

Corporate

Notice Regarding Conclusion of Share Exchange Agreement on Conversion of TDK-Lambda Corporation, a Consolidated Subsidiary, into a Wholly Owned Subsidiary by Simplified Share Exchange

July 31, 2019

TDK Corporation (President and CEO: Shigenao Ishiguro, hereinafter “the Company”) announced that a meeting of its Board of Directors on July 31, 2019 adopted a resolution to carry out a share exchange as a result of which the Company would be the wholly owned parent company and the TDK-Lambda Corporation (hereinafter “TDK-Lambda”) would be a wholly owned subsidiary company. The Company concluded a share exchange agreement on the same date.

The procedures for simplified share exchange under the provision of paragraph (2) of Article 796 of the Companies Act will be taken on the part of the Company while those for summary share exchange pursuant to the provision of paragraph (1) of Article 784 of the Companies Act will be taken on the part of TDK-Lambda. Therefore, this share exchange will take place effective of October 1, 2019 without approval obtained from the general meeting of shareholders of either company.

Certain disclosures and details have been omitted from this press release because the share exchange is a simplified share exchange that will be carried out with the intention of converting a consolidated subsidiary of the Company into its wholly owned subsidiary.

1. Purpose of reorganization into a wholly owned subsidiary by the share exchange

The Company decided to convert TDK-Lambda, its consolidated subsidiary, into its direct and wholly owned subsidiary by means of the share exchange to further improve the efficiency of the group management.

2. Summary of the share exchange

(1) Schedule of the share exchange

Resolution at TDK-Lambda's Board of Directors	July 23, 2019
Resolution at the Company's Board of Directors	July 31, 2019
Conclusion of the share exchange agreement	July 31, 2019
Execution date of share exchange (effective date)	October 1, 2019 (scheduled)
Delivery of monies in association with the share exchange	October 1, 2019 (scheduled)

(Note 1) The Company will be taking the procedures for simplified share exchange in accordance with the provision of paragraph (2) of Article 796 to execute the share exchange without obtaining approval from its general meeting of shareholders.

(Note 2) TDK-Lambda will be taking the procedures for summary share exchange in accordance with the provision in paragraph (1) of Article 784 to execute the share exchange without obtaining approval from its general meeting of shareholders.

(Note 3) The execution date of share exchange (effective date) and the date of delivery of the monies concerned with the share exchange may be subject to change upon agreement between the two companies.

(2) Method of the share exchange

This share exchange is intended to make the Company into a wholly owned parent company resulting from share exchange and TDK-Lambda into a wholly owned subsidiary company resulting from share exchange. It will take place effective of October 1, 2019 without approval of the general meetings of shareholders at either company by means of the procedures for simplified share exchange pursuant to the provision in paragraph (2) of Article 796 of the Companies Act on the part of the Company and the procedures for summary share exchange pursuant to the provision in paragraph (1) of Article 784 of the Companies Act on the part of TDK-Lambda.

(3) Details of allocation relating to the share exchange

The Company will pay the amount of 708,000,000 yen to Lambda Holdings Inc., its U.S.-based wholly owned subsidiary and a shareholder owning common shares of TDK-Lambda, in exchange for all the TDK-Lambda common shares under its ownership.

(4) Handling of share acquisition rights and bonds with share acquisition rights relating to the share exchange

Not applicable

3. Viewpoint behind calculation for allocation relating to the share exchange

For the purpose of calculation for allocation relating to the share exchange, the Company commissioned ACT Global Co., Ltd., a third-party evaluation body independent from the two companies (hereinafter “the third-party institutions”) to value TDK-Lambda’s common shares.

The third-party institutions estimated the value of TDK-Lambda’s common shares in accordance with the comparable peer company analysis method and with the discounted cash flow method.

The Company and TDK-Lambda entered into mutual consultation with reference to the results of the evaluation of share value by an independent the third-party institutions to determine that the Company would pay the amount of 708,000,000 yen to Lambda Holdings Inc., a U.S.-based shareholder owning common shares of TDK-Lambda in exchange for all the TDK-Lambda common shares under its ownership.

The financial forecast that served as a premise for share value estimation does not foresee any significant increase or decrease in income.

4. Outline of the parties involved in the share exchange (as of March 31, 2019)

	Wholly owning parent company resulting from the share exchange	Wholly owned subsidiary company resulting from the share exchange
(1) Trade name	TDK Corporation	TDK-Lambda Corporation
(2) Location	2-5-1 Nihonbashi, Chuo-ku, Tokyo	Same as left
(3) Name and title of representative	Shigenao Ishiguro, President and CEO	Hiroyuki Yashiro, President and CEO
(4) Scope of business	Design, manufacture and sale of electronic components	Design, manufacture and sale of power supplies for industrial machinery
(5) Capital	32,641 million yen	2,976 million yen
(6) Date of incorporation	December 7, 1935	June 6, 1978
(7) No. of issued shares	129,590,659 shares	364,415 shares
(8) Fiscal year-end	March 31	March 31
(9) Major shareholders and shareholding ratio:	<p>The Master Trust Bank of Japan, Ltd. (Trust Account): 21.04%</p> <p>Japan Trustee Services Bank, Ltd. (Trust Account): 12.03%</p> <p>Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account): 2.68%</p> <p>JPMC OPPENHEIMER JASDEC LENDING ACCOUNT: 2.26%</p> <p>Japan Trustee Services Bank, Ltd. (Trust Account 9): 1.87%</p>	<p>TDK Corporation: 98.00%</p> <p>Lambda Holdings Inc.: 2.00%</p>

	Wholly owning parent company resulting from the share exchange	Wholly owned subsidiary company resulting from the share exchange
(10) Financial conditions and operating results for the most recent fiscal year		
(Unit: million yen) Accounting period	The Company (Consolidated) Fiscal year ended March 31, 2019	TDK-Lambda (Non-consolidated) Fiscal year ended March 31, 2019
Net assets	883,756	12,390
Total assets	1,992,480	23,246
Net assets per share (yen)	6,946.70	34,001.12
Net sales	1,381,806	22,114
Operating income	107,823	359
Ordinary income	—	2,239
Net income attributable to TDK	82,205	2,530
Net income per share (yen)	651.02	6,943.56

(*) The Company prepares its consolidated financial statements in accordance with the financial accounting standards of the United States. Consolidated net assets and consolidated net assets per share represent consolidated shareholders' equity and consolidated shareholders' equity per share respectively.

5. Status after the share exchange

There will be no changes in the trade name, location, title and name of representative, scope of business, stated capital or accounting period of the Company as a result of this share exchange.

6. Outlook

No material impact on the Company's consolidated financial results is anticipated as a result of the share exchange because TDK-Lambda is already a consolidated subsidiary of the Company.

(Reference) The Company's consolidated financial forecast for the fiscal year ending March 31, 2020, which was announced on July 31, 2019, and its consolidated financial results for the fiscal year ended March 31, 2019

(Unit: million yen)

	Net sales	Operating income	Income before income taxes	Net income attributable to TDK
Consolidated financial forecast for the fiscal year ending March 31, 2020	1,420,000	120,000	118,000	84,000
Consolidated financial results for the fiscal year ended March 31, 2019	1,381,806	107,823	115,554	82,205

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 comprehensive portfolio features passive components such as ceramic, aluminum electrolytic and film capacitors, as well as magnetics, high-frequency, and piezo and protection devices. The product spectrum also includes sensors and sensor systems such as temperature and pressure, magnetic, and MEMS sensors. In addition, TDK provides power supplies and energy devices, magnetic heads and more. These products are marketed under the product brands TDK, Chirp EPCOS, InvenSense, Micronas, Tronics and TDK-Lambda. TDK focuses on demanding markets in the areas of information and communication technology and automotive, industrial and consumer 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 2019, TDK posted total sales of USD 12.5 billion and employed about 105,000 people worldwide.

Contacts for regional media

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