

## [Summary Information and Financial Statements]

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

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

Consolidated results for the first nine months of fiscal 2020, the period from April 1 to December 31, 2019, are as follows.

During the first nine months of fiscal 2020, the global economy continued to decelerate due to heightened geopolitical risk associated with factors such as trade friction between the U.S. and China and the intensified conflict between the U.S. and Iran. Although there were some signs of improvement, such as steps to temporarily ease U.S.-China trade friction, the outlook remained uncertain.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, the automotive market saw a sluggish performance in terms of automobile sales volume, which decreased year on year. This decrease reflected the impact of economic deterioration in China, which is the world's largest automobile market, and emerging countries such as India. However, the number of components installed per vehicle has continued to increase. In the industrial equipment market, demand was subdued overall, despite some signs of a recovery in demand in certain sectors such as semiconductor manufacturing facilities. The Information and Communications Technology (ICT) market saw a rise in demand for 5G-related products, although smartphone production fell slightly year on year.

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

#### Summary (April 1, 2019 - December 31, 2019)

| Term<br>Item                             | The 9-month-period of FY2019<br>(Apr. 1, 2018 - Dec. 31, 2018) |       | The 9-month-period of FY2020<br>(April 1, 2019 - December 31, 2019) |       |                    | Change         |           |
|------------------------------------------|----------------------------------------------------------------|-------|---------------------------------------------------------------------|-------|--------------------|----------------|-----------|
|                                          | (Yen millions)                                                 | %     | (Yen millions)                                                      | %     | (U.S.\$ thousands) | (Yen millions) | Change(%) |
| Net sales                                | 1,072,743                                                      | 100.0 | 1,062,663                                                           | 100.0 | 9,660,573          | (10,080)       | -0.9      |
| Operating income                         | 94,938                                                         | 8.9   | 109,240                                                             | 10.3  | 993,091            | 14,302         | 15.1      |
| Income before income taxes               | 88,791                                                         | 8.3   | 109,824                                                             | 10.3  | 998,400            | 21,033         | 23.7      |
| Net income attributable to TDK           | 63,485                                                         | 5.9   | 74,412                                                              | 7.0   | 676,473            | 10,927         | 17.2      |
| Per common share :                       |                                                                |       |                                                                     |       |                    |                |           |
| Net income attributable to TDK / Basic   | Yen 502.78                                                     |       | Yen 589.16                                                          |       | U.S.\$ 5.36        |                |           |
| Net income attributable to TDK / Diluted | Yen 501.54                                                     |       | Yen 587.81                                                          |       | U.S.\$ 5.34        |                |           |

**Note:**

U.S.\$1=Yen 110, for convenience only.

Average yen exchange rates for the U.S. dollar and the euro during the first nine months of fiscal 2020 were ¥108.74 and ¥121.12, respectively, as the yen appreciated 2.2% against the U.S. dollar and 6.5% against the euro. This decreased net sales by approximately ¥34.5 billion and operating income by approximately ¥3.5 billion.

## Sales by Product

| Term<br><br>Product           | The 9-month-period of<br>FY2019<br>(April 1, 2018 -<br>December 31, 2018) |              | The 9-month-period of FY2020<br>(April 1, 2019 -<br>December 31, 2019) |              |                    | Change          |             |
|-------------------------------|---------------------------------------------------------------------------|--------------|------------------------------------------------------------------------|--------------|--------------------|-----------------|-------------|
|                               | (Yen millions)                                                            | %            | (Yen millions)                                                         | %            | (U.S.\$ thousands) | (Yen millions)  | Change(%)   |
|                               | Capacitors                                                                | 131,065      | 12.2                                                                   | 116,208      | 10.9               | 1,056,436       | (14,857)    |
| Inductive Devices             | 115,717                                                                   | 10.8         | 104,614                                                                | 9.9          | 951,036            | (11,103)        | -9.6        |
| Other Passive Components      | 84,742                                                                    | 7.9          | 77,667                                                                 | 7.3          | 706,064            | (7,075)         | -8.3        |
| Passive Components            | 331,524                                                                   | 30.9         | 298,489                                                                | 28.1         | 2,713,536          | (33,035)        | -10.0       |
| Sensor Application Products   | 59,178                                                                    | 5.5          | 59,227                                                                 | 5.6          | 538,427            | 49              | 0.1         |
| Magnetic Application Products | 212,276                                                                   | 19.8         | 167,853                                                                | 15.8         | 1,525,937          | (44,423)        | -20.9       |
| Energy Application Products   | 425,720                                                                   | 39.7         | 479,354                                                                | 45.1         | 4,357,764          | 53,634          | 12.6        |
| Other                         | 44,045                                                                    | 4.1          | 57,740                                                                 | 5.4          | 524,909            | 13,695          | 31.1        |
| <b>Total</b>                  | <b>1,072,743</b>                                                          | <b>100.0</b> | <b>1,062,663</b>                                                       | <b>100.0</b> | <b>9,660,573</b>   | <b>(10,080)</b> | <b>-0.9</b> |
| Overseas sales                | 986,652                                                                   | 92.0         | 980,863                                                                | 92.3         | 8,916,936          | (5,789)         | -0.6        |

**Notes:**

1. U.S.\$1=Yen 110, for convenience only.
2. In accordance with the redefinition of product group 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 ¥298,489 million (U.S.\$ 2,713,536 thousand), down 10.0% year on year from ¥331,524 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥116,208 million (U.S.\$ 1,056,436 thousand), down 11.3% year on year from ¥131,065 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 9.6% year on year from ¥115,717 million to ¥104,614 million (U.S.\$ 951,036 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 8.3% year on year from ¥84,742 million to ¥77,667 million (U.S.\$ 706,064 thousand). Sales decreased mainly to the ICT and the automotive markets.

### 2) Sensor Application Products Segment

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors, and MEMS Sensors. Segment sales increased by 0.1% from ¥59,178 million to ¥59,227 million (U.S.\$ 538,427 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 20.9% year on year from ¥212,276 million to ¥167,853 million (U.S.\$ 1,525,937 thousand). Sales of HDD Heads and HDD Suspension Assemblies decreased to the ICT market. Sales of Magnets decreased mainly 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 12.6% from ¥425,720 million to ¥479,354 million (U.S.\$ 4,357,764 thousand). Sales of Energy Devices increased significantly to the ICT market.

### 5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales increased by 31.1% from ¥44,045 million to ¥57,740 million (U.S.\$ 524,909 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 0.6% year on year from ¥986,652 million to ¥980,863 million (U.S.\$ 8,916,936 thousand). Overseas sales accounted for 92.3% of consolidated net sales, a 0.3 percentage point increase from 92.0% in the first nine months 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 December 31, 2019.

|                                |                    |                      |
|--------------------------------|--------------------|----------------------|
| Total assets                   | ¥2,051,365 million | (3.0% increase)      |
| Total TDK stockholders' equity | ¥906,715 million   | (3.4% increase)      |
| Stockholders' equity ratio     | 44.2%              | (0.2 point increase) |

As of December 31, 2019, total assets increased by ¥58,885 million compared with March 31, 2019. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) increased by ¥47,602 million. While net trade receivables, right-of-use assets of operating leases (adopted new accounting principle), and net property, plant and equipment increased by ¥56,261 million, ¥41,947 million, and ¥24,391 million, respectively, investments in securities decreased by ¥121,682 million.

Total liabilities increased by ¥30,533 million from March 31, 2019. While trade payables, long-term operating lease obligations (including current portion of operating lease obligations), and short-term debt increased by ¥41,840 million, ¥37,546 million, and ¥19,094 million respectively, long-term debt (including current installments of long-term debt) decreased by ¥81,816 million.

Total TDK stockholders' equity, which is included in total equity, increased by ¥29,425 million from March 31, 2019. Retained earnings increased by ¥52,123 million compared with March 31, 2019.

## 2) Cash Flows

(Yen millions)

|                                                              | The 9-month-period<br>of FY 2019 | The 9-month-period<br>of FY 2020 | Change    |
|--------------------------------------------------------------|----------------------------------|----------------------------------|-----------|
| Net cash provided by operating activities                    | 90,369                           | 149,521                          | 59,152    |
| Net cash provided by (used in) investing activities          | (95,807)                         | 11,429                           | 107,236   |
| Net cash provided by (used in) by financing activities       | 21,198                           | (89,370)                         | (110,568) |
| Effect of exchange rate changes on cash and cash equivalents | (1,870)                          | (7,305)                          | (5,435)   |
| Net increase in cash and cash equivalents                    | 13,890                           | 64,275                           | 50,385    |
| Cash and cash equivalents at beginning of period             | 279,624                          | 289,175                          | 9,551     |
| Cash and cash equivalents at end of period                   | 293,514                          | 353,450                          | 59,936    |

Operating activities provided net cash of ¥149,521 million (U.S.\$1,359,282 thousand), an increase of ¥59,152 million year on year. It mainly came from a decrease in working capital.

Investing activities provided net cash of ¥11,429 million (U.S.\$103,900 thousand), changed by ¥107,236 million year on year. It mainly came from proceeds from sale of investments in affiliates.

Financing activities used net cash of ¥89,370 million (U.S.\$812,455 thousand), changed by ¥110,568 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<br><br>Item               | FY2020<br>(April 1, 2019 -<br>March 31, 2020) | FY2020<br>(April 1, 2019 -<br>March 31, 2020) | FY2019<br>(April 1, 2018 -<br>March 31, 2019) | vs FY2019<br>Changes |      |
|--------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|----------------------|------|
|                                | Projection in<br>October '19                  | Projection in<br>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)

Management has judged that there are no major changes from TDK's projections as of October 31, 2019, having reviewed demand and other factors for electronic components used in major finished products. The review was based on production forecasts and other information currently available to TDK (as defined below) regarding the electronics market and major finished products.

(Exchange Rate Forecast)

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

### **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<br>Actual |
| Interim dividend  | 90.00             | 80.00            |
| Year-end dividend | (Forecast) 90.00  | 80.00            |
| Annual dividend   | (Forecast) 180.00 | 160.00           |