

Consolidated Results for FY March 2020

Tetsuji Yamanishi
Executive Vice President

Hello, I'm Tetsuji Yamanishi, Executive Vice President of TDK. Thank you for taking the time to attend TDK's performance briefing for the fiscal year ended March 2020. I will be presenting an overview of our consolidated full year earnings.

Key points concerning earnings for FY March 2020

Attracting Tomorrow



Economic slowdown in China and the rest of the world became clear due to worsening ties between the US and China.

In the fourth quarter, economic activity stagnated in each country due to the spread of COVID-19 coronavirus infections, impacting the production of electronics and demand for electronic components.

- **Net sales fell 1.4% year on year. Operating income declined 9.2% year on year.**

- Amid severe macro demand, rechargeable batteries performed strongly and the Energy Application Products segment recorded increased sales and profit.
- Despite sluggish demand in the automotive and the industrial equipment markets, sales for the ICT market rose year on year. Against a backdrop of increased 5G demand, Rechargeable Batteries and High-Frequency Components, etc. drove overall earnings from expanded sales for smartphones and base stations.
- Magnets and Aluminum Electrolytic Capacitors posted impairment losses due to prolonged sluggish demand in the automotive and the industrial equipment markets.

First, let's take a look at key points concerning earnings for the fiscal year ended March 2020. Impact from worsening ties between the U.S. and China intensified with each passing day heading into the end of 2019, and economic deceleration in China and the rest of the world became clear. In the fourth quarter, economic activity stalled in each country due to the spread of COVID-19, and production of electronics and demand for electronic components were affected more than initially anticipated. As a result, net sales declined 1.4% year on year, and operating income decreased 9.2% year on year.

Despite a tough global demand climate throughout the year, sales of Rechargeable Batteries continued to grow by capturing demand in the ICT market from the start of the fiscal year and expanding applications. As a result, Energy Application Products segment sales and profits grew, and both net sales and operating income reached new record highs.

In the automotive and the industrial equipment markets, which were significantly affected by trade tensions between the U.S. and China, demand was weak and sharply trailed expectations from the start of the fiscal year. This had a substantial impact on sales of many products in the Passive Components segment, as well as conventional sensors in the Sensor Application Products segment in particular. On the other hand, demand was strong in the ICT market and sales to the ICT market increased year on year. Amid growth in demand for 5G applications, sales of Rechargeable Batteries and High-Frequency Components for smartphones and base stations increased to secure higher sales and profits and driving Companywide earnings.

In the fourth quarter, we determined that significant earnings recovery over a short period of time would be difficult due to prolonged sluggish demand in the automotive and the industrial equipment markets. Accordingly, we recorded an impairment loss of about 16.5 billion yen on manufacturing and related facilities for Magnets and Aluminum Electrolytic Capacitors. Additionally, we posted an impairment loss of about 1.8 billion yen on surplus facilities, owing to improvement of the development system.

Consolidated full year results for FY March 2020

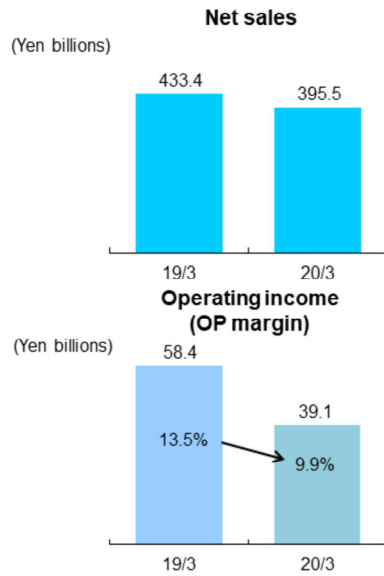
Attracting Tomorrow 

(Yen billions)	FY March 2019 full year results	FY March 2020 full year results	Change	
			Yen billions	%
Net sales	1,381.8	1,363.0	(18.8)	-1.4
Operating income	107.8	97.9	(9.9)	-9.2
Operating income margin	7.8%	7.2%	-0.6 pt	-
Income before income taxes	115.6	95.9	(19.7)	-17.0
Net income	82.2	57.8	(24.4)	-29.7
Earning per share (JPY)	651.02	457.47	-	-
Ex-rate	US\$ (JPY)	110.94	108.82	Appreciated by 1.9%
	EURO (JPY)	128.48	120.92	Appreciated by 5.9%
Ex-rate impact to net sales & operating income		Net sales : Decreased by about 40.7 billion Yen Operating income : Decreased by about 3.1 billion Yen		

Moving along, I would like to present an overview of our results. The impact of the yen's appreciation against the U.S. dollar and the euro caused net sales to contract by around 40.7 billion yen and operating income by around 3.1 billion yen. Net sales were 1,363.0 billion yen, a decrease of 18.8 billion yen, or 1.4%, year on year. Operating income was 97.9 billion yen, down 9.9 billion yen, or 9.2%. This includes impairment losses of 18.3 billion yen. Income before income taxes was 95.9 billion yen, net income was 57.8 billion yen, and earnings per share were 457.47 yen. We estimate that suspensions of shipments and plant operations in the fourth quarter due to the spread of COVID-19 depressed net sales by about 28.0 billion yen and operating income by around 12.0 billion yen.

With regard to exchange rate sensitivity, we maintain our estimate that a change of 1 yen against the U.S. dollar affected annual operating income by about 1.2 billion yen, while a change against the euro had an impact of about 0.2 billion yen.

FY March 2020 results - Passive Components segment



19/3: FY March 2019

Net sales 395.5 billion yen (down 8.7% year on year)
Operating income 39.1 billion yen (down 33.0% year on year)

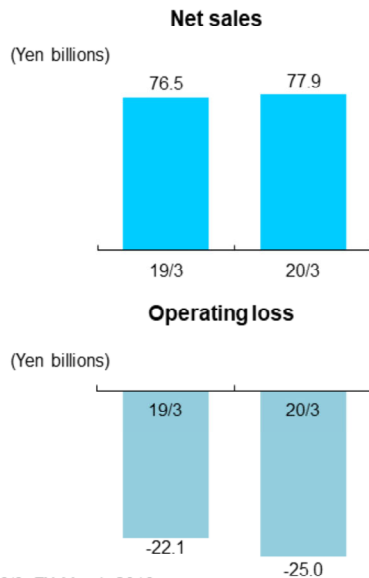
- **Ceramic Capacitors**
 - Sales and profit decreased year on year.
 - Sales increased to the automotive and the ICT markets.
 - Sales decreased to the industrial equipment market and distributors.
- **Aluminum Electrolytic Capacitors and Film Capacitors**
 - Sales and profit decreased year on year.
 - Sales decreased to the industrial equipment and the automotive markets.
 - Impairment loss recorded in 4Q.
- **Inductive Devices**
 - Sales and profit decreased year on year.
 - Sales to the automotive and the industrial equipment markets and distributors decreased year on year.
- **High-Frequency Components**
 - Sales and profit increased year on year.
 - Sales increased to the ICT market (5G related).
- **Piezoelectric Material Products and Circuit Protection Components**
 - Sales and profit decreased year on year.

Next, I would like to explain our business segment performance.

In the Passive Components segment, net sales were 395.5 billion yen, a decrease of 8.7% year on year, and operating income was 39.1 billion yen, a decrease of 33.0%. The operating income margin was 9.9%. Weak demand in the automotive and the industrial equipment markets due to impact from ongoing trade friction between the U.S. and China since the start of the fiscal year was compounded by impact from inventory adjustments at major distributors in the U.S. and Europe. Subsequently, sales slumped and profit declined for Aluminum Electrolytic Capacitors and Film Capacitors as well as Capacitors, Inductors, and Piezoelectric Material Products and Circuit Protection Components, for which the automotive and the industrial equipment markets account for a large share of sales. For Aluminum Electrolytic Capacitors, excess production capacity due to weaker demand resulted in the recording of an impairment loss of about 2.1 billion yen in the fourth quarter.

On the other hand, demand in the ICT market was strong from the beginning of the fiscal year. The startup of 5G came into full swing, mainly in China, and, though there was impact from the spread of COVID-19 in the fourth quarter, High-Frequency Components secured growth in sales and profit.

FY March 2020 results - Sensor Application Products segment



Net sales 77.9 billion yen (up 1.8% year on year)
Operating loss -25.0 billion yen (up —% year on year)

• Sensors

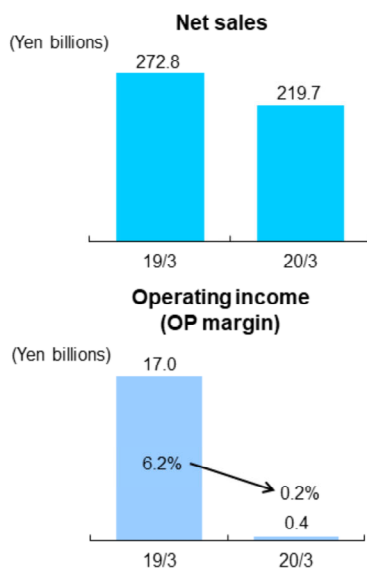
- Sales of conventional products (Temperature and Pressure Sensors, and Hall Sensors) to the automotive and the industrial equipment markets declined, with earnings also worsening.
- Earnings from TMR Sensors rose, driven by dramatic growth in sales to the automotive and the ICT markets.
- In MEMS Sensors, sales of Motion Sensors and MEMS Microphones increased due to the expansion in the customer base and in the application base.

19/3: FY March 2019

In the Sensor Application Products segment, we aimed to expand sales as a growth strategy business, but overall sales only increased 1.8% year on year and losses widened.

The segment's products were sharply divided into two groups. Products that were significantly affected by the economy and saw sales decline, and products that got on board with the growth strategy and saw sales rise. Sales of conventional sensors such as Temperature Sensors and Hall Sensors were lackluster, owing to impact from weak global demand in the automotive and the industrial equipment markets. Their sales declined markedly from the previous fiscal year and their profits deteriorated, which had a major impact on overall business earnings. In contrast, TMR Sensors, a strategic product expected to see growth, made progress on adoption for automotive applications, volumes grew, and sales rose. For smartphone applications as well, TMR Sensors made headway on adoption for new smartphone models, sales expanded, and profits have taken hold. In MEMS Sensors, sales of Motion Sensors steadily rose to new customers and sales of MEMS Microphones grew for smartphone and IoT applications, but sufficient sales growth and earnings contributions were not attained.

FY March 2020 results - Magnetic Application Products segment



Net Sales 219.7 billion yen (down 19.5% year on year)
Operating income 0.4 billion yen (down 97.6% year on year)

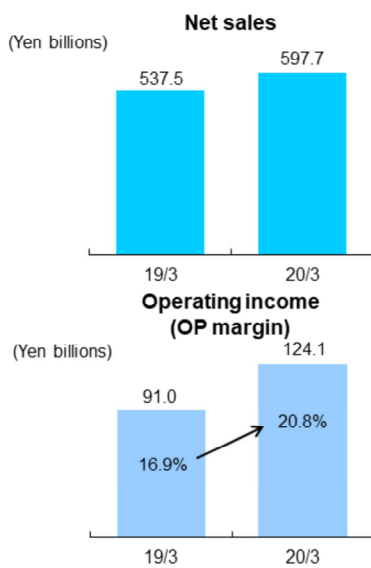
- **HDD Heads and HDD Suspension Assemblies**
 - ↪ While HDD assembly volume dropped significantly year on year, the profitability of HDD heads improved.
 - ↪ The profitability of HDD Suspension Assemblies also improved.
- **Magnets**
 - ↪ Sales and profit decreased year on year.
 - ↪ Sales decreased mainly to the automotive and the industrial equipment markets.
 - ↪ Impairment loss recorded in 4Q.

In the Magnetic Application Products segment, net sales declined 19.5% year on year to 219.7 billion yen, and operating income decreased substantially to 0.4 billion yen.

For HDD Heads and HDD Suspension Assemblies, overall sales declined about 18% and profit decreased as less total HDD demand led to roughly 4% lower volumes for HDD Heads and some products reached end of life in HDD assemblies, but growth in high-value-added products contributed to a rise in profitability from the previous fiscal year.

In Magnets, sales decreased due to our withdrawal from Magnets for HDDs and impact from sluggish demand for the industrial equipment and the automotive markets, such as industrial robots and machine tools, and ongoing harsh business conditions led to the recording of an impairment loss of 14.4 billion yen in the fourth quarter.

FY March 2020 results - Energy Application Products segment



19/3: FY March 2019

Net sales 597.7 billion yen (up 11.2% year on year)
Operating income 124.1 billion yen (up 36.4% year on year)

- **Energy Devices (Rechargeable Batteries)**
 - Sales and profit increased year on year.
 - Sales for mobile applications (smartphones, tablets, laptops) performed strongly.
 - Sales for game consoles and sales of mini cell products increased.
- **Power Supplies**
 - Sales and profit from power supplies for industrial equipment fell year on year due to lackluster capital investment demand.
 - Sales and profit declined for EV power supplies.

In the Energy Application Products segment, net sales rose 11.2% year on year to 597.7 billion yen, and operating income surged 36.4% to 124.1 billion yen. Profitability also improved dramatically, with the operating income margin at 20.8%.

In Rechargeable Batteries, sales increased about 15% year on year and profitability rose. This reflects a sharp rise in sales for smartphone applications and strong sales for tablet and laptop applications, along with a steady increase in sales of minicells for wearable products such as wireless earphones.

Power Supplies for industrial equipment saw profit decrease as sales declined to the industrial equipment market, owing to significant impact from less demand for capital expenditures due to economic slowdown.

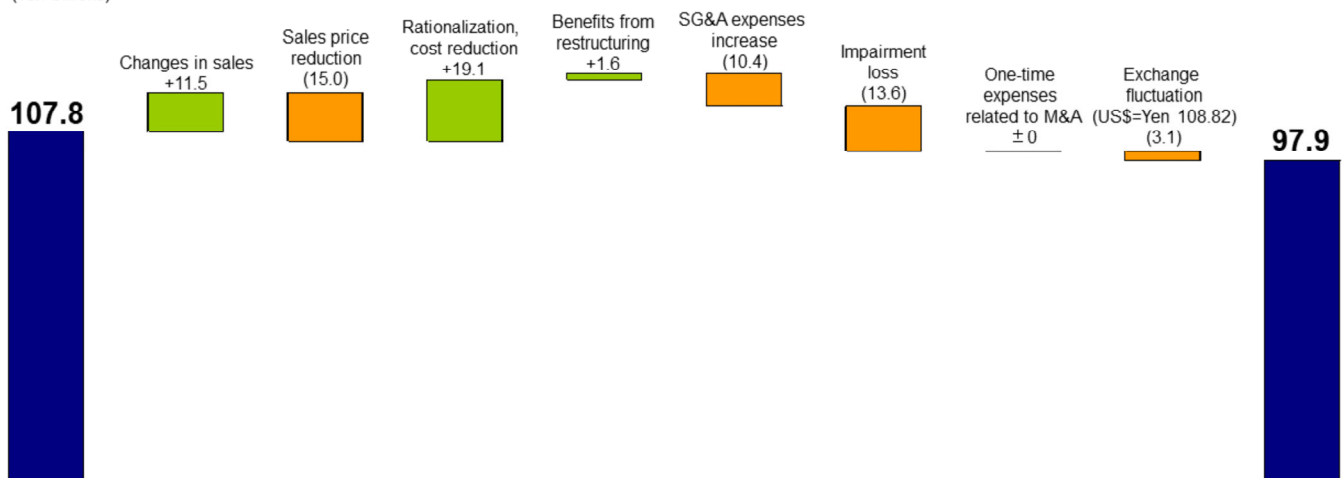
Breakdown of operating income changes

FY March 2019
107.8 billion yen

Operating income -9.9 billion yen

FY March 2020
97.9 billion yen

(Yen billions)



Next is the breakdown of the change in operating income. Let's take a look at the main factors behind the 9.9 billion yen decrease in operating income. First, there was an increase in profits of about 11.5 billion yen due to sales volume growth, despite including negative impact of about 12.0 billion yen from the spread of COVID-19. Next, negative impact of around 15.0 billion yen from reduction in sales prices was absorbed by positive impact of about 19.1 billion yen from rationalization and cost reductions, which, along with benefits of about 1.6 billion yen from restructuring, contributed to increased earnings by strengthening our constitution. Expenses related to the InvenSense acquisition were about 5.4 billion yen for the fiscal year, unchanged from the previous fiscal year. Administration and development expenses in connection with business expansion in Rechargeable Batteries increased by 10.4 billion yen, exchange rate fluctuations had a negative impact of around 3.1 billion yen, and there was an increase of 13.6 billion yen in impairment losses. As a result, the overall decrease in operating income was 9.9 billion yen.

FY March 2020 quarterly results by segment

Attracting Tomorrow 

(Yen billions)		4Q of FY March 2019 (A)	3Q of FY March 2020 (B)	4Q of FY March 2020 (C)	YoY change (C)/A		QoQ change (C)/B	
					Yen billions	%	Yen billions	%
Net sales	Capacitors	42.3	37.3	37.7	(4.6)	-10.9	0.4	1.1
	Inductive Devices	34.3	34.8	33.0	(1.3)	-3.8	(1.8)	-5.2
	Other Passive Components	25.3	26.3	26.3	1.0	4.0	0.0	0.0
	Passive Components	101.9	98.3	97.0	(4.9)	-4.8	(1.3)	-1.3
	Sensor Application Products	17.3	20.3	18.7	1.4	8.1	(1.6)	-7.9
	Magnetic Application Products	60.5	57.9	51.8	(8.7)	-14.4	(6.1)	-10.5
	Energy Application Products	111.8	161.2	118.3	6.5	5.8	(42.9)	-26.6
	Other	17.6	17.9	14.5	(3.1)	-17.6	(3.4)	-19.0
	Total	309.1	355.6	300.4	(8.7)	-2.8	(55.2)	-15.5
	Operating income	13.3	10.6	6.7	(6.6)	-49.6	(3.9)	-36.8
Operating income	Passive Components	13.3	10.6	6.7	(6.6)	-49.6	(3.9)	-36.8
	Sensor Application Products	(7.2)	(5.5)	(7.0)	0.2	-	(1.5)	-
	Magnetic Application Products	4.8	5.2	(11.5)	(16.3)	-	(16.7)	-
	Energy Application Products	12.1	40.5	14.7	2.6	21.5	(25.8)	-63.7
	Other	(2.8)	(2.5)	(5.8)	(3.0)	-	(3.3)	-
	Sub total	20.3	48.4	(3.0)	(23.3)	-	(51.4)	-
	Corporate and eliminations	(7.4)	(8.0)	(8.4)	(1.0)	-	(0.4)	-
Total		12.9	40.4	(11.4)	(24.3)	-	(51.8)	-
Operating income margin		4.2%	11.4%	-	- pt	-	- pt	-
Ex-rate	US\$ (JPY)	110.23	108.74	109.05				
	EURO (JPY)	125.18	120.34	120.32				

Performance Briefing Fiscal Year March 2020

© TDK Corporation • 2020
Corporate Communications Group • May 15, 2020 • 9

Next, I would like to explain the factors behind the changes in segment net sales and operating income from the third quarter to the fourth quarter of the fiscal year ended March 2020.

Let's begin with net sales in the Passive Components segment. Net sales in this segment decreased by 1.3% from the third quarter, but we estimate they grew about 2% excluding impact from the spread of COVID-19. Overall, sales for both the ICT and the industrial equipment markets declined, whereas sales of Ceramic Capacitors for 5G base station applications and High-Frequency Components grew. Operating income decreased about 37%, but we estimate that it grew roughly 9% excluding impact from COVID-19 and an impairment loss posted for Aluminum Electrolytic Capacitors.

In the Sensor Application Products segment, net sales fell 7.9% from the third quarter, and operating losses widened by 1.5 billion yen. Although sales for the automotive market increased on a seasonal recovery following the Christmas holidays, overall sales declined due to lower volumes for smartphones. Excluding impact from the suspension of production lines due to the spread of COVID-19, we estimate operating income declined about 14% due to lower sales.

In the Magnetic Application Products segment, sales fell about 6% on a decrease in volumes for HDD Heads from the third quarter, which along with lower HDD assembly sales and lower HDD suspension sales volumes led to an overall sales decline of 10.5%. Sales of Magnets decreased roughly 5%. Excluding an impairment loss of 14.4 billion yen and impact from COVID-19, we estimate operating income in the Magnetic Application Products segment declined by about 35% due to lower sales volumes.

In the Energy Application Products segment, net sales decreased by 26.6% from the third quarter but we estimate that the decline was about 15% excluding impact from COVID-19. Rechargeable Batteries were affected by a seasonal decline in demand, but Power Supplies for industrial equipment were basically steady. Operating income declined 63.7%, but we estimate that the decline was about 49% excluding impact from COVID-19.

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.

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.
https://www.tdk.com/corp/en/ir/ir_events/conference/2020/4q_1.htm