore wishes to caution readers that, being subject to risks, uncertainties and other factors, 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 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. The electronics markets in which TDK Group operates are highly susceptible to rapid changes. Risks, uncertainties and other factors that can have significant effects on TDK Group include, but are not limited to, shifts in technology, fluctuations in demand, prices, interest and foreign exchange rates, and changes in economic environments, conditions of competition, laws and regulations. Also, since the purpose of these materials is only to give readers a general outline of business performance, many numerical values are shown in units of a billion yen. Because original values, which are managed in units of a million yen, are rounded off, the totals, differences, etc. shown in these materials may appear inaccurate. If detailed figures are necessary, please refer to our financial statements and supplementary materials.



Text data including Q&A of performance briefing will be uploaded on following site
http://www.global.tdk.com/ir/ir_events/conference/2014/2q_1.htm