

## [Summary Information and Financial Statements]

### 1. Summary Information Regarding Financial Results for the Second Quarter of Fiscal 2021

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

Consolidated results for the first half of fiscal 2021, the period from April 1 to September 30, 2020, are as follows.

During the first half of fiscal 2021, the global economy was significantly affected by the continuing COVID-19 pandemic and the worsening relationship between the U.S. and China. Although the second quarter saw a resurgence in the number of infections and the situation remained uncertain, social and economic activities were resumed across the world, and production activities, which had been substantially restricted due to preventive measures against the spread of the virus, started on a recovery trend.

In the electronics market, which has a large bearing on the consolidated performance of TDK, the automotive market saw a rapid recovery of demand on the back of a resumption of production at automobile manufacturers in the second quarter, after experiencing significant weakness in the first quarter due to restrictions on production activities. Demand also expanded significantly for notebook PCs and tablets as more people worked and studied at home. Furthermore, demand grew for fifth-generation mobile communication system (5G) base stations and smartphones.

In this business environment, the TDK's consolidated operating results for the first half of fiscal 2021 were as follows.

#### Summary (April 1, 2020 - September 30, 2020)

Term Item	1H of FY2020 (April 1, 2019 - September 30, 2019)		1H of FY2021 (April 1, 2020 - September 30, 2020)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Net sales	707,029	100.0	691,111	100.0	6,519,915	(15,918)	-2.3
Operating income	68,843	9.7	62,406	9.0	588,736	(6,437)	-9.4
Income before income taxes	68,648	9.7	63,163	9.1	595,877	(5,485)	-8.0
Net income attributable to TDK	44,938	6.4	42,225	6.1	398,349	(2,713)	-6.0
Per common share :							
Net income attributable to TDK / Basic	Yen 355.81		Yen 334.27		U.S.\$ 3.15		
Net income attributable to TDK / Diluted	Yen 355.01		Yen 333.58		U.S.\$ 3.15		

**Note:**

U.S.\$1=Yen 106, for convenience only.

Average yen exchange rates for the U.S. dollar and the euro during the first half of fiscal 2021 were ¥106.92 and ¥121.27, respectively, as the yen appreciated 1.7% against the U.S. dollar and 0.2% against the euro. As a result of these factors and fluctuations in foreign exchange rates, net sales declined by approximately ¥13.9 billion and operating income decreased by approximately ¥0.3 billion.

## Sales by Product

Term Product	1H of FY2020 (April 1, 2019 - September 30, 2019)		1H of FY2021 (April 1, 2020 - September 30, 2020)			Change	
	(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Capacitors	78,922	11.1	71,919	10.4	678,481	(7,003)	-8.9
Inductive Devices	69,811	9.9	61,997	9.0	584,877	(7,814)	-11.2
Other Passive Components	51,407	7.3	49,880	7.2	470,566	(1,527)	-3.0
Passive Components	200,140	28.3	183,796	26.6	1,733,924	(16,344)	-8.2
Sensor Application Products	38,919	5.5	34,491	5.0	325,387	(4,428)	-11.4
Magnetic Application Products	109,994	15.6	88,701	12.8	836,802	(21,293)	-19.4
Energy Application Products	318,177	45.0	357,517	51.7	3,372,802	39,340	12.4
Other	39,799	5.6	26,606	3.9	251,000	(13,193)	-33.1
Total	707,029	100.0	691,111	100.0	6,519,915	(15,918)	-2.3
Overseas sales	653,364	92.4	638,604	92.4	6,024,566	(14,760)	-2.3

**Note:**

U.S.\$1=Yen 106, for convenience only.

### 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 ¥183,796 million (U.S.\$ 1,733,924 thousand), down 8.2% year on year from ¥200,140 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥71,919 million (U.S.\$ 678,481 thousand), down 8.9% year on year from ¥78,922 million. Sales of Ceramic Capacitors increased to the Information and Communication Technology (ICT) market, while decreased to the automotive market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors decreased to the automotive and the industrial equipment markets.

Sales of Inductive Devices decreased by 11.2% year on year from ¥69,811 million to ¥61,997 million (U.S.\$ 584,877 thousand). Sales decreased mainly to the automotive market.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products, and Circuit Protection Components. Sales of Other Passive Components decreased by 3.0% year on year from ¥51,407 million to ¥49,880 million (U.S.\$ 470,566 thousand). Sales decreased mainly to the automotive 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 11.4% from ¥38,919 million to ¥34,491 million (U.S.\$ 325,387 thousand). Sales decreased mainly to the automotive market.

### 3) Magnetic Application Products Segment

This segment is made up of Hard Disk Drive (HDD) Heads, HDD Suspension Assemblies, and Magnets. Segment sales decreased 19.4% year on year from ¥109,994 million to ¥88,701 million (U.S.\$ 836,802 thousand). Sales of HDD Heads and HDD Suspension Assemblies decreased to the ICT market. Sales of Magnets decreased to the automotive market.

### 4) Energy Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries) and Power Supplies. Segment sales increased by 12.4% from ¥318,177 million to ¥357,517 million (U.S.\$ 3,372,802 thousand). Sales of Energy Devices increased significantly to the ICT market.

### 5) Other

Other includes Mechatronics (Production Equipment) and Others. Segment sales decreased by 33.1% from ¥39,799 million to ¥26,606 million (U.S.\$ 251,000 thousand).

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

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 2.3% year on year from ¥653,364 million to ¥638,604 million (U.S.\$ 6,024,566 thousand). Overseas sales accounted for 92.4% of consolidated net sales, same as the first half of fiscal 2020. Detailed information on sales by region can be found in the consolidated supplementary information on page 17.

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

1) The following table summarizes TDK's consolidated balance sheet as of September 30, 2020.

Total assets	¥2,081,614 million	(7.1% increase)
Total TDK stockholders' equity	¥872,657 million	(3.4% increase)
Stockholders' equity ratio	41.9%	(1.5 point decrease)

As of September 30, 2020, total assets increased by ¥138,235 million compared with March 31, 2020. Net liquidity (cash and cash equivalent, short-term investments, marketable securities) increased by ¥17,162 million. Also, net trade receivables and net property, plant and equipment increased by ¥69,300 million and ¥53,213 million, respectively.

Total liabilities increased by ¥110,610 million from March 31, 2020. Short-term debt decreased by ¥75,227 million while current installments of long-term debt increased by ¥76,955 million, long-term debt, excluding current installments increased by ¥49,372 million, and trade payables increased by ¥36,248 million. Issuance of bonds by ¥99,582 million in July 2020 is included in the increase of long-term debt.

Total TDK stockholders' equity, which is included in total equity, increased by ¥28,700 million from March 31, 2020. Retained earnings increased by ¥27,217 million.

## 2) Cash Flows

(Yen millions)

	FY 2020 2Q	FY 2021 2Q	Change
Net cash provided by operating activities	59,872	73,130	13,258
Net cash provided (used) in investing activities	64,595	(98,435)	(163,030)
Net cash provided (used) by financing activities	(77,034)	35,397	112,431
Effect of exchange rate changes on cash and cash equivalents	(16,236)	(237)	15,999
Net increase in cash and cash equivalents	31,197	9,855	(21,342)
Cash and cash equivalents at beginning of period	289,175	332,717	43,542
Cash and cash equivalents at end of period	320,372	342,572	22,200

Operating activities provided net cash of ¥73,130 million (U.S.\$689,906 thousand), an increase of ¥13,258 million year on year. It mainly came from a decrease in working capital.

Investing activities used net cash of ¥98,435 million (U.S.\$928,632 thousand), changed by ¥163,030 million year on year. It mainly came from decrease of proceeds from sale of investments in affiliates.

Financing activities provided net cash of ¥35,397 million (U.S.\$333,934 thousand), changed by ¥112,431 million year on year. It mainly came from an increase in debt, which is a result of issuance of corporate bonds.

### (3) Summary Information Regarding Consolidated Projections

(Fiscal 2021 Consolidated Projections)

The outlook for the global economy remains uncertain due to concerns over further impact from a resurgence of the COVID-19 pandemic or greater aggravation of tensions between the U.S. and China. Under such circumstances, the operating results for the first half of fiscal 2021 exceeded the expectations held at the beginning of the period, as social and economic activities that were curtailed due to the continuing COVID-19 pandemic gradually resumed and demand for electronics started to recover. In terms of products, sales of Rechargeable Batteries and Passive Components grew on the back of increases in demand for notebook PCs and tablets as more people worked and studied at home, and in demand for 5G-related applications. In the second quarter, sales of Passive Components and Sensors increased as orders for the automotive market rapidly recovered. As a result of reviewing TDK's full-year projections in light of the operating results for the first half of fiscal 2021, the new projections have been raised from those announced on July 30, 2020. Capital expenditures are also expected to exceed the previous projection, mainly in Rechargeable Batteries, demand for which is expected to grow continuously. TDK's projections for consolidated operating results, capital expenditures, depreciation and amortization, and research and development expenses for fiscal 2021, the year ending March 31, 2021, are as follows.

Term  Item	FY2021 (April 1, 2020 - March 31, 2021)	FY2021 (April 1, 2020 - March 31, 2021)	FY2020 (April 1, 2019 - March 31, 2020)	vs FY2020 Changes	
	Projections in October '20	Projections in July '20	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	1,400,000	1,290,000	1,363,037	36,963	2.7
Operating income	110,000	70,000	97,870	12,130	12.4
Income before income taxes	111,000	70,000	95,876	15,124	15.8
Net income attributable to TDK	76,000	48,000	57,780	18,220	31.5
Capital expenditures	200,000	180,000	173,429	26,571	15.3
Depreciation and amortization	140,000	140,000	124,984	15,016	12.0
Research and development	120,000	120,000	117,489	2,511	2.1

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥106 and ¥123 respectively will be assumed for Fiscal 2021. Average yen exchange rates against the U.S. dollar and the euro of ¥105 and ¥124 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**

TDK absorbed and merged TDK-EPC Corporation, a specific subsidiary, in the quarter ended September 30, 2020. TDK-EPC Corporation has been excluded from the scope of consolidation.

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

Nothing to report.

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

#### Amendments of fair value measurement disclosure requirements

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13 “Amendments of fair value measurement disclosure requirements”. This ASU eliminates, amends and adds some of disclosure requirements for fair value measurement. TDK adopted this ASU from April 1, 2020.

The adoption of this ASU did not have an impact on TDK’s results of operations and financial position because this ASU is related to disclosure.



**(4) Fundamental Policy for Distribution of Earnings, and Fiscal 2021 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 2021 are as follows. TDK has revised the interim dividend to 90 yen from 80 yen and the year-end dividend forecast to 90 yen from 80 yen, based on the revision of the consolidated projections for fiscal 2021 as well as on the fundamental policy for distribution of earnings.

	(Yen)	
	FY2021	FY2020 Actual
Interim dividend	90.00	90.00
Year-end dividend	(Forecast) 90.00	90.00
Annual dividend	(Forecast) 180.00	180.00