

Attracting Tomorrow



Performance Briefing 1Q of Fiscal Year March 2020

- **Consolidated Results for 1Q of FY March 2020**
Tetsuji Yamanishi, Senior Vice President

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Tetsuji Yamanishi
Senior Vice President

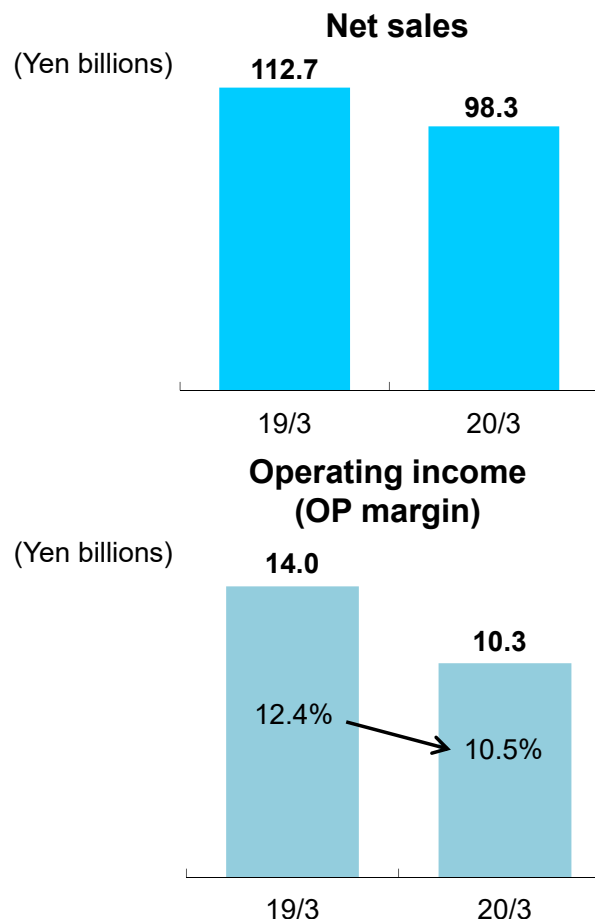
Key points concerning earnings for 1Q of FY March 2020

- **Delivered mostly the same level of net sales and operating income as in 1Q of FY March 2019, despite the impact of global economic deceleration due to escalation of trade friction between the U.S. and China.**
 - Net sales decreased 1.8% year on year. Operating income declined 1.6% year on year.
 - Sales to the ICT market surpassed initial expectations, increasing year on year. Rechargeable Batteries drove the Company's overall earnings, with the growth in sales for use in smartphones.
 - Sales declined year on year in line with a lower-than-expected level of demand due to worsening conditions surrounding demand for automobiles and industrial equipment in the Chinese market. In the Passive Components segment, TDK posted lower earnings on lower sales. In the Sensor Application Products segment, the Company posted lower earnings on lower sales due to lackluster sales to the automotive market.
 - The outlook remains uncertain for 2Q onward due to the impact of global economic deceleration. TDK will focus on achieving the Medium-Term Plan targets by steadily executing various initiatives.

Consolidated results for 1Q of FY March 2020

(Yen billions)		FY March 2019 1Q results	FY March 2020 1Q results	Change	
				Yen billions	%
Net sales		343.1	336.8	(6.3)	-1.8
Operating income		25.4	25.0	(0.4)	-1.6
Operating income margin		7.4%	7.4%	+0.0 pt	-
Income before income taxes		23.7	24.7	1.0	4.2
Net income		16.2	15.6	(0.6)	-3.7
Earning per share (JPY)		128.29	123.43	-	-
Ex-rate	US\$ (JPY)	109.09	110.10	Depreciated by 0.9%	
	EURO (JPY)	130.16	123.57	Appreciated by 5.1%	
Ex-rate impact to net sales & operating income		Net sales : Decreased by about 3.9 billion Yen Operating income : Increased by about 0.6 billion Yen			

1Q results - Passive Components segment



19/3: FY March 2019

Net sales 98.3 billion yen (down 12.8% year on year)
Operating income 10.3 billion yen (down 26.4% year on year)

- **Ceramic Capacitors**

- ▮ Sales decreased and operating income increased year on year.
- ▮ Sales increased to the automotive and the ICT markets, while decreased to the industrial equipment market and distributors.

- **Aluminum Electrolytic Capacitors and Film Capacitors**

- ▮ Sales and operating income decreased year on year.
- ▮ Sales decreased mainly to the automotive and the industrial equipment markets.

- **Inductive Devices**

- ▮ Sales and operating income decreased year on year.
- ▮ Sales decreased mainly to the automotive market and distributors.

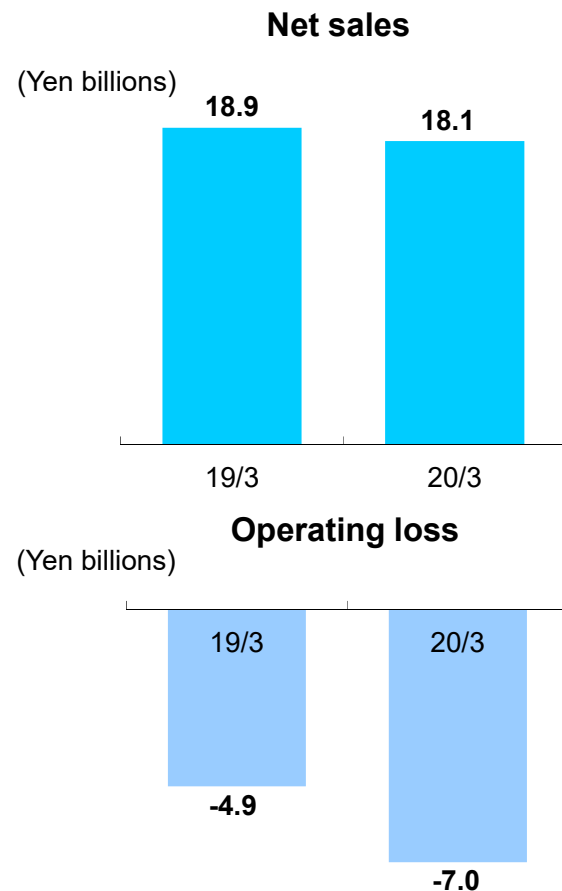
- **High-Frequency Components**

- ▮ Sales increased year on year.
- ▮ Sales increased to the ICT market.

- **Piezoelectric Material Products and Circuit Protection Components**

- ▮ Sales and operating income decreased year on year.
- ▮ Sales decreased mainly to the automotive and the industrial equipment markets.

1Q results - Sensor Application Products segment



Net sales 18.1 billion yen (down 4.2% year on year)
Operating loss -7.0 billion yen (up —% year on year)

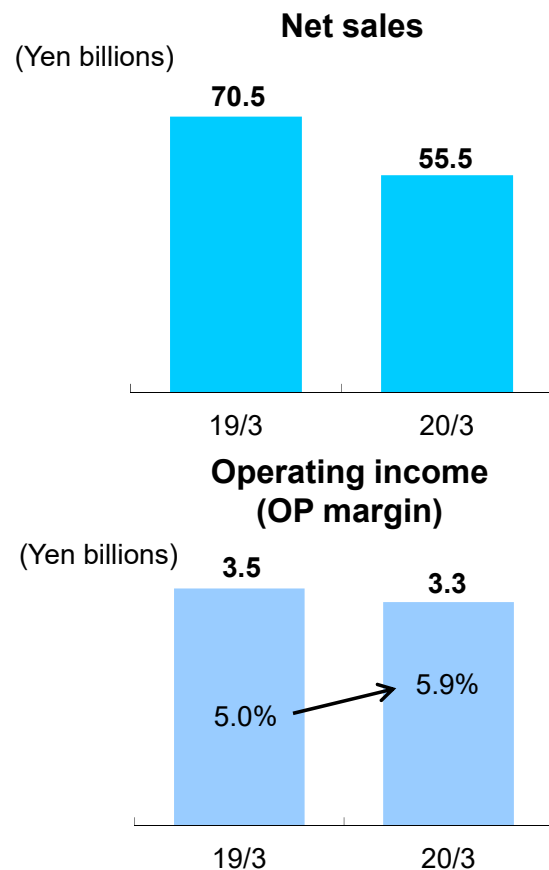
- **Sensors**

- ↪ Sales and operating income decreased year on year.
- ↪ Sales of Magnetic Sensors (Hall Sensors) decreased to the automotive market.
- ↪ Sales of MEMS Sensors increased due to the expansion in the customer base.

19/3: FY March 2019

1Q results - Magnetic Application Products segment

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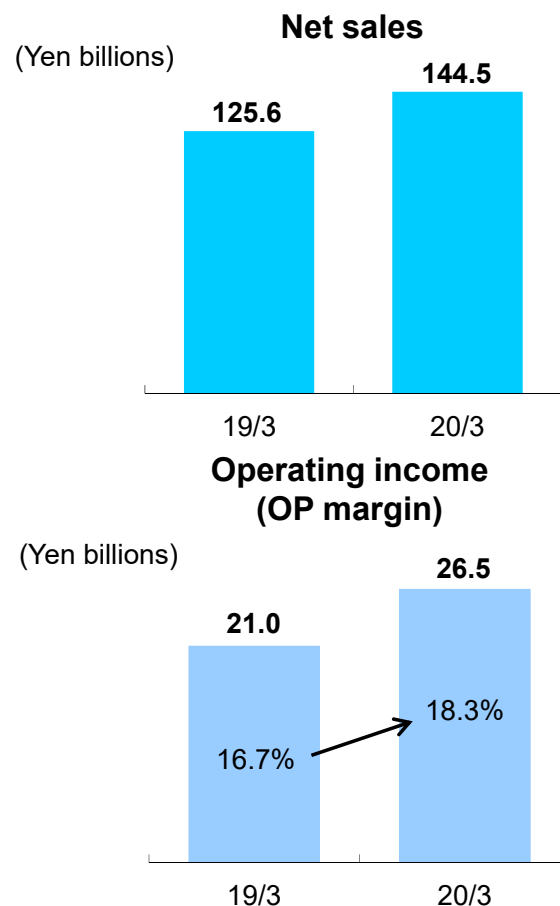
19/3: FY March 2019

Net Sales 55.5 billion yen (down 21.3% year on year)
Operating income 3.3 billion yen (down 5.7% year on year)

- **HDD Heads and HDD Suspension Assemblies**
 - ▮ Sales and operating income decreased year on year.
- **Magnets**
 - ▮ Sales decreased year on year.
 - ▮ Sales decreased to the industrial equipment market.

1Q results - Energy Application Products segment

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19/3: FY March 2019

Net Sales 144.5 billion yen (up 15.0% year on year)
Operating income 26.5 billion yen (up 26.2% year on year)

- **Energy Devices (Rechargeable Batteries)**
 - ▮ Sales and operating income increased year on year.
 - ▮ Sales to the ICT market expanded.
 - ▮ Sales of mini cells increased in addition to sales for smartphones, tablets, and laptops.
- **Power Supplies**
 - ▮ Sales and operating income of Power Supplies for industrial equipment decreased year on year.

Quarterly results by segment

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(Yen billions)		1Q of FY March 2019 (A)	4Q of FY March 2019 (B)	1Q of FY March 2020 (C)	YoY change (C)-(A)		QoQ change (C)-(B)	
					Yen billions	%	Yen billions	%
Net sales	Capacitors	44.5	42.3	39.3	(5.2)	-11.7	(3.0)	-7.1
	Inductive Devices	38.9	34.3	34.1	(4.8)	-12.3	(0.2)	-0.6
	Other Passive Components	29.3	25.3	24.8	(4.5)	-15.4	(0.5)	-2.0
	Passive Components	112.7	101.9	98.3	(14.4)	-12.8	(3.6)	-3.5
	Sensor Application Products	18.9	17.3	18.1	(0.8)	-4.2	0.8	4.6
	Magnetic Application Products	70.5	60.5	55.5	(15.0)	-21.3	(5.0)	-8.3
	Energy Application Products	125.6	111.8	144.5	18.9	15.0	32.7	29.2
	Other	15.4	17.6	20.4	5.0	32.5	2.8	15.9
	Total	343.1	309.1	336.8	(6.3)	-1.8	27.7	9.0
Operating income	Passive Components	14.0	13.3	10.3	(3.7)	-26.4	(3.0)	-22.6
	Sensor Application Products	(4.9)	(7.2)	(7.0)	(2.1)	-	0.2	-
	Magnetic Application Products	3.5	4.8	3.3	(0.2)	-5.7	(1.5)	-31.3
	Energy Application Products	21.0	12.1	26.5	5.5	26.2	14.4	119.0
	Other	(1.0)	(2.8)	0.3	1.3	-	3.1	-
	Sub total	32.5	20.3	33.4	0.9	2.8	13.1	64.5
	Corporate and eliminations	(7.1)	(7.4)	(8.4)	(1.3)	-	(1.0)	-
	Total	25.4	12.9	25.0	(0.4)	-1.6	12.1	93.8
Operating income margin		7.4%	4.2%	7.4%	+0.0pt	-	+3.2pt	-
Ex-rate	US\$ (JPY)	109.09	110.23	110.10				
	EURO (JPY)	130.16	125.18	123.57				

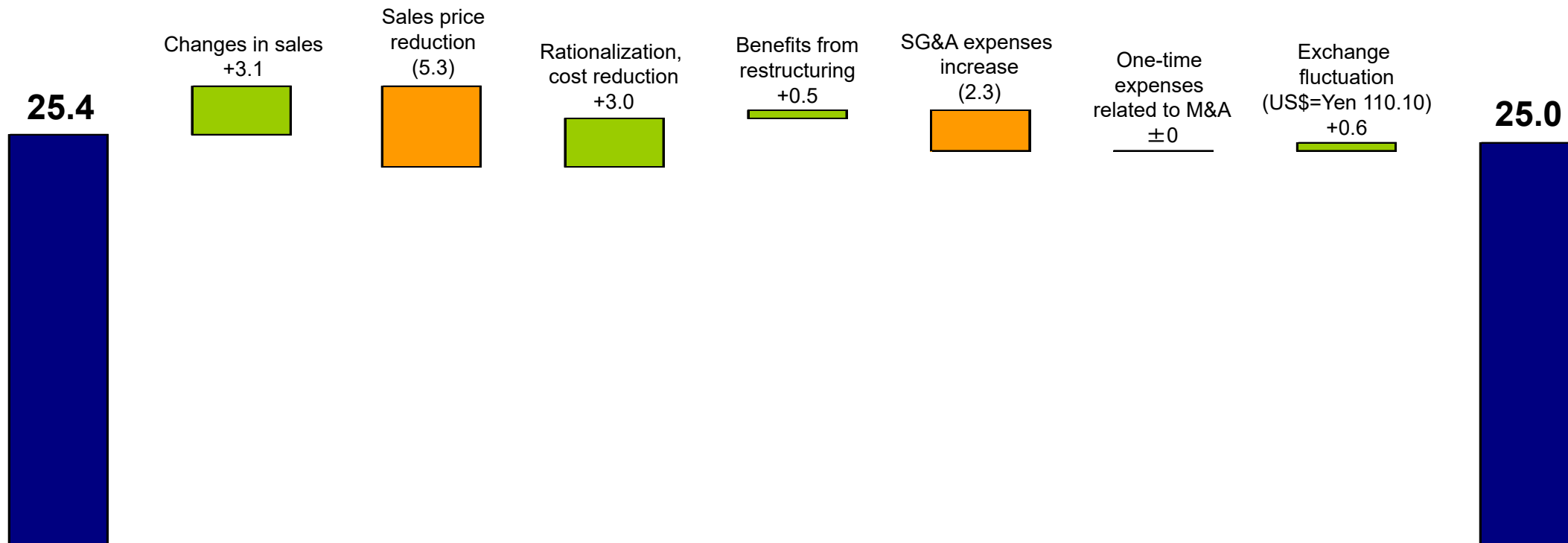
Breakdown of operating income changes

1Q of
FY March 2019
25.4 billion yen

Operating income -0.4 billion yen

1Q of
FY March 2020
25.0 billion yen

(Yen billions)



Projections for 2Q of FY March 2020

- Image of changes in sales

(Yen billions)

Segment	1Q of FY March 2020	2Q projections (QoQ change)
Passive Components	98.3	+8~+11%
Sensor Application Products	18.1	+14~+17%
Magnetic Application Products	55.5	+2~+5%
Energy Application Products	144.5	+12~+15%
Other	20.4	—
Total	336.8	+8~+11%

Forex assumptions

US\$(JPY)
EURO(JPY)

110.10
123.57

108.00
122.00

FY March 2020 full year / dividend projections

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(Yen billions)		FY March 2019 full year results	FY March 2020 full year projections (announced on Apr. 26, 2019)	YoY change	
				Yen billions	%
Net sales		1,381.8	1,420.0	38.2	2.8
Operating income		107.8	120.0	12.2	11.3
Operating income margin		7.8%	8.5%	+0.7 pt	-
Income before income taxes		115.6	118.0	2.4	2.1
Net income		82.2	84.0	1.8	2.2
Earning per share (JPY)		651.02	665.11	-	-
Dividends (JPY)		1st half : 80 2nd half : 80 Annual: 160	1st half : 90 2nd half : 90 Annual : 180	-	-
Ex-rate	US\$ (JPY)	110.94	108.00	-	
	EURO (JPY)	128.48	122.00	-	
Capital expenditure		173.6	200.0	26.4	15.2
Depreciation and amortization		106.6	130.0	23.4	22.0
Research and development		115.2	120.0	4.8	4.2

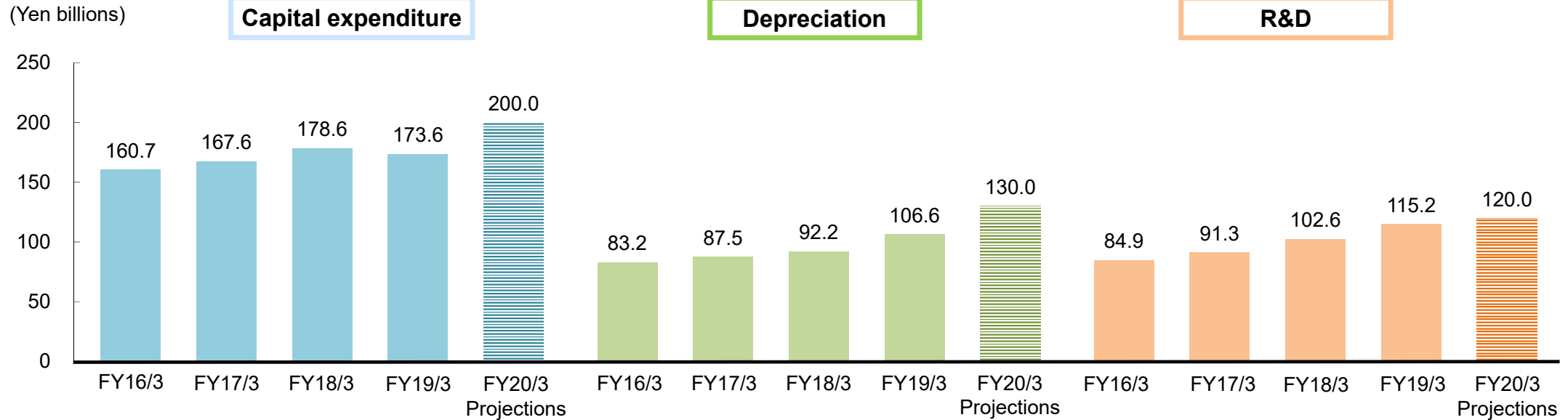
Supplementary Data

Quarterly sales and operating income by segment

(Yen billions)			FY March 2019					FY March 2020				
			1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net sales	Capacitors		44.5	43.9	42.7	42.3	173.3	39.3				
	Inductive Devices		38.9	39.5	37.3	34.3	150.0	34.1				
	Other Passive Components		29.3	28.7	26.7	25.3	110.1	24.8				
	Passive Components		112.7	112.1	106.7	101.9	433.4	98.3				
	Sensor Application Products		18.9	20.6	19.7	17.3	76.5	18.1				
	Magnetic Application Products		70.5	75.4	66.4	60.5	272.8	55.5				
	Energy Application Products		125.6	154.8	145.4	111.8	537.5	144.5				
	Other		15.4	16.0	12.6	17.6	61.6	20.4				
Total			343.1	378.9	350.8	309.1	1,381.8	336.8				
Operating income	Passive Components		14.0	16.4	14.7	13.3	58.4	10.3				
	Sensor Application Products		(4.9)	(4.6)	(5.5)	(7.2)	(22.1)	(7.0)				
	Magnetic Application Products		3.5	0.9	7.8	4.8	17.0	3.3				
	Energy Application Products		21.0	33.3	24.6	12.1	91.0	26.5				
	Other		(1.0)	(1.7)	(1.2)	(2.8)	(6.7)	0.3				
	Sub total		32.5	44.4	40.5	20.3	137.6	33.4				
	Corporate and eliminations		(7.1)	(7.6)	(7.7)	(7.4)	(29.8)	(8.4)				
Total			25.4	36.8	32.8	12.9	107.8	25.0				
Ex-rate	US\$ (JPY)		109.09	111.50	112.90	110.23	110.94	110.10				
	EURO (JPY)		130.16	129.63	128.87	125.18	128.48	123.57				

FY March 2020 projections and forex sensitivity

Expenses



Forex sensitivity (impact by 1 (one) yen change)

- **US\$: Sales 7.0 billion yen, Operating income 1.2 billion yen**
- **EURO : Sales 1.5 billion yen, Operating income 0.2 billion yen**

Financial position

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(Yen billions)	March end, 2019	June end, 2019	Change
Total asset	1,992.5	2,017.4	24.9
Total liability	1,108.7	1,165.1	56.4
Stockholders's equity	877.3	846.1	(31.2)
(comprehensive income)	(124.4)	(161.3)	(36.9)
Stockholders's equity ratio	44.0%	41.9%	-2.1pt

Cash and cash equivalents	329.7	296.9	(32.8)
Interest-bearing debt (*1)	520.3	550.2	29.9
Net cash (*2)	(190.6)	(253.3)	(62.7)

(Yen billions)	1Q of FY March 2019	1Q of FY March 2020	Change
Capital expenditures	42.3	50.9	8.6
Depreciation and amortization	25.5	29.6	4.1

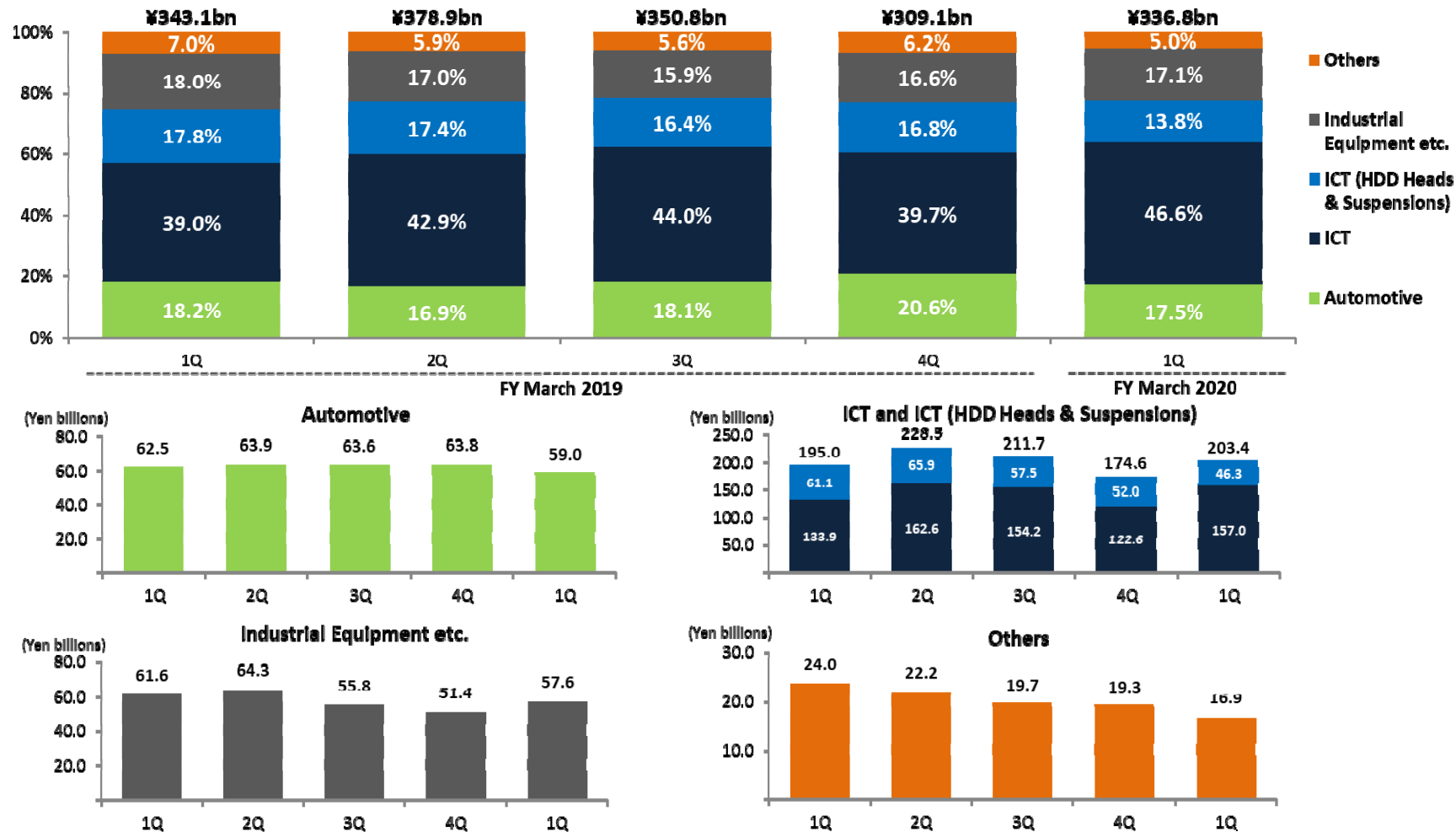
*1: Short-term debt + current installments of long-term debt + long-term debt, excluding current installments (except operating lease obligations)

*2: Cash and cash equivalents - interest-bearing debt

Cash flows

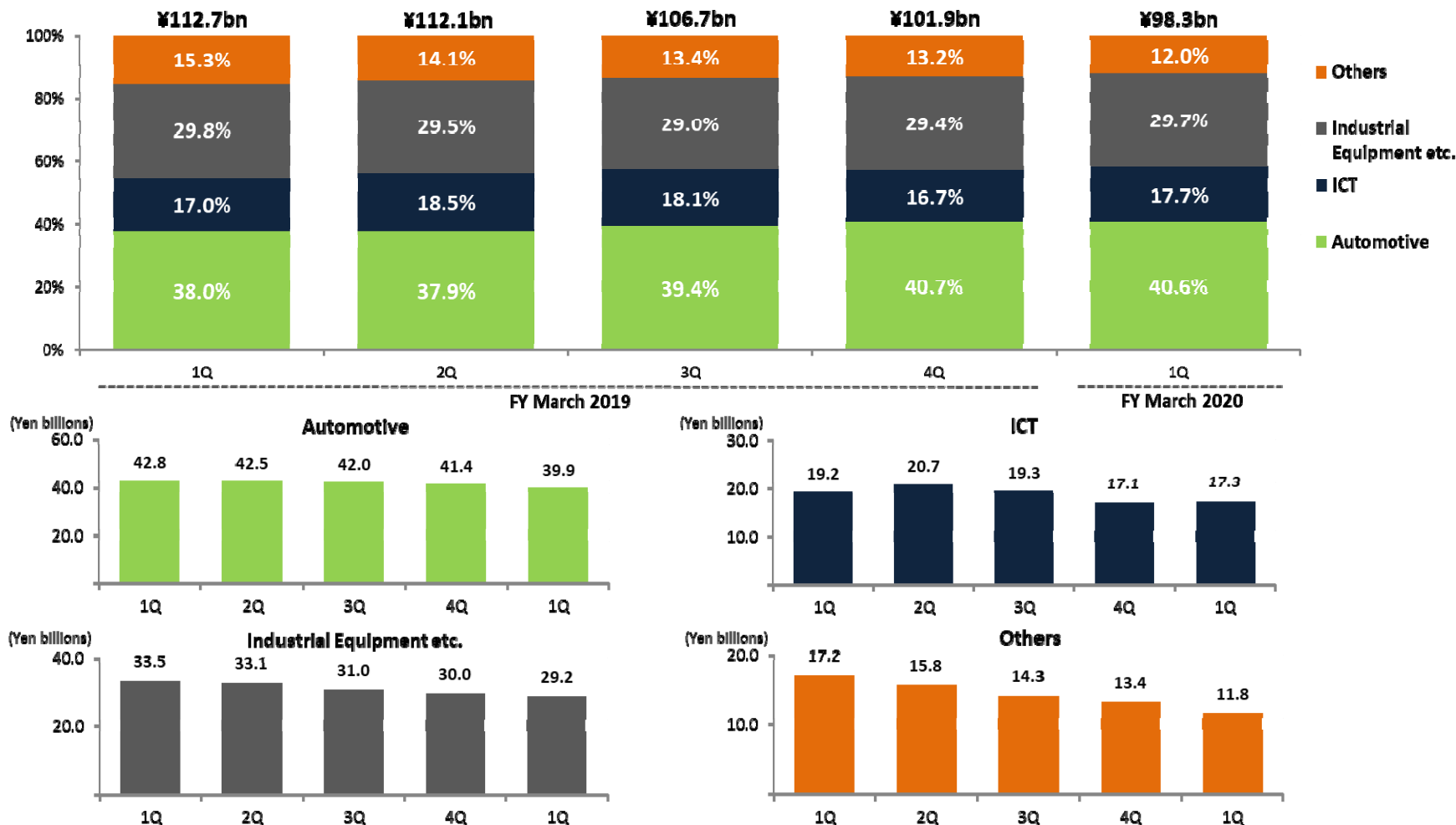
(Yen billions)	FY March 2019 results through 1Q	FY March 2020 results through 1Q	YoY change
Operating cash flow	(36.3)	7.8	44.1
Investing cash flow	(23.5)	(45.4)	(21.9)
Free cash flow	(59.8)	(37.6)	22.2
Financing cash flow	26.0	22.6	(3.4)
Effect of exchange rate changes on cash and cash equivalents	5.5	(11.9)	(17.4)
Cash and cash equivalents	251.4	262.3	10.9

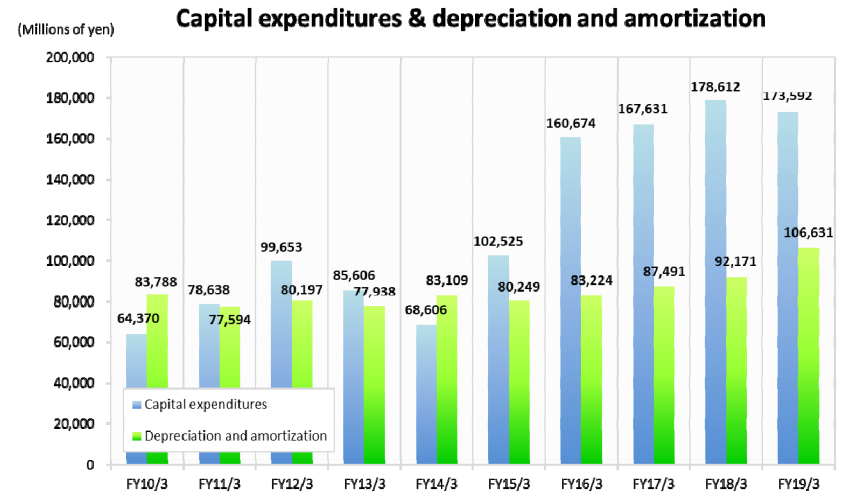
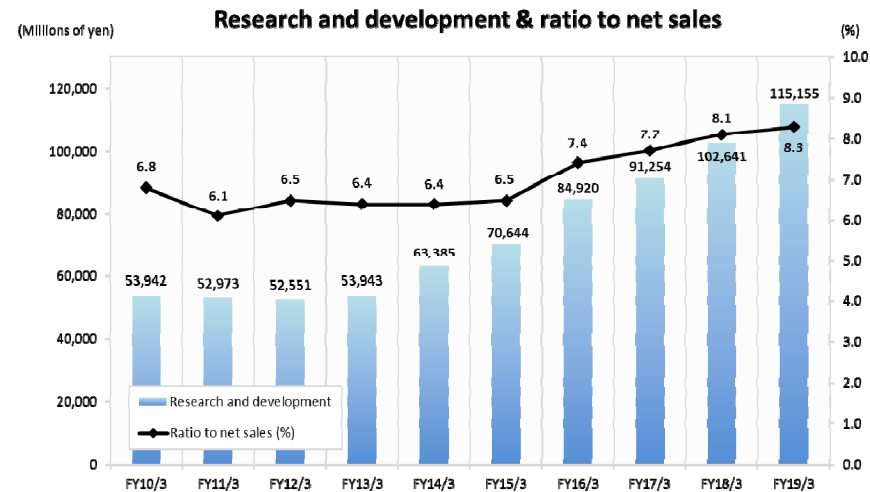
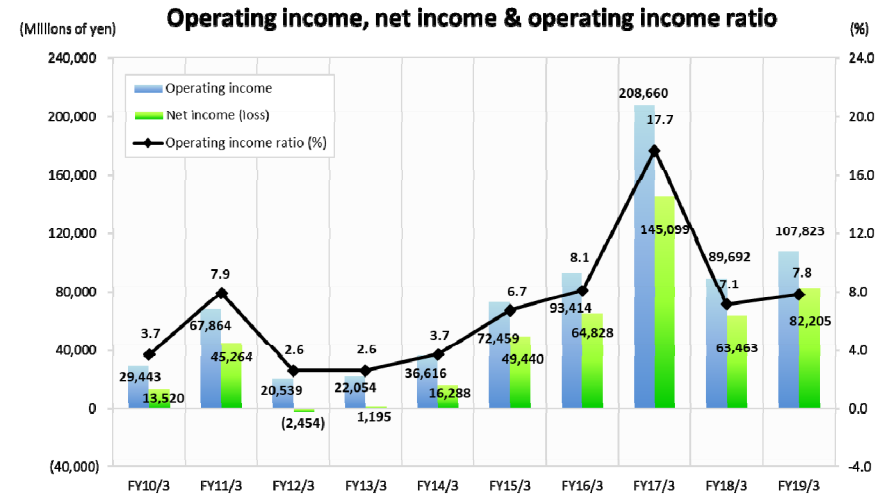
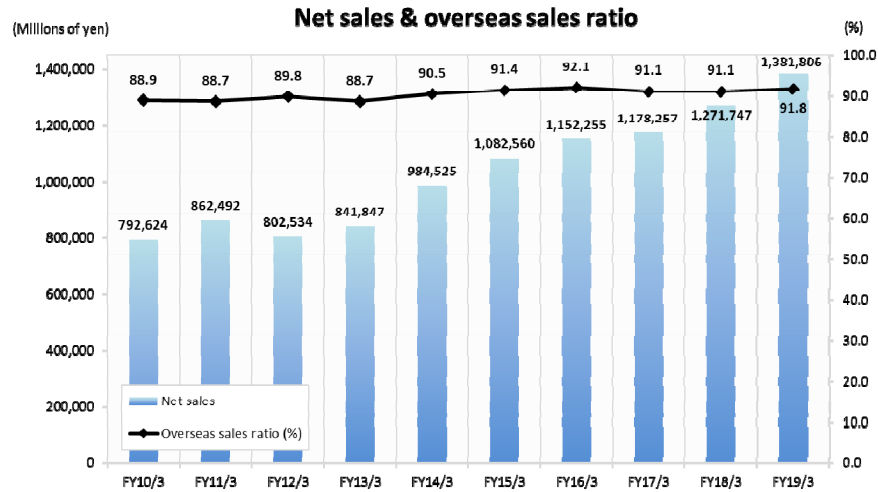
Quarterly sales by applications (1Q of FY March 2019 – 1Q of FY March 2020)

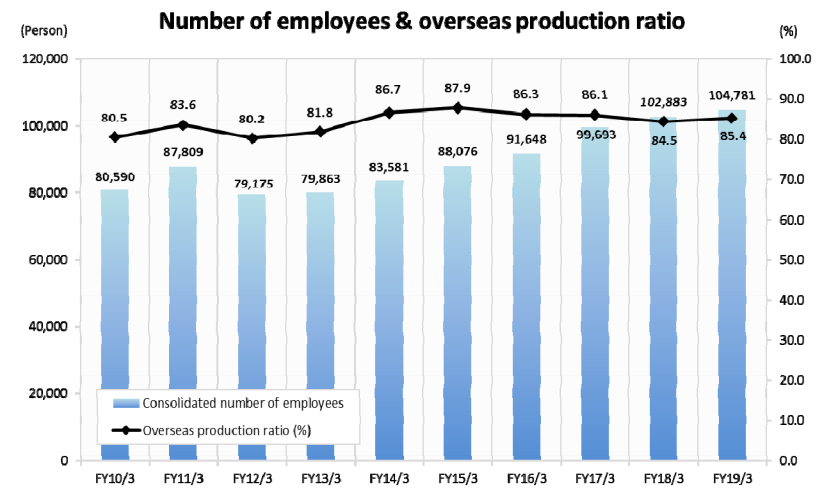
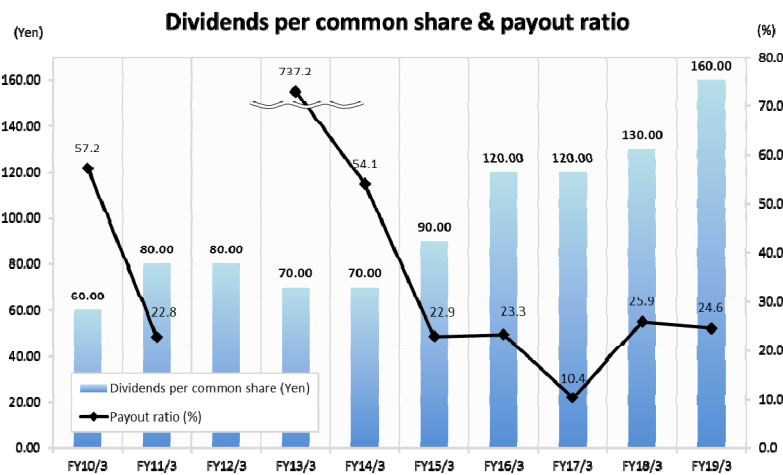
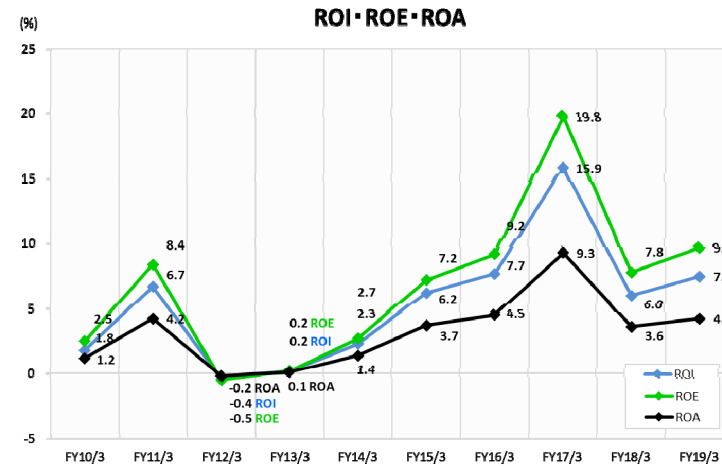
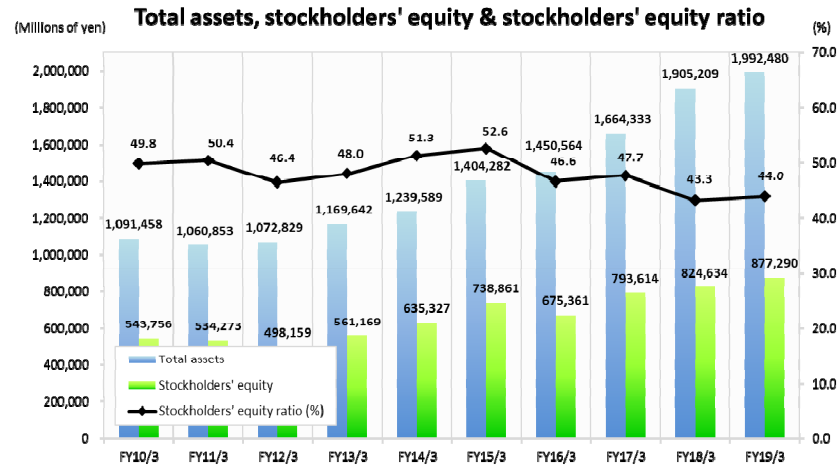


Passive Components business quarterly sales by applications (1Q of FY March 2019 – 1Q of FY March 2020)

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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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