June 8, 2018

To Shareholders

INTERNET DISCLOSURE ITEMS FOR NOTICE OF CONVOCATION OF THE 122ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[122nd Fiscal Year (From April 1, 2017 to March 31, 2018)]

TDK Corporation
Tokyo, Japan

Disclosure documents audited by the Accounting Auditors and Company Auditors are provided to shareholders on website of TDK Corporation (http://www.tdk.co.jp) pursuant to relevant laws and regulations and Article 16 of the Articles of Incorporation of TDK Corporation.

Notes: 1. This is a translation from Japanese of a notice distributed to shareholders in Japan. The translation is prepared solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

2. There is no English translation of the Notes to Non-Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Important Matters for Preparation of Consolidated Financial Statements]

1. Matters Concerning Scope of Consolidation

Number of consolidated subsidiaries:	142
Name of major consolidated subsidiaries:	TDK-Lambda Corporation TDK Akita Corporation SAE Magnetics (Hong Kong) Limited TDK U.S.A. Corporation TDK Europe S.A. EPCOS AG Amperex Technology Limited InvenSense, Inc.

2. Matters Concerning Equity-Method

Number of Equity-method affiliates:	8
Name of a principal Equity-method affiliate:	RF360 Holdings Singapore PTE. Ltd. Semiconductor Energy Laboratory Co., Ltd.

3. Significant Accounting Policies

(1) Standards for preparation of consolidated financial statements:

TDK Corporation (the "Company")'s consolidated financial statements are prepared based on accounting standards generally accepted in the United States ("US GAAP"), pursuant to the provisions of Article 120-3, Paragraph 1 of the Ordinance of Companies Accounting of Japan. However, some accounting description and notes required by US GAAP have been omitted herein in conformity with the second sentence of Article 120, Paragraph 1 of the same Ordinance, which is applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the same Ordinance.

(2) Valuation standards and methods for inventories:

Products and works in process are valued at the lower of cost or market mainly using a periodic average method, and raw materials and supplies are valued at the lower of cost or market mainly using a moving-average cost method.

(3) Valuation standards and methods for securities:

The Accounting Standards Codification ("ASC") 320, "Investments-Debt and Equity Securities" issued by the U.S. Financial Accounting Standards Board ("FASB") is used.

Available-for-sale securities:	Carried at fair value based on stock market prices as of the balance sheet date. Unrealized holding gains or losses, net of the related tax effect, are included directly in equity. The cost of securities sold is primarily calculated by the moving-average method.

(4) Method for depreciating net property, plant and equipment:

Depreciations of property, plants and equipment are computed by the straight-line method.

(5) Goodwill and other intangible assets:

Goodwill is not amortized, but instead is tested for impairment at least annually, except for a case in which it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. The test is conducted more frequently if certain indicators arise.

Intangible assets determined to have indefinite useful lives are not amortized, but instead are tested for impairment annually except for a case in which it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. The test is conducted more frequently if certain indicators arise, until the useful life is determined to no longer be indefinite. Intangible assets with finite useful lives are amortized over their respective estimated useful lives. The amortization is computed by the straight-line method.

(6) Derivative financial instruments:

TDK group ("TDK") applies ASC 815 ("Derivatives and Hedging"), and all derivatives held by TDK are recognized on the consolidated balance sheets at fair value. The accounting treatment of subsequent changes in the fair value depends on their use, and whether they qualify as effective "hedges" for accounting purposes. Derivatives that are not hedges must be adjusted to fair value through the consolidated statement of income. If a derivative is a hedge, then depending on its nature, changes in its fair value will be either offset against changes in the fair value of hedged assets or liabilities through the consolidated statement of income, or recorded in other comprehensive income (loss).

If a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recorded in the foreign currency translation adjustments account within other comprehensive income (loss).

(7) Accounting basis of principal allowances:

Allowance for doubtful receivables:

TDK recognizes an allowance for doubtful receivable that is based on an uncollectible amount estimated in consideration of the historical bad debt ratio of receivable in general and in consideration of individual possibility of collection with respect to specific doubtful receivables.

Retirement and severance benefits:

For the future payment of retirement and severance benefits to employees, TDK recognizes an amount based on projected benefit obligations and the fair value of plan assets as of March 31, 2018, in accordance with ASC 715, "Compensation-Retirement Benefits."

Prior service costs of employees are amortized using the straight-line method over the average remaining service period of employees.

With respect to actuarial net losses, the part exceeding the amount equivalent to 10% of projected benefit obligations or the fair value of plan assets as of the beginning of the fiscal year concerned, whichever is larger, is amortized using the straight-line method over the average remaining service period of employees.

(8) Accounting method of consumption tax, etc.:

Consumption taxes are accounted using tax exclusion method.

(9) Taxes:

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

The financial statement impact of tax positions is recognized when it is more likely than not that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement with the taxing authorities.

4. Adoption of new accounting standards:

(1) Simplifying the Measurement of Inventory:

In July 2015, FASB issued Accounting Standards Update ("ASU") 2015-11 "Simplifying the Measurement of Inventory".
This ASU applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.
TDK adopted this ASU prospectively from April 1, 2017.
The adoption of this ASU did not have a material impact on TDK's results of operations and financial position.

(2) Simplifying the Test for Goodwill Impairment:

In January 2017, FASB issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment".
This ASU eliminates Step 2 of the goodwill impairment test, instead requires an entity to recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.
TDK early adopted this ASU prospectively from April 1, 2017.
The adoption of this ASU did not have an impact on TDK's results of operations and financial position for FY2018.

5. Reclassifications:

Certain reclassifications have made to prior year's consolidated financial statements to conform to the presentation used for the year ended March 31, 2018.

[Notes to Consolidated Balance Sheet]

1. Allowance for doubtful receivables: ¥1,714 million

2. Accumulated depreciation of property, plants and equipment: ¥713,094 million

3. Accumulated other comprehensive income (loss) includes foreign currency translation adjustments, pension liability adjustments and net unrealized gains (losses) on securities.

4. Assets pledged as collateral:
TDK has pledged net property, plants and equipment amounting to ¥233 million as collateral for lease obligations amounting to ¥91 million.

5. Contingent liabilities:
TDK provides guarantees to third parties on bank loans of its employees.
The guarantees on behalf of the employees are made for their housing loans.
The maximum amount of undiscounted payments TDK would have to make in the event of default as of March 31, 2018 is ¥769 million.
On July 26, 2016, Japan Fair Trade Commission started an investigation on the Company based on the suspicion of the violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in connection with the HDD suspension assembly business and the Company fully cooperated with Japan Fair Trade Commission for the investigation. On February 9, 2018, Japan Fair Trade Commission issued the cease and desist order and the surcharge payment order against manufacturers and sellers of the products in relation to the violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in connection with the HDD suspension assembly business. An exemption from surcharge was admitted and the Company did not receive the cease and desist order because of an application in advance to Japan Fair Trade Commission for leniency.

Several claims against TDK are pending. In the opinion of TDK management, based on discussions with legal counsel, any additional liability not currently provided for will not materially affect the consolidated financial position or result of operations of TDK.

[Notes to Consolidated Statements of Income]

Following is breakdown of Other operating expense (income)

Gain on business transfer:	¥ (5,277) million
Impairment loss on Long-lived assets:	¥1,282 million
Other:	¥ (105) million

[Note to Per-Share Data]

Net income attributable to TDK:

Basic:	¥63,463 million
Diluted:	¥63,463 million

Weighted average common shares outstanding – Basic:	126,220 thousand shares
Incremental shares arising from the exercise of stock option:	334 thousand shares
Weighted average common shares outstanding – Diluted:	126,554 thousand shares

Net income attributable to TDK per share:

Basic:	¥502.80
Diluted:	¥501.47

TDK stockholders' equity per share:	¥6,532.01
Total number of issued common shares outstanding:	129,590 thousand shares
Number of common shares of treasury stock:	3,345 thousand shares
Issued number of common shares that are used in calculating TDK stockholders' equity per share:	126,245 thousand shares

[Notes regarding Financial Instruments]

TDK recognizes cash, etc. (cash, deposits with banks, short-term investments and marketable securities) as liquid funds, and basically invests them on a short-term basis in safe investments.

Furthermore, TDK works to maintain liquidity at a level of at least 2 months of consolidated net sales, and procures funds through short and long-term borrowings from financial institutions and the issuance of straight bonds, depending on the use of the funds.

TDK borrows funds on floating or fixed interest rates and interest payments reflect economic conditions.

Customer credit risk related to trade receivables is properly assessed based on the credit management standards of the Company.

Many of the investments in securities are publicly listed shares, and their fair value is revaluated every quarter.

Regarding derivative financial instruments, TDK uses forward foreign exchange contracts, non-deliverable forward contracts (NDF), currency swap contracts and currency option contracts in order to offset foreign exchange gain (loss) mainly arising from foreign-currency denominated assets and liabilities and forecasted transactions. TDK uses interest rate swap contracts in order to control the fluctuation risks of interest rates. Also, TDK uses commodity forward contracts in order to control the fluctuation risk of raw material prices.

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable.

(1) Cash and cash equivalents, short-term investments, trade receivables, other current assets, short-term debt, trade payables, accrued expenses, income tax payables and other current liabilities

Except for derivative financial instruments, the carrying amount approximates fair value because of the short maturity of these instruments.

(2) Marketable securities and investments in securities, other assets

The fair values of marketable securities and investments in securities are primarily estimated based on quoted market prices for these instruments. The fair value of long-term loan, which is included in other assets, is estimated based on the amount of future cash flows associated with the instrument discounted using the current lending rate for a similar loan of comparable maturity, or based on the quoted market prices for the same or similar issues.

(3) Long-term debt

The fair value of TDK's long-term debt is estimated based on the amount of future cash flows associated with the instrument discounted using TDK's current borrowing rate for a similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2018 were as follows.

(¥ in millions)

	Carrying amount	Estimated fair value
Assets:		
Marketable securities	54	54
Investments in securities and other assets	25,132	25,132
Liability:		
Long-term debt, including current portion (excluding lease obligations)	(352,736)	(350,950)

(4) Derivative financial instruments

The fair values of derivative financial instruments are estimated based on quotation obtained from financial institutions, and reflect to the consolidated balance sheet.
Amounts of derivative financial instruments as of March 31, 2018, are as follows.

(¥ in millions)

	Contract amount	Carrying amount	Fair value
Forward foreign exchange contracts	218,426	(985)	(985)
Currency swap contracts	20,866	574	574
Interest rate swap contracts	31,872	293	293
Commodity forward contracts	157	(3)	(3)

[Notes regarding Business Combinations]

On May 18, 2017 (“acquisition date”), TDK acquired 96,253 thousand shares (100% of equity interest) of InvenSense, Inc. (“InvenSense”) at a cost of ¥142,758 million, which was paid in cash, in accordance with an acquisition agreement dated December 21, 2016. As a result, InvenSense and its subsidiaries became consolidated subsidiaries of the Company.
Through the acquisition of InvenSense, TDK will be able to strengthen its product line-ups and technologies, which is expected to enable TDK to become a stronger player in broad based sensor solutions for IoT, automotive and ICT by accelerating the sensor product roadmap to offer innovative next generation products and platforms. In addition, sensor fusion, the combination of various sensor technologies and software creates products with enhanced added value for customers across multiple fields.