

Performance Briefing 1Q of Fiscal Year March, 2015

**TDK Corporation
July 31, 2014**

◆ Consolidated Results for 1Q of FY March 2015

Takakazu Momozuka, Corporate Officer

◆ Recording Device Business

Atsuo Kobayashi, Executive Vice President

◆ High Frequency Components Business

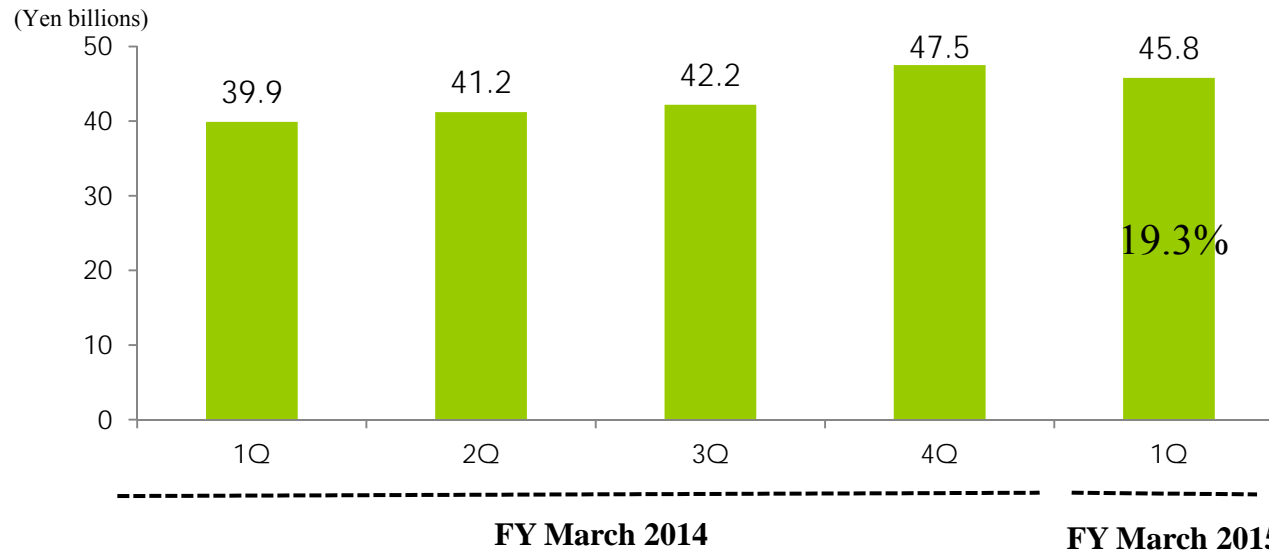
Hiroyuki Uemura, Executive Vice President

Consolidated Results for 1Q of FY March 2015

Takakazu Momozuka
Corporate Officer

Key points concerning earnings for 1Q of FY March 2015

- ◆ **Operating income doubled year on year.**
- ◆ **Earnings from passive components improved by a large margin.**
Quarterly operating income from this segment was the highest ever, and exceeded that from magnetic application products.
Sales to the automobile and Chinese smartphone markets were strong.
- ◆ **Sales to the automobile market were 19.3% of total sales.**
(15% increase year on year)



Consolidated Results for 1Q of FY March 2015

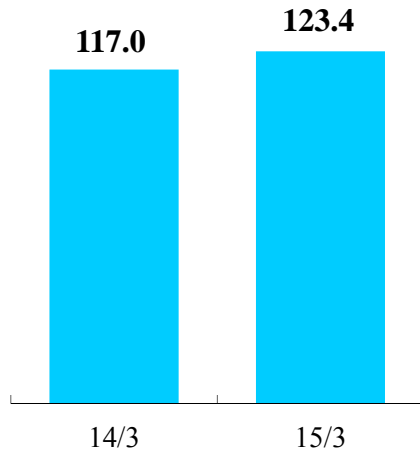


(Yen billions)	FY March 2014 1Q Results	FY March 2015 1Q Results	Change	
			Yen billions	%
Net Sales	234.4	237.5	3.1	1.3
Operating Income	4.5	9.6	5.1	113.3
Operating Income Margin	1.9%	4.0%	+2.1pt	-
Income from Continuing Operations before Income Taxes	5.2	10.4	5.2	100.0
Income from continuing Operations	1.5	6.3	4.8	320.0
Loss from discontinued operations	-0.4	-	-	-
Net income attributable to noncontrolling interests	0.7	0.5	(0.2)	-28.6
Net Income	0.4	5.8	5.4	-
Earning Per Share (JPY)	2.96	45.73	-	-
US\$ (JPY)	98.74	102.17	Depreciated by 3.5%	
EURO (JPY)	128.96	140.17	Depreciated by 8.7%	
Ex-rate impact to Net sales & Operating Income	Net sales : Increased by about 5.8 billion Yen Operating income : Increased by about 1.0 billion Yen			

Note: The figures related to the data tape business and the blu-ray business, which became discontinued operations in the year ended March 31, 2014, are restated.

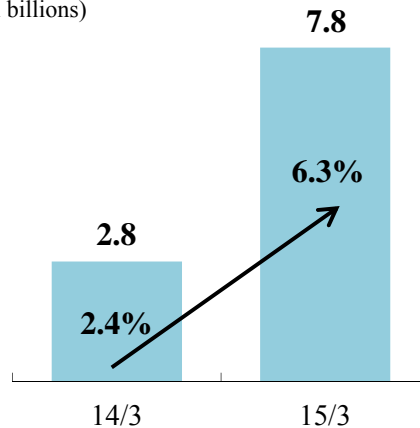
Net Sales

(Yen billions)



Operating Income (OP margin)

(Yen billions)



Net Sales 123.4 billion yen (up 5.5% year on year)

Operating Income 7.8 billion yen (2.8 times increase year on year)

◆Ceramic Capacitors

- Sales increased year on year, particularly to the automobile market, which accounts for around half of total sales.
- Profit margins also improved due to higher sales of new products and increased productivity.

◆Inductive Devices

- Sales to the automobile market, which accounts for around 40% of total sales, increased year on year.
- Earnings increased due to an improved product portfolio.

◆High-frequency Components

- Sales of competitive discrete products were firm.
(SAW, TC-SAW, BAW, Multi-layer filters)
- Profitability of the business as a whole improved year year.

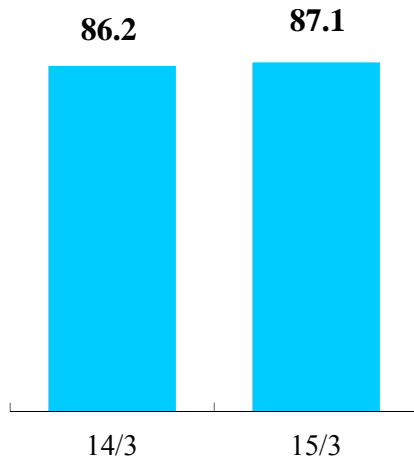
◆Piezoelectric Material Products

- Both revenues and profits increased year on year mainly due to strong sales of VCMs for camera modules and components for automobiles.

SAW : Surface Acoustic Wave, BAW : Bulk Acoustic Wave, TC-SAW : Temperature compensated SAW

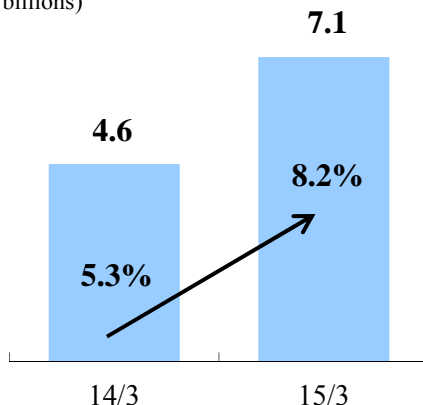
Net Sales

(Yen billions)



Operating Income (OP margin)

(Yen billions)



Net Sales 87.1 billion yen (up 1.0% year on year)

Operating income 7.1 billion yen (up 54.3% year on year)

◆Recording Devices (HDD Heads)

- Although the volume shipped declined, profits increased year on year due to increased productivity and an improved product portfolio.

◆Magnets

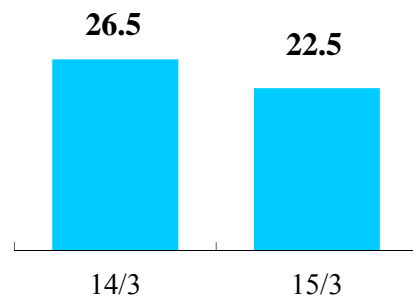
- Expenses relating to the consolidation of production sites for ferrite magnets, which took place in the same period of the previous year, were no longer incurred, while capacity utilization improved. As a result of these factors, losses narrowed by a large margin compared with the same period of the previous year. (Earnings also improved from the 4Q onwards.)

◆Power Supplies

- Sales to the industrial equipment market of products such as semiconductor production equipment, FA equipment and measuring equipment increased by around 20% year on year, while the business got back into the black.

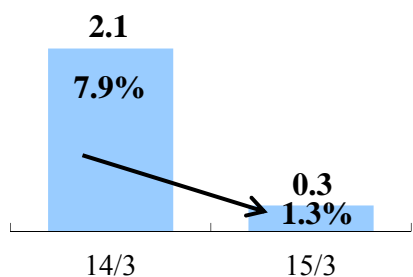
Net Sales

(Yen billions)



Operating Income (OP margin)

(Yen billions)



Net sales 22.5 billion yen (down 15.1% year on year)

Operating income 0.3 billion yen (down 85.7% year on year)

◆Energy Devices (Rechargeable Batteries)

- Both revenues and profits declined due to production adjustment made prior to the launch of new models for primary customer.

Quarterly Results by Segment



(Yen billions)		1Q of FY March 2014 (A)	4Q of FY March 2014 (B)	1Q of FY March 2015 (C)	YoY Change (C)-(A)		QoQ Change (C)-(B)	
					Yen billions	%	Yen billions	%
Net Sales	Capacitors	33.7	36.1	36.5	2.8	8.3	0.4	1.1
	Inductive Devices	35.0	34.9	36.7	1.7	4.9	1.8	5.2
	Other Passive Components	48.3	47.1	50.2	1.9	3.9	3.1	6.6
	Passive Components	117.0	118.1	123.4	6.4	5.5	5.3	4.5
	Recording Devices	60.2	61.2	59.1	(1.1)	-1.8	(2.1)	-3.4
	Other Magnetic Application Products	26.0	28.3	28.0	2.0	7.7	(0.3)	-1.1
	Magnetic Application Products	86.2	89.5	87.1	0.9	1.0	(2.4)	-2.7
	Film Application Products	26.5	29.1	22.5	(4.0)	-15.1	(6.6)	-22.7
	Other	4.7	5.8	4.5	(0.2)	-4.3	(1.3)	-22.4
	Total	234.4	242.5	237.5	3.1	1.3	(5.0)	-2.1
Operating Income	Passive Components	2.8	0.3	7.8	5.0	178.6	7.5	-
	Magnetic Application Products	4.6	5.4	7.1	2.5	54.3	1.7	31.5
	Film Application Products	2.1	1.1	0.3	(1.8)	-85.7	(0.8)	-72.7
	Other	(0.8)	(0.8)	(0.4)	0.4	-	0.4	-
	Sub total	8.7	6.1	14.8	6.1	70.1	8.7	142.6
	Corporate and Eliminations	(4.2)	(4.5)	(5.2)	(1.0)	-	(0.7)	-
	Total	4.5	1.7	9.6	5.1	113.3	7.9	464.7
Operating Income margin		1.9%	0.7%	4.0%	+2.1pt	-	+3.3pt	-
Ex-rate	US\$/Yen	98.74	102.97	102.17				
	EURO/Yen	128.96	141.12	140.17				

Breakdown of Operating Income Changes

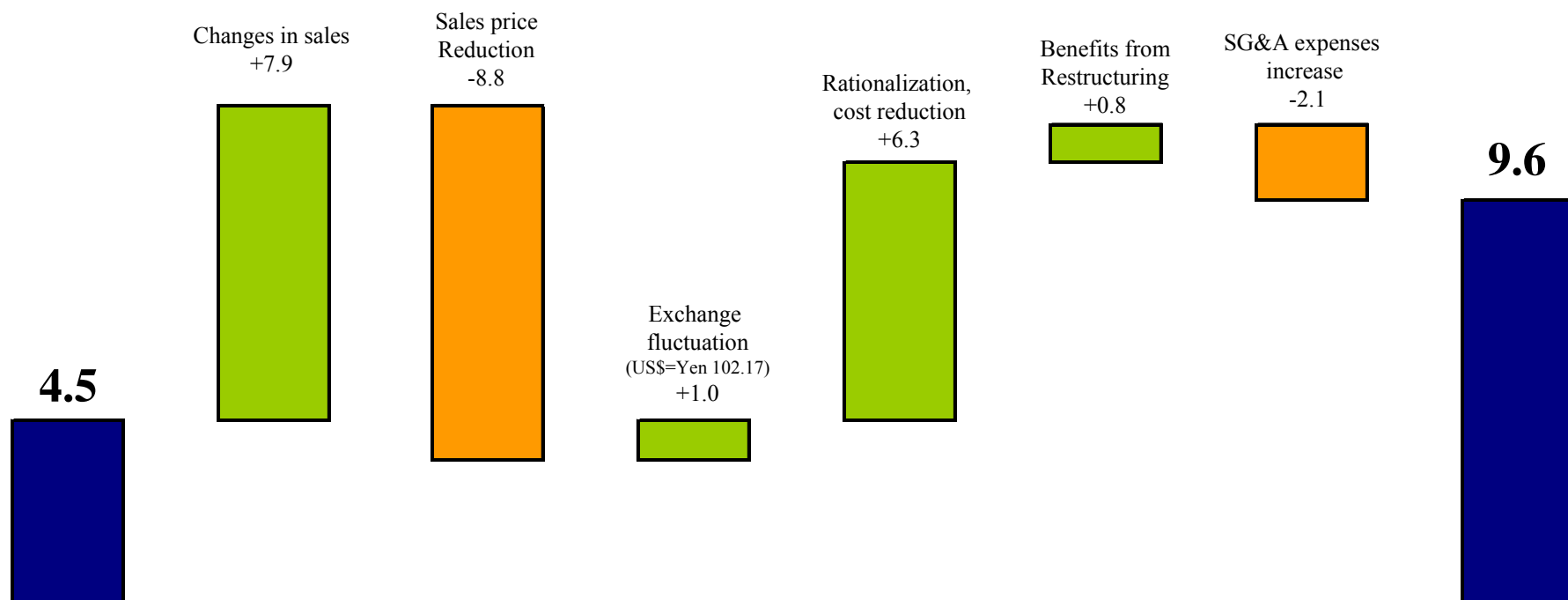


1Q of
FY March 2014
4.5 billion yen

Operating Income +5.1 billion yen

1Q of
FY March 2015
9.6 billion yen

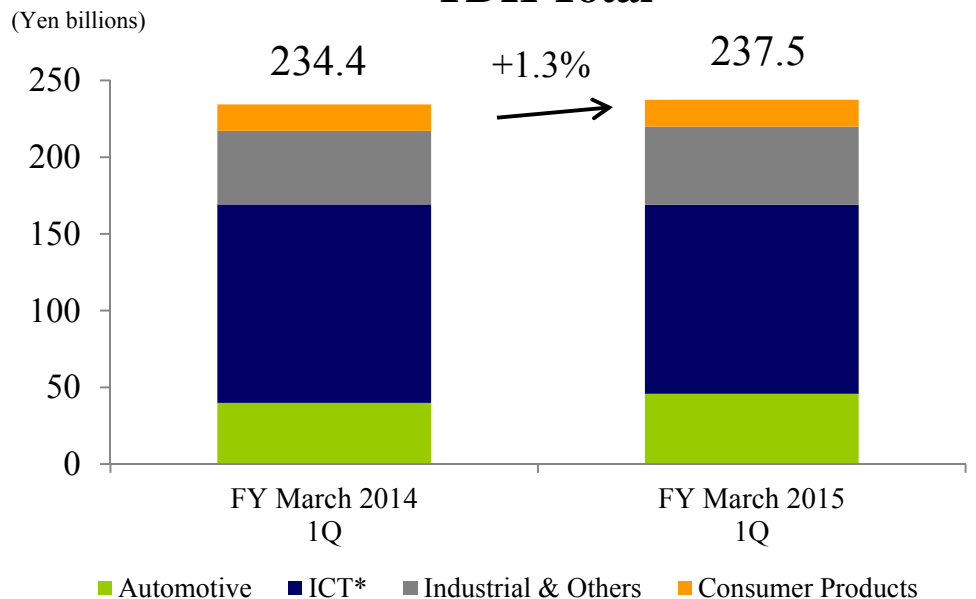
(Yen billions)



Sales Results by Priority Markets

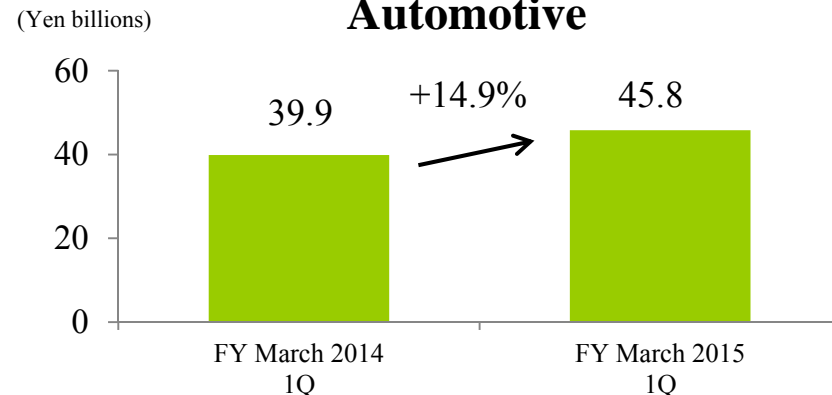


TDK Total

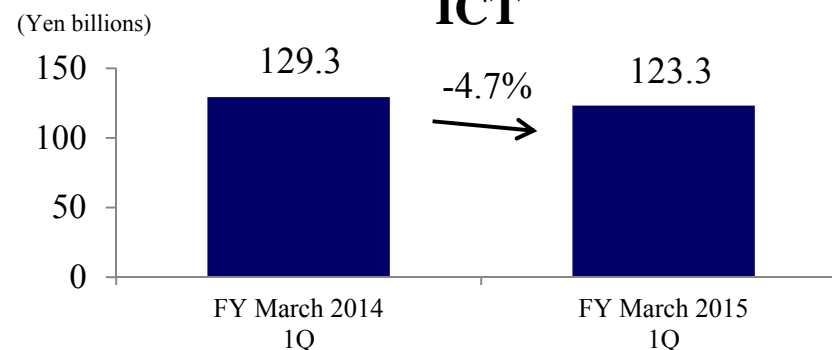


*Includes HDD Heads and HDD Suspensions

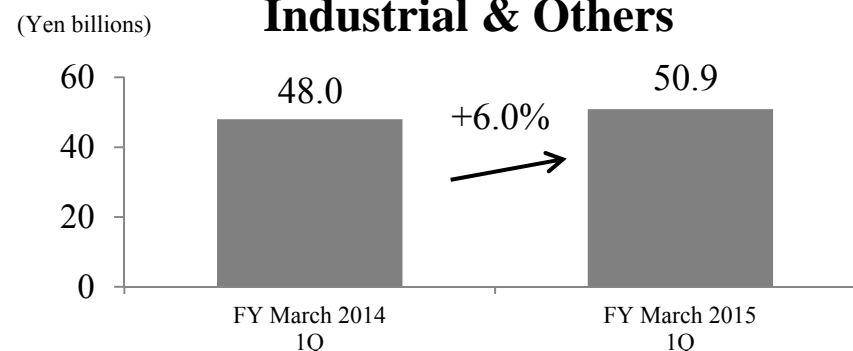
Automotive



ICT



Industrial & Others



Automotive :

Strong sales of passive components

ICT :

Weak sales of batteries for smartphones

Industrial & Others :

Increase in sales of power supplies and passive components

Projections for 2Q of FY March 2015 -Image of change in sales

Segment	1Q of FY March 2015	2Q Projections (Q on Q Change)	Main factor and premise of projections
Passive Components	123.4	+7%~+8%	Increase in sales of various products for the ICT market (especially communications equipment market) and the automobile market
Magnetic Application Products	87.1	± 0%	Due to maturation of HDD market
Film Application Products	22.5	+40%+α	Increase in sales of rechargeable batteries for the ICT market (sales growth driven by higher demand for new product to be launched by our primary customer)
Other	4.5		
Total	237.5	+7%~+9%	

Forex assumptions

\$/Yen	102.17	100.00
EURO/Yen	140.17	135.00

FY March 2015 Full Year / Dividend Projections



TDK keeps initial projections (announced on April 28) unchanged.

(Yen billions)		FY March 2014 Full Year Results	FY March 2015 Full Year Projections	Y o Y Change	
				Yen billions	%
Net Sales		984.5	1,050.0	65.5	6.7%
Operating Income		36.6	57.0	20.4	55.7%
Operating Income Margin		3.7%	5.4%	+1.7pt	-
Income from continuing operations before income		39.8	56.0	16.2	40.7%
Net Income		16.3	34.0	17.7	108.6%
Earning Per Share (JPY)		129.47	270.23	-	-
Dividends (JPY)		1st half :30 (results) 2nd half :40 (projections) Annual: 70 (projections)	1st half :40 2nd half :40 Annual: 80	-	-
Ex-rate	US\$	Yen 100.26	Yen 100.00	-	
	EURO	Yen 134.42	Yen 135.00	-	

Recording Device Business

Atsuo Kobayashi
Executive Vice President

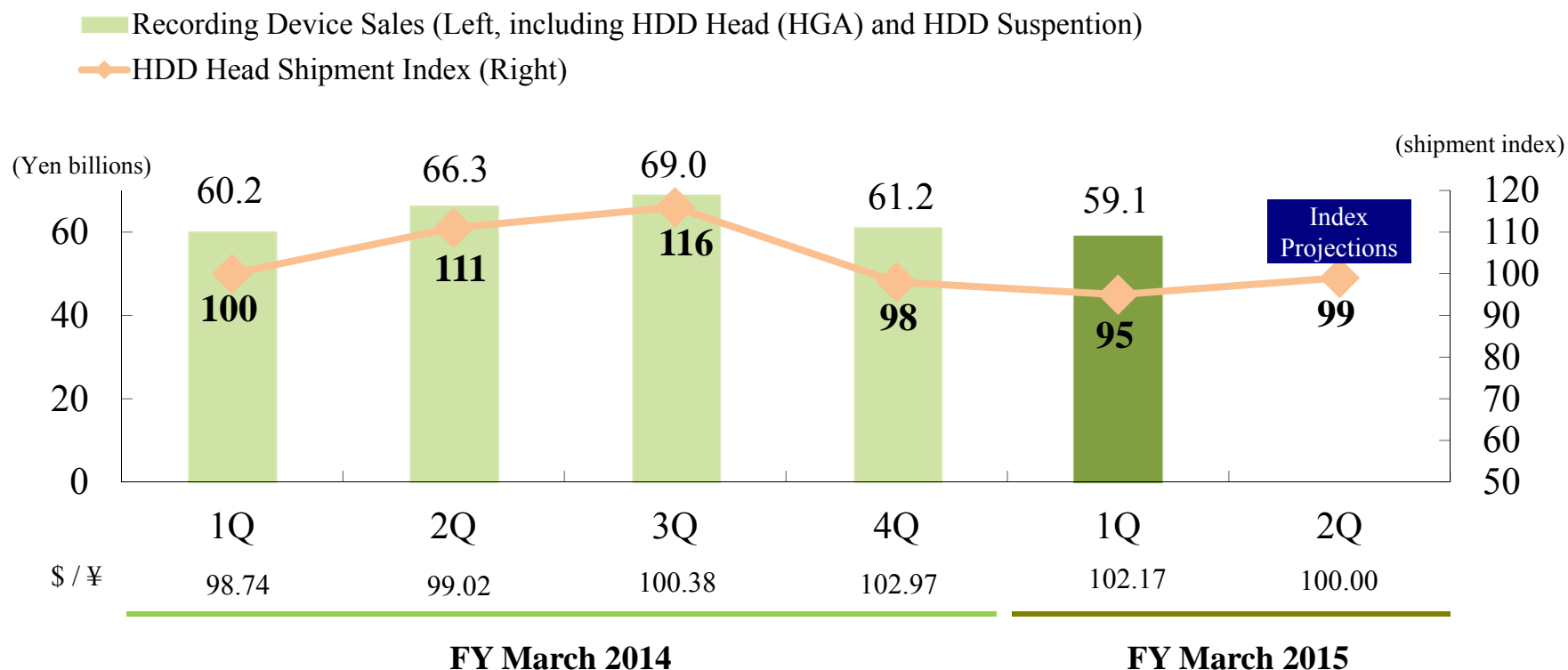
●HDD market

FY March 2014 : About 552 million units (TDK's estimation on April 28)

FY March 2015 : About 535 million units (TDK's previous forecast on April 28)

FY March 2015 : About 552 million units (TDK's current forecast, increase by 17M units from the previous forecast)

●Shipment index



Medium to long term HDD market

Changes in applications within the market



Decrease in demand from PC

Increase in demand from data centers

- Increase in devices such as tablets (which use SSDs)

- Data volume is increasing worldwide.
- Cloud services are proliferating.
- Increasing power consumption by data centers is also an issue.



Changes in the number of heads per HDD



1~4 heads per HDD



6~14 heads per HDD

HDDs for data centers use more heads.



The world's only dedicated HDD head manufacturer. We possess R&D and manufacturing capabilities that enable us to continuously bring the most advanced products in the industry (the highest areal densities in the world) to market.

- The recording capacity of HDDs for data centers, demand for which is on the rise, will need to continue to be expanded in the future. The number of heads per HDD will also increase in conjunction with this.
- Enterprise, near-line, etc. data center markets continuously adopt the most advanced products.
⇒ **TDK can contribute to these markets.**
- Introduction of new products

Launch new products one after another!

Thermal Assisted
Magnetic
Recording Head

Next-generation
Reading Head

Micro-DSA

**Generate stable earnings from
the recording device business as a whole
even over the medium to long term**

High Frequency Components Business

Hiroyuki Uemura
Executive Vice President

High Frequency Components

Target Markets



Market environment

- Launch of TD-LTE ⇒ Rapid increase in production of 4G devices
- Increase in number of components due to the transition from three-mode to five-mode technology

- Slumping production of high-end models (mainly smartphones) and tablet devices

- Production adjustments prior to the launch of new models
⇒ New models will be launched from 2Q

Activities

Tapping the benefits of reference designs, stepping up of activities to encourage replacements.



Sharp increase in orders for discrete products.
(SAW, TC-SAW, BAW, Multilayer filter)

New approvals obtained for module products
Increasing share for existing module products



Production trends at primary customer from 2Q onwards a key factor
Expansion in sales to secondary customers

Commencement of acceptance of new orders for module products
Stepping up of efforts to expand sales for PA modules



Expansion in sales of discrete and module products from 2Q onwards

Business strategy

- ◆ Expand reference share by redoubling qualification efforts targeting IC manufacturers
- ◆ Expand our share of the market for competitive discrete products by further strengthening our lineup of such products
- ◆ Expand our share of the module market by developing and launching small-package products
- ◆ Continue to improve productivity

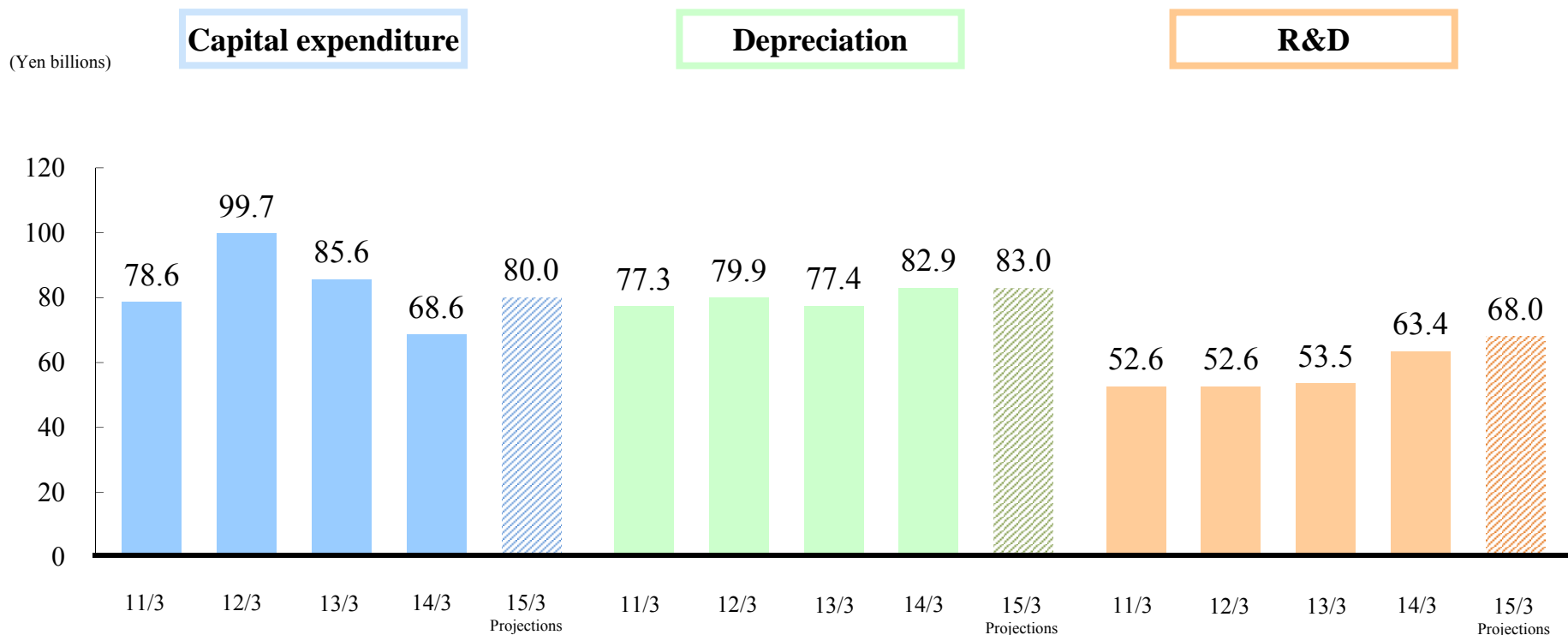
Supplementary Data

Quarterly sales and operating income by segment



Yen billions		FY March 2014					FY March 2015				
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net Sales	Capacitors	33.7	35.1	34.7	36.1	139.6	36.5				
	Inductive Devices	35.0	35.5	34.9	34.9	140.3	36.7				
	Other Passive Components	48.3	48.8	47.5	47.1	191.7	50.2				
	Passive Components	117.0	119.4	117.1	118.1	471.7	123.4				
	Recording Devices	60.2	66.3	69.0	61.2	256.7	59.1				
	Other Magnetic Application Products	26.0	26.6	26.8	28.3	107.7	28.0				
	Magnetic Application Products	86.2	92.9	95.7	89.5	364.3	87.1				
	Film Application Products	26.5	32.7	41.0	29.1	129.3	22.5				
	Other	4.7	4.4	4.3	5.8	19.3	4.5				
Total		234.4	249.4	258.2	242.5	984.5	237.5				
Operating Income	Passive Components	2.8	6.2	6.1	0.3	15.4	7.8				
	Magnetic Application Products	4.6	7.8	10.3	5.4	28.1	7.1				
	Film Application Products	2.1	3.3	6.8	1.1	13.4	0.3				
	Other	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)	(0.4)				
	Sub-total	8.7	16.5	22.4	6.1	53.7	14.8				
	Corporate and Eliminations	(4.3)	(4.0)	(4.4)	(4.5)	(17.1)	(5.2)				
Total		4.5	12.5	17.9	1.7	36.6	9.6				
Ex-rate	¥/USD	98.74	99.02	100.38	102.97	100.23	102.17				
	¥/EURO	128.96	131.11	136.56	141.12	134.42	140.17				

FY March 2015 Projections -Capex, Depreciation, R&D-



11/3 : FY March 2011

Financial Position and Cash Flows



(JPY billion)	March End, 2014	June End, 2014	Change	(FYI) June End, 2013
Total Asset	1,239.6	1,241.3	1.7	1,224.0
Total Liability	587.3	605.2	17.9	615.0
Stockholders's Equity	635.3	618.2	(17.1)	588.7
(comprehensive income)	(87.1)	(96.8)	(9.7)	(127.0)
Stockholders's Equity ratio	51.3%	49.8%	-1.5pt	48.1%
Cash and Cash equivalents	259.5	257.5	(2.0)	244.8
Interest-bearing Debt	267.0	281.8	14.8	304.4
Net Cash	(7.5)	(24.3)	(16.8)	(59.6)

(Yen billions)	1Q of FY March 2014	1Q of FY March 2015	Change
Capital Expenditures	14.4	20.4	6.0
Depreciation and amortization	20.7	19.7	(1.0)

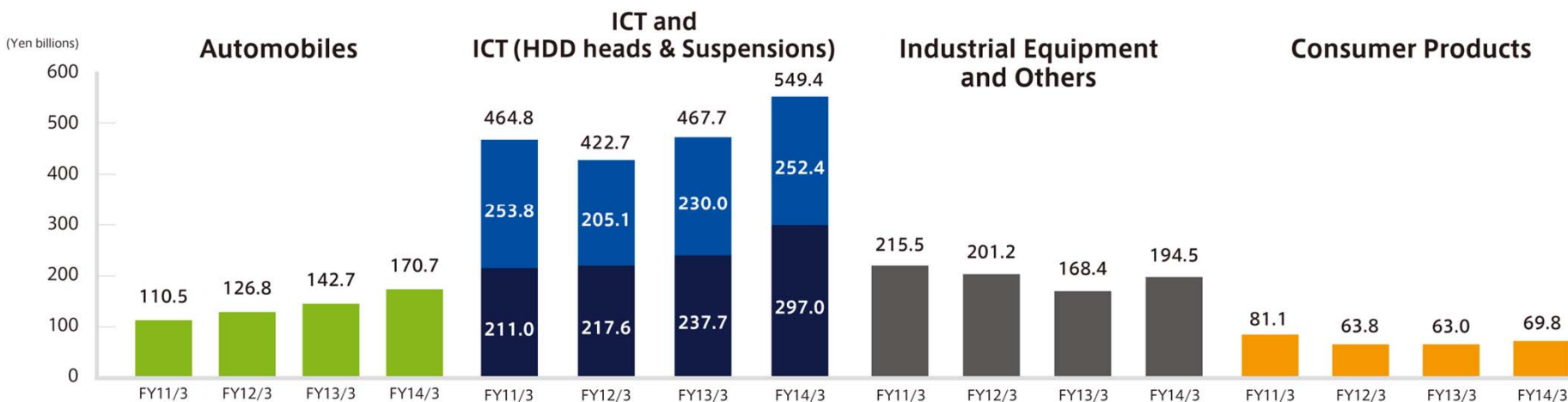
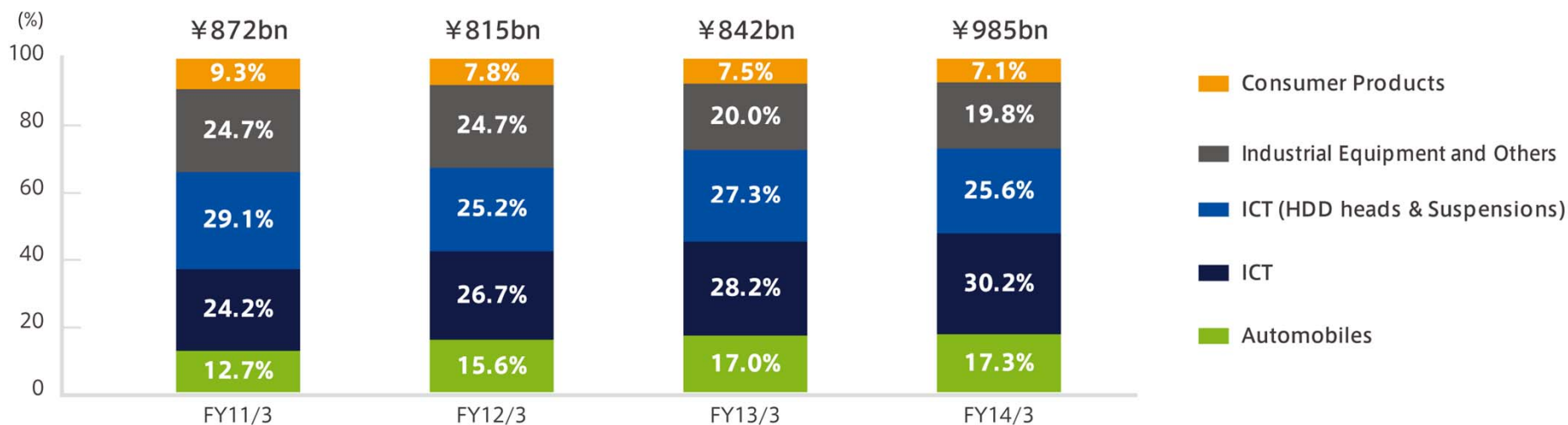
Cash Flows



	FY March 2014 1Q Results	FY March 2015 1Q Results
(Yen billions)		
Operating Cash Flow	22.8	18.7
Investing Cash Flow	(16.0)	(18.5)
Free Cash Flow	6.8	0.2
Financing Cash Flow	2.7	1.7
Effect of exchange rate changes on cash and cash equivalents	10.0	(3.4)

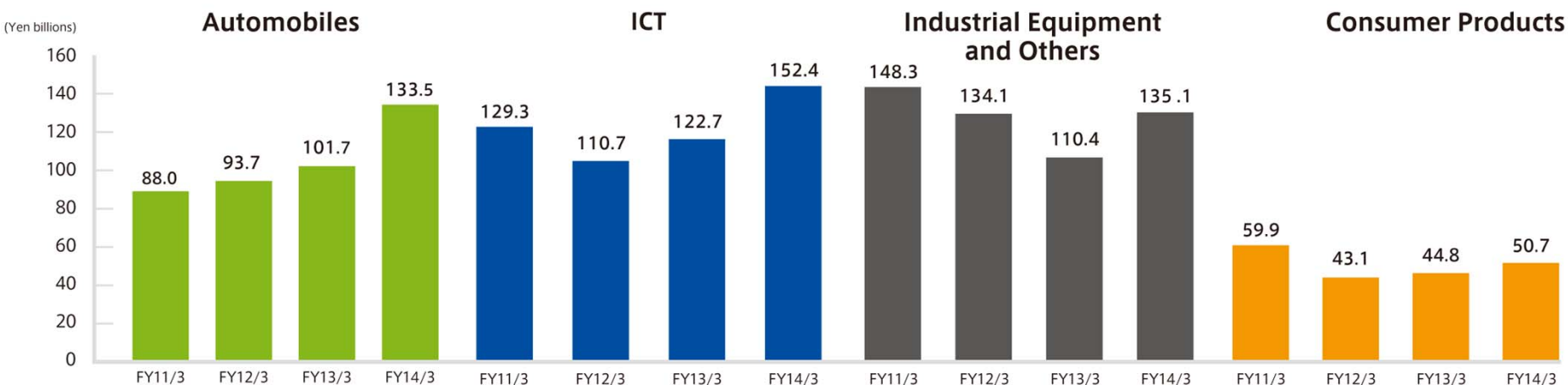
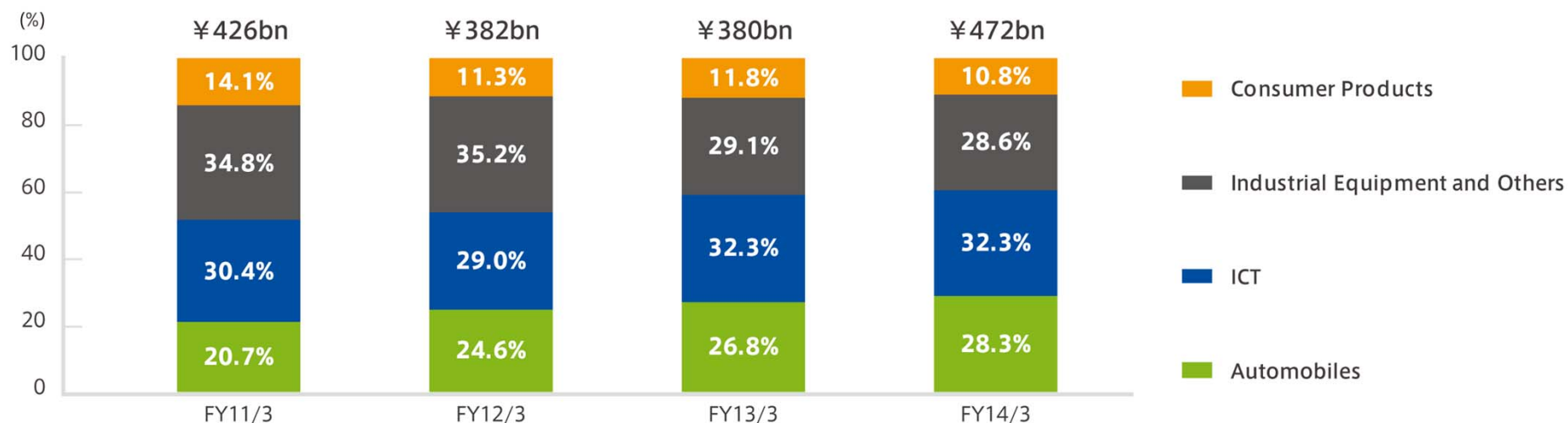
Cash and Cash Equivalents	233.1	249.3
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Annual Sales by applications (FY March 2011 – FY March 2014)



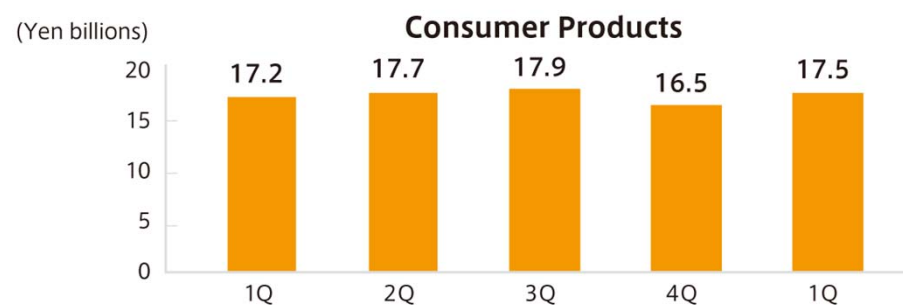
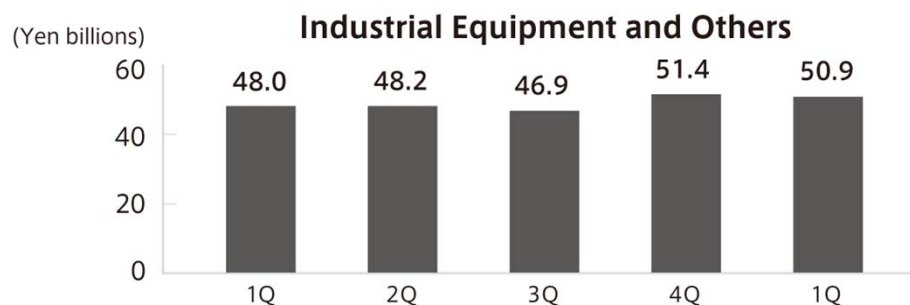
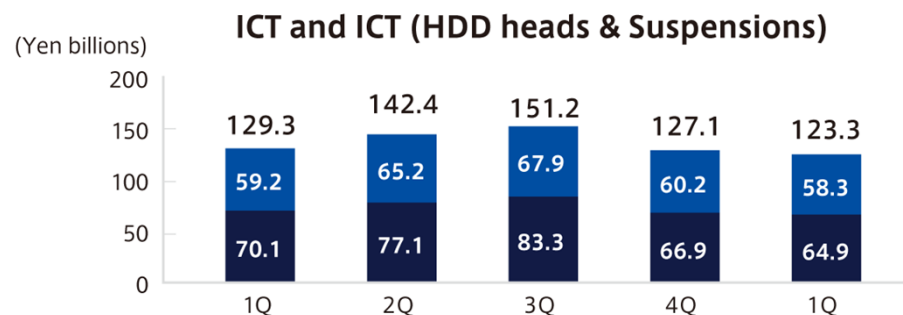
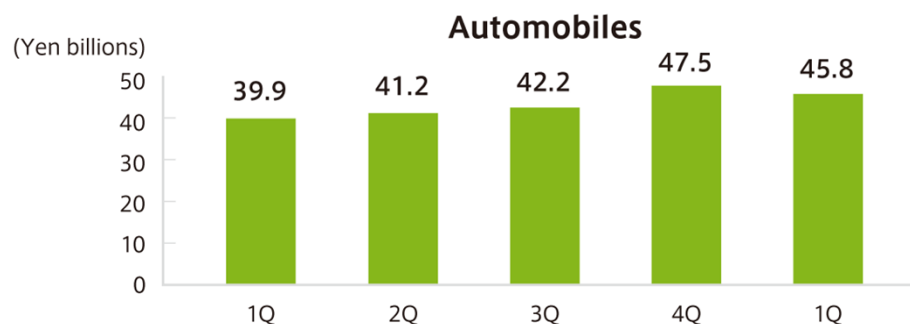
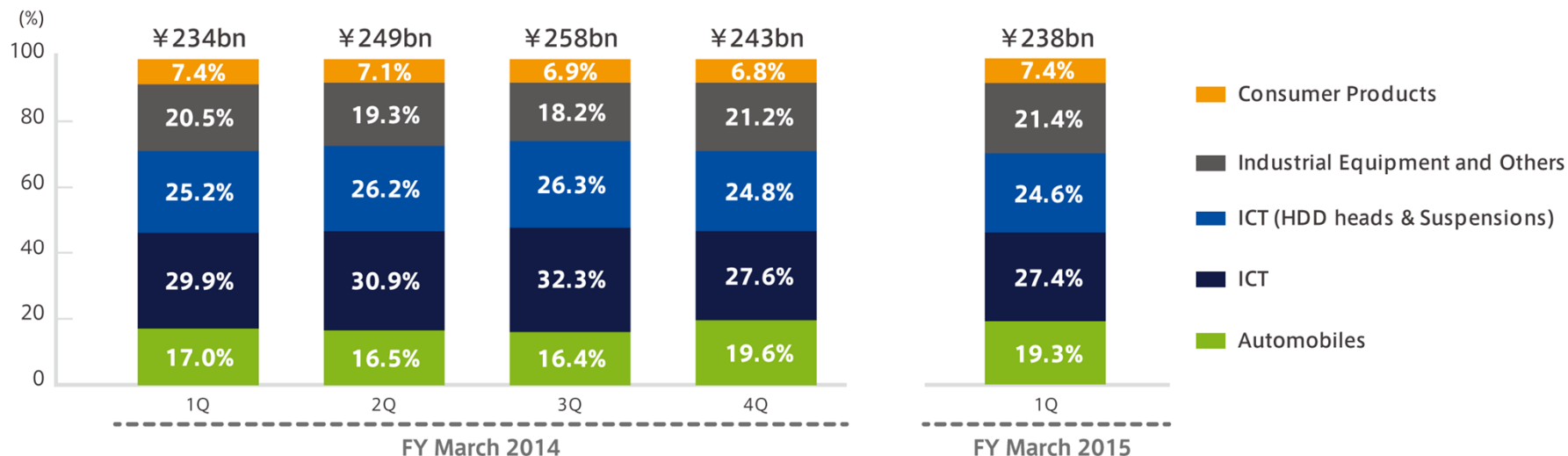
FY11/3 : FY March 2011

Passive Components Business Annual sales by applications (FY March 2011 – FY March 2014)

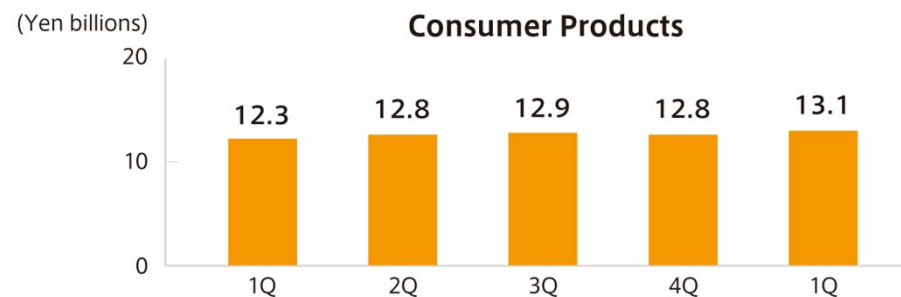
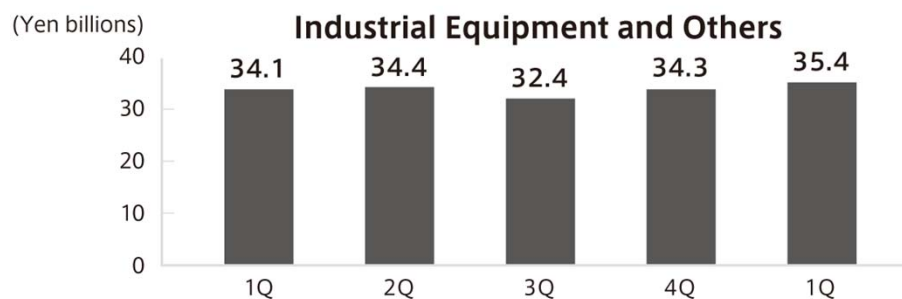
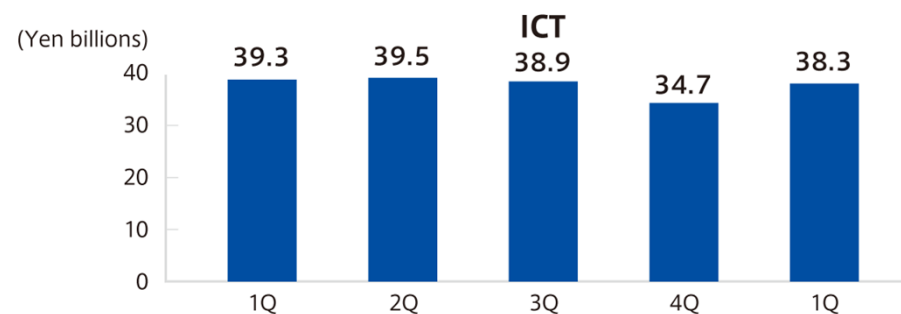
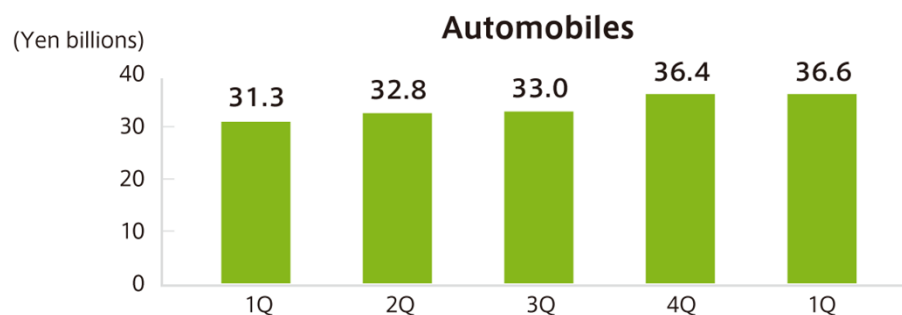
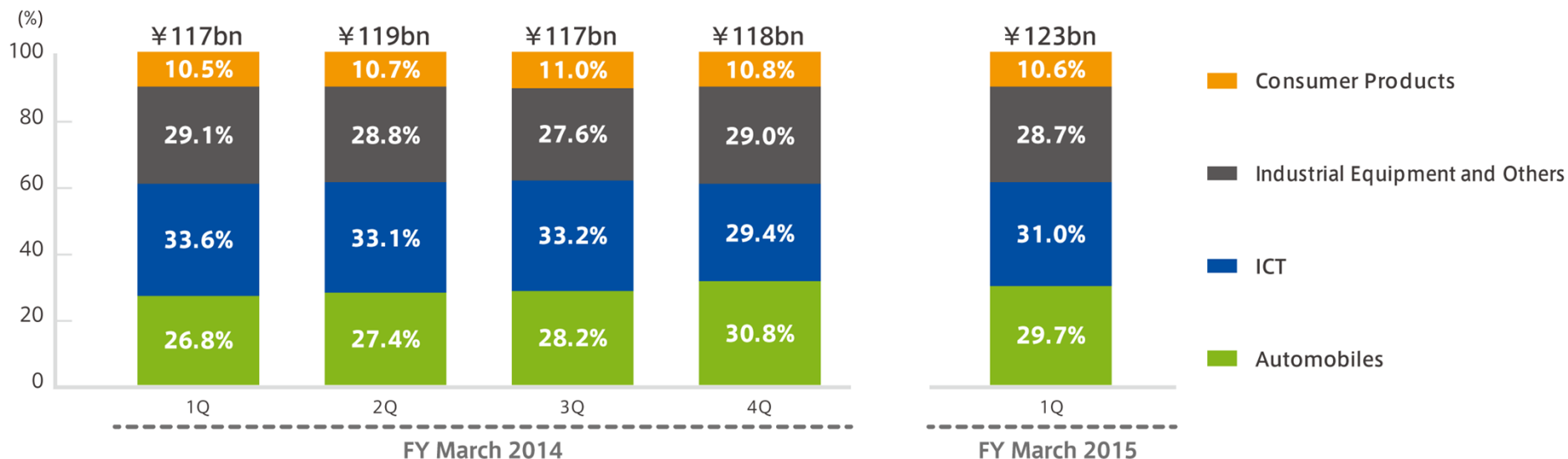


FY11/3 : FY March 2011

Quarterly sales by applications (1Q of FY March 2014 –1Q of FY March 2015)



Passive Components Business quarterly sales by applications (1Q of FY March 2014 – 1Q of FY March 2015)



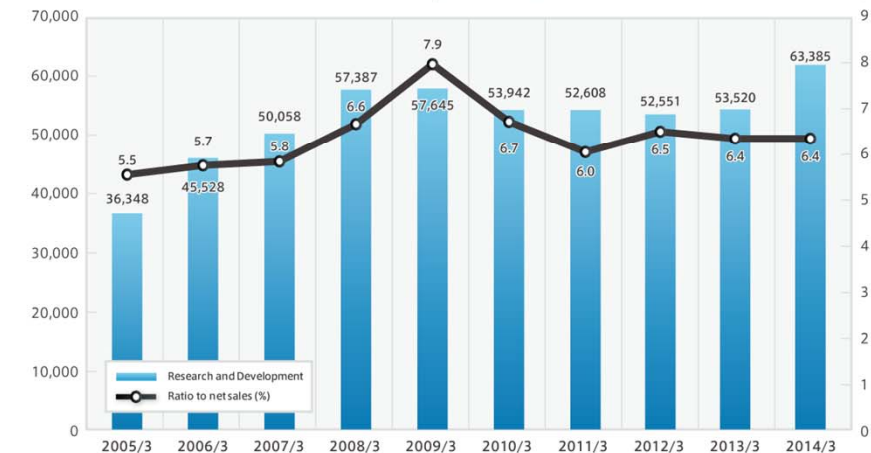
(Millions of yen) **Net Sales & Overseas Sales Ratio**



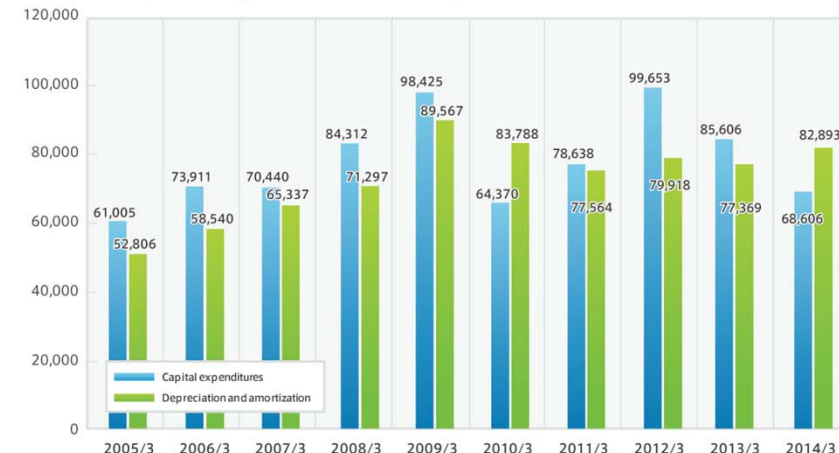
(%) (Millions of yen) **Operating Income, Net Income & Operating Income Ratio**

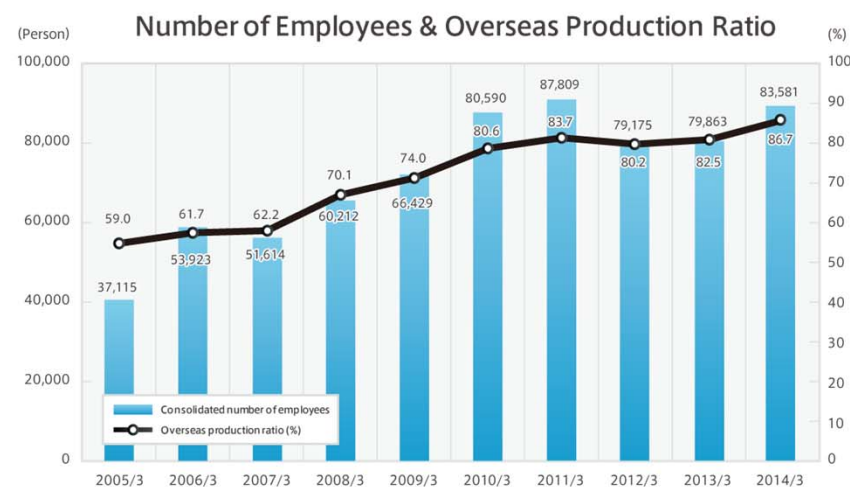
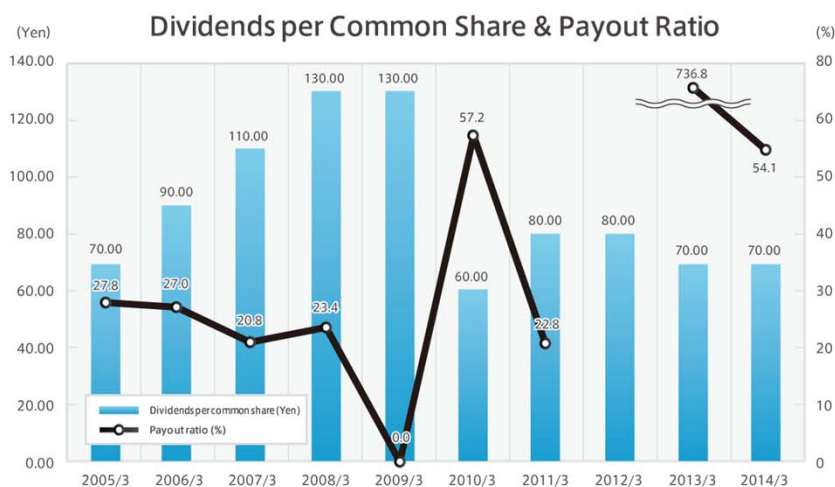
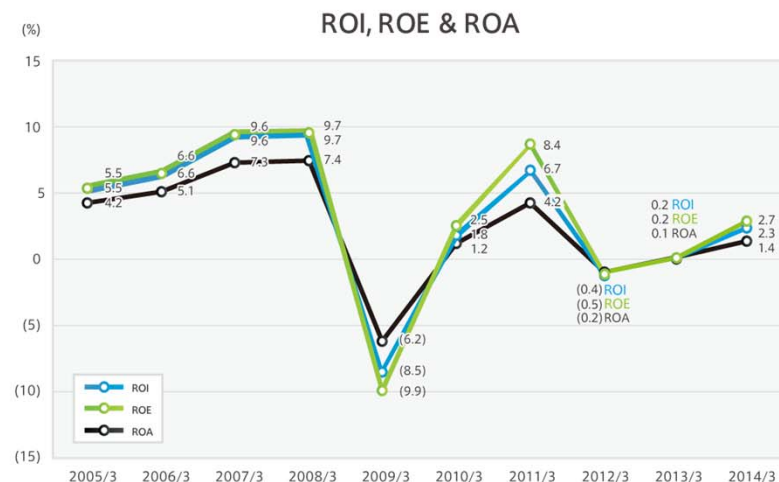
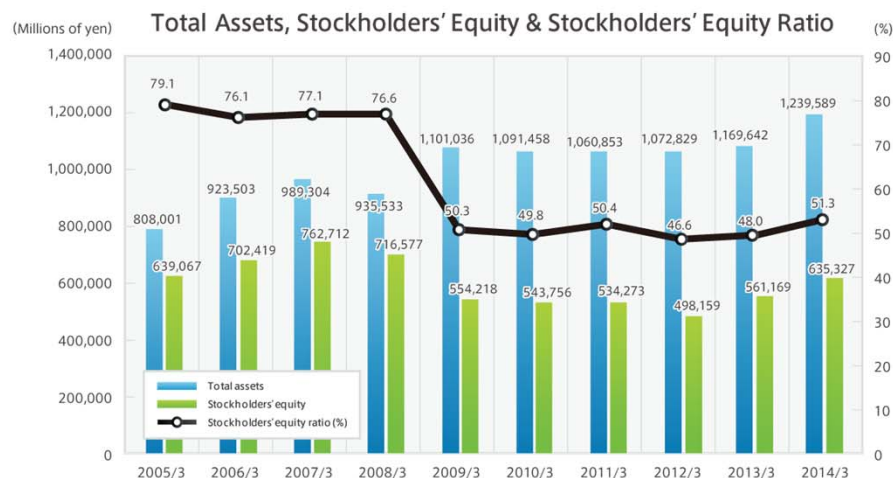


(Millions of yen) **Research and Development & Ratio to Net Sales**



(%) (Millions of yen) **Capital Expenditures & Depreciation and Amortization**





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.

The electronics markets in which the TDK Group operates are highly susceptible to rapid changes, risks, uncertainties, and other factors that can have significant effects on the TDK Group including, but 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/2015/1q_1.htm