

## [Summary Information and Financial Statements]

### 1. Summary Information Regarding Financial Results for the Second Quarter of Fiscal 2020

#### (1) Summary Information Regarding Consolidated Business Results

Consolidated results for the first half of fiscal 2020, the period from April 1 to September 30, 2019, are as follows.

During the first half of fiscal 2020, there was a sense of uncertainty about the future as the impact of trade friction between the U.S. and China gained momentum and the global economy continued to decelerate starting with China.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, the automotive market saw a year-on-year decrease in automobile sales volume not only in China, which is the world's largest automobile market, but also emerging countries such as India despite a continued increase in the number of components installed per vehicle. In the industrial equipment market, demand was subdued. The Information and Communications Technology (ICT) market saw a rise in demand for 5G-related products despite that smartphone production slightly fell year on year.

In this business environment, the TDK's consolidated operating results for the first half of fiscal 2020 were as follows.

#### Summary (April 1, 2019 - September 30, 2019)

Term Item	1H of FY2019 (April 1, 2018 - September 30, 2018)		1H of FY2020 (April 1, 2019 - September 30, 2019)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	721,940	100.0	707,029	100.0	6,546,565	(14,911)	-2.1
Operating income	62,180	8.6	68,843	9.7	637,435	6,663	10.7
Income before income taxes	57,799	8.0	68,648	9.7	635,630	10,849	18.8
Net income attributable to TDK	41,076	5.7	44,938	6.4	416,093	3,862	9.4
Per common share :							
Net income attributable to TDK / Basic	Yen 325.30		Yen 355.81		U.S.\$ 3.30		
Net income attributable to TDK / Diluted	Yen 324.46		Yen 355.01		U.S.\$ 3.29		

**Note:**

U.S.\$1=Yen 108, for convenience only.

Average yen exchange rates for the U.S. dollar and the euro during the first half of fiscal 2020 were ¥108.74 and ¥121.51, respectively, as the yen appreciated 1.4% against the U.S. dollar and 6.5% against the euro. This decreased net sales by approximately ¥20.0 billion and operating income by approximately ¥2.0 billion.

## Sales by Product

Term  Product	1H of FY2019 (April 1, 2018 - September 30, 2018)		1H of FY2020 (April 1, 2019 - September 30, 2019)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	88,344	12.2	78,922	11.1	730,760	(9,422)	-10.7
Inductive Devices	78,416	10.9	69,811	9.9	646,398	(8,605)	-11.0
Other Passive Components	58,062	8.0	51,407	7.3	475,991	(6,655)	-11.5
Passive Components	224,822	31.1	200,140	28.3	1,853,149	(24,682)	-11.0
Sensor Application Products	39,477	5.5	38,919	5.5	360,361	(558)	-1.4
Magnetic Application Products	145,866	20.2	109,994	15.6	1,018,463	(35,872)	-24.6
Energy Application Products	280,348	38.8	318,177	45.0	2,946,083	37,829	13.5
Other	31,427	4.4	39,799	5.6	368,509	8,372	26.6
Total	721,940	100.0	707,029	100.0	6,546,565	(14,911)	-2.1
Overseas sales	665,724	92.2	653,364	92.4	6,049,667	(12,360)	-1.9

**Notes:**

1. U.S.\$1=Yen 108, for convenience only.
2. In accordance with the reorganization in 1Q of FY2020, certain products of Inductive Devices were reclassified into Other Passive Components. The prior year's sales are also reclassified to conform to the new segmentation.

### 1) Passive Components Segment

This segment is made up of (1) Capacitors, (2) Inductive Devices, and (3) Other Passive Components. Sales in the Passive Components segment were ¥200,140 million (U.S.\$ 1,853,149 thousand), down 11.0% year on year from ¥224,822 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥78,922 million (U.S.\$ 730,760 thousand), down 10.7% year on year from ¥88,344 million. Sales of Ceramic Capacitors increased to the automotive and the ICT markets, while decreased to the industrial equipment market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors decreased mainly to the industrial equipment and the automotive markets.

Sales of Inductive Devices decreased by 11.0% year on year from ¥78,416 million to ¥69,811 million (U.S.\$ 646,398 thousand). Sales decreased mainly to the automotive and the industrial equipment markets.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products, and Circuit Protection Components. Sales of Other Passive Components decreased by 11.5% year on year from ¥58,062 million to ¥51,407 million (U.S.\$ 475,991 thousand). Sales decreased mainly to the ICT market.

### 2) Sensor Application Products Segment

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors, and MEMS Sensors. Segment sales decreased by 1.4% from ¥39,477 million to ¥38,919 million (U.S.\$ 360,361 thousand). Sales increased to the ICT market, while decreased to the automotive market.

### 3) Magnetic Application Products Segment

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales decreased 24.6% year on year from ¥145,866 million to ¥109,994 million (U.S.\$ 1,018,463 thousand). Sales of HDD Heads and HDD Suspension Assemblies decreased to the ICT market. Sales of Magnets decreased to the industrial equipment market.

### 4) Energy Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries) and Power Supplies. Segment sales increased by 13.5% from ¥280,348 million to ¥318,177 million (U.S.\$ 2,946,083 thousand). Sales of Energy Devices increased significantly to the ICT market.

### 5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales increased by 26.6% from ¥31,427 million to ¥39,799 million (U.S.\$ 368,509 thousand).

The main businesses making up the four reporting segments and Other, which includes products not included in these reporting segments, are as follows:

New Classification	Constituent Main Business
Passive Components	Ceramic Capacitors, Aluminum Electrolytic Capacitors, Film Capacitors, Inductive Devices (Coils/Ferrite Cores/Transformers), High-Frequency Devices, Piezoelectric Material Products, Circuit Protection Components
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Magnets
Energy Application Products	Energy Devices (Rechargeable Batteries), Power Supplies
Other	Mechatronics (Production Equipment), Others

### **[Sales by Region]**

Overseas sales decreased by 1.9% year on year from ¥665,724 million to ¥653,364 million (U.S.\$ 6,049,667 thousand). Overseas sales accounted for 92.4% of consolidated net sales, a 0.2 percentage point increase from 92.2% in the first half of fiscal 2019. Detailed information on sales by region can be found in the consolidated supplementary information on page 18.

## **(2) Summary Information Regarding Consolidated Financial Position**

1) The following table summarizes TDK's consolidated balance sheet as of September 30, 2019.

Total assets	¥1,952,697 million	(2.0% decrease)
Total TDK stockholders' equity	¥856,271 million	(2.4% decrease)
Stockholders' equity ratio	43.9%	(0.1 point decrease)

As of September 30, 2019, total assets decreased by ¥39,783 million compared with March 31, 2019. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) increased by ¥427 million. While net trade receivables and right-of-use assets of operating leases increased by ¥64,153 million and ¥41,828 million, respectively, investments in securities decreased by ¥122,580 million.

Total liabilities decreased by ¥17,595 million from March 31, 2019. Operating lease obligations (including current portion of operating lease obligations) increased by ¥37,518 million, and current installments of long-term debt decreased by ¥50,308 million.

Total TDK stockholders' equity, which is included in total equity, decreased by ¥21,019 million from March 31, 2019. Accumulated other comprehensive income (loss) decreased by ¥52,045 million, due to a decrease in foreign currency translation adjustments compared with March 31, 2019.

2) Cash Flows

(Yen millions)

	FY 2019 2Q	FY 2020 2Q	Change
Net cash provided by operating activities	7,678	59,872	52,194
Net cash provided (used) in investing activities	(55,046)	64,595	119,641
Net cash provided (used) by financing activities	14,730	(77,034)	(91,764)
Effect of exchange rate changes on cash and cash equivalents	4,120	(16,236)	(20,356)
Net increase (decrease) in cash and cash equivalents	(28,518)	31,197	59,715
Cash and cash equivalents at beginning of period	279,624	289,175	9,551
Cash and cash equivalents at end of period	251,106	320,372	69,266

Operating activities provided net cash of ¥59,872 million (U.S.\$554,370 thousand), an increase of ¥52,194 million year on year. It mainly came from a decrease in working capital.

Investing activities provided net cash of ¥64,595 million (U.S.\$598,102 thousand), changed by ¥119,641 million year on year. It mainly came from proceeds from sale of investments in affiliates.

Financing activities used net cash of ¥77,034 million (U.S.\$713,278 thousand), changed by ¥91,764 million year on year. It mainly came from a decrease in debt.

### (3) Summary Information Regarding Consolidated Projections

(Fiscal 2020 Consolidated Projections)

TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2020, the year ending March 31, 2020, are as follows.

Term  Item	FY2020 (April 1, 2019 - March 31, 2020)	FY2020 (April 1, 2019 - March 31, 2020)	FY2019 (April 1, 2018 - March 31, 2019)	vs FY2019 Changes	
	Projection in October '19	Projection in April '19	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	1,390,000	1,420,000	1,381,806	8,194	0.6
Operating income	120,000	120,000	107,823	12,177	11.3
Income before income taxes	118,000	118,000	115,554	2,446	2.1
Net income attributable to TDK	84,000	84,000	82,205	1,795	2.2
Capital expenditures	200,000	200,000	173,592	26,408	15.2
Depreciation and amortization	130,000	130,000	106,631	23,369	21.9
Research and development	120,000	120,000	115,155	4,845	4.2

(Notes)

The Chinese economy has decelerated due to the trade friction between the U.S. and China gaining momentum, and the impact on the world economy has expanded. TDK has revised its forecasts, reflecting the situation, based on changes in order status it had assumed when it made the previous announcement (April 26, 2019).

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥108 and ¥122 respectively will be assumed from the third quarter onward.

### 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 Corporation and/or its group companies ("TDK"). These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs, and evaluations of TDK in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors.

TDK therefore wishes to caution readers that, being subject to risks, uncertainties and other factors, TDK's actual results, performance, achievements or financial positions could be materially different from any future results, performance, achievements or financial positions expressed or implied by these forward-looking statements, and TDK undertakes no obligation to publicly update or revise any forward-looking statements after the issue of this material except as provided for in applicable

laws and ordinances.

The electronics markets in which TDK operates are highly susceptible to rapid changes. Risks, uncertainties and other factors that can have significant effects on TDK include, but are not limited to, shifts in technology, fluctuations in demand, prices, interest and foreign exchange rates, and changes in economic environments, conditions of competition, laws, and regulations.



## **2. Other Information**

### **(1) Changes in Significant Subsidiaries**

Nothing to report.

### **(2) Simplified Accounting Treatment and Special Accounting Treatment**

Nothing to report.

### **(3) Accounting Policy Changes, Accounting Estimate Changes and Restatements**

#### Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02 “Leases (Topic 842)”.

This ASU requires lessees to recognize most leases on their consolidated balance sheets but recognize expenses on their consolidated statements of income in a manner similar to the previous guidance. Additionally, this ASU expands qualitative and quantitative disclosures related to leases.

TDK adopted this ASU from April 1, 2019. TDK applied the package of practical expedients that allows us not to reassess whether any existing contracts at or expired contracts prior to the adoption date are or contain leases, lease classification and whether any initial direct costs qualify for capitalization, to use hindsight in determining the lease term and in assessing impairment of the right-of-use assets, in addition to applying the short term lease exception. TDK also adopted the transition method which no restatement of comparative periods and no reassessment of land easements not previously accounted for as a lease that exist at or expired prior to the adoption date are required. The right-of-use assets of operating leases and operating lease obligations recognized at April 1, 2019 was ¥38,016 million and ¥35,690 million, respectively and are included in Noncurrent assets and liabilities in the accompanying consolidated balance sheets.

The adoption of this ASU did not have a material impact on TDK’s results of operations.

#### Targeted Improvements to Accounting for Hedging Activities

In August 2017, FASB issued ASU 2017-12 “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities”. This ASU amends existing guidance to simplify the application of hedge accounting in certain situations and enables an entity to better portray the economic results of an entity’s risk management activities in its financial statements. This ASU eliminates the requirement to separately measure and report hedge ineffectiveness, and requires an entity to present the earnings effect of the hedging instrument in the same line item of the consolidated statements of income in which the earnings effect of the hedged item is reported. TDK adopted this ASU from April 1, 2019.

The adoption of this ASU did not have a material impact on TDK’s results of operations and financial position.

**(4) Fundamental Policy for Distribution of Earnings, and Fiscal 2020 Dividends**

TDK recognizes that achieving increase in corporate value over the medium- and long-term ultimately translates into higher shareholder value. In line with this understanding, TDK's fundamental policy is to work to consistently increase dividends through growth in earnings per share. By actively investing for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to rapid technological innovation in the electronics industry, TDK is aiming to increase a medium- and long-term corporate value. Accordingly, TDK actively reinvests its earning in business activities and determines its dividends taking into consideration comprehensive factors, including return on equity (ROE) and dividends on equity (DOE) on a consolidated basis, as well as changes in the business environment, among other factors.

Projected dividends per share for fiscal 2020 are as follows. TDK keeps initial dividend forecast unchanged.

	(Yen)	
	FY2020	FY2019 Actual
Interim dividend	90.00	80.00
Year-end dividend	(Forecast) 90.00	80.00
Annual dividend	(Forecast) 180.00	160.00