Attracting Tomorrow TDK

Performance Briefing
First Half of Fiscal Year March 2021

TDK Corporation
Corporate Communications Group
October 30, 2020

- **Consolidated Results for First Half of FY March 2021**
  Tetsuji Yamanishi, Executive Vice President

- **Consolidated Full Year Projections for FY March 2021**
  Shigenao Ishiguro, President and CEO

Consolidated Results for First Half of FY March 2021

Tetsuji Yamanishi
Executive Vice President

Hello, I am Tetsuji Yamanishi, Executive Vice President of TDK. Thank you for taking the time to attend TDK's performance briefing for the first half of the fiscal year ending March 2021. I will be presenting an overview of our consolidated results.

Key points concerning earnings for first half of FY March 2021

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Demand for electronic components started to recover due to the resumption of social and economic activities.
Demand related to digital transformation (DX) has also remained robust.
Net sales and operating income were stronger than initially anticipated.

- **Net sales decreased 2.2% year on year. Operating income decreased 9.3% year on year.**
- **Net sales and operating income for 2Q achieved new record highs for quarterly basis.***
  Net sales and operating income increased year on year.

¬ Orders for the automotive market have recovered rapidly since 2Q, resulting in an increase in sales of Passive Components and Sensors.
¬ As DX continued to accelerate in 2Q, demand for PCs and tablets for use in working and studying at home and 5G-related demand were robust. This resulted in higher sales of Rechargeable Batteries and Passive Components, which drove consolidated earnings growth.
¬ Earnings of HDD Heads, sales of which significantly decreased in 1Q due to the COVID-19 pandemic, improved as production at customers recovered steadily.
¬ Consolidated earnings increased due to the short-term earnings improvement measures enacted in response to the impact of COVID-19.

*Operating income is compared on the basis excluding a gain on sale of business recorded in the year ended March 2017.

First, let’s take a look at the key points concerning the earnings for the first half. As we entered the second quarter, lockdowns began to be lifted in different countries around the world, resulting in a gradual resumption of social and economic activities and full-scale production activities at customers. This led to a clearer recovery trend in electronics demand. Although demand saw a huge decline in the automotive market and the HDD market, which were significantly affected by the suspension of production in the first quarter, it substantially recovered in the second quarter. In the ICT market, an increase in people working at home and taking classes online caused a sudden acceleration in digital transformation (DX) in the first quarter, with mobile device- and 5G-related demand increasing more than initially anticipated. This momentum remained robust in the second quarter, resulting in both net sales and operating income for the first half significantly surpassing initial expectations.

As a result, we posted record levels of quarterly net sales and operating income for the second quarter and achieved a year-on-year increase in sales and profit, although net sales and operating income for the first half decreased by 2.2% and 9.3%, respectively, on a year-on-year basis due to the impact of lockdowns in the first quarter.

Orders in the automotive market recovered rapidly in the second quarter, resulting in an increase in sales of Passive Components such as MLCCs and Inductors, as well as Sensors. Furthermore, the continued acceleration of DX led to robust demand for related products and boosted sales of Rechargeable Batteries and Passive Components, including High Frequency Components. These contributed significantly to the overall earnings of the Company.

HDD Heads, which were hard hit by the suspension of plant operations by a major customer in the first quarter, saw earnings improve as production at the customer resumed steadily.

Furthermore, we made solid efforts to make up for the expected deterioration of business performance through additional earnings improvement measures formulated at the beginning of the fiscal year by carrying out rationalization, etc. to provide against the decline in operating performance due to the COVID-19 pandemic. This yielded results beyond initial expectations and, along with an expansion of sales, made a huge contribution to boosting earnings.

Consolidated results for first half of FY March 2021

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(Yen billions)	FY March 2020 Results through 2Q (2019.4.1-2019.9.30)	FY March 2021 Results through 2Q (2020.4.1-2020.9.30)	Change	
			Yen billions	%
Net sales	707.0	**691.1**	(15.9)	-2.2
Operating income	68.8	**62.4**	(6.4)	-9.3
Operating income margin	9.7%	**9.0%**	-0.7pt	-
Income before income taxes	68.6	**63.2**	(5.4)	-7.9
Net income	44.9	**42.2**	(2.7)	-6.0
Earning per share (JPY)	355.81	**334.27**	-	-
Ex-rate US$ (JPY)	108.74	**106.92**	Appreciated by 1.7%	
Ex-rate EURO (JPY)	121.51	**121.27**	Appreciated by 0.2%	
Ex-rate impact to net sales & operating income	Net sales : Decreased by about 13.9 billion Yen Operating income : Decreased by about 0.3 billion Yen			

Moving along, I would like to present an overview of our results. The yen's appreciation against the U.S. dollar and other currencies caused net sales to contract by around 13.9 billion yen and operating income to decrease by around 0.3 billion yen. Including this impact, net sales were 691.1 billion yen, a decrease of 15.9 billion yen, or 2.2%, year on year. Operating income was 62.4 billion yen, down 6.4 billion yen, or 9.3%, year on year. Income before income taxes was 63.2 billion yen, net income was 42.2 billion yen, and earnings per share were 334.27 yen.

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

First half results - Passive Components segment

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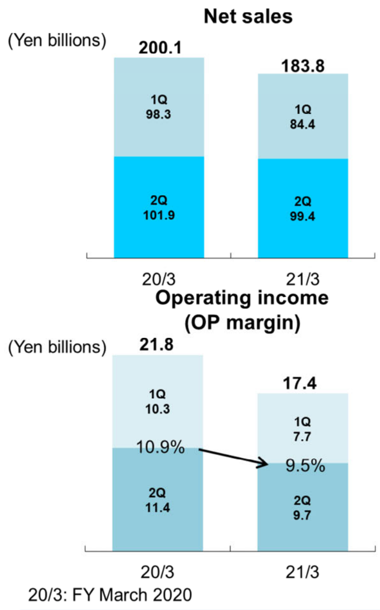

Net sales 183.8 billion yen (down 8.1% year on year)
Operating income 17.4 billion yen (down 20.2% year on year)

- **Ceramic Capacitors**
  - Sales and profit decreased year on year.
  - Sales for base stations were robust in the first half. In 2Q, sales to the automotive market recovered to the level of the previous fiscal year.
- **Aluminum Electrolytic Capacitors and Film Capacitors**
  - Sales decreased while profit increased year on year.
  - Sales increased to the automotive and the industrial equipment markets in 2Q.
- **Inductive Devices**
  - Sales and profit decreased year on year.
  - Sales to the ICT market were robust in the first half. Sales to the automotive market recovered to the level of the previous fiscal year.
- **High-Frequency Components**
  - Sales and profit increased year on year.
  - Sales to the ICT market remained strong due to robust 5G-related demand.
- **Piezoelectric Material Products and Circuit Protection Components**
  - Sales and profit decreased year on year.
  - Sales increased mainly to the automotive market in 2Q.

Next, I would like to explain our business segment performance for the first half. In addition to year-on-year comparisons of first half results, I will explain the year-on-year as well as quarter-on-quarter changes in our second quarter earnings, as the demand environment changed dramatically between the first and second quarters of this year.

In the Passive Components segment, net sales for the first half declined 8.1% year on year to 183.8 billion yen, operating income decreased 20.2% to 17.4 billion yen, and the operating income margin was 9.5%. In terms of second quarter results, net sales declined 2.5% year on year, operating income decreased 14.9%, and the operating income margin was 9.8%.

As demand in the automotive market saw a rapid recovery and 5G-related demand remained robust in the ICT market during the second quarter, net sales and operating income increased significantly from the first quarter, by 17.8% and 26.0%, respectively.

On a first half basis, sales and profit for High Frequency Components increased, as they continued to capture 5G-related demand. Aluminum Electrolytic Capacitors and Film Capacitors saw an increase in profit due to cost reduction, despite a decline in sales. However, sales and profit of other products declined due to the drop in orders in the automotive market in the first quarter.

I would now like to explain each product’s quarter-on-quarter change in performance. In Ceramic Capacitors, overall sales increased due to the recovery of automobile demand, despite a drop in sales for 5G base stations. However, operating income decreased as inventory that was increased strategically in the first quarter was drawn down. Second quarter sales to the automotive market recovered to the level of the previous year’s second quarter. In Aluminum Electrolytic Capacitors and Film Capacitors, sales and profit increased due to a rise in sales to the industrial equipment market, in addition to the automotive market. Sales recovered to the level of the second quarter of the previous year. In Inductive Devices, sales increased significantly from the first quarter due to a recovery in demand from the automotive market, an increase in demand from the ICT market on the back of the strong launch of a new smartphone product, and a rise in demand from the industrial equipment market. Operating income also increased despite the impact of the consumption of inventory. Sales to the automotive market recovered to the level of the previous year’s second quarter, as in Ceramic Capacitors. In High Frequency Components, sales and operating income maintained the levels of the first quarter on the back of robust 5G-related demand. In Piezoelectric Material Products and Circuit Protection Components, sales and profit increased in the overall automotive, ICT and industrial equipment markets, while sales to the automotive market fell below last year’s levels.

First half results - Sensor Application Products segment

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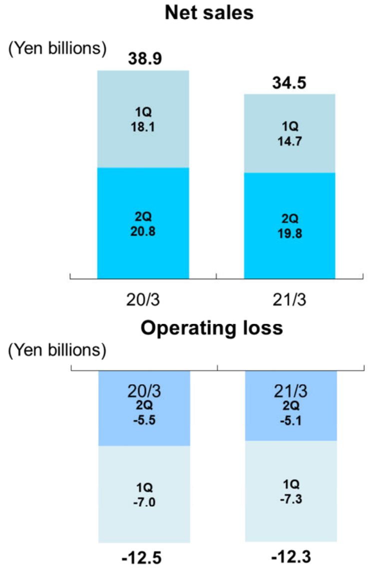

20/3: FY March 2020

Net sales 34.5 billion yen (down 11.3% year on year)
Operating loss -12.3 billion yen (down —% year on year)

- **Sensors**
  - Sales decreased while operating loss decreased slightly year on year.
  - Sales of Temperature and Pressure Sensors increased to the automotive market in 2Q.
  - Sales of TMR Sensors to the ICT market were higher than in the previous fiscal year.
  - Sales of MEMS Sensors increased to the ICT market in 2Q. Also, sales for game consoles were strong in the first half.

In the Sensor Application Products segment, net sales decreased 11.3% year on year to 34.5 billion yen in the first half, while operating loss decreased slightly.

Net sales in the second quarter increased 34.7% quarter on quarter, due to a rise in demand from the automotive market, an increase in sales for smartphone applications on the back of the strong launch of a new model in North America, and an increase in sales to a major Chinese customer. Operating loss decreased by 2.2 billion yen quarter on quarter and by 0.4 billion year on year, despite a 4.8% drop in sales.

On a first half basis, sales and profit decreased in Temperature and Pressure Sensors as well as in Hall Sensors due to the large impact of weak demand from the automotive market in the first quarter mainly for conventional sensors. Sales of MEMS Sensors also decreased due to a drop in demand for Microphones for IoT devices on the back of a decline in consumer sentiment in the face of the coronavirus pandemic, and to a decrease in the number of smartphone models in which Motion Sensors are installed. Operating loss continued, albeit on a decreasing trend, as sales failed to increase sufficiently. Meanwhile, TMR Sensors saw a significant increase in sales and profit on the back of robust sales for use in smartphones as market share increased.

I would now like to explain quarter-on-quarter changes. Temperature and Pressure Sensors saw an increase in sales as sales to the automotive market rose, and have become able to contribute to earnings, although a small operating loss remains. Sales of Hall Sensors remained flat quarter on quarter as orders failed to see a full recovery due to the long supply chain for the automotive market. Sales of conventional sensors to the automotive market failed to recover to the level of the previous year’s second quarter. In TMR Sensors, sales and operating income increased substantially on the back of the strong launch of a new smartphone model, while sales and profit also rose significantly on a year-on-year basis. In MEMS Sensors, sales increased due to a rise in sales to a major Chinese smartphone manufacturer, despite a quarter-on-quarter drop in orders for use in game consoles. Operating loss decreased due to cost reductions.

First half results - Magnetic Application Products segment

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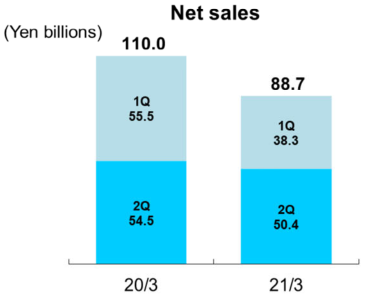
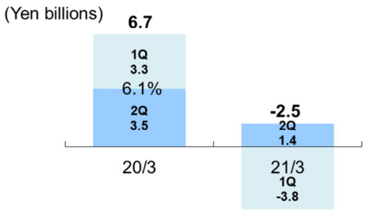
Net sales



Operating income (loss)
(OP margin)



20/3: FY March 2020

Net Sales 88.7 billion yen (down 19.4% year on year)
Operating loss -2.5 billion yen (up —% year on year)

- **HDD Heads and HDD Suspension Assemblies**
  - Sales and profits decreased year on year.
  - Sales of HDD assembly business decreased year on year.
  - Sales and profit of HDD Suspensions Assemblies increased.
  - Although earnings deteriorated in 1Q due to a sharp fall in sales related to the COVID-19 pandemic, earnings improved in 2Q as production at customers recovered steadily.
- **Magnets**
  - Sales decreased while operating loss decreased year on year.
  - Sales increased to the automotive market in 2Q.

In the Magnetic Application Products segment, net sales decreased 19.4% year on year to 88.7 billion yen and operating income/loss ended at an operating loss of 2.5 billion yen for the first half.

In the second quarter, HDD Heads, hit hard by the suspension of operations by a major customer in the first quarter, saw a recovery in sales, HDD Suspension Assemblies saw an increase in sales for use in Nearline HDDs, and Magnets also saw a rise in sales due to a recovery of demand from the automotive market. In the Magnetic Application Products segment as a whole, sales increased 31.6% quarter on quarter and the operating loss in the first quarter improved to an operating profit.

On a first half basis, sales of HDD Heads decreased substantially, leading to a deterioration in earnings, as HDD Head shipment volumes fell and sales of the HDD assembly business decreased due to a decline in the overall demand for HDDs. Meanwhile, HDD Suspension Assemblies saw increases in both sales and profit due to a rise in shipment volumes on the back of robust sales for Nearline HDDs of a major customer. In Magnets, sales decreased due to an insufficient recovery in sales to the automotive and industrial equipment markets, while profit improved due to rationalization.

I would now like to explain quarter-on-quarter changes. Sales and profit of HDD Heads increased significantly on the back a rise in the shipment index from 55 in the first quarter to 91 in the second quarter. HDD Suspension Assemblies also saw a rise in sales due to an increase in orders for Nearline HDD applications of a major customer and an increase in sales of the profitable, small μDSA products. Magnets saw a rise in sales due to an increase in sales to the automotive market, while operating loss remained flat.

First half results - Energy Application Products segment

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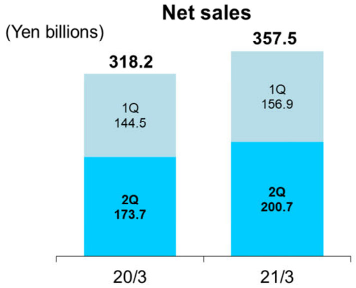
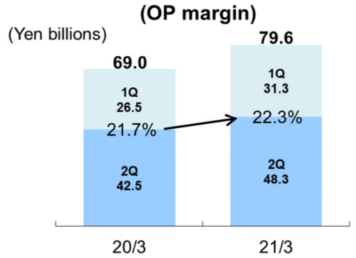




20/3: FY March 2020

Net Sales 357.5 billion yen (up 12.4% year on year)
Operating income 79.6 billion yen (up 15.4% year on year)

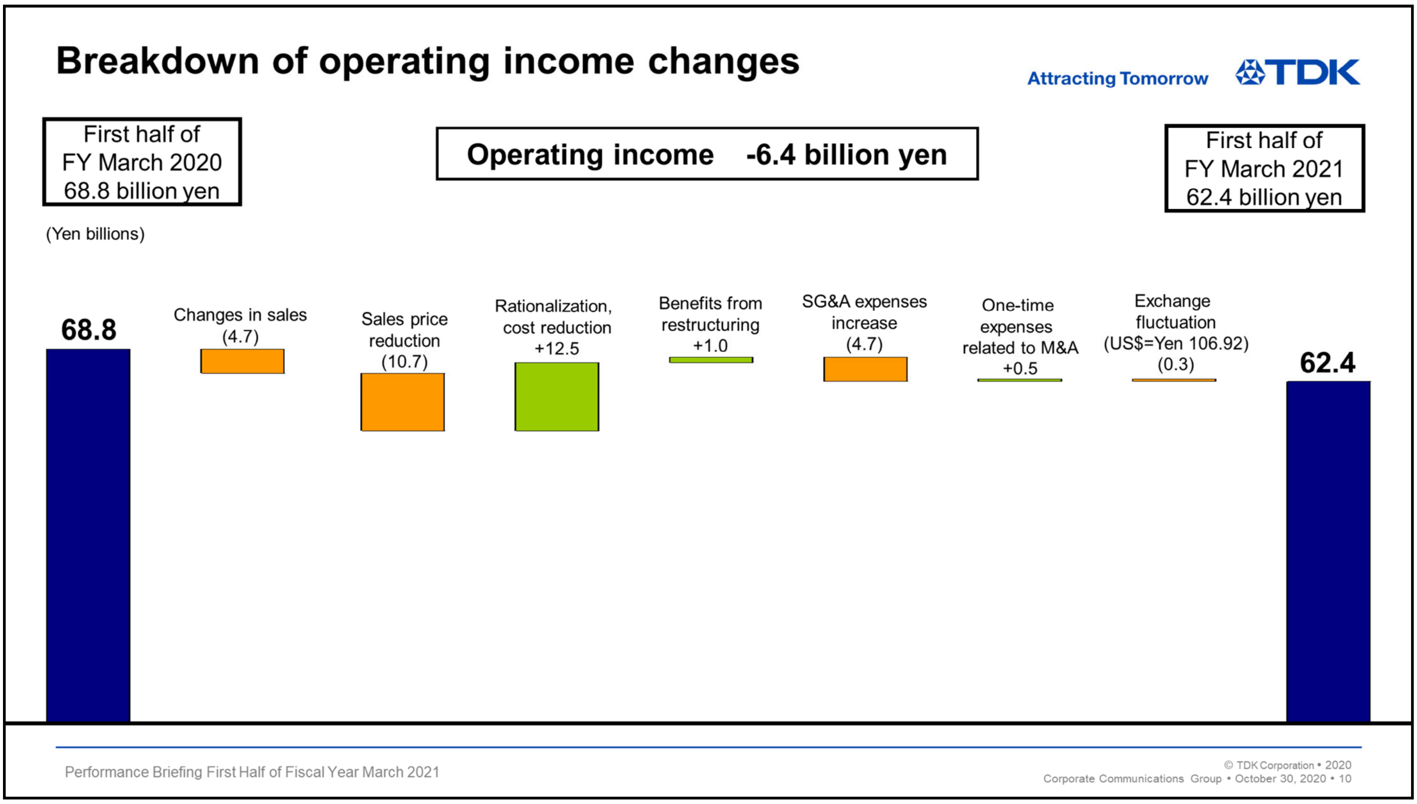
- **Energy Devices (Rechargeable Batteries)**
  - Sales and profit increased year on year.
  - Sales expanded for PCs and tablets as more people shifted to work and study at home.
  - Sales of mini cell and power cell products expanded for non-ICT applications.
- **Power Supplies**
  - Sales and profit of Power Supplies for industrial equipment decreased year on year.
  - Sales and operating income increased year on year and quarter on quarter in 2Q on the back of strong sales for semiconductor manufacturing equipment and healthcare-related devices.

In the Energy Application Products segment, both net sales and operating income for the first half rose significantly by 12.4% and 15.4% year on year respectively, to 357.5 billion yen and 79.6 billion yen, respectively. Profitability also improved, as the operating income margin rose to 22.3%.

In the second quarter, sales of the segment increased on the back of continued strong sales of Rechargeable Batteries and a rise in demand for semiconductor manufacturing equipment applications in Power Supplies. As a result, sales and profit of the segment as a whole rose 27.9% and 54.3% quarter on quarter, respectively. They also rose 15.5% and 13.6%, respectively, on a year-on-year basis.

On a first half basis, overall sales and profit increased substantially due to a growth in sales for use in PCs and tablets and the start of full-scale sales of power cells for residential energy storage systems and e-drives. This was despite a small fall in sales for use in smartphones due to a decrease in smartphone production. Meanwhile, Power Supplies saw slight falls in both sales and profit.

I would now like to explain quarter-on-quarter changes. In Rechargeable Batteries, sales increased as demand for use in smartphones rose substantially due to the peak season and sales for use in PCs and tablets also continued to increase quarter on quarter. Sales and profit also increased on a year-on-year basis. In Power Supplies, sales and profit increased on the back of a rise in demand for industrial equipment applications.



Next is the breakdown of the change in operating income. Let's take a look at the main factors behind the 6.4 billion yen decrease in operating income. First, there was a decrease in income of about 4.7 billion yen due to the decrease in sales volume of Passive Components and HDD Heads, despite growth in sales of Rechargeable Batteries. Reductions in sales prices had a negative impact of about 10.7 billion yen. On the other hand, there was a positive impact of about 12.5 billion yen from cost reductions from rationalization, including cost cuts undertaken to counteract profit deterioration due to the impact of COVID-19, along with benefits of about 1.0 billion yen from restructuring. We are working to strengthen our financial base. Expenses related to the InvenSense acquisition decreased by about 0.5 billion yen, while selling, general and administrative expenses (SG&A) increased by about 4.7 billion yen due to an increase in SG&A and development expenses in connection with the business expansion in Rechargeable Batteries and the cessation of a filter fee that TDK had been receiving up to the previous fiscal year. Exchange rate fluctuations had a negative impact of 0.3 billion yen. These resulted in an overall decrease in operating income of 6.4 billion yen.

Consolidated results for 2Q of FY March 2021

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(Yen billions)	FY March 2020 2Q results	FY March 2021 2Q results	Change	
			Yen billions	%
Net sales	370.2	**381.7**	11.5	3.1
Operating income	43.9	**44.0**	0.1	0.2
Operating income margin	11.9%	**11.5%**	-0.4 pt	-
Income before income taxes	43.9	**42.5**	(1.4)	-3.2
Net income	29.4	**29.0**	(0.4)	-1.4

Earning per share (JPY)	232.37	**229.83**	-	-

Ex-rate	US$ (JPY)	107.39	**106.23**	Appreciated by 1.1%
	EURO (JPY)	119.48	**124.06**	Depreciated by 3.8%

Ex-rate impact to net sales & operating income	Net sales：Decreased by about 2.6 billion Yen Operating income：Decreased by about 1.6 billion Yen

Next, let's look at the consolidated results for the second quarter of the fiscal year ending March 2021.

In the second quarter of the fiscal year ending March 2021, net sales rose 3.1% year on year to 381.7 billion yen, operating income increased 0.2% to 44.0 billion yen, income before income taxes was 42.5 billion yen, and net income was 29.0 billion yen, setting new record highs for net sales and operating income on a quarterly basis.

Quarterly results by segment

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	(Yen billions)	2Q of FY March 2020 (A)	1Q of FY March 2021 (B)	2Q of FY March 2021 (C)	YoY change (C)-(A) Yen billions	YoY change (C)-(A) %	QoQ change (C)-(B) Yen billions	QoQ change (C)-(B) %
Net sales	Capacitors	39.6	33.3	**38.6**	(1.0)	-2.5	5.3	15.9
	Inductive Devices	35.7	27.4	**34.6**	(1.1)	-3.1	7.2	26.3
	Other Passive Components	26.6	23.6	**26.2**	(0.4)	-1.5	2.6	11.0
	Passive Components	101.9	84.4	**99.4**	(2.5)	-2.5	15.0	17.8
	Sensor Application Products	20.8	14.7	**19.8**	(1.0)	-4.8	5.1	34.7
	Magnetic Application Products	54.5	38.3	**50.4**	(4.1)	-7.5	12.1	31.6
	Energy Application Products	173.7	156.9	**200.7**	27.0	15.5	43.8	27.9
	Other	19.4	15.2	**11.4**	(8.0)	-41.2	(3.8)	-25.0
	Total	370.2	309.4	**381.7**	11.5	3.1	72.3	23.4
Operating income	**Passive Components**	11.4	7.7	**9.7**	(1.7)	-14.9	2.0	26.0
	Sensor Application Products	(5.5)	(7.3)	**(5.1)**	0.4	-	2.2	-
	Magnetic Application Products	3.5	(3.8)	**1.4**	(2.1)	-60.0	5.2	-
	Energy Application Products	42.5	31.3	**48.3**	5.8	13.6	17.0	54.3
	Other	(0.6)	(1.9)	**(2.8)**	(2.2)	-	(0.9)	-
	Sub total	51.2	26.0	**51.5**	0.3	0.6	25.5	98.1
	Corporate and eliminations	(7.3)	(7.6)	**(7.5)**	(0.2)	-	0.1	-
	Total	43.9	18.4	**44.0**	0.1	0.2	25.6	139.1
	Operating income margin	11.9%	5.9%	**11.5%**	-0.4pt	-	+5.6pt	-

Ex-rate		2Q of FY March 2020 (A)	1Q of FY March 2021 (B)	2Q of FY March 2021 (C)
	US$ (JPY)	107.39	107.61	**106.23**
	EURO (JPY)	119.48	118.45	**124.06**

I will explain some of the factors behind the changes in segment net sales and operating income from the first quarter to the second quarter of the fiscal year ending March 2021. I have already explained the changes in the Passive Components, Sensor Application Products, Magnetic Application Products, and the Energy Application Products segments, so here I will explain the major changes in the businesses included in Other.

Net sales of the Other segment for the second quarter were 11.4 billion yen, a 25.0% fall from the first quarter, and operating loss was 2.8 billion yen, a 0.9 billion yen increase of loss from the first quarter. The main factor for this decline was the deterioration of the earnings for micro-actuators, which are incorporated in smartphone camera modules. Our characteristic product for camera modules has enabled us to increase our share mainly for use in high-end smartphones of a major Chinese customer. However, earnings deteriorated as sales rapidly declined in the second quarter.

That concludes my presentation. Thank you very much for your attention.

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Consolidated Full Year Projections for FY March 2021

Shigenao Ishiguro
President and CEO

Hello, I am Shigenao Ishiguro, President and CEO of TDK. I would like to go over our full-year earnings projections for the fiscal year ending March 2021.

Key points concerning revisions to FY March 2021 full year projections

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- **Market forecast (changes from initial forecasts)**
  - Global economic growth rate fell slightly while indicators for the U.S. and China are improving.
  - Demand for PCs and tablets for working and studying at home is expected to grow sharply.
  - Sales of smartphones are expected to recover to a higher level than initially anticipated.
  - Sales of automobiles are expected to drop below initial forecasts, despite an increase in forecasts for China and Japan.

- **Upward revision to full year projections**
  - Full year projections were upgraded in light of operating results for the first half, especially higher performance of 2Q than anticipated, and the recent stronger booking momentum.

- **Continuing aggressive investment in markets that are certain to grow**
  - TDK will continue investing in growth, mainly in Rechargeable Batteries for non-ICT markets. The consolidated capital expenditure plan was revised upward.

- **Revisions to interim and year-end dividend projections**
  - Following the revisions to full year projections, the interim and year-end dividend projections were increased by ¥10 per share each, for a total of ¥180 per share for the year.

I will start by discussing how the market environment that we had initially assumed has changed over the past six months and how the change is impacting the demand trends for TDK.

As you are aware, macroeconomic growth on a global basis is expected to fall slightly short of the -4% growth that we expected at the beginning of the fiscal year. We feel we must keep a close eye on how the second and third waves of COVID-19 infections, if any, will affect growth going forward. In terms of devices, while demand for ICT devices such as PCs, tablets and smartphones is expected to slightly exceed initial assumptions, demand for automobiles has not recovered at the expected pace and has remained below our initial expectations.

Meanwhile, demand for components has trended steadily overall, despite some impact from the tightening of regulations on a major Chinese smartphone manufacturer on demand from the ICT market that is seeing robust demand for devices. As was explained earlier, orders for components used in automobiles have started to pick up in the second quarter. Although there has been no significant recovery in demand for automobiles themselves, there has been a recovery trend in the demand for components. We must keep a close eye on whether this includes the replenishment of inventory in preparation for a market recovery or future demand expectations.

With regard to our forecasts, we have revised our full-year projections upward following our first half results, especially the earnings recovery in the second quarter, and the recent order trends, although concerns about the impact of second and third waves of COVID-19 infections, if any, as well as inventories and demand expectations cannot be completely eliminated. Furthermore, we have increased our initial company-wide capital expenditure plan by approximately 10% to 200 billion yen as we continue to invest for the growth of businesses in which strong demand and growth can be expected, mainly in the Rechargeable Batteries business.

On the back of the earnings recovery, we have also increased our interim and year-end dividend projections for an annual dividend of 180 yen per share.

Projections for 3Q of FY March 2021
- Image of changes in sales

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(Yen billions)

Segment	2Q of FY March 2021	3Q projections (QoQ change)
Passive Components	99.4	-1%～-4%
Sensor Application Products	19.8	+8%～+11%
Magnetic Application Products	50.4	-5%～-8%
Energy Application Products	200.7	+0%～+3%
Other	11.4	—
Total	381.7	±0%

		Forex assumptions
US$(JPY)	106.23	105.00
EURO(JPY)	124.06	124.00

In light of the demand trend in the second half based on the above market projections, I would like to discuss our view of expected changes in net sales for the third quarter. We expect overall sales to be equivalent to those in the second quarter, including seasonal effects.

In the Passive Components segment, we are projecting that sales for the segment as a whole will drop slightly from the second quarter, by between 1% and 4% quarter on quarter. We expect sales to the automotive market and sales for 5G devices and other smartphones to increase, while sales for 5G base stations, the demand for which peaked out in the first half, are expected to decrease.

In the Sensor Application Products segment, we are projecting continued orders for Temperature and Pressure Sensors for the automotive market and an increase in sales of Hall Sensors, which were experiencing a delay in the recovery of orders. Furthermore, we are projecting sales of TMR Sensors to increase after reaching a peak in demand for smartphone applications. Sales of MEMS Microphones are expected to increase for smartphones and IoT devices, and despite a drop in sales to a major Chinese customer, sales of MEMS Motion Sensors are projected to rise due to an expansion of sales to other customers. As a result, we are projecting an increase in sales of 8 to 11% for the segment as a whole.

In the Magnetic Application Products segment, we are projecting a 4% drop in sales volumes of HDD Heads as a whole due to a decline in sales volume of Heads for consumer use, such as PCs and game consoles, despite an expected increase in the sales volume of Heads for Nearline HDDs. We also project a decline in sales of the HDD assembly business. In HDD Suspension Assemblies, we expect sales for application in Nearline HDDs to increase slightly from the second quarter and sales of Magnets to also increase following a rise in demand for automobiles. However, we are projecting sales for the segment as a whole to decline by 5 to 8%.

In the Energy Application Products segment, we are projecting sales to peak in the third quarter due to a peak in demand for smartphone applications, robust sales for PCs and tablets, and a steady rise in sales of high power products for residential energy storage systems, etc. In Power Supplies, sales for industrial equipment such as semiconductor manufacturing equipment are expected to be flat. As a result of the above, we are projecting an increase in sales by 0 to 3% for the segment as a whole.

FY March 2021 full year / dividend projections

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(Yen billions)		FY March 2020 full year results	FY March 2021 full year projections (announced on Jul. 30, 2020)	FY March 2021 full year projections (announced on Oct. 30, 2020)	YoY change	
					Yen billions	%
Net sales		1,363.0	**1,290.0**	**1,400.0**	37.0	2.7
Operating income		97.9	**70.0**	**110.0**	12.1	12.4
Operating income margin		7.2%	**5.4%**	**7.9%**	+0.7 pt	-
Income before income taxes		95.9	**70.0**	**111.0**	15.1	15.7
Net income		57.8	**48.0**	**76.0**	18.2	31.5
Earning per share (JPY)		457.47	**379.98**	**601.64**	-	-
Dividends (JPY)		1st half : 90 2nd half : 90 Annual: 180	**1st half : 80 2nd half : 80 Annual : 160**	**1st half : 90 2nd half : 90 Annual : 180**	-	-
Ex-rate	US$ (JPY)	108.82	**105.00**	**106.00**	-	
	EURO (JPY)	120.92	**117.00**	**123.00**	-	
Capital expenditure		173.4	**180.0**	**200.0**	26.6	15.3
Depreciation and amortization		125.0	**140.0**	**140.0**	15.0	12.0
Research and development		117.5	**120.0**	**120.0**	2.5	2.1

Finally, we come to our consolidated full-year earnings projections for the fiscal year ending March 2021.

We have revised our initial forecasts in light of the demand environment and sales projections which I explained earlier.

Our consolidated full-year earnings projections have been revised upward to net sales of 1,400.0 billion yen, operating income of 110.0 billion yen, income before income taxes of 111.0 billion yen, and net income of 76.0 billion yen. Based on growth in earnings per share, dividends are to be 90 yen per share for the first half and 90 yen per share for the second half for an annual dividend of 180 yen per share, an increase of 20 yen per share on an annual basis from our initial plan of 80 yen per share for the first half, 80 yen per share for the second half, for an annual dividend of 160 yen per share.

Our assumption of exchange rates against the U.S. dollar and the euro are 105 yen and 124 yen, respectively, for the second half, and 106 yen and 123 yen, respectively, for the full year.

We have also increased our capital expenditure projections by 20.0 billion yen to 200.0 billion yen on an annual basis mainly in Rechargeable Batteries, demand for which is expanding.

That concludes my presentation. Thank you very much for your attention.

Cautionary statements with respect to forward-looking statements

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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/2021/2q_1.htm