



TDK Corporation

April 28, 2023

Contact:

TDK Corporation (Tokyo)

IR&SR Group

Satoshi Sakai

+81(3)6778-1068

Consolidated results (IFRS) for FY March 2023

(Millions of yen, %)

Account	Term	FY 2022 (April 1, 2021 - March 31, 2022)		FY 2023 (April 1, 2022 - March 31, 2023)		Change	
		Amount	% to net sales	Amount	% to net sales	Amount	%
Net sales		1,902,124	100.0	2,180,817	100.0	278,693	14.7
Operating profit		166,775	8.8	168,827	7.7	2,052	1.2
Profit before tax		172,490	9.1	167,219	7.7	(5,271)	(3.1)
Net profit attributable to owners of parent		131,298	6.9	114,187	5.2	(17,111)	(13.0)
Earnings per share:							
- Basic		346.44yen		301.19yen			
- Diluted		345.65yen		300.64yen			
Purchase of tangible and intangible assets		291,337	-	275,709	-	(15,628)	(5.4)
Depreciation and amortization		177,031	9.3	206,285	9.5	29,254	16.5
Research and development expenses		165,250	8.7	179,467	8.2	14,217	8.6
Number of employees		116,808	-	102,908	-		

Note: Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. The basic and diluted earnings per share are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2022.

[Contents]

1. Business Results

(1) Summary Information Regarding Consolidated Business Results	••••	P.2
(2) Projections	••••	P.7
(3) Summary Information Regarding Consolidated Financial Position	••••	P.9
(4) Summary Information Regarding Consolidated Cash Flows	••••	P.10
(5) Fundamental Policy for Distribution of Earnings, and Fiscal 2023 and Fiscal 2024 Dividends	••••	P.12

2. Management Policies

(1) Fundamental Management Policy	••••	P.13
(2) Targeted Management Indicators	••••	P.13
(3) Medium- and Long-Term Management Strategy	••••	P.14
(4) Pressing Issues	••••	P.16

3. Basic Rationale for Selection of Accounting Standards •••• P.17

4. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(1) Consolidated statements of financial position	••••	P.18
(2) Consolidated statements of profit or loss and comprehensive income	••••	P.20
(3) Consolidated statements of changes in equity	••••	P.22
(4) Consolidated statements of cash flows	••••	P.24
(5) Notes to the consolidated financial statements	••••	P.26
(6) Appendix to the Consolidated Financial Statements	••••	P.32

[Summary Information and Financial Statements]

1. Business Results

(1) Summary Information Regarding Consolidated Business Results

Consolidated results for fiscal 2023, the year ended March 31, 2023, were as follows.

In fiscal 2023, while socio-economic and production activities following the resurgence of COVID-19 in some areas remained on a recovery trend, the global economy slowed due to the continued inflation associated with the protraction of the Ukraine crisis, as well as policy rate hikes in the United States and Europe, among other factors. Since the beginning of the fourth quarter, financial instability triggered by the collapse of U.S. banks and concerns over the management failure of a European financial institution have further intensified uncertainty surrounding the global economy. In addition, the gap in interest rates between Japan and other countries significantly affected the foreign exchange market and the yen depreciated sharply against other currencies.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, overall production volume saw a significant decline reflecting sluggish final demand. In the Information and Communication Technology (ICT) market, while smartphone production volume was substantially below the previous fiscal year's level, demand related to some new models remained strong. In addition, demand for notebook PCs and tablets, which had been brisk amid the COVID-19 pandemic, declined considerably. The production volume of Hard Disk Drives (HDDs) was significantly lower than the previous fiscal year's level, and demand related to data centers as well as PCs dropped sharply. On the other hand, in the automotive market, production volume picked up moderately and increased from the previous fiscal year, despite lingering concerns about the shortage of some types of semiconductors. Demand for components remained firm reflecting the increasing number of components installed per vehicle as a result of the spread of xEVs. In the industrial equipment market, demand related to renewable energy and residential energy storage systems expanded due to soaring energy prices.

In this business environment, the TDK's consolidated operating results for fiscal 2023 were as follows.

Summary (April 1, 2022 - March 31, 2023)

Item \ Term	FY2022 (April 1, 2021 – March 31, 2022)		FY2023 (April 1, 2022 – March 31, 2023)		Change	
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	Change (%)
Net sales	1,902,124	100.0	2,180,817	100.0	278,693	14.7
Operating profit	166,775	8.8	168,827	7.7	2,052	1.2
Profit before tax	172,490	9.1	167,219	7.7	(5,271)	(3.1)
Net profit attributable owners of parent	131,298	6.9	114,187	5.2	(17,111)	(13.0)
Per common share:						
Net profit attributable to owners of parent/Basic	346.44yen		301.19yen			
Net profit attributable to owners of parent/Diluted	345.65yen		300.64yen			

Note:

TDK split one share of its common stock into three shares on effective date of October 1, 2021. “Net profit attributable to owners of parent” is calculated based on the assumption that the share split was conducted on April 1, 2021.

As a result of the review of future changes in demand and projections, TDK posted ¥47.7 billion in impairment losses and restructuring costs mainly for businesses facing challenges in improving profitability. ¥12.0 billion in income from decrease in retirement benefit liabilities due to extension of retirement age is also recorded.

Average yen exchange rates for the U.S. dollar and the euro during fiscal 2023 were ¥135.46 and ¥140.89, respectively, as the yen depreciated 20.6% against the U.S. dollar and 7.9% against the euro. As a result of these factors and fluctuations in foreign exchange rates, net sales increased by approximately ¥292.2 billion and operating profit increased by approximately ¥68.9 billion.

Sales by Product

Product \ Term		FY2022 (April 1, 2021 - March 31, 2022)		FY2023 (April 1, 2022 - March 31, 2023)		Change	
		(Yen millions)	%	(Yen millions)	%	(Yen millions)	Change (%)
	Capacitors	198,145	10.4	239,693	11.0	41,548	21.0
	Inductive Devices	180,239	9.5	198,481	9.1	18,242	10.1
	Other Passive Components	129,442	6.8	137,765	6.3	8,323	6.4
	Passive Components	507,826	26.7	575,939	26.4	68,113	13.4
	Sensor Application Products	130,769	6.9	169,543	7.8	38,774	29.7
	Magnetic Application Products	248,446	13.1	200,573	9.2	(47,873)	(19.3)
	Energy Application Products	965,345	50.7	1,173,355	53.8	208,010	21.5
	Other	49,738	2.6	61,407	2.8	11,669	23.5
	Total	1,902,124	100.0	2,180,817	100.0	278,693	14.7
	Overseas sales	1,753,086	92.2	2,004,381	91.9	251,295	14.3

Note:

In accordance with the reorganization for the first quarter of the fiscal year ended March 31, 2023, certain products of Other are reclassified into Other passive components and certain products of Other passive components are reclassified into Capacitors and Inductive devices. Thus, the prior year's figures 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 ¥575,939 million, up 13.4% year on year from ¥507,826 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥239,693 million, up 21.0% year on year from ¥198,145 million. Sales of Ceramic Capacitors increased to the automotive market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors increased to the industrial equipment and the automotive markets.

Sales of Inductive Devices increased by 10.1% year on year from ¥180,239 million to ¥198,481 million. Sales increased 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 increased by 6.4% year on year from ¥129,442 million to ¥137,765 million. Sales increased to the industrial equipment 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 29.7% year on year from ¥130,769 million to ¥169,543 million. Sales increased mainly to the ICT and the automotive markets.

3) Magnetic Application Products Segment

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales decreased by 19.3% year on year from ¥248,446 million to ¥200,573 million. Sales of HDD Heads and HDD Suspension Assemblies decreased to the ICT market. Sales of Magnets increased 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 21.5% from ¥965,345 million to ¥1,173,355 million. Sales of Energy Devices increased significantly mainly to the ICT market.

5) Other

Other includes Mechatronics (Production Equipment), Camera Module Micro Actuators for smartphones, and Others. Segment sales increased by 23.5% year on year from ¥49,738 million to ¥61,407 million. Sales of Mechatronics increased to the industrial equipment market. Sales of Camera Module Micro Actuators for smartphones increased to the ICT market.

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

Segment	Principal businesses and products
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), Camera Module Micro Actuators for smartphones, Others

[Sales by Region]

Overseas sales increased by 14.3% year on year from ¥1,753,086 million to ¥2,004,381 million. Overseas sales accounted for 91.9% of consolidated net sales, a 0.3 percentage point decrease from 92.2% one year earlier. Detailed information on sales by region can be found in Notes to the consolidated financial statements on page 30.

(2) Projections

In fiscal 2024, it is expected that socio-economic and production activities following the resurgence of COVID-19 in some areas will have recovered to a certain extent. However, the outlook of the global economy will likely remain uncertain due to the protraction of the Ukraine crisis, interest rate hikes, and other factors. In the electronics market, production of TDK's mainstay products, including those related to ICT, is expected to remain sluggish on the whole due to economic downturn. The production volume of smartphones, tablets and other devices is forecast to be below fiscal 2023's level. However, production of HDDs used in servers for data centers, which had dropped sharply in fiscal 2023, is expected to pick up moderately. As for automobile production, TDK predicts that production of xEVs will considerably exceed fiscal 2023's level toward the goal of achieving a decarbonized society. In addition, in the industrial equipment market, demand for residential energy storage systems and other applications are expected to expand in line with the trend for utilizing renewable energy.

Based on these assumptions, TDK has set the following projections for consolidated operating results, purchase of tangible and intangible assets, depreciation and amortization, and research and development expenses for fiscal 2024.

Item	FY2024 (April 1, 2023 - March 31, 2024)	FY2023 (April 1, 2022 - March 31, 2023)	vs. FY2023 Change	
	Projection in April '23	Actual		
	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	2,020,000	2,180,817	(160,817)	(7.4)
Operating profit	190,000	168,827	21,173	12.5
Profit before tax	188,000	167,219	20,781	12.4
Net profit attributable to owners of parent	147,000	114,187	32,813	28.7
Purchase of tangible and intangible assets	260,000	275,709	(15,709)	(5.7)
Depreciation and amortization	185,000	206,285	(21,285)	(10.3)
Research and development expenses	180,000	179,467	533	0.3

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥130 and ¥142 respectively will be assumed for fiscal 2024.

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.

(3) Summary Information Regarding Consolidated Financial Position

The following table summarizes TDK's consolidated balance sheet as of March 31, 2023.

Total assets	¥3,147,027 million	(3.5% increase)
Total equity attributable to owners of parent	¥1,458,446 million	(12.2% increase)
Ratio of equity attributable to owners of parent	46.3%	(3.5 point increase)

As of March 31, 2023 total assets increased by ¥105,374 million compared with March 31, 2022. Cash and cash equivalent increased by ¥66,846 million. Other financial assets (non-current) and trade receivables increased by ¥30,369 million and ¥21,905 million respectively.

Total liabilities decreased by ¥53,738 million from March 31, 2022. Borrowings (current) increased by ¥72,586 million. Trade payables and other financial liabilities (current) decreased by ¥108,693 million and ¥54,599 million respectively.

Total equity attributable to owners of parent, which is included in total equity, increased by ¥158,129 million from March 31, 2022. Retained earnings increased by ¥79,971 million. Other components of equity increased by ¥77,674 million, mainly from exchange differences on translation of foreign operations.

(4) Summary Information Regarding Consolidated Cash Flows

(Yen millions)

	FY 2022	FY 2023	Change
Net cash provided by operating activities	178,987	262,772	83,785
Net cash used in investing activities	(281,546)	(234,402)	47,144
Net cash provided by financing activities	113,743	14,947	(98,796)
Effect of exchange rate changes on cash and cash equivalents	47,768	23,529	(24,239)
Net increase in cash and cash equivalents	58,952	66,846	7,894
Cash and cash equivalents at beginning of period	380,387	439,339	58,952
Cash and cash equivalents at end of period	439,339	506,185	66,846

Operating activities provided net cash of ¥262,772 million, an increase of ¥83,785 million year on year. It mainly came from increase in long-term advances to suppliers in the fiscal 2022.

Investing activities used net cash of ¥234,402 million, a decrease of ¥47,144 million year on year. It mainly came from decrease in payments into time deposits.

Financing activities provided net cash of ¥14,947 million, a decrease of ¥98,796 million year on year. It mainly came from decrease in proceeds from bonds.

Trends in Cash Flow Indicators

	FY2021	FY2022	FY2023
1) Ratio of equity attributable to owners of parent (%)	40.6	42.8	46.3
2) Ratio of equity attributable to owners of parent on a market value basis (%)	82.1	55.6	56.9
3) No. of years to redeem borrowings	2.26	3.80	2.86
4) Interest coverage ratio (times)	56.9	32.6	29.2

[Notes]

1) Ratio of equity attributable to owners of parent = Equity attributable to owners of parent/Total assets

2) Ratio of equity attributable to owners of parent on a market value basis = Market capitalization
(*1)/Total assets

(*1) Market capitalization = Closing price of TDK's common shares on the Tokyo Stock Exchange at fiscal year-end x Shares issued and outstanding at fiscal year-end after deducting treasury shares

3) No. of years to redeem debt = Interest-bearing liabilities (*2)/Cash flows from operating activities
(*3)

(*2) Interest-bearing liabilities: "Borrowings," "Lease liabilities," and "Bonds and borrowings" on the consolidated statements of financial position.

(*3) Cash flows from operating activities: "Net cash provided by operating activities" on the consolidated statements of cash flows.

4) Interest coverage ratio = Cash flows from operating activities/Interest payments (*4)

(*4) Interest payments: "Interest paid" on the consolidated statements of cash flows

(5) Fundamental Policy for Distribution of Earnings, and Fiscal 2023 and Fiscal 2024 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.

TDK plans to pay a year-end dividend of ¥53 per common share, subject to approval at the ordinary general meeting of shareholders scheduled for June 22, 2023. Combined with the interim dividend of ¥53 per common share paid in December 2022, the planned dividend per common share applicable to the year will be ¥106.

TDK plans to pay an interim dividend of ¥58 per common share and a year-end dividend of ¥58 per common share respectively in Fiscal 2024.

(Yen)

	FY 2024 Forecast	FY 2023
Interim dividend	58.00	(Actual) 53.00
Year-end dividend	58.00	(Forecast) 53.00
Annual dividend	116.00	(Forecast) 106.00

2. Management Policies

(1) Fundamental Management Policy

TDK was founded as a venture enterprise in 1935 for the purpose of industrializing a magnetic material called ferrite, which was invented at the Tokyo Institute of Technology. TDK's corporate motto is "Contribute to culture and industry through creativity," a message that embodies the company's founding spirit. Guided by this spirit, in the ensuing years TDK has sought to refine its materials and process technologies, as it develops new products that satisfy market needs. Concurrently, TDK has advanced globalization and diversification of its business operations while actively pursuing M&As, collaboration with external partners and other initiatives. As a result, TDK today is engaged in four main businesses: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products.

Looking ahead, TDK would like to remain a dynamic company that continues to deliver even higher value to all stakeholders, including shareholders, customers, suppliers, employees and local communities, by bringing together the entire Group's strengths while taking full advantage of the strengths of each Group company, and constantly drawing on innovative thinking and a willingness to tackle new challenges.

(2) Targeted Management Indicators

To realize this fundamental management policy, TDK conducts its business activities with reference to the following indicators.

(Important Fundamental Management Indicator)

*** TVA (TDK Value Added)**

TVA measures the added value newly created by the company's business activities and is an important decision-making tool for management.

TVA is the TDK Group's proprietary value-added indicator that compares earnings after taxes but without deducting interest expenses with the minimum profit (cost of shareholders' equity) required for the business assets of each business.

(Indicator for Managing Environmental Performance)

*** CO₂ Emissions Reductions**

As part of its environmental action plan to promote business activities in harmony with the natural environment, TDK has set a target for CO₂ emissions reductions.

(3) Medium- and Long-Term Management Strategy

The business environment surrounding electronics is now on the threshold of a period of major upheaval. Transformation has begun in earnest, with an energy transformation (EX) driven by the shift from fossil fuels to renewable energy and a digital transformation (DX) driven by the permeation of digital technologies, such as the Internet of Things (IoT) and Artificial Intelligence (AI), to every aspect of society.

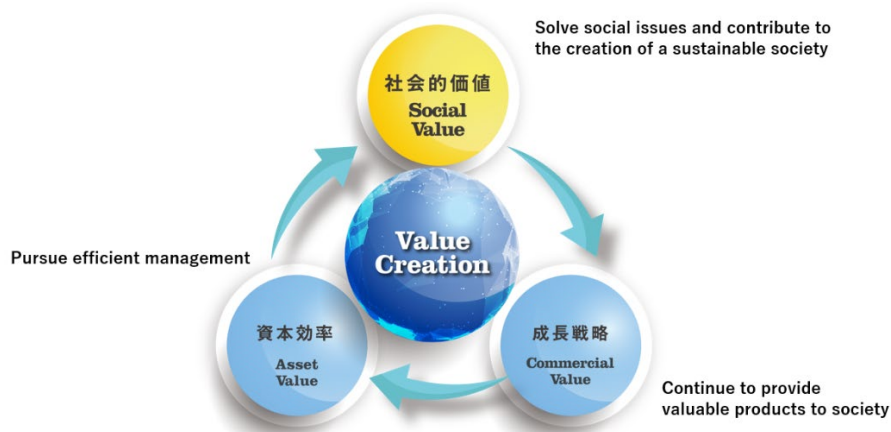
The TDK Group regards such changes in the social environment as opportunities for new social contributions and business growth, and has formulated and been implementing its Medium-Term Plan, “Value Creation 2023,” that will cover the three years from fiscal 2022 through fiscal 2024. Under “Value Creation 2023,” the pursuit of “Social Value,” which aims at contributing to the realization of a sustainable society by solving social issues, is set as a starting point of all corporate activities. Based on this point, we will implement a cycle of increasing “Commercial Value” and “Asset Value” and further creating “Social Value.”

Specifically, in order to realize 2CX (Customer Experience and Consumer Experience) by providing solutions that satisfy customers and consumers and providing experiences that exceed expectations, we aim to become an invaluable presence by contributing to addressing two major social issues, namely, DX and EX. For example, in DX, the TDK Group will contribute to the transformation of society through digital technologies by supplying products for high-speed communication networks, sensors, autonomous driving, and robots. In EX, the TDK Group will contribute to the promotion of a decarbonized society by supplying products related to the energy storage, conversion, and control necessary for the creation of a highly energy-efficient society, as well as products related to electric vehicles and renewable energy.

Thus, we will endeavor to capture business opportunities by providing valuable products to society and at the same time establish management systems with a focus on speed. It is our aim to make even greater contributions to society by ensuring corporate transparency and becoming a trusted presence in society.

In order to achieve the Medium-Term Plan, the TDK Group has identified the “TDK Group’s Materiality (Key Issues)” as priority management issues for the TDK Group in light of macro trends such as the SDGs (International development targets included in the “2030 Agenda for Sustainable Development” adopted by the United Nations Summit held in September 2015), politics and economics, technologies and markets. The “TDK Group’s Materiality (Key Issues)” has specified EX and DX as business areas for the TDK Group to focus on toward the creation of social value and growth, and identified “Quality Management,” “HR Management,” “Supply Chain Management,” “Opportunity & Risk Management,” “Pursuing Both Delegation of Authority and Internal Controls,” and “Asset Efficiency Improvement” as materiality that should be addressed as the basis of value creation.

<TDK Group's Value Creation Cycle and Materiality (Key Issues)>



EX	DX
<p>Contribution to energy and environmental solutions by minimizing waste heat and noise with electronic devices</p> <ul style="list-style-type: none"> •Effective use of energy and expanding use of renewable energy toward the realization of net zero CO₂ emissions in 2050 •Provide products and solutions for creating clean energy to realize a zero-carbon society •Provide products and solutions for realizing an efficient energy society by storing, converting, and controlling energy 	<p>Promotion of the digitization of society by adding software technology to material science and process technology</p> <ul style="list-style-type: none"> •Provide products and solutions to help build resilient communication network infrastructure •Provide products and solutions for supporting robotics and mobility to promote human capability enhancement and complementation •Promote digitalization at TDK
<p>Quality Management</p>	<ul style="list-style-type: none"> •Pursue zero-defect product quality •Reduce quality costs •Maximize customer satisfaction with product and service quality
<p>HR Management</p>	<ul style="list-style-type: none"> •Develop human resources to lead the TDK Group •Foster greater diversity and inclusion •Improve employee engagement and job satisfaction to attract and retain talented employees
<p>Supply Chain Management</p>	<ul style="list-style-type: none"> •Enhance global procurement capabilities and mechanisms •Ensure responsible procurement •Ensure societal and environmental consideration in the supply chain
<p>Opportunity & Risk Management</p>	<ul style="list-style-type: none"> •Identify and capture business opportunities effectively by strengthening marketing capability with full use of digital technology •Strengthen the Group's risk management capabilities
<p>Pursuing Both Delegation of Authority and Internal Controls</p>	<ul style="list-style-type: none"> •Ensure speed and transparency in operations, based on the clearly defined roles, authorities and responsibilities of each organization •Make management systems of each group company more effective and efficient, aligned with the Group's unified policy •Implement appropriate post-merger integration (PMI) for acquired companies
<p>Asset Efficiency Improvement</p>	<ul style="list-style-type: none"> •Rebuild business portfolio •Optimize facilities and manufacturing sites

(4) Pressing Issues

Energy demand has recovered rapidly as socio-economic and production activities resume following the COVID-19 pandemic. However, the global energy situation has become increasingly uncertain due to a sharp rise in energy prices, led by a combination of factors such as a lack of investment in fossil fuels, and Russia's invasion of Ukraine. In addition, political tensions between the United States and China have led to economic decoupling (reduction of dependency) between the two countries, with the United States restricting exports of semiconductor manufacturing equipment and relevant technologies to China. These effects can dramatically reshape not only economic trends but also the social and industrial landscape. The business environment surrounding the TDK Group could also be altered drastically.

However, even amid these changes in the social and industrial landscape, the trends of EX and DX should continue to grow in the electronics market. These trends are expected to bring about the creation of new markets in the Group's business fields. Significant growth opportunities will be presented to the Group by trends that include the widespread adoption of renewable energy and electric vehicles in EX, and the growing use of 5G, transition to beyond 5G, the practical use of Advanced Driving Assistance Systems (ADAS) in automobiles, the growing use of IoT and wearable products, and cloud services in DX. It is imperative for TDK to steadily capture these growth opportunities without falling behind these major changes. To this end, TDK will actively conduct research and technological development focused on launching competitive new products in a timely manner and expanding production capacity in line with demand.

TDK also recognizes that addressing the following issues that are identified as materiality is a pressing issue for achieving growth: "Quality Management," "HR Management," "Supply Chain Management," "Opportunity & Risk Management," "Pursuing Both Delegation of Authority and Internal Controls," and "Asset Efficiency Improvement."

For example, in "Supply Chain Management," the Group has been implementing various measures including the steady procurement of raw materials and efforts to tackle human rights issues in supply chains. Furthermore, as part of "Asset Efficiency Improvement," the Group has been reviewing and restructuring its business portfolio. In addition, human resources are the basis of growth. With non-Japanese employees accounting for more than 90% of the Group's workforce, TDK believes that diverse and abundant human resources are a key source of its competitiveness. TDK has continuously engaged in a wide range of initiatives of "HR Management" to attract and retain talented human resources.

3. Basic Rationale for Selection of Accounting Standards

TDK adopted International Financial Reporting Standards (“IFRS”) from the fiscal 2022 in order to enhance the international comparability of its financial information in the capital markets and to improve the efficiency and quality of group management.

4. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(1) Consolidated statements of financial position

	March 31, 2022		March 31, 2023		Change
	Amount (Yen millions)	%	Amount (Yen millions)	%	Amount (Yen millions)
Assets					
Current assets					
Cash and cash equivalents	439,339		506,185		66,846
Trade receivables	524,476		546,381		21,905
Other financial assets	66,944		52,147		(14,797)
Inventories	437,004		443,001		5,997
Income taxes receivables	4,982		4,303		(679)
Other current assets	60,427		55,294		(5,133)
Total current assets	1,533,172	50.4	1,607,311	51.1	74,139
Non-current assets					
Investments accounted for using the equity method	16,635		24,706		8,071
Other financial assets	123,581		153,950		30,369
Property, plant and equipment	945,042		930,288		(14,754)
Right-of-use assets	50,169		54,683		4,514
Goodwill	137,352		149,516		12,164
Intangible assets	69,030		61,241		(7,789)
Long-term advances to suppliers	121,370		110,925		(10,445)
Deferred tax assets	40,062		44,189		4,127
Other non-current assets	5,240		10,218		4,978
Total non-current assets	1,508,481	49.6	1,539,716	48.9	31,235
Total assets	3,041,653	100.0	3,147,027	100.0	105,374

TDK Corporation (6762) Consolidated FY March 2023 (IFRS)

	March 31, 2022		March 31, 2023		Change
	Amount (Yen millions)	%	Amount (Yen millions)	%	Amount (Yen millions)
Liabilities					
Current liabilities					
Borrowings	175,924		248,510		72,586
Lease liabilities	9,432		10,298		866
Trade payables	460,132		351,439		(108,693)
Other financial liabilities	147,272		92,673		(54,599)
Income taxes payables	29,715		30,285		570
Provisions	13,949		13,079		(870)
Other current liabilities	225,934		258,027		32,093
Total current liabilities	1,062,358	34.9	1,004,311	31.9	(58,047)
Non-current liabilities					
Bonds and borrowings	455,562		448,656		(6,906)
Lease liabilities	38,895		44,694		5,799
Other financial liabilities	4,573		3,849		(724)
Retirement benefit liabilities	105,089		92,313		(12,776)
Provisions	5,371		9,697		4,326
Deferred tax liabilities	57,454		70,386		12,932
Other non-current liabilities	8,596		10,254		1,658
Total non-current liabilities	675,540	22.2	679,849	21.6	4,309
Total liabilities	1,737,898	57.1	1,684,160	53.5	(53,738)
Equity					
Equity attributable to owners of parent					
Share capital	32,641		32,641		-
Capital surplus	-		45		45
Retained earnings	974,767		1,054,738		79,971
Other components of equity	309,607		387,281		77,674
Treasury shares	(16,698)		(16,259)		439
Total equity attributable to owners of parent	1,300,317	42.8	1,458,446	46.3	158,129
Non-controlling interests	3,438	0.1	4,421	0.2	983
Total equity	1,303,755	42.9	1,462,867	46.5	159,112
Total liabilities and equity	3,041,653	100.0	3,147,027	100.0	105,374

(2) Consolidated statements of profit or loss and comprehensive income

Consolidated statements of profit or loss

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Change	
	Amount (Yen millions)	% to net sales	Amount (Yen millions)	% to net sales	Amount (Yen millions)	%
Net sales	1,902,124	100.0	2,180,817	100.0	278,693	14.7
Cost of sales	(1,338,276)		(1,596,295)		(258,019)	
Gross profit	563,848	29.6	584,522	26.8	20,674	3.7
Selling, general and administrative expenses	(410,568)		(434,803)		(24,235)	
Other operating income	14,033		19,393		5,360	
Other operating expenses	(538)		(285)		253	
Operating profit	166,775	8.8	168,827	7.7	2,052	1.2
Finance income	11,277		17,372		6,095	
Finance costs	(7,853)		(20,772)		(12,919)	
Share of profit of investments accounted for using the equity method	2,291		1,792		(499)	
Profit before tax	172,490	9.1	167,219	7.7	(5,271)	(3.1)
Income tax expense	(40,675)		(52,918)		(12,243)	
Net profit	131,815	6.9	114,301	5.2	(17,514)	(13.3)
Net profit attributable to:						
Owners of parent	131,298	6.9	114,187	5.2	(17,111)	(13.0)
Non-controlling interests	517	0.0	114	0.0	(403)	(77.9)
Net profit	131,815	6.9	114,301	5.2	(17,514)	(13.3)

Consolidated statements of comprehensive income

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change
	Amount (Yen millions)	Amount (Yen millions)	Amount (Yen millions)
Net profit	131,815	114,301	(17,514)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Net change in fair value of equity instruments measured at fair value through other comprehensive income	54,857	7,739	(47,118)
Remeasurements of defined benefit plans	13,555	2,871	(10,684)
Total	68,412	10,610	(57,802)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	165,974	70,006	(95,968)
Total	165,974	70,006	(95,968)
Total other comprehensive income, net of tax	234,386	80,616	(153,770)
Comprehensive income	366,201	194,917	(171,284)
Comprehensive income attributable to:			
Owners of parent	365,418	194,903	(170,515)
Non-controlling interests	783	14	(769)
Comprehensive income	366,201	194,917	(171,284)

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2022	Equity attributable to owners of parent						Non-controlling interests (Yen millions)	Total equity (Yen millions)
	Share capital (Yen millions)	Capital surplus (Yen millions)	Retained earnings (Yen millions)	Other components of equity (Yen millions)	Treasury shares (Yen millions)	Total (Yen millions)		
Balance as of April 1, 2021	32,641	-	853,620	89,460	(16,792)	958,929	2,758	961,687
Comprehensive income								
Net profit	-	-	131,298	-	-	131,298	517	131,815
Other comprehensive income, net of tax	-	-	-	234,120	-	234,120	266	234,386
Total comprehensive income	-	-	131,298	234,120	-	365,418	783	366,201
Transactions with owners								
Equity transactions with non-controlling interests	-	(124)	-	-	-	(124)	174	50
Dividends paid	-	-	(24,002)	-	-	(24,002)	(277)	(24,279)
Transfer from retained earnings to capital surplus	-	122	(122)	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(5)	(5)	-	(5)
Share-based payment transactions	-	101	-	-	-	101	-	101
Exercise of share options	-	(99)	-	-	99	-	-	-
Total transactions with owners	-	-	(24,124)	-	94	(24,030)	(103)	(24,133)
Transfer from other components of equity to retained earnings	-	-	13,973	(13,973)	-	-	-	-
Balance as of March 31, 2022	32,641	-	974,767	309,607	(16,698)	1,300,317	3,438	1,303,755

Fiscal year ended March 31, 2023	Equity attributable to owners of parent						Non-controlling interests (Yen millions)	Total equity (Yen millions)
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury shares	Total		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)		
Balance as of April 1, 2022	32,641	-	974,767	309,607	(16,698)	1,300,317	3,438	1,303,755
Comprehensive income								
Net profit	-	-	114,187	-	-	114,187	114	114,301
Other comprehensive income, net of tax	-	-	-	80,716	-	80,716	(100)	80,616
Total comprehensive income	-	-	114,187	80,716	-	194,903	14	194,917
Transactions with owners								
Equity transactions with non-controlling interests	-	170	-	-	-	170	1,209	1,379
Dividends paid	-	-	(37,153)	-	-	(37,153)	(380)	(37,533)
Transfer from retained earnings to capital surplus	-	105	(105)	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(0)	(0)	-	(0)
Share-based payment transactions	-	209	-	-	-	209	140	349
Exercise of share options	-	(439)	-	-	439	0	-	0
Total transactions with owners	-	45	(37,258)	-	439	(36,774)	969	(35,805)
Transfer from other components of equity to retained earnings	-	-	3,042	(3,042)	-	-	-	-
Balance as of March 31, 2023	32,641	45	1,054,738	387,281	(16,259)	1,458,446	4,421	1,462,867

(4) Consolidated statements of cash flows

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Amount (Yen millions)	Amount (Yen millions)
Cash flows from operating activities		
Net profit	131,815	114,301
Depreciation and amortization	177,031	206,285
Impairment losses	3,300	35,064
Finance income	(11,277)	(17,372)
Finance costs	7,853	20,772
Share of profit of investments accounted for using the equity method	(2,291)	(1,792)
Income tax expense	40,675	52,918
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(38,452)	6,321
Decrease (increase) in inventories	(108,436)	11,961
Decrease (increase) in long-term advances to suppliers	(112,222)	12,787
Increase (decrease) in trade payables	86,431	(116,469)
Net change in other assets and liabilities	24,365	2,805
Net change in other financial assets and liabilities	628	(8,519)
Other	6,137	(20,888)
Subtotal	205,557	298,174
Interest and dividends received	9,538	14,746
Interest paid	(5,491)	(9,009)
Income taxes paid	(30,617)	(41,139)
Cash flows from operating activities	178,987	262,772

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Amount (Yen millions)	Amount (Yen millions)
Cash flows from investing activities		
Purchase of tangible and intangible assets	(291,337)	(275,709)
Proceeds from sale of tangible and intangible assets	3,368	23,795
Proceeds from withdrawal of time deposits	83,172	79,937
Payments into time deposits	(66,745)	(42,416)
Proceeds from sale and redemption of securities	1,523	788
Payment for purchase of securities	(11,537)	(11,803)
Purchase of investments in associates	-	(6,754)
Other	10	(2,240)
Cash flows from investing activities	(281,546)	(234,402)
Cash flows from financing activities		
Proceeds from long-term borrowings	190,879	372
Repayment of long-term borrowings	(134,570)	(4,868)
Net increase (decrease) in short-term borrowings	(8,235)	65,942
Proceeds from bonds	100,000	-
Repayment of lease liabilities	(9,713)	(10,398)
Dividends paid	(23,987)	(37,198)
Other	(631)	1,097
Cash flows from financing activities	113,743	14,947
Effect of exchange rate changes on cash and cash equivalents	47,768	23,529
Net increase in cash and cash equivalents	58,952	66,846
Cash and cash equivalents at beginning of year	380,387	439,339
Cash and cash equivalents at end of year	439,339	506,185

(5) Notes to the consolidated financial statements

(Notes to going concern assumption)

There are no items to report.

(Reporting entity)

TDK Corporation (“TDK”) is a company limited by shares, domiciled in Japan. Its registered office is located in Nihonbashi, Chuo-ku, Tokyo. TDK’s consolidated financial statements comprise the financial statements of TDK and its consolidated subsidiaries (collectively, “TDK Group”) as well as its interests in the associates, for the reporting period ending March 31, 2023. As of March 31, 2023, TDK Group has 140 consolidated subsidiaries, 10 subsidiaries in Japan and 130 subsidiaries overseas, as well as 6 associates accounted for using the equity method, 3 associates in Japan and 3 associates overseas. Xiamen Ampeak Technology Limited and Xiamen Ampack Technology Limited were newly established in the first quarter of the current fiscal year, and these two companies were included in the scope of consolidation.

TDK was founded in Tokyo in 1935 to accomplish the world’s first industrialization of a magnetic material called ferrite. By pursuing its core technologies, TDK has always been a multinational developer, manufacturer and distributor of unique and diverse products, including ferrite cores, inductive devices, ceramic capacitors, magnetic heads, magnets and other products.

TDK Group has four reportable segments, consisting of Passive Components, Sensor Application Products, Magnetic Application Products and Energy Application Products. Details of the reportable segments are set out in (Segment information).

(Basis of preparation)

1. Compliance with IFRS

The consolidated financial statements of TDK Group satisfy the requirements for Specified Companies Complying with Designated International Accounting Standards defined in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements in Japan, and have been prepared in accordance with IFRS as prescribed in Article 93 of the Ordinance.

2. Measurement basis

The consolidated financial statements of TDK Group have been prepared on a historical cost basis, except for financial instruments measured at fair value detailed in (Significant accounting policies).

3. Functional and presentation currency

Items included in the financial statements of each of the TDK’s group companies are measured

using the currency of the primary economic environment in which the company operates (“functional currency”). The consolidated financial statements of TDK Group are presented in Japanese yen, which is the TDK’s functional and presentation currency. All amounts are rounded to the nearest million yen.(Significant accounting policies)

The significant accounting policies adopted in the consolidated financial statements for the fiscal year ended March 31, 2023 are consistent with those applied in the consolidated financial statements for the fiscal year ended March 31, 2022.

(Segment information)

1. Description of reportable segments

Operating segments are components of TDK group for which discrete financial information is available and whose operating results are regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance.

TDK group aggregates its operating segments into the following four reportable segments: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products, based on the similarities in the type and nature of products, the nature of production processes, markets to distribute products, economic indicators and other characteristics. Operating segments which are not classified as these reportable segments are included in Other. In accordance with the reorganization for the first quarter of the fiscal year ended March 31, 2023, certain products of Other are reclassified into Passive Components segment and Sensor Application Products segment. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

Principal businesses and products of reportable segments and Other segment are as follows:

Segment	Principal businesses and products
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), Camera Module Micro Actuators for smartphones, Others

Accounting policies applied to each segment are the same as those for the consolidated financial statements of TDK Group. Intersegment transactions are based on arm's length prices.

2. Information about reportable segments

The reportable segment information for the fiscal years ended March 31, 2022 and 2023 are as follows:

Net sales

(Yen millions, %)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Change	
		Amount	%	Amount	%	Amount	%
Passive Components	External customers	507,826	26.7	575,939	26.4	68,113	13.4
	Intersegment	4,336		8,005		3,669	84.6
	Total	512,162		583,944		71,782	14.0
Sensor Application Products	External customers	130,769	6.9	169,543	7.8	38,774	29.7
	Intersegment	81		121		40	49.4
	Total	130,850		169,664		38,814	29.7
Magnetic Application Products	External customers	248,446	13.1	200,573	9.2	(47,873)	(19.3)
	Intersegment	66		118		52	78.8
	Total	248,512		200,691		(47,821)	(19.2)
Energy Application Products	External customers	965,345	50.7	1,173,355	53.8	208,010	21.5
	Intersegment	1		5		4	400.0
	Total	965,346		1,173,360		208,014	21.5
Other	External customers	49,738	2.6	61,407	2.8	11,669	23.5
	Intersegment	8,617		9,616		999	11.6
	Total	58,355		71,023		12,668	21.7
Intersegment elimination		(13,101)		(17,865)		(4,764)	
Total		1,902,124	100.0	2,180,817	100.0	278,693	14.7

Segment profit (loss)

(Yen millions, %)

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Change	
	Amount	% to net sales	Amount	% to net sales	Amount	%
Passive Components	76,804	15.1	95,519	16.6	18,715	24.4
Sensor Application Products	(281)	(0.2)	10,726	6.3	11,007	-
Magnetic Application Products	4,522	1.8	(56,392)	(28.1)	(60,914)	-
Energy Application Products	123,212	12.8	147,389	12.6	24,177	19.6
Other	(1,432)	(2.9)	(434)	(0.7)	998	(69.7)
Subtotal	202,825	10.7	196,808	9.0	(6,017)	(3.0)
Adjustment	(36,050)		(27,981)		8,069	
Operating profit	166,775	8.8	168,827	7.7	2,052	1.2

Segment profit represents a segment's sales less its cost of sales, selling, general and administrative expenses and other operating income and expense that are not attributable to Corporate headquarters.

Segment profit is mainly adjusted for corporate expenses for company-wide operational and administrative purposes that are not allocated to operating segments.

3. Geographic segment information

The geographic segment information for the fiscal years ended March 31, 2022 and 2023 are as follows:

Net sales

(Yen millions)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Japan	149,038	176,436
Americas	129,857	172,703
Europe	175,580	210,321
China	1,059,718	1,194,013
Asia and others	387,931	427,344
Total	1,902,124	2,180,817

The net sales are based on the location of external customers.

(Earnings per share)

The basic and diluted earnings per share are as follows:

	(Yen millions)			
	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Basic	Diluted	Basic	Diluted
Net profit attributable to owners of parent	131,298	131,298	114,187	114,187
				Number of shares (thousands)
Weighted average number of common shares issued	378,991	378,991	379,117	379,117
Incremental shares arising from exercise of share options	-	860	-	651
Incremental shares arising from delivery under restricted stock unit plan	-	11	-	41
Incremental shares arising from delivery under performance share unit plan	-	-	-	7
Weighted average number of common shares issued - Total	378,991	379,862	379,117	379,816
				(Yen)
Earnings per share	346.44	345.65	301.19	300.64

Notes:

1. The dilution of net profit attributable to owners of parent was caused by presuming the exercise of share options issued by a consolidated subsidiary of TDK.
2. TDK split one share of its share capital into three shares on effective date of October 1, 2021. “Weighted average number of common shares issued”, “Incremental shares arising from exercise of share options”, “Incremental shares arising from delivery under restricted stock unit plan”, “Incremental shares arising from delivery under performance share unit plan” and “Net profit attributable to owners of parent” are calculated based on the assumption that the share split was conducted on April 1, 2021.

(Significant subsequent events)

There are no items to report.

(6) Appendix to the Consolidated Financial Statements

1) Foreign exchange rates

Term Item	FY 2022 (March 31, 2022)		FY 2023 (March 31, 2023)	
	US\$=¥	EURO=¥	US\$=¥	EURO=¥
Fiscal year-end	122.39	136.70	133.53	145.72

2) Quarterly sales by product

(Yen millions, %)

Term Product category	Q1 of FY 2022 (April 1, 2021 – June 30, 2021)		Q2 of FY 2022 (July 1, 2021 – September 30, 2021)		Q3 of FY 2022 (October 1, 2021 - December 31, 2021)		Q4 of FY 2022 (January 1, 2022 – March 31, 2022)	
	Amount	%	Amount	%	Amount	%	Amount	%
Capacitors	47,126	11.2	49,804	10.5	50,782	10.2	50,433	9.9
Inductive devices	42,085	10.0	45,304	9.6	47,028	9.4	45,822	9.0
Other passive components	32,545	7.8	32,917	6.9	32,210	6.4	31,770	6.3
Passive Components	121,756	29.0	128,025	27.0	130,020	26.0	128,025	25.2
Sensor Application products	26,828	6.4	32,685	6.9	36,141	7.2	35,115	6.9
Magnetic Application Products	60,623	14.4	65,363	13.8	64,023	12.8	58,437	11.5
Energy Application Products	199,592	47.5	235,523	49.7	256,145	51.3	274,085	53.9
Other	11,259	2.7	12,531	2.6	13,341	2.7	12,607	2.5
Total	420,058	100.0	474,127	100.0	499,670	100.0	508,269	100.0

(Yen millions, %)

Term Product category	Q1 of FY 2023 (April 1, 2022- June 30, 2022)		Q2 of FY 2023 (July 1, 2022 – September 30, 2022)		Q3 of FY 2023 (October 1, 2022 - December 31, 2022)		Q4 of FY 2023 (January 1, 2023 – March 31, 2023)	
	Amount	%	Amount	%	Amount	%	Amount	%
Capacitors	57,587	11.3	62,853	10.3	61,497	10.5	57,756	12.2
Inductive devices	49,335	9.7	52,796	8.6	50,067	8.5	46,283	9.8
Other passive components	34,709	6.8	37,021	6.1	33,081	5.6	32,954	7.0
Passive Components	141,631	27.8	152,670	25.0	144,645	24.6	136,993	29.0
Sensor Application Products	39,016	7.6	45,913	7.5	45,637	7.8	38,977	8.2
Magnetic Application Products	55,130	10.8	54,682	8.9	47,475	8.1	43,286	9.2
Energy Application Products	260,092	50.9	342,330	56.0	331,423	56.5	239,510	50.8
Other	14,635	2.9	15,894	2.6	17,792	3.0	13,086	2.8
Total	510,504	100.0	611,489	100.0	586,972	100.0	471,852	100.0

Note: In accordance with the reorganization for the first quarter of the fiscal year ended March 31, 2023, certain products of Other are reclassified into Other passive components and certain products of Other passive components are reclassified into Capacitors and Inductive devices. Thus, the prior year's figures are also reclassified to conform to the new segmentation.