

## **Announcement on Agreement to Establish of Joint Venture and Expand Collaboration with Qualcomm**

January 13, 2016

TDK Corporation ("TDK") announces that its Board of Directors resolved at a meeting of the Board of Directors held on January 13, 2016 that TDK and Qualcomm Incorporated ("Qualcomm") agreed to form a joint venture to deliver RF front-end (RFFE) modules and RF filters into fully-integrated systems for mobile devices and fast-growing business segments, such as Internet of Thing (IoT), drones, robotics, automotive applications and more, under the name RF360 Holdings Singapore PTE. Ltd. ("RF360 Holdings"). The agreement was made between Qualcomm's indirect, wholly-owned subsidiary, Qualcomm Global Trading PTE. Ltd. (QGT), and other Qualcomm affiliates, including Qualcomm Technologies, Inc. (QTI), and TDK and other TDK affiliates. Details are as follows:

### **1. Purpose of and Reasons for the Establishment of Joint Venture and Expansion collaboration**

The electronic components business based on magnetic materials technology is a core business of TDK. The Company has worked diligently to expand operations and earnings centered on this business in three designated priority markets. These are 1) the ICT field, where smartphones are continuing to spread globally, 2) the automotive field, including hybrid and electric vehicles, and 3) the industrial equipment and energy field, encompassing wind and solar power generation.

As one of the world's most dynamic and fast-moving global industries, mobile communications is placing growing demands on all players. Current and future smartphones, for example, must support dozens of frequency bands for 2G, 3G and 4G LTE, while offering connectivity for wireless LAN, satellite navigation, Bluetooth and more. In addition, the convergence of 4G mobile communications and the IoT means that manufacturers of wireless solutions for mobile IoT devices must achieve new levels of miniaturization, integration and performance, especially for the RFFE in these devices. Further, 5G will expand this complexity even more. Module solutions will be essential to support this increasing complexity in the RFFE.

Under these circumstances, TDK determined that to provide the solutions demanded by customers, it is essential to create a close-knit and swift management environment together with a semiconductor manufacturer. The Company therefore decided to conclude a business alliance involving the establishment of a joint venture with Qualcomm, which designs and sells highly reliable state-of-the-art semiconductors with a proven track record in the global market.

## 2. Outline of the Establishment of Joint Venture and Expansion collaboration

### (1) Outline of Expansion collaboration

TDK plans for EPCOS AG (“EPCOS”) a subsidiary of TDK, to establish an umbrella company that holds EPCOS’s relevant HF components operations and to sell the majority in such company to QGT. Thereafter, EPCOS and QGT will run the umbrella company as a joint venture.

The business that will be transferred constitutes a part of the total TDK SAW Business Group activities and the run rate is approaching \$1 billion US dollars of sales per annum (estimation as of fiscal year ending March 31, 2016) and approximately 4,200 employees are involved in that business.

### (2) Outline of the Joint Venture

(1) Name	RF360 Holdings Singapore PTE. Ltd.
(2) Location	Singapore
(3) Representative	To be announced
(4) Business	Development, design, procurement, manufacture, sales and marketing of RF front-end modules and RF filters
(5) Capital	To be announced
(6) Date of founding	To be announced
(7) Fiscal year	To be announced
(8) Net assets	To be announced
(9) Gross assets	To be announced
(10) Equity ratio	QGT: 51%, EPCOS: 49%

Note: Items marked “to be announced” will be disclosed as soon as the pertinent decision has been rendered.

QGT has an option to acquire (and EPCOS has an option to sell) the remaining interest in the joint venture 30 months after the closing date.

Giving effect to the payments to be made at the closing, additional future payments to TDK based on sales by the joint venture of RF filter functions as well as Qualcomm, QTI and TDK’s joint collaboration efforts, and assuming QGT’s exercise of its option to acquire EPCOS’ interest in the joint venture, the aggregate transaction value is expected to be approximately \$3 billion US dollars.

## 3. Outline of counterparty to the Strategic Alliance (as of December 31, 2015)

(1) Name	Qualcomm Incorporated
(2) Location	San Diego, California, USA
(3) Representative	Steve Mollenkopf (CEO)
(4) Business	Development of communication technology used in mobile communications; semiconductor design and development
(5) Capital	73.86 billion US dollars

(6)	Date of founding	July 1985		
(7)	Main shareholders and shareholding ratio	BlackRock, Inc. (7.10%) Vanguard Group, Inc. (6.81%) State Street Corporation (4.25%) FMR, LLC (4.17%)		
(8)	Relationship between TDK and Qualcomm	Capital relationship	No capital relationship	
		Personnel relationship	No personnel relationship	
		Business relationship	TDK supplies Qualcomm with electronic components manufactured by TDK.	
		Matters applicable to “related party”	No applicable matters as “related party”	
(9)	Consolidated business results and consolidated financial condition of Qualcomm in last three years			
	Fiscal year	Year Ended Sep. 2013	Year Ended Sep. 2014	Year Ended Sep. 2015
	Consolidated net assets	\$36,088 million	\$39,169 million	\$31,421 million
	Consolidated gross assets	\$45,516 million	\$48,574 million	\$50,796 million
	Consolidated net assets per share	\$21.35	\$23.45	\$19.97
	Consolidated sales	\$24,866 million	\$26,487 million	\$25,281 million
	Consolidated operating profit	\$7,230 million	\$7,550 million	\$5,776 million
	Net profit returned to parent company shareholder	\$6,853 million	\$7,967 million	\$5,271 million
	Consolidated net profit per share	\$3.91	\$4.65	\$3.22
	Dividends per share	\$1.20	\$1.54	\$1.80

## 4. Schedule

(1) Resolution of Board of Directors	January 13, 2016
(2) Conclusion of agreement	January 13, 2016
(3) Launch of operations	To be announced

## 5. Outlook

This business alliance and joint venture is projected to have no impact on TDK's consolidated results for the fiscal year ending March 31, 2016.

(Reference) TDK's Consolidated Forecasts for the Fiscal Year Ending March 31, 2016 (as of October 30, 2015) and Results for the Previous Fiscal Year

(Yen million)	Net sales	Operating income	Income before income taxes	Net income attributable to TDK
Forecasts for the year ending March 2016	1,180,000	95,000	95,000	65,000
Results for the year ended March 2015	1,082,560	72,459	74,517	49,440

## About TDK Corporation

TDK Corporation is a leading electronics company based in Tokyo, Japan. It was established in 1935 to commercialize ferrite, a key material in electronic and magnetic products. TDK's portfolio includes electronic components, modules and systems marketed under the product brands TDK and EPCOS, power supplies, magnetic application products as well as energy devices, flash memory application devices, and others. TDK focuses on demanding markets in the areas of information and communication technology and consumer, automotive and industrial electronics. The company has a network of design and manufacturing locations and sales offices in Asia, Europe, and in North and South America. In fiscal 2015, TDK posted total sales of US\$9.0 billion and employed about 88,000 people worldwide.

\* The product portfolio includes ceramic, aluminum electrolytic and film capacitors, ferrites, inductors, high-frequency components such as surface acoustic wave (SAW) filter products and modules, piezo and protection components, and sensors.

## Contact for media

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