**[Cover]**

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| Filing to: | Director-General of the Kanto Local Finance Bureau |
| Date of filing: | June 21, 2024 |
| Fiscal year: | 128th term (from April 1, 2023 to March 31, 2024) |
| Company name (Japanese): | TDK *Kabushiki-Kaisha* |
| Company name (English): | TDK CORPORATION |
| Title and name of representative: | Noboru Saito, Representative Director, President and CEO |
| Location of head office: | 2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan |
| Telephone number: | +81-3-6778-1068 |
| Contact person: | Atsuo Omagari, IR & SR Group General Manager |
| Place of contact: | 2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan |
| Telephone number: | +81-3-6778-1068 |
| Contact person: | Atsuo Omagari, IR & SR Group General Manager |
| Place where the document to be filed is available for public inspection | Tokyo Stock Exchange, Inc.<br>(2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan) |

# A. COMPANY INFORMATION

## I. Overview of the Company

### 1. Trends in principal management benchmarks

### (1) Management benchmarks (consolidated)

| Term | International Financial Reporting Standards | | | | |
|---|---|---|---|---|---|
| | Date of Transition | 125th term | 126th term | 127th term | 128th term |
| Accounting period | April 1, 2020 | From April 1, 2020 to March 31, 2021 | From April 1, 2021 to March 31, 2022 | From April 1, 2022 to March 31, 2023 | From April 1, 2023 to March 31, 2024 |
| Net sales (Millions of yen) | - | 1,479,008 | 1,902,124 | 2,180,817 | 2,103,876 |
| Profit from continuing operations before tax (Millions of yen) | - | 117,263 | 172,490 | 167,219 | 179,241 |
| Net profit attributable to owners of parent (Millions of yen) | - | 74,681 | 131,298 | 114,187 | 124,687 |
| Comprehensive income (loss) attributable to owners of parent (Millions of yen) | - | 186,008 | 365,418 | 194,903 | 290,832 |
| Equity attributable to owners of parent (Millions of yen) | 800,069 | 958,929 | 1,300,317 | 1,458,446 | 1,707,332 |
| Net assets (Millions of yen) | 804,659 | 961,687 | 1,303,755 | 1,462,867 | 1,714,941 |
| Total assets (Millions of yen) | 1,900,928 | 2,359,663 | 3,041,653 | 3,147,027 | 3,415,304 |
| Equity attributable to owners of parent per share (Yen) | 2,111.24 | 2,530.37 | 3,430.69 | 3,845.28 | 4,500.19 |
| Net profit attributable to owners of parent per share (Yen) | - | 197.06 | 346.44 | 301.19 | 328.70 |
| Diluted net profit attributable to owners of parent per share (Yen) | - | 196.66 | 345.65 | 300.64 | 328.19 |
| Ratio of equity attributable to owners of parent (%) | 42.1 | 40.6 | 42.8 | 46.3 | 50.0 |
| Return on equity attributable to owners of parent (%) | - | 8.5 | 11.6 | 8.3 | 7.9 |
| Price earnings ratio (PER) (Times) | - | 26.0 | 12.9 | 15.7 | 22.8 |
| Net cash provided by operating activities (Millions of yen) | - | 230,855 | 178,987 | 262,772 | 447,007 |
| Net cash used in investing activities (Millions of yen) | - | (231,418) | (281,546) | (234,402) | (216,592) |
| Net cash provided by (used in) financing activities (Millions of yen) | - | 21,082 | 113,743 | 14,947 | (146,368) |
| Cash and cash equivalents at end of term (Millions of yen) | 332,717 | 380,387 | 439,339 | 506,185 | 649,998 |
| Number of employees (Person) | 107,138 | 129,284 | 116,808 | 102,908 | 101,453 |

Notes: 1. From the 126th term, TDK Corporation prepared the consolidated financial statements based on International Financial Reporting Standards ("IFRS").

2. TDK Corporation split one share of its common stock into three shares, the effective date of which was October 1, 2021. “Equity attributable to owners of parent per share”, “Net profit attributable to owners of parent per share”, and “Diluted net profit attributable to owners of parent per share” is calculated based on the assumption that the share split was conducted in April, 2020.

| Term | U.S. GAAP | | |
|---|---|---|---|
| | 124th term | 125th term | 126th term |
| Accounting period | From April 1, 2019 to March 31, 2020 | From April 1, 2020 to March 31, 2021 | From April 1, 2021 to March 31, 2022 |
| Net sales (Millions of yen) | 1,363,037 | 1,479,008 | 1,902,124 |
| Income from continuing operations before income taxes (Millions of yen) | 95,876 | 121,904 | 234,185 |
| Net income attributable to TDK (Millions of yen) | 57,780 | 79,340 | 183,632 |
| Comprehensive income (loss) attributable to TDK (Millions of yen) | (7,821) | 186,729 | 367,182 |
| TDK stockholders’ equity (Millions of yen) | 843,957 | 1,003,538 | 1,346,683 |
| Net assets (Millions of yen) | 848,564 | 1,006,297 | 1,350,130 |
| Total assets (Millions of yen) | 1,943,379 | 2,401,433 | 3,086,924 |
| TDK stockholders’ equity per share (Yen) | 2,227.05 | 2,648.08 | 3,553.02 |
| Net income attributable to TDK per share (Yen) | 152.49 | 209.36 | 484.53 |
| Diluted net income attributable to TDK per share (Yen) | 152.15 | 208.93 | 483.42 |
| Stockholders’ equity ratio (%) | 43.4 | 41.8 | 43.6 |
| Return on stockholders’ equity (%) | 6.7 | 8.6 | 15.6 |
| Price earnings ratio (PER) (Times) | 18.3 | 24.4 | 9.2 |
| Net cash provided by operating activities (Millions of yen) | 222,390 | 222,814 | 169,620 |
| Net cash used in investing activities (Millions of yen) | (41,964) | (231,488) | (281,194) |
| Net cash provided by (used in) financing activities (Millions of yen) | (121,769) | 29,193 | 122,758 |
| Cash and cash equivalents at end of term (Millions of yen) | 332,717 | 380,387 | 439,339 |
| Number of employees (Person) | 107,138 | 129,284 | 116,808 |

Notes: 1. The consolidated financial statements prepared under U.S. GAAP for the 126$^{th}$ term has not been audited under the Financial Instruments and Exchange Act article 193 2-1.

2. TDK Corporation split one share of its common stock into three shares on effective date of October 1, 2021. “Equity attributable to owners of parent per share”, “Net profit attributable to owners of parent per share”, and “Diluted net profit attributable to owners of parent per share” is calculated based on the assumption that the share split was conducted at the beginning of 124$^{th}$ term.

**(2) Filing company's management benchmarks (non-consolidated)**

| Term | 124th term | 125th term | 126th term | 127th term | 128th term |
|---|---|---|---|---|---|
| Accounting period | From April 1, 2019 to March 31, 2020 | From April 1, 2020 to March 31, 2021 | From April 1, 2021 to March 31, 2022 | From April 1, 2022 to March 31, 2023 | From April 1, 2023 to March 31, 2024 |
| Net sales (Millions of yen) | 303,810 | 329,300 | 420,379 | 504,931 | 477,863 |
| Current income (loss) (Millions of yen) | (10,624) | 1,378 | 106,315 | 137,952 | 109,083 |
| Net income (loss) (Millions of yen) | (35,618) | 119,224 | 105,525 | 134,654 | 69,283 |
| Capital stock (Millions of yen) | 32,641 | 32,641 | 32,641 | 32,641 | 32,641 |
| Total number of issued shares (Thousands of shares) | 129,591 | 129,591 | 388,772 | 388,772 | 388,772 |
| Net assets (Millions of yen) | 219,309 | 316,879 | 398,212 | 496,326 | 526,391 |
| Total assets (Millions of yen) | 874,708 | 1,081,338 | 1,239,402 | 1,424,028 | 1,499,459 |
| Net assets per share (Yen) | 574.87 | 831.81 | 1,046.53 | 1,304.71 | 1,383.78 |
| Cash dividends per share (Yen)<br>[Interim dividends per share] (Yen) | 180.00<br>[90.00] | 180.00<br>[90.00] | 145.00<br>[100.00] | 106.00<br>[53.00] | 116.00<br>[58.00] |
| Net income (loss) per share (Yen) | (94.00) | 314.60 | 278.44 | 355.18 | 182.64 |
| Diluted net income per share (Yen) | — | 313.95 | 277.80 | 354.53 | 182.36 |
| Equity ratio [%] | 24.9 | 29.2 | 32.0 | 34.8 | 35.0 |
| Return on equity [ROE] [%] | (14.6) | 44.7 | 29.7 | 30.2 | 13.6 |
| Price earnings ratio [PER] [Times] | — | 16.2 | 16.0 | 13.3 | 41.0 |
| Dividend payout ratio [%] | — | 19.1 | 28.1 | 29.9 | 63.5 |
| Number of employees [Person] | 5,521 | 5,689 | 5,719 | 5,902 | 6,037 |
| Total shareholder return (%)<br>(Benchmark: TOPIX index) | 98.7<br>(90.5) | 181.0<br>(128.6) | 161.2<br>(131.2) | 174.0<br>(138.8) | 273.4<br>(196.2) |
| Highest(Yen) | 12,880 | 18,240 | 4,880<br>(17,270) | 5,300 | 8,228 |
| Lowest(Yen) | 6,740 | 7,280 | 3,560<br>(11,220) | 3,765 | 4,460 |

Notes:
1. "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29 March 31,2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No.30) have been implemented from the beginning of 126th term. For major management benchmarks from 126th term, these accounting standards are implemented.
2. Diluted net income per share in the 124th term is not presented because, although there were potentially dilutive shares, net losses per share were reported.
3. TDK Corporation split one share of its common stock into three shares on effective date of October 1, 2021. "Net assets per share", "Net income (loss) per share", and "Diluted net income per share" is calculated based on the assumption that the share split was conducted at the beginning of 124nd term.
4. The cash dividends per share, 145.00 yen, for the 126th term is comprised of an interim dividend (before the share split) of 100.00 yen and a year-end dividend (after the share split) of 45.00 yen.
5. Highest and lowest share prices were those recorded on Tokyo Stock Exchange Prime Marked from April 4, 2022 and before then recorded on the first section of the Tokyo Stock Exchange. The highest and lowest

share prices for the 126th term are based on the numbers after the share split, and the highest and lowest share prices before the share split are listed in brackets.

## 2. Description of business operations

TDK Corporation prepares its consolidated financial statements according to IFRS. It discloses information based on these consolidated financial statements pertaining to its subsidiaries and affiliates based on the definitions of IFRS. The same applies to “II. Review of operations” and “III. Facilities.”

As of March 31, 2024, the TDK Group is comprised of TDK Corporation (the “Company”), 143 consolidated subsidiaries and 6 equity-method affiliates. Segment categories are manufacturing and sales of “Passive Components,” “Sensor Application Products,” “Magnetic Application Products,” “Energy Application Products” and “Other” (not included in the other four segments).

The following table presents a description of business operations and the respective placement of the Company and subsidiaries and affiliates with respect to these business operations.

| Category | Main products | Major companies |
|---|---|---|
| Passive Components | Ceramic capacitors, Aluminum electrolytic capacitors, Film capacitors, Inductive devices (Coils/Ferrite cores/Transformers), High-frequency components, Piezoelectric material products and Circuit protection components | The Company<br>TDK Europe GmbH<br>TDK Electronics AG<br>TDK(Shanghai)International Trading Co., Ltd.<br>TDK HONG KONG COMPANY LIMITED<br>59 other companies (Domestic: 1, Overseas: 58)<br>(Total: 64 companies) |
| Sensor Application Products | Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors | The Company<br>InvenSense, Inc.<br>TDK-Micronas GmbH<br>14 other companies (Domestic: 2, Overseas: 12)<br>(Total: 17 companies) |
| Magnetic Application Products | HDD Heads, HDD suspension assemblies, Magnets | The Company<br>SAE Magnetics (H.K.) Ltd.<br>Magnecomp Precision Technology Public Co., Ltd.<br>Headway Technologies, Inc.<br>TDK Ganzhou Rare Earth New Materials Co., Ltd.<br>12 other companies (Domestic: 0, Overseas: 12)<br>(Total: 17 companies) |
| Energy Application Products | Energy devices (Rechargeable batteries), Power supplies | The Company<br>Amperex Technology Ltd.<br>Navitasys Technology Limited<br>Navitasys India Private Limited<br>Poweramp Technology Limited<br>TDK (Malaysia) Sdn. Bhd.<br>27 other companies (Domestic: 2, Overseas: 25)<br>(Total: 33 companies) |
| Other | Mechatronics (production equipment), Camera Module Micro Actuators for smartphones, other | The Company<br>TDK Taiwan Corporation<br>22 other companies (Domestic: 8, Overseas: 14)<br>(Total: 24 companies) |

## 3. Status of subsidiaries and affiliates

| Name | Location | Capital | Principal business | Holding rate of voting rights (%) | Business relationship |
|---|---|---|---|---|---|
| (Consolidated subsidiaries – Overseas)<br>Ningde Amperex Technology Ltd. *1 | Ningde, China | RMB 911,049,052 | Energy Application Products | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| Amperex Technology Ltd.*1 , *2 | Hong Kong, China | US$ 267,588,100 | Energy Application Products | 100 (57.6) | Manufacturing and sales of TDK products<br>Loans to TDK<br>Loans from TDK<br>Interlocking directorate: Yes |
| Navitasys Technology Ltd. *1 | Hong Kong, China | US$ 10,000,000 | Energy Application Products | 100 (57.6) | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| Dongguan Amperex Technology Ltd. *1 | Dongguan, China | RMB 485,509,727 | Energy Application Products | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| SAE Magnetics (H.K.) Ltd. | Hong Kong, China | HK$ 50,000 | Magnetic Application Products | 100 (100) | Manufacturing and sales of TDK products<br>Loans to TDK<br>Interlocking directorate: Yes |
| TDK HONG KONG COMPANY LIMITED | Hong Kong, China | HK$ 25,500,000 | Passive Components | 100 | Manufacturing and sales of TDK products<br>Loans to TDK<br>Interlocking directorate: No |
| TDK (Shanghai) International Trading Co., Ltd. | Shanghai, China | RMB 1,659,160 | Passive Components | 100 (100) | Sales of TDK products<br>Interlocking directorate: No |
| TDK Xiamen Co., Ltd. *1 | Xiamen, China | RMB 770,098,932 | Passive Components | 100 (36.5) | Manufacturing and sales of TDK products<br>Interlocking directorate: No |
| TDK (Zhuhai FTZ) Co., Ltd. | Zhuhai, China | RMB 29,390,675 | Passive Components | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| Poweramp Technology Limited *1 | Hong Kong, China | US$ 126,000,000 | Energy Application Products | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| TDK Electronics Hong Kong Limited | Hong Kong, China | HK$ 2,000,000 | Passive Components | 100 (100) | Sales of TDK products<br>Interlocking directorate: No |
| TDK (Shanghai) Electronics Ltd. | Shanghai, China | RMB 13,081,180 | Passive Components | 100 (100) | Sales of TDK products<br>Interlocking directorate: No |
| TDK (Zhuhai) Co., Ltd. | Zhuhai, China | RMB 161,627,185 | Passive Components | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| TDK (Suzhou) Co., Ltd. | Suzhou, China | RMB 93,324,615 | Passive Components | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: No |
| Xiamen Ampeak Technology Limited ＊1 | Xiamen, China | US$ 166,511,060 | Energy Application Products | 100 (100) | Holding company for joint ventures<br>Interlocking directorate: Yes |
| TDK China Co., Ltd. *1 | Shanghai, China | RMB 1, 488,074,107 | Investment in and financing to subsidiaries and affiliates and their management | 100 | ———<br>Loans from TDK<br>Interlocking directorate: Yes |
| TDK Europe GmbH *1 | Munich, Germany | EUR 46,545,000 | Passive Components | 100 (100) | Sales of TDK products<br>Interlocking directorate: No |
| TDK Electronics AG *1 | Munich, Germany | EUR 66,682,270 | Passive Components | 100 | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| TDK-Micronas GmbH | Freiburg, Germany | EUR 500,000 | Sensor Application Products | 100 | Manufacturing and sales of TDK products<br>Loans from TDK<br>Interlocking directorate: Yes |
| TDK Hungary Components Kft. | Szombathely, Hungary | EUR 9,670,320 | Passive Components | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| TDK Electronics GmbH & Co OG | Deutschlandsberg, Austria | EUR 14,500,000 | Passive Components | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: No |

| Name | Location | Capital | Principal business | Holding rate of voting rights (%) | Business relationship |
|---|---|---|---|---|---|
| TDK Sensors AG & Co. KG | Berlin, Germany | EUR 256,629 | Passive Components | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: No |
| TDK Europe S.A. *1 | Windhof, Luxembourg | EUR 20,974,825 | Investment in and financing to subsidiaries and affiliates and their management | 100 | ―――<br>Loans to TDK<br>Interlocking directorate: No |
| TDK Corporation of America *1 | Illinois, U.S.A | US$ 3,800,000 | Passive Components | 100 (100) | Sales of TDK products<br>Interlocking directorate: Yes |
| InvenSense,Inc. | California, U.S.A. | US$ 79,923 | Sensor Application Products | 100 (100) | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| Headway Technologies, Inc. *1 | California, U.S.A. | US$ 163,161,945 | Magnetic Application Products | 100 | Manufacturing and sales of TDK products<br>Loans from TDK<br>Interlocking directorate: Yes |
| TDK U.S.A. Corporation *1 | New York, U.S.A. | US$ 850 | Investment in and financing to subsidiaries and affiliates and their management | 100 | ―――<br>Loans from TDK<br>Interlocking directorate: Yes |
| Navitasys India Private Limited *1 | Bawal, India | US$ 58,029,540 | Energy Application Products | 100 (0.1) | Manufacturing and sales of TDK products<br>Interlocking directorate: No |
| Magnecomp Precision Technology Public Co., Ltd. *1 | Ayutthaya, Thailand | US$ 96,333,296 | Magnetic Application Products | 99.9 | Manufacturing and sales of TDK products<br>Interlocking directorate: Yes |
| TDK Electronics Korea Corporation | Seoul, Republic of Korea | KRW 10,000,000,000 | Passive Components | 100 | Sales of TDK products<br>Interlocking directorate: No |
| TDK Taiwan Corporation | Taipei, Taiwan | NT$ 424,125,200 | Products classified in “Other” | 95.4 | Manufacturing and sales of TDK products<br>Loans from TDK<br>Interlocking directorate: Yes |
| (Consolidated subsidiaries – Domestic)<br>TDK-Lambda Corporation | Chuo-ku, Tokyo | (Millions of yen) 2,976 | Energy Application Products | 100 | Manufacturing and sales of TDK products<br>Loans from TDK<br>Interlocking directorate: No |
| TDK Service Corporation | Chuo-ku, Tokyo | 34 | Insurance and real estate agency | 100 | Consignment of insurance agency and property management for TDK<br>Interlocking directorate: No |
| TDK Electronics Factories Corporation | Yurihonjo City, Akita Prefecture | 200 | Passive Components | 100 | Manufacturing and sales of TDK products<br>Loans to TDK<br>Interlocking directorate: Yes |
| 109 other companies | | | | | |
| (Equity-method affiliates – Overseas)<br>Xiamen Ampcore Technology Limited | Xiamen, China | RMB 2,700,000,000 | Development, manufacture and sale of rechargeable battery cells | 30 (30) | ―――<br>Interlocking directorate: Yes |
| (Equity-method affiliates – Domestic)<br>TODA KOGYO CORP., | Hiroshima City, Hiroshima Prefecture | (Millions of yen) 7,477 | Manufacturing and sales of a magnetic material | 25.4 | ―――<br>Interlocking directorate: Yes |
| Semiconductor Energy Laboratory Co., Ltd. | Atsugi City, Kanagawa Prefecture | 100 | Research and development of semiconductor products | 31.7 | ―――<br>Interlocking directorate: No |
| 3 other companies | | | | | |

Notes:
1. Descriptions in the “Principal business” column are names of business segments or other specific business activities.
2. Figures in parentheses in the “Holding rate of voting rights” column indicate indirect holding rates included in the figures outside the parentheses.
3. Descriptions of “Interlocking directorate” include corporate officers of the Company.
4. *1: Applies to specific subsidiaries.
5. *2: Net sales of Amperex Technology Ltd. exceeded 10% of net sales of TDK.
   The major items of income are as follows:
   i. Net sales ¥465,808 million
   ii. Income before income taxes ¥47,322 million
   iii. Net income ¥43,414 million
   iv. Total equity ¥142,710 million
   v. Total assets ¥354,444 million
6. Status of subsidiaries and affiliates listed is a part of the IFRS requirement, and “Part V. Financial Information, 1. Consolidated Financial Statements and Notes to the Consolidated Financial Statements Footnote 30 Subsidiaries” is referring to the above.

## 4. Status of employees

### (1) Status of consolidated companies

(As of March 31, 2024)

| Name of business segment | Number of employees (Person) |
|---|---|
| Passive Components | 33,678 |
| Sensor Application Products | 7,567 |
| Magnetic Application Products | 9,297 |
| Energy Application Products | 43,198 |
| Other | 5,239 |
| Corporate (Common) | 2,474 |
| Total | 101,453 |

### (2) Status of filing company (the Company)

(As of March 31, 2024)

| Number of employees (Person) | Average age (Years old) | Average years of service (Years) | Average annual salary (Yen) |
|---|---|---|---|
| 6,037 | 42.7 | 17.7 | 7,833,330 |

| Name of business segment | Number of employees (Person) |
|---|---|
| Passive Components | 2,249 |
| Sensor Application Products | 507 |
| Magnetic Application Products | 613 |
| Energy Application Products | 267 |
| Other | 226 |
| Corporate (Common) | 2,175 |
| Total | 6,037 |

Notes:
1. The number of employees indicates the number of working employees.
2. Average annual salary includes bonuses and surplus wages.
3. The number of employees shown as Corporate (Common) is the number of employees who belong to the administrative departments.

### (3) Status of labor union

The filing company and some of its subsidiaries have labor unions.

**(4) Percentage of female workers in managerial positions, percentage of male workers taking childcare leave, wage differences between male workers and female workers**

Filing company (the Company)

| Fiscal year ended March 31, 2024 | | | | |
|---|---|---|---|---|
| Percentage of female workers in managerial positions (%) (Note 1,3) | Percentage of male workers taking childcare leave (%) (Note 2) | Wage differences between male and female workers (Note 1) | | |
| | | All workers (%) | Regularly employed workers (%) | Non- regularly employed workers (%) |
| 4.8 | 44.4 | 67.3 | 67.0 | 63.0 |

Domestic consolidated subsidiaries

| Fiscal year ended March 31, 2024 | | | | | |
|---|---|---|---|---|---|
| Name | Percentage of female workers in managerial positions (%) (Note 1,3) | Percentage of male workers taking childcare leave (%) (Note 2) | Wage differences between male and female workers (Note 1) | | |
| | | | All workers (%) | Regularly employed workers (%) | Non- regularly employed workers (%) |
| TDK Electronics Factories Corporation | 2.0 | 19.4 | 77.2 | 77.3 | 82.1 |
| TDK-Lambda Corporation | 6.1 | 36.4 | 58.8 | 71.9 | 57.3 |
| TDK Service Corporation | 19.4 | 0.0 | 67.4 | 82.2 | 65.2 |

Notes: 1. Calculated based on the provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).

2. Percentage of employees who take childcare leave, etc. prescribed in Article 71-4, item (i) of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) in Article 71-4, item (i) is calculated based on the provision of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members”(Act No. 76 of 1991).
3. Calculated as of April 2024.
4. Seconded employees are aggregated and calculated as employees of seconding company.
5. There is a large wage difference between male workers and female workers among fixed-term and contract workers in TDK-Lambda Corporation. This is due to high level of wages among male fixed-term and contract workers who are rehired employees after retirement.

## II. Review of operations

### 1. Management policies, Management environment and Pressing issues

The forward looking statements in this report are based on judgment current as of March 31, 2024.

#### (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 continuously pursued originality and enhanced enterprise value through offering the creation of new value (products/services) by promotion of innovation. In addition, 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 brings together the entire TDK Group's strengths while taking full advantage of the strengths of each TDK group company, and constantly drawing on innovative thinking and a willingness to tackle new challenges. By this, TDK aims to achieve satisfaction, trust, and support of all stakeholders, including shareholders, customers, suppliers, employees and local communities. Additionally, we strive to contribute to the resolution of social issues through our business and remain a socially beneficial entity, thereby contributing to the development of a sustainable society.

#### (2) Medium- and Long-Term Management Strategy and Pressing Issues of TDK

**① Long-Term Vision**

The global economy is facing a crisis of fragmentation due to the ongoing opposition between the U.S. and China against a backdrop of a struggle for hegemony in economic security, including technology. However, even in the face of this crisis, the shift to renewable energy and the transition to decarbonization are expected to continue from the perspective of countermeasures against global warming, energy security, and other issues. Moreover, the sophistication and permeation of technologies such as AI, the metaverse (virtual online space), robotics, and ADAS (Advanced Driver Assistance System) have led to major social changes such as labor savings and greater efficiency in industry, as well as advancement of urban functions. This transformation of society, including GX and DX, is expected to further accelerate in the future.
Amid such circumstances, TDK has formulated its new long-term vision to contribute to the transformation of society through business based on the Corporate Motto to "Contribute to culture and industry through creativity."

<Long-Term Vision>

**TDK Transformation**

Accelerating transformation for a sustainable future

- Contribute to the transition towards a sustainable future by accelerating the transformation of society and advancements in technology enabled by electronic devices developed through leveraging cutting-edge innovation in materials, processes, and software technology
- Become the No.1 partner growing alongside our worldwide customers by pursuing continuous "transformation"

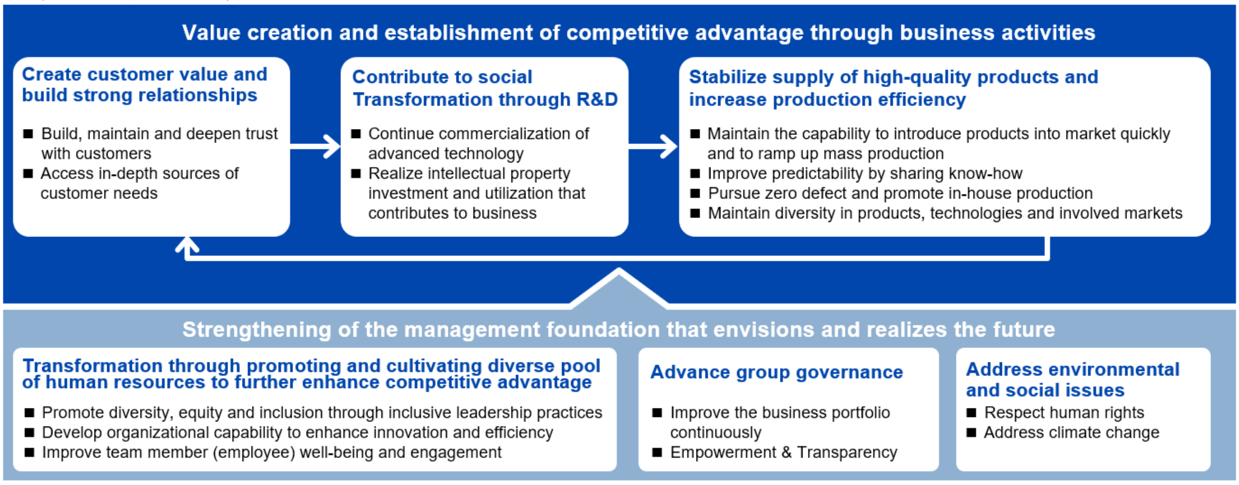
TDK will strive to "capture a position that can detect change ahead of time" and "establish and operate a system that can respond rapidly to change" to realize the long-term vision. In the aim to "capture a position that can detect change ahead of time", TDK will further auger the strengths it has already cultivated in domains such as materials, processes and software technology (Intellectual capital・Manufactured capital・Natural capital), and seek out new strengths as well as carry out various initiatives to establish a leading position in the electronic device domain (Social and relationship capital・Intellectual capital). In the aim to "establish and operate a system that can respond quickly to change", TDK will leverage having captured "a position of being able to detect change ahead of time" and strengthen its capability to envision the future and focus on acquiring and training diverse and outstanding human resources, thus reinforcing the ability to execute the envisioned future in a speedy and efficient manner (Human capital・Intellectual capital). Through these initiatives, TDK will secure permanent investment capacity (Financial capital) and realize optimal investments to aim for further enhancement in its position to detect change ahead of time.

**② Key issues (Materiality)**

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, Russia's invasion of Ukraine, and tensions in the Middle East. In addition, political tensions between the United States and China have led to economic decoupling, with the United States restricting exports of semiconductor manufacturing equipment and relevant technologies to China. As this economic decoupling can make the fight for critical minerals fierce, the supply chain relating TDK could also be affected significantly.

However, even amid these changes in the social and industrial landscape, the trends of GX and DX should continue to grow in the electronics market. These trends are expected to bring about the creation of new markets in TDK’s business fields. Significant growth opportunities will be presented to TDK by trends that include the widespread adoption of renewable energy and electric vehicles towards the realization of a decarbonized society in GX, and transition to upgraded current 5G i.e. new cellular technology (beyond 5G), the practical use of ADAS in automobiles, the growing use of IoT (Internet of Things) products and AI, 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 has reidentified materiality as key issues that should be addressed based on the long-term vision to further improve enterprise value. TDK identified the following three areas for “value creation and establishment of competitive advantage through business activities”: “create customer value and build strong relationships”, “contribute to social transformation through R&D”, “stabilize supply of high-quality products and increase production efficiency”. Then, TDK identified the following three areas to support “strengthening of the management foundation that envisions and realizes future”: “transformation through promoting and cultivating a diverse pool of human resources to further enhance competitive advantage”; “advance group governance”; and “address environmental and social issues”. For example, to “advance corporate governance” TDK defined the following two themes: evaluate the business portfolio continuously and Empowerment & Transparency. Under the theme of evaluate the business portfolio continuously, TDK will establish a business portfolio management system and operate it continuously. In this way, TDK aims to achieve sustainable growth and increase enterprise value by advancing initiatives to address key issues and continuously operating a cycle of creating value through business activities.
From a financial aspect, TDK will allocate management resources and expand free cash flow while paying due consideration to business risks, and by maintaining an appropriate balance between capital efficiency, shareholder returns, and financial soundness, aims to build a strong financial foundation that will support TDK's sustainable growth and improve enterprise value.

<Key issues (Materiality)>




* Materiality is identified aiming to enhance enterprise value. The concept of synchronizing the sustainability of both society and the company is adopted and it consists of financial materiality (important matters for TDK) and impact materiality (important matters for stakeholders). After deriving financial materiality and impact materiality, we carefully examined both and selected the key issues (materiality).

Chart: Examples of opportunities brought forth by GX and DX within TDK operations

| | GX | DX |
|---|---|---|
| Passive Components | <Industrial Equipment><br>Widespread adoption of renewable energy<br>Aluminum Electrolytic Capacitors, Film Capacitors, Piezoelectric Material Products, Circuit Protection Components, Inductive Devices<br><Automotive><br>Widespread adoption of electric vehicles<br>Inductive devices, Ceramic capacitors, Aluminum Electrolytic Capacitors, Film Capacitors | <ICT><br>Growing use of 5G<br>High-Frequency Devices, Inductive Devices, Ceramic capacitors<br>Growing use of IoT<br>High-Frequency Devices, Inductive Devices, Piezoelectric Material Products, Circuit Protection Components<br><Automotive><br>Growing use of ADAS<br>Ceramic capacitors, Inductive Devices |
| Sensor Application Products | <Automotive><br>Widespread adoption of electric vehicles<br>Temperature and Pressure Sensors, Magnetic Sensors | <ICT><br>Growing use of 5G, Growing use of IoT<br>All Sensor Application Products<br><Automotive><br>Growing use of ADAS<br>Magnetic Sensors, MEMS Sensors |
| Magnetic Application Products | <Automotive><br>Widespread adoption of electric vehicles<br>Magnets<br><Industrial Equipment><br>Widespread adoption of renewable energy<br>Magnets | <ICT><br>Growing use of cloud services<br>HDD Heads, HDD Suspension Assemblies |
| Energy Application Products | <Automotive><br>Widespread adoption of electric vehicles<br>Power Supplies<br><Industrial Equipment><br>Widespread adoption of renewable energy<br>Rechargeable Batteries, Power Supplies | <ICT><br>Growing use of 5G<br>Rechargeable Batteries<br>Growing use of IoT<br>Rechargeable Batteries |

③ Medium-term plan (fiscal 2025–2027)

Medium-term plan (fiscal 2025–2027) was formulated by back-casting from Long-Term Vision as a 3-year-activity plan to realize Long-term Vision. As we work towards achieving our long-term vision, we position the period of this medium-term plan as a time to strengthen our fundamental business (Strengthening profitability of core business, Addressing turnaround business). It is vital for enhancing our enterprise value to maximize free cash flow (FCF) generation, reduce the cost of capital, and increase the expected growth rate. Based on the idea, we will pursue these three pillars below in the medium-term plan.

1. Strengthen management focusing on cash flows
2. Enhance business portfolio management (Emphasizing ROIC)
3. Evolve the Ferrite Tree (Pre-financial capital).

With these three pillars, the medium-term plan has set the pre-financial KPIs in addition to the financial KPIs; it is based on the ways of thinking to enhance our enterprise value through pursuing not only the financial value but the pre-financial value, the source of future financial value, and balancing between the achievement of the short to medium-term target and the activities to continuously generate value in the long-term.

* TDK considers technological capabilities, organizational strength, human capital, customer base and so on, which are called "non-financial capital" in general, to be capital that generates future cash flows and expresses it "pre-financial capital".

<List of KPIs for the medium-term plan >

| | | | FY 2024 Result | FY 2027 Plan | How we want to be in the medium-to long-term |
|---|---|---|---|---|---|
| Financial indices | Growth | Net sales [¥ bn] (CAGR) | 2,103.9 | 2,500.0 (approx. 5%) | （10% or more） |
| | Efficiency | ROE *1 | 7.9% | 10% or more | 15% or more |
| | | Business ROA (ROIC) (>WACC) *1 | 5.3% (<7.0%) | 8% or more | 12% or more |
| | | Operating profit margin (OPM) | 8.2% | 11% or more | 15% or more |
| | Financial soundness | Shareholders' equity ratio | 50% | 50% level | - |
| | | D/E ratio | 0.4 x | 0.3-0.4 x | - |
| | | (Exchange rate assumptions) | (¥144/US$) | (¥135/US$) | (¥135/US$) |
| Pre-financial indices | KPIs | Team member engagement (TME) | | | |
| | | - Communication score | 67 pts. | 75 pts. or more | - |
| | | - Response rate | 80% | 80% or more | - |
| | | $CO_2$ emission reductions ratio *2 (SBTi Scope 1+2) (vs. FY 2022) | 42.9% | 23.3% | 42.0% |

*1 Please refer to 4. Analysis of financial position, operating results and cash flow position by management (2) Analysis and discussion regarding operating results, etc. from a management viewpoint ② Recognition, analysis and discussion regarding operating results, etc. in the fiscal year "Management policy, management strategy, indicator to judge achievement status of management goal, etc." for the detail of ROE and Business ROA (ROIC).

*2 SBTi is an initiative that supports companies in setting scientifically based environmental goals. In order to achieve the goal stated in the Paris Agreement of limiting the rise in global average temperature to within 1.5℃ compared to pre-industrial levels, SBTi provides companies with criteria that can be used in goal setting. We have set the gradually required $CO_2$ emission reduction rate calculated based on these criteria as the target for FY 2027 Plan. However, it is expected that this target will be achieved ahead of schedule in FY 2024. This is because of the proactive introduction and promotion of renewable energy (Scope 2). We are currently planning significant production increases and expansion of sites in our Medium-term plan, and at this point, we consider the target to be reasonable. Please note that FY 2024 Result is estimate amount. Furthermore, TDK has submitted a commitment letter to SBTi and is currently working towards obtaining certification for our reduction targets.

## 2. Views and initiatives regarding sustainability

The forward looking statements in this report are based on judgment current as of March 31, 2024.

**＜Sustainability in general＞**

**(1) Governance**

The Sustainability Promotion HQ, which was established under the direct authority of the President and CEO, cooperates and coordinates with each ＆headquarters functions to propose action policies and measures on sustainability. In April 2023, TDK appointed a Chief People and Sustainability Officer (CPSO) as the officer (and member of the Executive Committee) responsible for human resources and sustainability. The CPSO works with the Sustainability Promotion HQ to promote TDK sustainability strategies that will lead to increased corporate value.

(Functions and Roles of the Sustainability Promotion HQ)

・Cooperate with regional headquarters in China, Europe, and the Americas to promote global action by business divisions, Group companies, and manufacturing sites.

・Monitor the status of action, disclose sustainability-related information, engage in dialogue with stakeholders, and take other action. Encourage improvement by providing feedback on identified issues to relevant parties within the company based on opinions obtained through dialogues with stakeholders and from promoting action.

・Report monthly on the progress of action to the President and CEO.

(Deliberation and Decisions on Sustainability)

・Following deliberation on company-wide issues and topics relating to sustainability, a report is made to the Board of Directors. Based on the report, the Board deliberates or adopts a resolution and performs supervision to ensure that appropriate action is taken.

**(2) Risk management**

In aiming for sustainable growth, the TDK Group promotes company-wide measures against factors (risks) that hinder the achievement of organizational goals and implements company-wide risk management (ERM) activities to appropriately manage them and ERM Committee is established in which the chair person is appointed by President and CEO from directors. In ERM Committee, we promote company-wide risk in a way we analyze and evaluate company-wide risk, identify risks which require countermeasures and decide a responsible function to be in charge of risks. As for each risk, the responsible function takes the lead in countermeasures and the progress is monitored in ERM Committee. We discuss the risk analysis evaluations and countermeasure situations at the Executive Committee and report them to the Board of Directors.
Risks concerning sustainability, such as risks concerning corporate social responsibility, climate change, securing personnel and training personnel are also allocated to risk owner departments and director is assigned for it.

＜Climate Change＞

Anthropogenic greenhouse gas emissions, which contribute to global warming, are on the rise, and the sense of crisis about climate change is increasing, as represented by the Paris Agreement adopted at the COP21 in December 2015. Above all, carbon dioxide (CO2) is a major emission source that makes up 76% (from the IPCC 5th Assessment Report) of greenhouse gases, so it is necessary to implement reliable CO2 reduction measures in business activities.
In the TDK Group, the environmental officer serves as the manager of the Group's environmental activities, including climate change issues, and the Safety, Environment and Social Group of the Sustainability Promotion HQ leads the promotion of and support for the Group's environmental activities. We make decisions on important matters for management of the Group's environmental activities based on deliberation by the Executive Committee and, if necessary, the Board of Directors. The TDK Environmental Vision 2035 was established as the goals of specific activities, and we strive to reduce the environmental load from a life-cycle perspective, from the use of raw materials to the use and disposal of products.
TDK joined the RE100* in November 2022. TDK plans to convert electricity use at all of its business facilities around the world to 50% renewable energy by 2025 and 100% renewable energy by 2050. 100% of the electricity used in all manufacturing sites in Japan has been from renewable energy sources since July 1, 2023 and TDK foresees that electricity use at all of its business facilities around the world to be about 55% renewable energy by 2024.

*International initiative operated by Climate Group, an international environmental NGO, in partnership with CDP. It consists of companies committed to converting electricity use in business activities to 100% renewable energy.

**(1) Governance**

(Board’s oversight of climate-related risks)

At TDK, the CPSO carries out a management review more than 4 times a year of the state of progress in environment-related matters, including climate change, as well as plans and risks. The results of the management review and matters requiring management decisions are deliberated in the Executive Committee and, if necessary, the Board of Directors.

(Management' s role in assessing and managing climate-related risks)

・Positioning

Regarding risks relating to the environment, including climate change, TDK has clarified the responsibilities of the CPSO, who is appointed by the President and CEO.
In addition, the Enterprise Risk Management (ERM) Committee discusses important matters among environmental risks, including climate change.

・Responsibilities

Regarding a company's social responsibility, TDK recognizes that coexistence with the global environment is an important issue in management and has established the post of environmental officer. Appointed by the President and CEO, the CPSO takes responsibility for environmental management in general, including climate change. In addition, the head of the Safety, Environment and Social Group of the Sustainability Promotion HQ, which has been established under the environmental officer, is given responsibility for implementing environmental management, including climate change.
In the TDK Group, all business groups, departments, sites, manufacturing subsidiaries, and head office functions come together in unison to work toward realizing the goals of the TDK Environmental Vision 2035 (operate under an environmental load within natural circulation and halve the life-cycle CO2 emission intensity by 2035).
Among environmental risks, including climate change, important matters are reported through the ERM Committee to the Executive Committee and the Board of Directors.

・Content of responsibilities

The Safety, Environment and Social Group of the Sustainability Promotion HQ sets Group-wide targets for environmental matters, including climate change, and identifies environment-related risks for the Group. The ERM Committee identifies Group-wide risks in accordance with "Enterprise Risk Management Regulation" and handles problems relating to climate change as one aspect of Group-wide risks.

・Monitoring

The achievements of environmental activities, including activities relating to climate change, are reported in the management report, and more than once a year the CPSO carries out a management review, discussing and deciding important matters in the promotion of environmental activities, such as the compilation of reports and medium- to long-term targets for major KPIs and energy-saving investment. In addition, matters in this management review that are deemed to exert an important impact on management, such as visions and large-scale investment, are discussed in the Executive Committee and, if necessary, the Board of Directors.

**(2) Risk Management**

Risks which are significant for management is assessed as a part of comprehensive risks in the ERM Committee. Regarding risks deemed by the assessment to require Group-wide efforts, including climate change risk, the ERM Committee checks the progress of countermeasures approved by the Executive Committee and, after completion of the countermeasures, obtains the approval of the Executive Committee.

**(3) Strategy, Metrics and Targets**

TDK has designated the vision of what we want to be for TDK in 10 years as our long-term vision, the "TDK Transformation." which declares "Contribute to the transition towards a sustainable future by accelerating the transformation of society and advancements in technology enabled by electronic devices developed through leveraging cutting-edge innovation in materials, processes, and software technology" and "Become the No.1 partner growing alongside our worldwide customers by pursuing continuous "transformation"". This long-term vision holds two meanings: The first is contributing to the social transformation; the second is continuously pursing internal transformation, in other words, to transform ourselves. "TDK Transformation" represents our commitment to accelerating these two cycles towards contributing to a sustainable future.
To realize it, TDK has reidentified Materiality and are accelerating the shift to renewable energy and innovation towards reducing power consumption and enhancing efficiency of material technology and material function to support in terms of addressing global warming and energy security.

* Based on TDK Group's Materiality which is linked to medium-term plan (fiscal 2022–2024).

-Results of scenario analysis-

In accordance with the Practical guide for Scenario Analysis in line with the TCFD recommendations issued by the Ministry of the Environment, TDK implemented scenario analysis based on the following preconditions:

<Preconditions>

| | |
|---|---|
| Assumed period | : Fiscal 2031 |
| Applicable scope | : Entire TDK Group |
| Adopted scenarios | : 1.5°C scenario (Net Zero Emissions by 2050 [NZE] of the International Energy Agency [IEA]), 4°C scenario (the IEA's Current Policies Scenario [CPS], Stated Policies Scenario [STEPS], and Representative Concentration Pathway [RCP] 6.0 scenario) |

The following are the main risks and opportunities identified based on the scenario analysis. Under the 1.5°C scenario, in which countries' regulations through decarbonization policies become stricter, we understood the possibility of transitional risks occurring with the introduction of carbon pricing and higher cost of renewable energy. The analysis estimated the financial impact of these risks in fiscal 2031 to be 11.4 billion yen in the case of carbon pricing and 15.5 billion yen for renewable energy. In the automotive market, which is one of TDK's key markets, since the shift to electric vehicles will progress, we also recognized the possibility of expanded sales opportunities for EV-related products and battery-related risks and opportunities. Under the 4°C scenario, the analysis also showed the possibility of increased risks of flooding due to the frequent outbreak of abnormal weather.

| Classification | | Risks and opportunities | Occurrence* | Main countermeasures |
|---|---|---|---|---|
| Transition risks | Carbon pricing / carbon-emission targets of each country | Risk | Medium-long term | ・Promotion of the effective use of energy, expanded use of renewable energy, etc. at manufacturing sites toward the realization of net-zero CO2 emissions in 2050 |
| | Increase of energy costs due to rise in renewable energy ratio | Risk and opportunity | Medium-long term | ・Promotion of the effective use of energy at manufacturing sites toward the realization of net-zero CO2 emissions in 2050<br>・Promotion of the development of products for renewable energy, etc. |
| | Increase in price of cobalt and lithium | Risk | Short-long term | ・Monitoring of raw material price trends and implementation of risk hedging at time of procurement<br>・Implementation of long-term supply contracts<br>・Reduction of amount of cobalt and lithium used in products, etc. |
| | Increase of new business chances due to expansion of EV market | Opportunity | Medium-long term | ・Promotion of product development with an eye on EV market expansion |
| | Development of next generation battery materials | Risk and opportunity | Long term | ・Promotion of the development of all-solid-state batteries |
| | Increase of customer demands regarding RE100 | Risk and opportunity | Short-long term | ・Analysis of customer initiatives to respond to climate change<br>・Compilation of plan to introduce renewable energy, etc. |
| Physical risks | Increase of business risks due to rise in flooding | Risk | Medium-long term | ・Implementation at sites of measures to counter flooding risks<br>・Promotion of BCP response, building of BCM framework, etc. |

*Time horizon: "short-term" is expected to be less than 1 year, "medium-term" between 1 and 3 years, and "long-term" between 3 and 20 years.

TDK has stated its aim to achieve net-zero CO2 emissions by 2050 in the "TDK Group's Materiality" and has also set the goal of "halving the life-cycle CO2 emission intensity by 2035(compared with fiscal 2015)" in the "TDK Environmental Vision 2035". Based on this vision, we have established the action items and target values in the "TDK Environmental, Health and Safety Activities 2025" as our basic environmental plan through 2025, and are monitoring progress. In 2022, we have also announced our commitment to obtain SBTi certification and are currently working toward it.

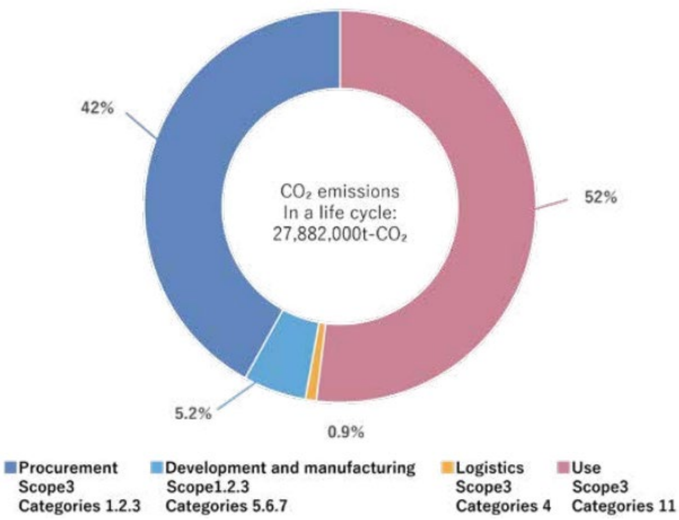
| GHG emission (kt-CO2) | Fiscal 2023 result |
|---|---|
| Total emission | 27,882 |
| Scope 1 | 146 |
| Scope 2 | 1,237 |
| Scope 3 | 26,499 |

*Results of fiscal 2024 will be disclosed in our Sustainability Website after third-party verification.
*Calculation is consolidated basis.

| | |
|---|---|
| TDK Group's materiality | Effective use of energy and expanded use of renewable energy (Scope 1, 2) toward the realization of net zero CO2 emissions by 2050 (Scope 1, 2, 3) |
| TDK Environmental Vision 2035 | Halving the CO2 emissions intensity from a life-cycle perspective by 2035, compared with fiscal 2015 (Scope 1, 2, 3) |
| Action Plan in TDK Environment, Health and Safety Action 2025 | ・Improve CO2 emissions intensity by 30% by 2025, compared with fiscal 2015 (Scope 1, 2, 3)<br>・Achieve renewable energy target of 50% by 2025 (Scope 2) |

| Fiscal 2023 Goals | Fiscal 2023 Achievements |
|---|---|
| (Reduction of CO2 emissions at manufacturing sites) | |
| Improve CO2 emission intensity from energy use by 1.8% compared with the previous fiscal year | Improved by 30.7% compared with the previous fiscal year |
| Improve energy consumption intensity by 1.0% of the previous fiscal year | Improved by 15.0% compared with the previous fiscal year |
| Installation rate of renewable energy electricity in fiscal 2026 : 50% (Scope 2) | 40% introduced compared to target of 34% in fiscal 2023 |
| (Reduce CO2 emissions from a life cycle perspective) | |
| Promote reduction of environmental load through activity of Scope 3 | Reduction of CO2 emissions in global logistics<br>Worsened CO2 emission intensity in logistics by 28% compared with the previous fiscal year |

Breakdown of environmental load ($CO_2$ emissions)




*Results of fiscal 2024 will be disclosed in our Sustainability Website after third-party verification.
*Calculation is consolidated basis.

[Reference]
In addition to the disclosure of information based on TCFD (Task Force on Climate-related Financial Disclosures), we will also advance the assessment and disclosure of dependencies, impacts, risks, and opportunities related to natural capital, including biodiversity, based on the final recommendations of TNFD (Task Force on Nature-Related Financial Disclosures) published in September 2023.

**＜Human Capital＞**

TDK Group comprises more than 100 companies with over 250 sites in more than 30 countries around the world. TDK Group has about 100,000 employees, and more than 90% of them work outside Japan. About 80% of these employees have joined the TDK Group through M&A. TDK establishes new long-term vision as “TDK Transformation”, which means both contributing to the transformation of society and accelerating our own transformation. The fundamental basis of this transformation and growth is people, and the diversity of the TDK Group can be described as one of its major strengths. It is essential to create an environment in which these diverse Group companies and their excellent human resources can fulfil their potential as members of the TDK Group, and to build a human resources development system based on a common foundation for the TDK Group in order to promote further growth.
Under this recognition, TDK assigns the German General Manager of Human Resources HQ to the Chief People and Sustainability Officer (CPSO) and proceeds many measures to maximize Human capital of TDK Group from more inclusive perspective including Sustainability. Under this leadership, we setts long-term Human Resources vision as " Foster a corporate culture that values diversity, promotes inclusive leadership practices, and creates an environment where all team members feel valued & included and create impact.", and develop multiple human capital missions such as “Inclusive Leadership Practices” and “Team Member Health and Engagement'.
In order to continue to encourage diverse human resources to transcend corporate and national differences, we will continue to enhance the Group’s awareness of unity and motivation through a team member engagement survey worldwide. In addition, we have established the TDK Health Declaration and are also working on Well-being. We are also promoting the improvement of workplace environments for individual team members, such as Diversity, Equity and Inclusion, throughout the Group. By approaching from these both sides of human and environment, TDK will build a corporate culture in which group members share mutual respect regardless of such factors as gender, age, and nationality and can freely exchange opinions.

**(1) Governance**

The Global HR Function reports into the Chief People and Sustainability Officer (CPSO). The CPSO has accountability to the TDK Board to plan and deliver the People Strategy in partnership with the corporate officers, business companies, and functional leaders. The HR functions collaborate together across global, regional, and local subsidiaries to plan, develop, and deliver coordinated people practices, technology, and services. These are regularly reported out and discussed at corporate and executive staff meetings.

**(2) Risk management**

To mitigate risks, we involve and engage all Team Members to in an annual listening process where we measure engagement, identify areas of improvement, and take action. Our business leaders are empowered to deliver results while being open and transparent in all aspects of building a sustainable future: environmental, social, and governance. The TME survey data and resulting action is a core risk management process. Additionally, each of our People Strategy focus areas is regularly measured, challenged, and communicated to ensure that it is linked to material efforts.

**(3) Strategy・Metrics and Targets**

(Develop human resources to lead the TDK Group)
Goals in 3 years:
Succession Planning Process is implemented, and the Talent Pool are well filled with leaders who can act globally and collaborate with various divisions to accelerate innovation and TDK's growth.
Action items:
・Execute Global Management training to develop future leaders
・Build an efficient global HR platform
・Create and manage Succession Plan for all top key positions at TDK

| KPIs | Medium-term target (fiscal 2022–2024) | Progress of fiscal 2022 | Progress of fiscal 2023 | Progress of fiscal 2024 |
|---|---|---|---|---|
| Number of GEMP (Global Executive Management Program) participants | 10-15 participants / cohort linked to 3 year mid-term plan | 13 participants | 10 participants have been selected for next cohort. | 10 participants |
| Number of Global AMP (Global Advanced Management Program) participants | 20-25 participants / year | 0<br>(26 candidates' participation in the program was postponed to fiscal 2023 due to inability to meet face-to-face.) | 19 participants | 25 participants |
| Number of GMP (Global Management Program) participants | 40-50 participants / year | 44 participants | 44 participants | 50 participants |
| Number of TCDP (Territorial Career Development Program) participants | 80-100 participants / year | 89 participants | 100 participants | 126 participants |

*GEMP:Global Executive Management Program, GAMP:Global Advanced Management Program, GMP:Global Management Program, TCDP:Territorial Career Development Program

(Foster greater diversity and inclusion)
Goals in 3 years:
Employees' understanding of the significance and purpose of activities to promote diversity and inclusion are deepened, and a foundation and talent pool are created that will continuously produce female candidates for managerial positions.
Action items:
・Penetrate the significance and purpose of activities to promote diversity and inclusion
・Foster female candidates for managerial positions
・Share TDK /Japan(Filing company) activities globally and vice versa

| KPIs | Medium-term target (fiscal 2022–2024) | Progress of fiscal 2022 | Progress of fiscal 2023 | Progress of fiscal 2024 |
|---|---|---|---|---|
| Attendance ratio of workshop for managers | 70% /year | 98% /year | 97% /year | 89% /year |
| % of female candidates for promoting to manager position | 4% /year | 10.3% /year | 8.9% /year | 6.2% /year |
| Female managers ratio | 3% | 3.7% (as of April 2022) | 4.3% (as of April 2023) | 4.8% (as of April 2024) |

*Calculation is TDK/Japan(Filing company) basis.

(Improve employee engagement and job satisfaction to attract and retain talented employees)
Goals in 3 years:
Employee engagement surveys are rolled out TDK Globally and, based on analyzed outcome, feedback and appropriate improvement measures are implemented. In addition, social media channels are established to support and enhance employer branding (increasing the company's reputation among job seekers) and recruitment, thereby achieving to transform into a more innovative and resilient company through the securing of highly engaged employees.
Action items:
・Prepare and roll-out TDK Global Engagement Survey globally
・Provide feedback based on the analysis of survey results and create improvement action plans
・Utilize social media channels

<table>
<tr><th>KPIs</th><th>Medium-term target (fiscal 2022–2024)</th><th>Progress of fiscal 2022</th><th>Progress of fiscal 2023</th><th>Progress of fiscal 2024</th></tr>
<tr><td>Prepare the concept in fiscal 2022.</td><td rowspan="2">Prepare the concept in fiscal 2022.</td><td rowspan="2">Preparation done in fiscal 2022 for the implementation</td><td rowspan="2">Rolled-out to all applicable TDK group companies in fiscal 2023.</td><td rowspan="2">Developed action plans in response to engagement survey feedback, established a global platform to share success stories, and established a Team Member Engagement System to ensure continuous improvement and foster a positive work environment.</td></tr>
<tr><td>Roll-out to all applicable TDK group companies in fiscal 2023.</td></tr>
</table>

* Based on TDK Group's Materiality which is linked to medium-term plan (fiscal 2022–2024).

### 3. Business Risks

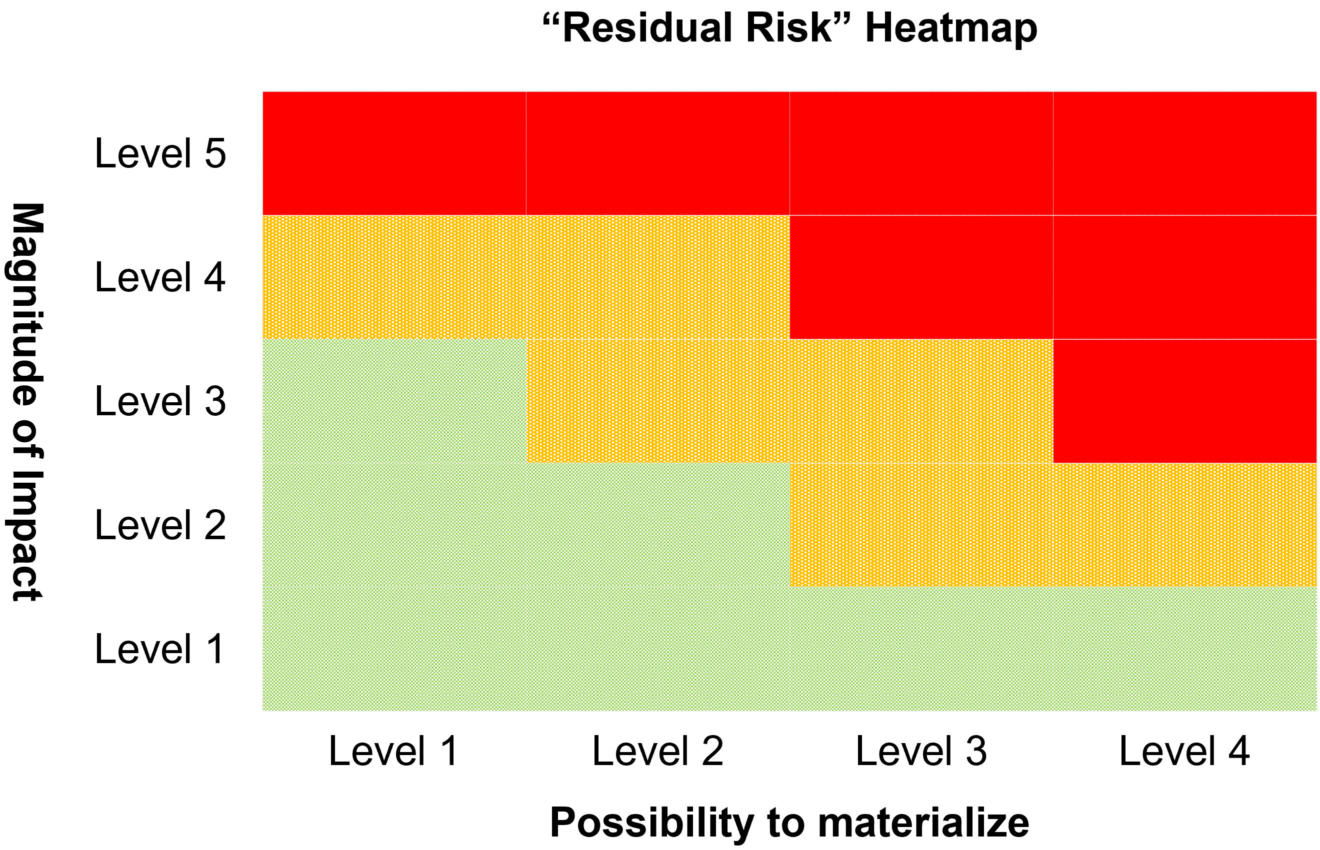
In aiming for sustainable growth, the TDK Group promotes company-wide measures against factors (risks) that hinder the achievement of organizational goals and implements company-wide risk management (ERM) activities to appropriately manage them. TDK's basic policy for risk management is to ensure that each organization within the TDK Group takes appropriate risks in order to create corporate value and prevent damage to corporate value by appropriately identifying and responding to opportunities and risks.

In order to consider and implement measures related to ERM activities and strengthen risk management activities, we have established an ERM Committee under the direct control of the Executive Committee, which is chaired by a corporate officer appointed by the president. The ERM Committee clarifies the role of each organization in risk management activities and promotes the PDCA cycle of a series of risk management activities, from identification of risks to evaluation, consideration of countermeasures, implementation, monitoring, and improvement. These activities are overseen by the Board of Directors and the Executive Committee.


| Step | Purpose of activity |
|---|---|
| Identify | Identifying risks surrounding the TDK Group |
| Assess | Among the identified risks, from the perspective of the magnitude of the impact on the TDK Group if they occur, narrow down and prioritize the risks that should be strengthened from the perspective of both management (top-down) and on-site (bottom-up) |
| Draft Measure | To prevent risks from materializing, consider measures from the perspective of avoidance, transfer, reduction, acceptance, etc. |
| Execute | Implement measures to prevent risks from materializing |
| Monitor | Monitor whether the measures are functioning properly and whether there are any signs of manifestation |
| Improve | Review the results of risk management activities and consider improvements |

As a risk assessment, each term the residual risk (i.e., after control by the measures taken so far) is examined from the perspective of the three elements of management resources (people, goods, and money), relationships with internal and external stakeholders, reputation, and BCP. We calculate the magnitude of the impact on the TDK Group from the above and combine it with the possibility of the risk materializing to create a residual risk heat map to visualize and evaluate the priority of risk countermeasures. The results of these risk assessments and the status of countermeasures are deliberated at the Executive

Committee and reported to the Board of Directors. In addition, the validity of the heat map is verified at least once during the period, and the assessment of residual risk is reviewed if necessary.




Listed below are items that, among those relating to "Review of operations" and "Consolidated Financial Statements and Notes to Consolidated Financial Statements" stated in the Annual Securities Report, may significantly influence investor decisions. The following risks include forward-looking statements based on judgments current as of the filing date of the Annual Securities Report on June 21, 2024. However, it is difficult to reasonably predict when each risk will materialize if at all.

**(1) Risks concerning changes in economic trends**

The electronics industry, TDK's field of operations, is highly susceptible to social and economic trends in the U.S., Europe, Asia, and particularly China and Japan, which are the main markets for end products. In addition, markets in these countries and regions are constantly exposed to various risk factors such as political issues, international issues, and economic fluctuations. Although TDK monitors such world risk trends and takes timely measures in response to them, there is no guarantee that adequate and timely measures can always be taken. And, if changes beyond our expectations occur in such business environments, such changes could significantly affect business results.

(Major Countermeasures)
In order to minimize the negative impact on TDK's business performance caused by economic trend changes, we are conducting several measures to improve our management structure, such as optimization of manufacturing sites, examination of capital investment plan, improvement of business efficiency in headquarters, etc.

**(2) Risks concerning fluctuations in currency exchange**

TDK conducts business activities globally. Indeed, more than 90% of net consolidated sales are accounted for by overseas sales, and many transactions are conducted in currencies other than the yen, such as the U.S. dollar or euro. A sudden appreciation of the yen against these currencies could affect earnings such as by reducing net sales and operating income. In order to mitigate these risks, TDK is working to purchase more raw materials in foreign currencies and increase the local procurement of supplies consumed overseas. Foreign currency fluctuations also give rise to conversion differences with respect to our investments in overseas assets and liabilities, which are converted into yen in our consolidated financial statements. We estimate that appreciation of one yen against the U.S. dollar and euro would push down TDK group's annual operating profit by about 2 billion yen and 600 million yen respectively. Measures are taken against fluctuations in foreign currency exchange rates, including procuring foreign currency-denominated funds and concluding forward foreign exchange contracts; however, sudden or significant fluctuations in exchange rates could have a significant adverse effect on TDK's financial position and business results.

(Major Countermeasures)
Transactions between overseas subsidiaries and the headquarters (Japan) are carried out in the local currency as much as possible to reduce the risk of foreign currency exchange fluctuations of overseas subsidiaries. The risk is consolidated at the headquarters and comprehensive exchange contracts are made from Japan to reduce the risk of overall currency exchange fluctuations. Overseas subsidiaries also use foreign exchange contracts, etc., as necessary to mitigate that risk. In order to reduce the impact of foreign currency fluctuations at the operating income stage, we are promoting U.S. dollar-based purchasing and Japanese yen-based sales or Chinese yuan-based sales.

**(3) Risks concerning interest rate fluctuation**

TDK, as necessary, has financial assets, such as cash deposits and government bonds, and financial liabilities such as loans from banks, corporate bonds, and lease obligations. Fluctuations in interest rates over such assets and debts could affect the interest income, and interest expense, and the value of financial assets and liabilities, which could have a significant effect on TDK's financial position and business results.

(Major Countermeasures)
Regarding the risk of rising interest rates, we are working to reduce the risk of interest rate fluctuations by raising low-interest and fixed-rate funds through corporate bonds and bank loans. With regard to the risk of declining interest rates, we focus on guaranteeing principal and invest mainly in time deposits. While watching interest rate trends, we control the risk by investing for a relatively short period of time when interest rates are rising and a relatively long period of time when interest rates are falling.

**(4) Risks concerning natural disasters and pandemics**

TDK has many production factories and research and development facilities in Japan and overseas. These facilities and plants have taken disaster-protection and infection-control measures and purchased their own power generation facilities to cope with electricity shortages in preparation for unexpected natural disasters and infection outbreaks. However, significant damage could be incurred at these facilities and plants due to an event beyond assumptions, such as a large earthquake, tsunami, typhoon, flood, or volcanic eruption, or a large-scale blackout or electricity shortages caused by them. In the event of interruption to manufacturing, disruption of transportation routes, damage to or disconnection of information and communications infrastructure, impairment of central functions, or significant damage to our customers themselves due to the impact of such occurrences, orders and supply could be affected for a long period of time. This situation could have a significant effect on business results.

Furthermore, if the economy deteriorates, our offices are closed, or the supply chain is disrupted due to spread of the COVID-19 or other infections, it may have a significant impact on our business performance.

(Major Countermeasures)
TDK is formulating BCP (Business Continuity Planning) for each major business and promoting BCM (Business Continuity Management) activities so that production at the manufacturing site can be resumed as soon as possible in the event of an emergency. In the same way, the sales and headquarters staff functions also have a BCP to prepare for emergencies so that the entire functions of the company will not be suspended. In terms of securing the supply chain in the event of a disaster, even if business cannot be continued due to a large-scale disaster, we will follow the procedures stipulated in the BCP and establish alternative bases for priority operations in emergency such as payment to suppliers and continuation of the supply of materials. Furthermore, regarding initial response, TDK has globally introduced a system that enables rapid information sharing between our overseas subsidiaries and the headquarters to quickly grasp the damage situation in the event of an emergency.
Regarding the COVID-19 pandemic, while regulations related to the COVID-19 have already begun to be abolished or relaxed around the world, and as lives "with COVID-19" take root in the world, we maintain the usual infection control system at each TDK Group business site. In the event of a cluster outbreak, we will implement the infection prevention system established through the countermeasures against the COVID-19 pandemic.

**(5) Risks in international business activities**

TDK conducts operations globally, and its overseas sales accounts for more than 90% of total sales on a consolidated basis. In many of our target markets and emerging countries that are expected to see economic development going forward, TDK may be exposed to international political risks such as war, terrorism or other events, domestic political and economic risks such as fluctuations in currency exchange, tariff raising, import/export restrictions, and social risks including labor problems stemming from differences in cultures and customs, and diseases. There may be unknown risks in building relationships with trading partners due to differences in commercial and business customs. If these risks materialize, they could reduce or halt manufacturing activities, force the stagnation of sales activities and in turn have a significant adverse effect on business results.

In particular, our group's sales to China exceed 50% of total sales on a consolidated basis. In order to establish a system for supplying both local customers and foreign-owned companies that have been setting up operations in China, we have many factories in China. As a result, the amount of production at our Chinese factories is approximately 59% of the total amount of production of the entire Group. If problematic events occur in China due to above-mentioned political factors (such as changes in laws and regulations), economic factors (such as the continuity of high growth and status of infrastructure development such as electric power supply) or social environment factors, there could be a significant effect on business results.

(Major Countermeasures)

To deal with risks in international business activities, the government relations function established in the headquarters and the regional headquarters in the Americas, Europe, and China are used to grasp and analyze risk-related information in each region and changes in laws and regulations in each country. In particular, we recognize that global geopolitical risks, such as the recent conflict between the United States and China, are critical risks, and are working on taking appropriate measures. Furthermore, while most production is in the areas of demand, we are appropriately reviewing the location of factories, considering country risks and other factors. As we continue implementing our site optimization strategy, with regard to our dependence on China, the tangible fixed assets held by the TDK Group in China have decreased from 416.4 billion yen in the fiscal year ending March 31, 2023 to 381.2 billion yen in the fiscal year ending March 31, 2024.

In response to Russia's invasion of Ukraine, we have continued to freeze business activities in Russia and Belarus since the incident happened.

**(6) Risks concerning corporate social responsibility**

TDK has, for the sustainable development of society and SDGs as an indicator, recognized corporate social responsibility, such as care for the global environment, improvement of the working environment, and respect for human rights, as important management issues. Also, TDK has been working to understand and continuously improve issues through self-assessment, auditing, training, and dialogue according to the action standards of RBA (Responsible Business Alliance) in all business operations including supply chain management. However, in case there are problems related to environmental pollution, industrial health and safety such as industrial accident, child labor, forced labor, or human rights such as discrimination to foreign workers, despite of our efforts, decline of social trust in TDK, suspension of business transactions, or withdrawal of partial business may have a significant effect on our business results.
In case related laws, regulations, or international initiatives' standards, etc., are materially tightened, expenses to adapt to such tightening may become unexpectedly high, or a part of business may be withdrawn. This could have a significant effect on our business results.

(Major Countermeasures)
We remain committed to respecting human rights in the TDK Code of Conduct, and explicitly prohibit any form of forced labor. In addition, the TDK Group Human Rights Policy clarifies our approach to respecting human rights, conducting various surveys and audits in the supply chain and communication with stakeholders in accordance with this policy. In the process, if we determine that there is an act that deviates from the Code of Conduct, we will take necessary measures to correct it.
We have listed "Progress in solving social and environmental issues" as one of "TDK Group Critical Issues (Materiality)," set "respect for human rights" as the themes, and are developing these themes globally. For our own manufacturing sites, Sustainability Promotion HQ takes the lead in conducting CSR self-checks, labor and business ethics risk assessments on an annual basis and conducts internal CSR audits and CSR audits by third-party auditing firms periodically for each production site. Especially as efforts to prevent child labor, in addition to the above, we conduct additional self-assessment with respect to our own manufacturing sites and contract manufacturing sites located in a high-risk area. Furthermore, Human Resources HQ promotes the management of working hours on a global basis to prevent forced labor.
Regarding changes and tightening of laws and regulations, we closely monitor each country's laws, environmental regulations, social conditions, and customer trends, etc., and are trying to reduce the risk by quickly responding to these changes.

**(7) Risks concerning Climate Change**

The emission of greenhouse gases that are contributing to global warming has been increasing. As represented by the "Paris Agreement" adopted in COP 21 in Dec 2015, a sense of crisis for Climate Change has been increasing. Since Climate change is an important issue for TDK, based on the recommendations of TCFD (Climate-related Financial Information Disclosure Task Force) which was announced in May 2019, we promote disclosure of information related to climate change and prepare analysis and countermeasures led by the Corporate Officer in charge of the environment. Risks related to climate change include the following transition risks and physical risks, and if these risks become reality the financial condition of the Group may be adversely affected.

【Transition Risk】(indirect loss risks due to changes in policy and regulation, technology development, market trends, market evaluations, etc.)

- Increased cost due to the introduction of carbon tax around the world and the tightening of other environment-related laws and regulations

【Physical Risk】(direct loss risks caused by Climate Change)

- Outbreak of recovery costs for facilities and production due to unexpected floods caused by huger typhoon or sudden heavy rainfall

On the other hand, since TDK manufactures and sells many products that contribute to the creation of renewable energy and to the energy savings in the final customer product, we consider that increasing social interests in the Climate Change Risk could be good opportunities to expand the demand for our products. Accordingly, we position GX (Green Transformation) as a business area to focus on.

(Major Countermeasures)

Regarding the Transition Risk, we set "effective use of energy and expansion of renewable energy usage to realize net zero CO2 in 2050" as one of the activity themes. We are trying to improve energy efficiency by improving the productivity at manufacturing sites and to expand use of renewable energy. As this interim goal, we are working on concrete measures with the company-wide goal of increasing the global renewable energy introduction rate to 50% by 2025.

As for Physical Risk, since natural disasters beyond assumptions are becoming more likely, the possibility and impact of those risks are further analyzed, and those specified risks would be dealt as part of the BCP (Business Continuity Plan).

**(8) Risks of taxation**

TDK has manufacturing bases and sales entities throughout the world, and we conduct a lot of international transactions between group companies. We pay close attention to make transaction prices appropriate from the perspective of transfer pricing taxation and customs laws in each applicable country. However, due to differences of opinions with tax authorities or customs authorities, we may incur additional tax burden as a result of indication that the transaction prices are inappropriate. And, due to the enforcement, introduction, amendment or abolition of tax laws or their interpretations and operations around the world, we may incur an increase of tax burden.

With respect to deferred tax assets, we have periodically evaluated their collectability according to the prospect of future taxable income and the profit plan to be realizable by tax. When the future profit plan cannot be realized, or when the evaluation of collectability is reviewed due to the enforcement, introduction, amendment or abolition of tax laws or their interpretations and operations, corporate income tax costs may increase by reducing the portion that is no longer likely to be collected.

When such events occur, that could have a significant effect on business results.

(Major Countermeasures)

For risks in international transactions among TDK group companies, we conduct transfer price monitoring within TDK Group and take measures to reduce the risk if it is judged to be high. In addition, taxation risk analysis is conducted at the time of changing business flow or starting new transactions, and measures are taken as needed.

About the risk concerning effect, enforcement, or introduction of tax law or its interpretation, we exchange information between the headquarters and each regional headquarters and try to grasp the information on tax revisions of each country in advance and identify the impact on the TDK group.

**(9) Risks concerning technological innovation and new product development**

In TDK, the launch of new products imbuing value on a timely basis helps boost our profitability. We also believe ongoing new product development is key to our survival. We believe that our ability to increase sales by developing appealing, innovative products has an important role to play in our growth. We are therefore engaged in new product development as an important element of our management strategies. However, it is extremely difficult to precisely predict future demand in the rapidly changing electronics industry. TDK may fail to continue to develop and supply, in a timely manner, attractive and new products with innovative technologies for this industry and our markets. Research and development divisions in TDK continuously reshape the framework based on analysis of market trends, along with conducting development management to promote the prioritization of development themes. Nevertheless, there is a risk that a loss of sales opportunities could result in the loss of future markets, as well as existing markets.

In addition, TDK develops, produces, and sells a wide variety of products in countries and regions around the world, and the data obtained through these business activities can be regarded as our assets. However, if these data could not be properly accumulated and utilized in the development and sales of attractive products in collaboration with the development, sales and marketing departments, it may have a significant adverse effect on business results and growth prospects.

(Major Countermeasures)

In new product development, all relevant functions are involved in reviewing and evaluating each development theme from start to end, judging marketability of new products and promoting productization by utilizing accumulated data. Also, with Corporate Marketing & Incubation HQ at the center, we make quick feedback to new product development through the company-wide cross-functional system. It helps to respond to changes in the market in a timely manner.

Furthermore, by collaboration with venture companies that were invested in through TDK Ventures, which was established in 2019, we can quickly detect new technology trends, reinforce technology roadmaps, and work on entering new markets.

**(10) Risks concerning price competition**

TDK supplies electronic components in a broad range of fields in an electronics industry where competition is intensifying. These fields include ICT represented by smartphones, the automotive field, where use of onboard electronics is increasing, and energy related fields such as solar and wind power generation. Price is one of the main competitive factors differentiating us from other companies in the industry in which leading Japanese companies and international companies in South Korea, Taiwan and China have fueled intense price competition.

TDK is working to promote ongoing cost-cutting initiatives and increase profitability to counter this market competition. However, such price trends could have a significant effect on business results.

(Major Countermeasures)

In each business of TDK, we strive to avoid price competition by creating high value-added products, and continuously promote cost reduction measures. Also, we are working to improve capital efficiency and profitability company-wide and strive to minimize the negative impact of lowering price on our business performance.

**(11) Risks concerning raw material procurement**

TDK's manufacturing system is premised on securing raw materials and other supplies in adequate quality and quantity in a timely manner from multiple external suppliers. However, for major raw materials, we may rely on a limited number of difficult-to-replace suppliers. Because of this, there may be cases where supplies of raw materials and other products to us are interrupted by a disaster, an accident or some other event at a supplier, supply is suspended due to quality or other issues, or there is a shortage of supply due to an increase in demand for finished products. Moreover, there may be cases where local procurement necessitated by increased overseas production is negatively affected by overseas circumstances. If any of these situations becomes protracted, it could have a significant, adverse effect on production and prevent us from fulfilling our responsibilities to supply products to our customers. If the supply-demand balance in the market is disrupted, it may considerably increase costs of manufacturing through run-ups in the prices we pay for raw materials and rises in fuel prices, including oil. When such cases occur, there could be a significant effect on business results.

(Major Countermeasures)

The procurement risk of raw materials (suspension, stop, or shortage of supply) is monitored continuously and shared with the related business division, while working on risk avoidance by multi-sourcing and long-term supply agreements.

As for materials, devices, and parts which are being procured from local sources, the possibilities of alternative procurement from other countries are being investigated for risk avoidance while understanding the material supply situation in other countries using a network of trading companies that could be known in the process of material source survey.

For conflict minerals, we investigate smelters according to the framework of the "Responsible Minerals Initiative." In addition, we have properly identified the CSR compliance status on the supplier side, such as working environment.

**(12) Risks concerning customer performance and management policy changes**

TDK is developing business-to-business transactions on a global scale, whereby we supply electronic components to customers in the electronics and automotive markets.

We work to reduce risk by conducting transactions with a variety of customers and take measures such as setting transaction terms and conditions based on our evaluation of a customer's credit risk.

However, our business may be significantly affected by various factors that are beyond our control, such as changes in each customer's business results and management strategies. In addition, a decline in purchasing demand due to customers' poor business performance, strong discounting request from customers due to changes in their purchasing policies and practices, the unexpected termination of contracts or other occurrences could result in excess inventory or a reduction in profit margins.

In the event that our customers go through reorganizations caused by mergers and acquisitions effected by enterprises of different business types or by competitors domestically or abroad, this situation could have a significant effect on TDK's business results, including a marked decline in orders or the cancellation of all business transactions.

There was one customer group that accounted for more than 10 percent of the consolidated net sales for the year ended March 31, 2024. The sales to the customer group were approximately 353.8 billion yen (17% of the consolidated net sales). These sales were mainly booked in the Energy Application Products segment.

(Major Countermeasures)

When investing in the equipment dedicated to a specific customer, we try to reduce the risk of investment by concluding a contract that imposes on the customer a certain amount of guaranteed product purchase.

We always try to collect information about the movement of industry reorganization with high sensitivity. When an important customer is involved in industry reorganization, we assume multiple scenarios and try to reduce or avoid risks.

### (13) Risks concerning Compliance

TDK is subject to and required to comply with various regulations in Japan and other countries where we conduct business. These regulations are related to business and investments, the safety of electric and electronic products, national security between nations, export/import, commercial, antitrust, patents, product liability, the environment and taxation.
TDK has appointed a Global Chief Compliance Officer and Regional Chief Compliance Officers for Japan and four other regions to oversee compliance-related initiatives including risk assessment and mitigation, education, and training in order to minimize the risk of non-compliance throughout the TDK Group including its corporate officers and employees. And, we have established a Corporate Code of Ethics and have been striving to foster a sincere, fair, and transparent corporate culture. Furthermore, we ensure that our corporate officers and employees comply with the internal regulations established by our group and the procedures and processes based on those regulations. Based on our basic governance policy of "Empowerment & Transparency" (delegation of authority and ensuring transparency), our group has compiled the minimum rules that group members must follow, so that each group company can make use of its individuality. We have developed and operate "Global Common Regulations," and the compliance status is monitored by the headquarters departments. However, despite of above measures, conflict with these related regulations and rules and wrongdoing by corporate officers or employees may not be avoidable.
In the event of such, the social credibility of the TDK Group may decline, and customers may cease business with TDK or large amounts of fines and compensation for damages may be imposed. This could have a significant adverse effect on business results.
In the event that laws and regulations become more stringent in the future, a large charge related to such regulations or a partial withdrawal from the particular business when compliance with the regulation is difficult could have a significant adverse effect on business results.
(Major Countermeasures)
TDK is implementing the following activities to reduce compliance risks and foster a compliance culture in TDK Group:

- enforcement of "Global common regulations" based on the Group's basic governance policy, and monitoring of compliance status of each group company by the headquarters departments;
- internal investigation utilizing outside experts;
- announcement of a thorough compliance directive from the TDK president and the head of each group company;
- employee education and enlightenment of compliance through lecture and e-learning; and
- formulation and enforcement of internal rules based on the standards required by the US Department of Justice.

### (14) Risks concerning product quality

TDK conducts quality management of various products at domestic and overseas manufacturing bases in accordance with International Quality Management Standards (valid version of ISO 9001, IATF16949, and/or other applicable standards) and the standards required by customers in the technologically innovative electronics industry. Furthermore, TDK utilizes proprietary quality technologies and past data concerning quality issues to create a quality assurance system for building in quality from the earliest development stage so as to ensure reliability and safety. This is achieved through design inspections, internal quality audits, supplier surveys and guidance, process management and in other ways at each product stage including planning, design, prototyping and manufacturing. We are also promoting the active use of digital technology at each production site.
However, TDK cannot be fully certain that faults in quality (including cases where products contain substances that may be prohibited by applicable regulations) and recalls due to those faults will not occur. Should a recall or a product liability claim against us occur, it could result in recall costs or damage claims and lower sales. Furthermore, it is assumed that a defect in quality in one of TDK’s name-bearing products would have a negative impact on our reputation and brand and endanger the continued existence of the company. In such a way, a major quality problem could have a significant effect on business results.
(Major Countermeasures)
TDK is implementing various measures from the perspectives of design, materials, processes, and management in order to reduce the risk of quality defects (including the inclusion of regulated substances). In particular, as the number of products incorporating ICs and software is increasing, we are also working to strengthen IC analysis technology and software vulnerability countermeasures.

### (15) Risks concerning intellectual property

TDK is working hard to strengthen and utilize its patent portfolio by managing and acquiring new patents, licenses and other intellectual property rights covering TDK's products' functions, designs and so forth (hereinafter "intellectual property rights"), as a strategic intellectual property activity that contributes to business earnings.
However, there are cases where our intellectual property rights cannot be fully protected in a particular region for reasons unique to that region. We may suffer damages resulting from the manufacture by a third party of similar products to our own with the unauthorized use of our intellectual property rights.
There may be cases where it is alleged that our products or processes infringe on the intellectual property rights of third parties that may sue for damages as a result of such alleged infringement. This would require either legal processes or settlement negotiations and expenses as a part of that activity. If our defenses against such claims are not accepted in such disputes, we may have to pay damages and royalties and suffer losses such as the loss of markets.
Such disputes over intellectual property rights could have a significant effect on business development and business results.
(Major Countermeasures)
In cases where a third party uses TDK's intellectual property without permission, we have established and enforced a system to monitor the unauthorized use of our brand and the sale of counterfeit products on a commercial transaction website.
On the other hand, TDK has a corporate policy to respect for the intellectual property rights owned by others and is working on reducing the risk of infringing intellectual property rights by taking investigation, prevention measures, and solutions in advance of product development.

### (16) Risks concerning information security

As part of its business operations, TDK holds confidential information and personal information relating to customers and trading partners as well as confidential information of the Group, including technical information and personal information. We have constructed a group-wide control system to prevent this information from being leaked to outside parties, falsified, otherwise manipulated, or destroyed. Moreover, we execute measures to ensure thorough management and IT security, improved facility security and employee training. However, there are still risks that such information could be leaked, destroyed, or falsified or that information systems are shut down through hacking, internal negligence, theft, intentional actions of officers and employees or other causes.
In such an event, TDK could suffer a lowering of credibility and perceived superiority of TDK products, be liable for costs relating to the compensation payments to the parties suffering damage, and potentially suspend affected operations. That could also have an effect on business results.
(Major Countermeasures)
TDK implements a vulnerability diagnosis on the information system by information security specialists and improves it if any problem is recognized. As for information security management, we are working on strengthening information security systems across TDK group companies based on the framework of NIST (National Institute of Standards and Technology, USA).
As measures to prevent information leakage from the TDK group companies, TDK restricts access to sensitive data by employing folder access controls, detects suspicious data transmission/reception using AI, restricts usage of devices with high risk of information leakage such as a USB memory, SD card, etc., implements measures to prevent employees planning to retire or otherwise leave the company from taking confidential information from TDK, and thoroughly implements information security education for employees. In case TDK suffers damage related to information security, we have globally enhanced the system to recover quickly. Furthermore, we have procured cyber-attack insurance for the entire TDK group. In addition to initiatives within the TDK group, in order to prevent information leaks from business partners such as suppliers, we will support the improvement of information security management for business partners and efforts to improve the management level of information security throughout the supply chain.

**(17) Risks concerning securing personnel and training personnel**

TDK pursues business operations in more than 30 countries and regions around the world, and around 90% of TDK employees are based outside of Japan. In order to continuously develop business in the fast-changing electronics industry, we believe that we must continuously promote efforts to acquire and develop various personnel who possess advanced technical skills and personnel with excellent management capabilities such as those necessary for formulating strategy and managing organizations globally.

However, competition to continuously recruit the necessary employees is intense. Moreover, in Japan, the employment environment is changing rapidly because of the falling birthrate, the aging population, and the declining workforce. A similar change is occurring at our overseas bases in China and other countries. The inability to recruit and train personnel as planned could have a significant effect on business development, business results and growth from a long-term perspective.

(Major Countermeasures)

TDK actively hires university graduates and employs experienced people throughout the year. Especially in Japan, our recruiting team was working to implement a virtual interviewing scheme to increase the contact opportunities and reach to various students and experienced persons even before the COVID-19 situation. As a result, we could smoothly transform the recruiting method to cope with the current COVID-19 related challenges.

Moreover, we are working to retain and develop personnel by putting in place frameworks for increasing their motivation. This includes enhancing fair evaluation and remuneration systems based on a target-based management system. We improve and extend various training programs to develop employees who can act independently and globally, and to pass on the “DNA” of our manufacturing as well as values and knowledge of the TDK Group. These include different management training tailored to our hierarchy levels, so we develop our future management talents as well as our existing global key personnel.

**(18) Risks concerning entry into new markets/businesses and M&A**

In the increasingly competitive electronics field, to achieve sustainable growth, we are actively working to enter new markets (geographically and by application) within our existing businesses and enter new businesses. We also actively utilize M&A when it is an effective means to acquire the technology and customer assets necessary to enter new markets and businesses, and to strengthen the competitiveness of our businesses.

When entering new markets/businesses or utilizing M&A, we strive to fully consider in advance the relevance to our group's business portfolio, relevant legal and regulatory trends in each country, and the results of risk analysis associated with M&A.

However, even in case there is prior research or prior consideration, due to significant changes in market, technology, legal and regulatory trends, etc., TDK’s business results, growth and business development among others could be significantly affected.

(Major Countermeasures)

When entering a new market or business, or making an M&A, we ask whether the business plan is consistent with our group's vision and growth strategy, whether it is a viable business plan, and where the legal risks are in each country and how they are being handled. Verification is conducted not only by business divisions and headquarters functions, but also by outside experts when necessary. Besides, in case of M&A, in order to smoothly proceed with post-merger integration (PMI) and maximize integration synergies, we have defined a standard target of the matters to be implemented and its achievement timing in the PMI.

**(19) Risks of impairment of non-financial assets**

In order to secure and establish a competitive advantage in the electronics industry, where competition is intensifying, TDK has enriched its business portfolio which is based on the material and process technology obtained through the production of ferrite (which was the initial business at the time of foundation) and also carried out M&A in some cases to accelerate the growth of its business. Also, TDK has continuously invested on capital expenses such as manufacturing facilities to improve production capacity, quality, or productivity. As a result, we have a large amount of non-financial assets, such as tangible fixed assets, right-of-use assets, goodwill, and intangible assets. While having a wide variety of businesses and assets helps to diversify risk, if we are unable to continuously improve the efficiency of our business and asset portfolio, it may have a significant impact on the TDK's earnings. As of March 31, 2024, the total amount of tangible fixed assets, right-of-use assets, goodwill and intangible assets of the TDK Group is 1,288 billion yen, of which 115.4 billion yen is tangible fixed assets of the HDD head business, 93.4 billion yen is allocated to goodwill of the MEMS sensor business, and 20.4 billion yen is allocated to goodwill of the HDD head business.

For property, plant and equipment, right-of-use assets, and intangible assets that are identifiable and have a fixed useful life, we determine whether there is any sign of impairment at the end of each fiscal year. If there is an indication of impairment, an impairment test is conducted based on the recoverable amount of the asset. Goodwill and intangible assets with undetermined useful lives are tested for impairment at the same time each year, regardless of whether there are any signs of impairment, and if there are any signs of impairment an impairment test is conducted each time.

As a result of such a test, if the carrying amount of an asset, cash-generating unit or cash-generating unit group exceeds the recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized. When we recognize a large amount of impairment, it could have a significant effect on business results.

(Major Countermeasures)

TDK introduced a business portfolio management system which considers business profitability and growth potential. With this management system, we make investment decisions by “selection and concentration” and try to avoid future impairment risk.

In addition, for a business at higher risk of impairment, we monitor its performance and progress against an improvement plan from the beginning of the fiscal year. Business division and headquarters functions work together to consider the possibility to recover business profitability.

## 4. Analysis of financial position, operating results and cash flow position by management

### (1) Overview of operating results, etc.

Overview of financial position, operating results and cash flow position of TDK for the year ended March 31, 2024 is provided below.

① Financial position and operating results

Looking at the global economy in Fiscal 2024, while North America has remained firm, fears of economic slowdown intensified due to the impact of tensions in the Middle East on top of the economic slowdown in Europe and China. As for foreign exchange rates, the depreciation of the yen continued, especially against the U.S. dollar and the euro.

In the electronics market, which has a large bearing on the consolidated performance of TDK, final demand remained weak and production of Information and Communications Technology (ICT) related products was sluggish compared to the previous fiscal year. However, from the third quarter of Fiscal 2024 smartphone production volume for the Chinese market has remained above the previous fiscal year's level. Meanwhile, demand for notebook PCs and tablets declined, and demand for nearline Hard Disk Drives (HDDs) for data centers also dropped sharply. In the industrial equipment market, capital expenditure demand remained generally weak. In the automotive market, production volume of xEVs (electric-powered vehicles such as electric vehicles, hybrid vehicles and plug-in hybrids) and other automobiles increased from the previous year. However, component demand turned out to be lower than TDK's initial forecast due to protracted component inventory adjustments in some regions.

a. Financial position

Total assets increased ¥268,277 million from ¥3,147,027 million, as of March 31, 2023, to ¥3,415,304 million, as of March 31, 2024.

Total liabilities increased ¥16,203 million from ¥1,684,160 million, as of March 31, 2023, to ¥1,700,363 million, as of March 31, 2024.

Total equity increased ¥252,074 million from ¥1,462,867 million, as of March 31, 2023, to ¥1,714,941 million, as of March 31, 2024.

b. Operating results

TDK recorded net sales of ¥2,103,876 million, down 3.5% from ¥2,180,817 million in fiscal 2023. TDK recorded operating profit of ¥172,893 million, up 2.4% from ¥168,827 million in fiscal 2023. TDK also recorded profit before tax of ¥179,241 million, up 7.2% from ¥167,219 million in fiscal 2023. Furthermore, TDK recorded net profit attributable to owners of parent of ¥124,687 million, up 9.2% from ¥114,187 million in fiscal 2023. Basic net profit attributable to owners of parent per common share was ¥328.70, compared with ¥301.19 in fiscal 2023.

Average yen exchange rates for the U.S. dollar and the euro during fiscal 2024 were ¥144.48 and ¥156.69, respectively, as the yen depreciated 6.7% against the U.S. dollar and 11.2% against the euro. As a result of these factors and fluctuations in foreign exchange rates, net sales increased by approximately ¥101.1 billion and operating profit increased by approximately ¥25.0 billion.

TDK's business segments are aggregated into four reportable segments, "Passive Components," "Sensor Application Products" "Magnetic Application Products" and "Energy Application Products," and businesses not belonging to any of these segments are classified under "Other." As a result of the reorganization in fiscal 2024, certain products of Other are reclassified into Passive Components. The prior year's figures are also reclassified to conform to the new segmentation.

The Passive Components segment recorded net sales of ¥565,649 million, down 2.3% from ¥578,759 million in fiscal 2023 and segment profit of ¥53,886 million, down 43.0% from ¥94,606 million in fiscal 2023.

The Sensor Application Products segment recorded net sales of ¥180,511 million, up 6.5% from ¥169,543 million in fiscal 2023 and segment profit of ¥6,042 million, down 43.7% from ¥10,726 million in fiscal 2023.

The Magnetic Application Products segment recorded net sales of ¥184,211 million, down 8.2% from ¥200,573 million in fiscal 2023 and segment loss of ¥35,589 million, ¥56,392 million in fiscal 2023.

The Energy Application Products segment recorded net sales of ¥1,121,662 million, down 4.4% from ¥1,173,355 million in fiscal 2023 and segment profit of ¥195,654 million, up 32.7% from ¥147,389 million in fiscal 2023.

The Other segment, businesses which do not belong to any of the four reportable segments recorded net sales of ¥51,843 million, down 11.5% from ¥58,587 million in fiscal 2023 and segment loss of ¥1,799 million, from segment profit of ¥479 million in fiscal 2023.

The geographic segment information for sales is the following.

Sales for Japan were ¥184,631 million, increase of 4.6% from ¥176,436 million in fiscal 2023. Sales for Energy Application Products segment increased.

Sales for the Americas region were ¥148,687 million, decrease of 13.9% from ¥172,703 million in fiscal 2023. Sales for Energy Application Products segment and Passsive Components segment decreased.

Sales for the Europe region were ¥203,003 million, decrease of 3.5% from ¥210,321 million in fiscal 2023. Although sales for Sensor Application Products segment increased, Energy Application Products segment decreased.

Sales for China were ¥1,117,576 million, decrease of 6.4% from ¥1,194,013 million in fiscal 2023. Sales for Energy Application Products segment decreased.

Sales for the Asia and others region were ¥449,979 million, increase of 5.3% from ¥427,344 million in fiscal 2023. Although sales for Magnetic Application Products segment decreased, Energy Application Products segment increased.

As a result, total overseas sales were ¥1,919,245 million, decrease of 4.2% from ¥2,004,381 million in fiscal 2023. The overseas sales ratio was 91.2%, a 0.7% decrease from 91.9% in fiscal 2023.

② Cash flows

**Cash flows from operating activities**

Operating activities provided net cash of ¥447,007 million, an increase of ¥184,235 million year on year. It mainly came from a decrease in working capital.

**Cash flows from investing activities**

Investing activities used net cash of ¥216,592 million, a decrease of ¥17,810 million year on year. It mainly came from a decrease in purchase of tangible and intangible assets.

**Cash flows from financing activities**

Financing activities used net cash of ¥146,368 million, change by ¥161,315 million year on year. It mainly came from a change of net increase (decrease) in short-term borrowings.

As a result of adding in the effects of currency fluctuations, cash and cash equivalents as of March 31, 2024 was ¥649,998 million, ¥143,813 million larger than as of March 31, 2023.

③ **Results of production, orders received and sales**

a. Production results

A breakdown of production results by business segment for fiscal 2024 is given below.

| Name of business segment | Production Results (Millions of yen) | YoY Increase/ Decrease (%) |
|---|---|---|
| Passive Components | 559,753 | (4.8) |
| Sensor Application Products | 192,419 | 1.7 |
| Magnetic Application Products | 177,719 | (16.8) |
| Energy Application Products | 1,085,326 | (6.7) |
| Other | 48,548 | (16.4) |
| Total | 2,063,764 | (6.7) |

Note: Amounts are calculated by the sales price.

b. Results of orders received

A breakdown of orders received by business segment for fiscal 2024 is given below.

| Name of business segment | Amount of orders received (Millions of yen) | YoY Increase/ Decrease (%) | Balance of orders received (Millions of yen) | YoY Increase/ Decrease (%) |
|---|---|---|---|---|
| Passive Components | 472,867 | (6.1) | 188,014 | (31.7) |
| Sensor Application Products | 162,593 | 14.6 | 57,332 | (19.8) |
| Magnetic Application Products | 186,230 | (4.3) | 17,572 | 21.5 |
| Energy Application Products | 1,101,172 | (13.3) | 219,670 | (10.6) |
| Other | 44,860 | (13.3) | 13,380 | (14.3) |
| Total | 1,967,722 | (9.0) | 495,967 | (20.3) |

Note: Amounts are calculated by the sales price.

c. Sales results

A breakdown of sales results by business segment for fiscal 2024 is given below.

| Name of business segment | Sales Results (Millions of yen) | YoY Increase/ Decrease (%) |
|---|---|---|
| Passive Components | 565,649 | (2.3) |
| Sensor Application Products | 180,511 | 6.5 |
| Magnetic Application Products | 184,211 | (8.2) |
| Energy Application Products | 1,121,662 | (4.4) |
| Other | 51,843 | (11.5) |
| Total | 2,103,876 | (3.5) |

**(2) Analysis and discussion regarding operating results, etc. from a management viewpoint**

Analysis and discussion regarding operating results, etc. from a management viewpoint are provided below. The forward looking statements in this report are based on judgment current as of March 31, 2024.

① Accounting policies that require significant judgements and estimates

Accounting policies that require significant judgements are those that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

In preparing the consolidated financial statements in accordance with IFRS, TDK Group makes judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates, and these estimates and assumptions are regularly reviewed.

The following is not intended to be a comprehensive list of all of TDK's accounting policies. TDK's significant accounting policies and estimates are more fully described in Part V. Financial Information, 1. Consolidated Financial Statements and Notes to the Consolidated Financial Statements, (1) Consolidated financial statements, Notes to the consolidated financial statements, 2. Basis of Preparation, (4) Significant accounting estimates and judgements and 3. Material Accounting Policies.

TDK has identified the following as accounting policies that require significant judgements.

Impairment of non-financial assets

As of March 31, 2023 and 2024, the aggregate of TDK's property, plant and equipment, right-of-use assets, goodwill and intangible assets were ¥1,195,728 million and ¥1,287,903 million, which accounted for 38.0% and 37.7% of total assets, respectively. TDK believes that impairment of property, plant and equipment, right-of-use assets, goodwill and intangible assets is critical to TDK's financial statements because the recoverability of the amounts could significantly affect its results of operations.

An impairment test is performed for property, plant and equipment, right-of-use assets, and identifiable intangible assets with finite useful lives based on the recoverable amount of that asset if any indication of impairment exists. An impairment test is performed for goodwill and intangible assets with indefinite useful lives at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment. As a result of such a test, if the recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount is reduced to the recoverable amount. That reduction is recognized as an impairment loss.

Management judges that the estimates of the recoverable amount are reasonable; however, changes in estimates resulting in lower recoverable amount due to unforeseen changes in business assumptions could negatively affect the valuation of those assets and significantly affect TDK's financial position and results of operations. TDK makes investments with due prudence, taking sufficiently into consideration the future profitability of products and the recoverability of investments.

Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. The carrying value of inventory is reduced for estimated obsolescence as the difference between its cost and net realizable value based upon assumptions about future demand. TDK evaluates the inventory carrying value for potential excess and obsolete inventory exposures by analyzing historical and anticipated demand. In addition, known and anticipated engineering change orders are evaluated against on-hand quantities for their potential obsolescence affects. As fluctuations in net realizable value are influential to business results of TDK, we conclude it is significant. If actual demand were to be substantially lower than estimated, additional inventory adjustments for excess or obsolete inventory may be required, which could have a material adverse effect on TDK's business, financial condition and results of operations.

Regarding the appropriateness of estimates in the past, TDK reviews every quarter by comparing estimate and actual results. For example, in the operational management of product sectors with rapid development in technological innovation such as the recording devices sector, TDK revises the estimates of valuation of obsolete inventories arising from the timely response to customers' demands for high-efficiency products on a quarterly basis.

Defined benefit obligations

Employee defined benefit costs and defined benefit obligations are dependent on assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, retirement rates and mortality rates which are based upon current statistical data, as well as salary growth and other factors. Actual results that differ from the assumptions are recognized in other comprehensive income and immediately transferred to retained earnings. Therefore, it generally affects TDK's comprehensive income, retained earnings and recorded obligation. While TDK believes that its assumptions used are appropriate, differences in actual experience or changes in assumptions may affect TDK's future defined benefit costs and defined benefit obligations.

In preparing its consolidated financial statements for fiscal 2024, TDK established discount rates of 1.7% and 4.1% for domestic and overseas pension plans, respectively. The discount rate is determined by reference to market yields on high quality corporate bonds with a term similar to the estimated period of benefit.

A decrease in the discount rate leads to an increase in defined benefit obligations.

Recoverability of deferred tax assets

In recognizing deferred tax assets, TDK Group assesses whether it is probable that part or all of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards reduces future taxable profits or the amount of taxes. The ultimate recoverability of deferred tax assets is determined by the level of future taxable profits during the periods in which these temporary differences, net operating loss carryforwards and tax credit carryforwards will be deducted. TDK Group assesses the ultimate recoverability of deferred tax assets by considering the expected timing of reversal of taxable temporary differences, estimated future taxable profits and tax planning strategies. TDK Group believes it is probable that the deferred tax assets recognized are recoverable based on the consideration of taxable profits in the previous years and the estimated taxable profits of future periods in which deferred tax assets will be used. However, in the event future projections for income are not realized or are realized in lesser amounts, or in cases where TDK revises the assessment of the potential for recoverability of deferred tax assets based on other factors, it would require TDK to decrease the portion which is not probable to recover.

Recognition and measurement of provisions, and the possibility of an outflow of future economic benefits related to contingent liabilities

A provision is recognized when TDK Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, estimated future cash flows are discounted to the present value using the discount rates that reflects the time value of money and the risks specific to the liability.

TDK Group is subject to various lawsuits and claims which arise in case our products or processes infringe on the intellectual property rights of third parties or in the ordinary course of business. TDK Group consults with counsel and reviews the possibility that contingent liabilities could have a material adverse effect. Provisions are recognized when the likelihood of an adverse outcome is probable and the amount can be reasonably estimated. The amounts of provisions are based on estimates and significantly affected by further developments or the resolution of these contingencies in the future. These provisions are calculated based on the best estimate taking into consideration the uncertainty at the end of reporting period but it may be effected by arise of unexpected incidents, change of the situation, etc. In case an actual outcome differs from the estimate, the amount of provisions to be recognized could be significantly affected.

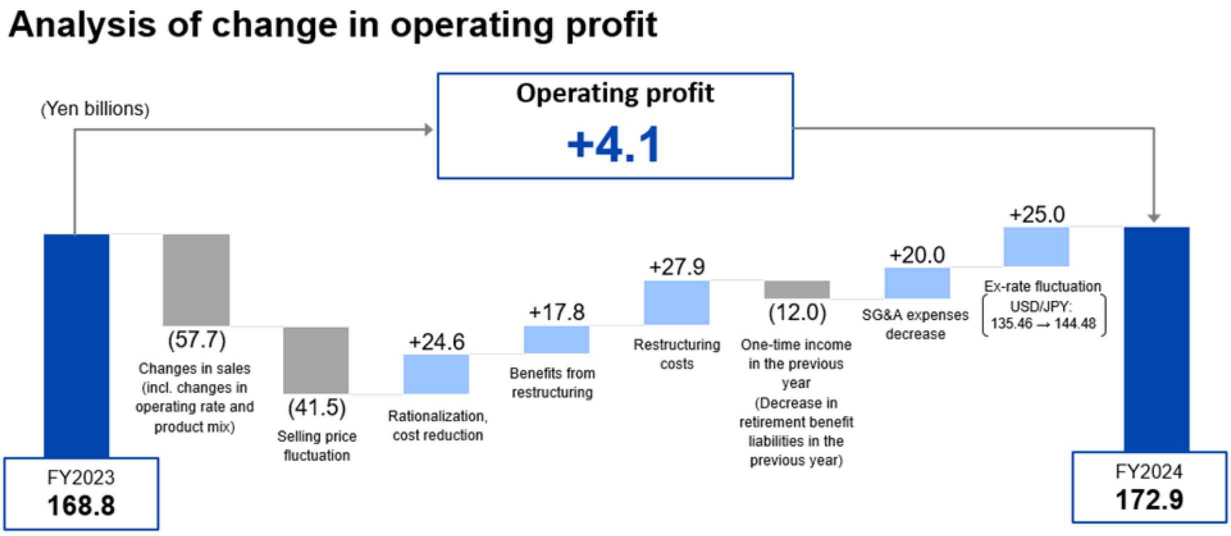
### ② Recognition, analysis and discussion regarding operating results, etc. in the fiscal year

Operating results and factors significantly impact to operating results

In the electronics market, which significantly affects our earnings, we experienced a 3.5% year on year decline in sales due to sluggish demand in the ICT and HDD markets caused by prolonged weakness in final demand,as well as low capital investment demand in the industrial equipment market in general. However, operating profit grew by 2.4% year on year to a record high, mainly due to an increase in sales to the automotive market as a result of an increase in xEV production and an increase in profit from s mall capacity rechargeable batteries for the ICT market.
In terms of sales by business and market, sales of Passive Components and Sensors to the automotive market increased due to the spread of xEVs and ADAS, while sales of these products to the industrial equipment market decreased significantly due to weak demand. Sales of small capacity rechargeable batteries to the ICT market decreased due to a decline in the sales price resulting from lower material prices, but profit slightly increased.
While sales of HDD Heads and HDD Suspension Assemblies decreased due to sluggish demand in the HDD market, there have been signs of recovery since Q3.
One time expenses of JPY 19.8 billion were recorded for production capacity optimization and other restructuring undertaken in view of the demand environment.

There was an increase of about 101.1 billion yen in net sales and an increase of about 25.0 billion yen in operating profit due to exchange rate fluctuations against the U.S. dollar and other currencies. Including this impact, net sales were 2,103.9 billion yen, a decrease of 76.9 billion yen, or 3.5%, year on year. Operating profit was 172.9 billion yen, up 4.1 billion yen, or 2.4%, year on year. Profit before tax was 179.2 billion, and net profit attributable to owners of parent was 124.7 billion. Earnings per share were 328.70 yen.
With regard to exchange rate sensitivity, we maintain our estimate that a change of 1 yen against the U.S. dollar will affect annual operating profit by about 2billion yen, while a 1-yen change against the euro will have an impact of about 0.6 billion yen.

The following is the breakdown of increase in operating profit ¥4.1billion.




Changes in sales caused profit to decrease by JPY 57.7 billion. These included a fall in sales volumes, a deterioration of the product mix, and reduced operating rates in the Passive Components segment and a fall in the sales volume of HDD heads, although the profit for rechargeable batteries increased due to increased sales volume. The JPY 42.4 billion profit increase due to rationalization, cost reductions, and benefits from restructuring absorbed the JPY 41.5 billion profit decrease due to changes in selling prices. Thorough cost reductions were made in SG&A expenses, especially for rechargeable batteries and HDD heads, resulting in a reduction of JPY 20 billion. Restructuring costs and other one-time expenses fell by JPY 15.9 billion from the previous period, and the weaker yen boosted profit by JPY 25 billion. These contributed to the JPY 4.1 billion increase in operating profit.

Capital resources and liquidity funds

TDK's fundamental policy is to keep liquidity needed for operating business and funds resources consistently and TDK has been trying to maintain its liquidity level of liquid funds, which includes cash and deposits with banks, short-term investments and marketable securities, etc., at 2.0 months or more of monthly net sales by introducing a cash management system in Japan, U.S., Europe, China and ASEAN to improve efficient use of funds, commitment line contract and so on for liquidity. The balance of liquid funds amounted to ¥666,116 million as of March 31, 2024, which was equal to approximately 3.4 months of average monthly net sales. To prepare for the potential impact of geopolitical risks (tensions between the U.S and China, Ukraine and the Middle East issue etc.) and its impact on the world economy on the Company's cash flow, measures taken include expanding liquidity assets, considering extending terms for loans from banks, and financing by commercial paper and issuing corporate bonds.

TDK's operating funds demands are primarily manufacturing expenses such as the purchase of raw materials and parts for use in the manufacturing of its products, operating expenses such as selling, general and administrative expenses and R&D expenses aimed to develop new products continuously. In addition, long term funds demands are capital investment to correspond precisely to rapid technological innovation in electronics markets and intensifying sales competition, M&A aimed for further strategic growth and so on.

The procurement policy, a basis for short term operating funds are own funds, short term loans from financial institutions and commercial paper, and for capital investment and long term funds are long term loans from financial institutions and the issuance of corporate bonds, etc. The balance of debt with interest, which includes loans from banks, corporate bonds, and lease obligations, amounted to ¥685,736 million as of March 31, 2024.

Management policy, management strategy, indicator to judge achievement status of management goal, etc.

TDK was working to build a financial constitution capable of achieving an ROE of 14% or more in 3 years- medium-term plan (final year ending March 2024). However, ROE in fiscal 2024 resulted in 7.9%, 0.4 point decreased from fiscal 2023 of 8.3% because a decline in the HDD market led to a deterioration in the profitability of related businesses, and there were challenges in improving the profitability of other businesses.

Toward realization of newly formulated Long-Term Vision “TDK Transformation” which 3 years- medium-term plan (final year ending March 2027) is based on and holds “Strengthen management focusing on cash flows”, “Enhance business portfolio management (Emphasizing ROIC)” and “Evolve the Ferrite Tree (Pre-financial capital)” as basic outlines, organically connecting and deploying company-wide strategy, business strategy, and functional strategy down to the operational level and the indicator that connects the achievement status from the company-wide level to the on-site level objectively and makes it manageable are needed.

TDK has introduced TDK Value Added (TVA), an index unique to TDK to measure TDK’s value by comparing minimum required profit (cost of shareholder’s equity) with earnings before interest and taxes and business assets for each business. Under the logic tree tied to this TVA, we not only evaluate the profitability of each business, the efficiency of business assets, and the ability to capture cash, but also factorize and monitor KPIs tailored to specific front-line policies and business characteristics. This not only allows us to unite as a single company in realizing Long-Term Vision, but also to select and consolidate capital expenditures through stronger management of investment efficiency.

In the new medium-term plan (final year ending March 2027), we set targets for the company-wide return on invested capital, ROIC, and segment-specific business return on assets, ROA (ROIC), that are more strongly correlated with our unique value-added indicator, TVA (business ROA). We will proceed with management operations aimed at achieving the desired capital profitability. The result of company-wide ROIC in fiscal 2024 was 5.3% (<WACC 7.0%), and we aim for 8% or more in fiscal 2027, and 12% or more in the long term. The targets for segment-specific business ROA (ROIC) fiscal 2027 are as follows.

| | |
|---|---|
| Passive Components | 15.0% |
| Sensor Application Products | 8.0% |
| Magnetic Application Products | 4.0% |
| Energy Application Products | 18.0% |

Recognition, analysis and discussion regarding financial position and operation result by segment

As a result of the reorganization in fiscal 2024, certain products of "Other" are reclassified into capacitors of "Passive Components" The prior year's figures are also reclassified to conform to the new segmentation.

(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 ¥565,649 million, down 2.3% year on year from ¥578,759 million. Segment profit was ¥53,886 million, down 43.0% year on year from ¥94,606 million. Segment assets were ¥906,017 million, up 11.7% year on year from ¥811,103 million.

Segment sales results by business for fiscal 2024 were as follows.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥245,047 million, up 1.0% year on year from ¥242,513 million. Sales of Inductive Devices decreased by 3.3% year on year from ¥198,481 million to ¥191,950 million. Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components decreased by 6.6% year on year from ¥137,765 million to ¥128,652 million. Sales to the industrial equipment markets and the ICT decreased, while sales to the automotive market increased, particularly for xEVs. As a result, operating profit fell severely impacted by the decline in volume.

Ceramic capacitors increased in sales due to growth in sales to the automotive market, but their profits decreased as a result of a deteriorating product mix and a decline in sales volume to the industrial equipment market and distributors. Aluminum electrolytic capacitors and film capacitors decreased in both sales and profit due to a decline in sales to the industrial equipment market and distributors. Inductive devices decreased in both sales and profit as a result of a decline in sales to the industrial equipment market and distributors, although sales to the automotive market increased, and piezoelectric material products and circuit protection components also decreased in both sales and profit as a result of a decline in demand for products for the industrial equipment market as well as distributors. High frequency components decreased in both sales and profit due to a decline in sales to the ICT market.
Restructuring costs of JPY 7.4 billion were also recorded this fiscal year.

(Sensor Application Products Segment)

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 6.5% year on year from ¥169,543 million to ¥180,511 million. Segment profit was ¥6,042 million, down 43.7% year on year from ¥10,726 million. Segment assets were ¥386,344 million, up 18.7% year on year from ¥325,442 million.

Temperature and pressure sensors improved in profitability as sales to the automotive market increased. Magnetic sensors increased in both sales and profit as sales of Hall sensors and TMR sensors to the smartphone and automotive markets increased.

Meanwhile, MEMS sensors decreased in both sales and profit as sales to the smartphone and industrial equipment markets declined, although sales of motion sensors to the automotive market increased.

An impairment loss of JPY 3.3 billion were also recorded this fiscal year.

(Magnetic Application Products Segment)

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales decreased by 8.2% year on year, from ¥200,573 million to ¥184,211 million. Segment loss was ¥35,589 million and ¥56,392 million in the previous fiscal year. Segment assets were ¥476,949 million, up 9.2% year on year from ¥436,910 million.

HDD heads and HDD suspension assemblies continued to experience weakness in demand for HDDs. The sales volume of both products decreased significantly compared to the previous year, with total HDD demand decreasing 23% year on year and total nearline HDD demand decreasing 30%. As a result, sales continued to decline, and the operating loss increased.

Magnets decreased in sales as sales to the automotive and industrial equipment markets declined. Improvement in profitability has also been slow, partly due to a delay in productivity improvements.

One-time expenses of 6.5 billion yen were recorded for impairment loss among other factors.

(Energy Application Products Segment)

This segment is made up of Energy Devices (Rechargeable Batteries) and Power Supplies. Segment sales decreased by 4.4% from ¥1,173,355 million to ¥1,121,662 million. Segment profit was ¥195,654 million, up 32.7% year on year from ¥147,389 million. Segment assets were ¥1,786,018 million, up 6.8% year on year from ¥1,672,805 million.

Rechargeable batteries decreased in sales due to a decline in selling prices and price discounts resulting from lower material prices, although the sales volumes of s mall capacity batteries for smartphones and other applications increased. Sales of medium capacity batteries also decreased due to the transfer of the business to the JVs. As a result, sales for the segment as a whole decreased year on year, but profit increased thanks to sales volume increases, rationalization, and foreign exchange gains.

Power supplies for industrial equipment increased in both sales and profit, with sales for industrial equipment applications, including semiconductor manufacturing equipment, and for medical equipment applications increasing as a result of responding to order backlogs, while power supplies for EVs improved in profitability.

An impairment loss of JPY 2.0 billion were also recorded this fiscal year.

(Other)

The Other segment, businesses which do not belong to any of the four reportable segments, includes Mechatronics (Production Equipment), Camera Module Micro Actuators for smartphones and Others. Segment sales decreased by 11.5% from ¥58,587 million to ¥51,843 million. Segment loss was ¥1,799 million, from segment profit of ¥479 million in fiscal 2023. Segment assets were ¥67,616 million, up 11.6% year on year from ¥60,561 million.

Sales of Mechatronics increased to the industrial equipment market. Sales of Camera Module Micro Actuators for smartphones increased to the ICT market.

## 5. Important operational contracts, etc.

Cross-license contract

| Company to a contract | Partner to a contract | Country | Detail of contract | Contract term |
|---|---|---|---|---|
| Amperex Technology Limited | Contemporary Amperex Technology Co., Limited | China | Technologies in the battery business of both companies (annual payment: 150 Million USD) | From April 28, 2021 to April 27, 2031 |

## 6. Research and development activities

### (1) Research and development activities

In its R&D activities, TDK is working to continuously strengthen and expand the development of new products that respond to diversification in the electronics field. Utilizing the cutting-edge technology which supports GX and DX, TDK will collaborate with the marketing function to focus on the development of products which will grow for a sustainable society. In particular, TDK is concentrating on the ICT field, the automotive field, and the industrial equipment and energy field. By product development taking full advantage of its strengths in terms of manufacturing capabilities, TDK is contributing to upgrade the functionality, drive the miniaturization, and raise the energy efficiency of electronic devices. Based on the technology strategy capturing the market change in these 3 fields, TDK sets sensors and actuators, energy units and next-generation electric components as strategic growth products, of that future demand increase is promising. TDK puts more effort into capturing business opportunities in the IoT market. For sensors and actuators, TDK is aiming to provide customers with a wide range of sensor solutions by connecting MEMS technology and software technology. For energy units, TDK is focusing on the development of energy units using TDK's batteries, power supplies and wireless power transfer, and also focusing on metal magnets, as the demand is increasing for motor and wind power use. For next-generation electric components, TDK promotes the development of the high-value added products that respond to diversifying market needs by the fusion of SESUB (Semiconductor Embedded SUBstrate) technology, thin-film technology, materials technology, and roll to roll technology.
In the Passive Components field, TDK is developing next-generation multilayer ceramic chip capacitors, inductors and EMC components with miniaturization and high performance. Moreover, TDK is strengthening its hand in modules, where high-frequency applications are becoming prevalent.
In the Sensor Application Product field, TDK is developing sensor elements that offer higher accuracy and package solutions with high integration and greater reliability.
In the Magnetic Application Products field, TDK is strengthening the development of high performance rare earth magnets, next-generation ferrite magnets and next-generation heads for high recording density. TDK allocates development resources to the reduction of the amount of rare earth elements and the development of new materials for magnets. Through these efforts, TDK aims to avoid sales price rises caused by soaring prices of raw materials for rare earth.
In the Energy Application Products field, TDK is developing materials for next-generation lithium batteries. TDK aims to develop highly efficient power supplies appropriate to the societal trend towards low energy consumption and reduce carbon dioxide emission.

Looking at Head Office research and development functions, TDK flexibly reshapes the research and development framework to ensure that its highly specialized engineers in their respective market sectors are able to conduct research and development based on creative ideas. For these R&D activities, based on a technology strategy of grasping market change, TDK is focusing on developing strategic growth products (Sensors and Actuators, Energy Units, and Next-Generation Electronic Components) in the core markets above, where future growth is promising, and also has built a four-site system for global R&D (Japan, America, Europe, Asia), and is developing products in collaboration with R&D organizations and leading companies around the world based on a First -to-market mindset. Sensors are viewed as an important IoT-enabling technology, and to achieve it, taking into consideration collaboration with companies that possess those technology assets, TDK will aim to provide innovative next-generation products and new platforms with sensor fusion that combines various sensor technologies and software. To achieve continuous advancement, TDK will refine material technology, process technology, product design technology, production engineering technology, evaluation and simulation technology as TDK's core technologies to accelerate the Company's research and development goals for the medium-and long-term. Guided by the vision, "Based on the Seven Seas, develop new materials, devices, and solutions to contribute to TDK as a whole", TDK will proceed with the selection and concentration of R&D themes and promote strong collaboration with Corporate Marketing & Incubation HQ, TDK Ventures, and Production HQ for the development.

As one of TDK's achievements in fiscal 2024, TDK succeeded in developing the "Aim", an artificial intelligence (AI)-based data analysis platform for materials informatics (MI), which is now operational within the company. TDK also succeeded in developing a new ultra-compact laser device for displaying images on smart glasses of AR, which is expected to contribute to smart glasses, head-mounted displays and other imaging devices. In addition, the world's first chargeable and dischargeable SMD-type all-ceramic solid-state battery (CeraCharge™) which was press-released in 2017 has been successfully developed with new materials and achieved higher capacity.
Furthermore, in its R&D activities, TDK is pushing ahead to recruit and train outstanding talent and introduce cutting-edge theoretical research. Under this policy, TDK is proactively forming industry-government-academic alliances with public institutions, universities and research institutions around the world to acquire new technologies that TDK does not possess. Notably, TDK concludes an organizational alliance agreement with the Tokyo Institute of Technology, advances highly original joint research, etc. and cooperates with the WISE Program (Doctoral Program for World-leading Innovative & Smart Education).
R&D expenses in fiscal 2024 increased 5.2% year on year to ¥188,860 million, 9.0% of net sales.

## (2) Intellectual property activities

TDK Group maintains its competitiveness by acquiring IP rights to protect the results of its R&D activities, or by keeping them confidential as know-how.

Under this policy, we respect the regional characteristics of our R&D sites in each country and practice governance that allows each site to implement its own IP management. This ensures that an optimal IP strategy is implemented in all R&D sites. At the same time, we are strengthening our IP capabilities by promoting the sharing of best practices generated by each site.

TDK Group also protects its business against infringements of IP rights by taking appropriate measures, including judicial proceedings. By protecting its business against infringements of IP rights, we safeguard the profits derived from its business.

In recent years, we have also focused on utilizing IP information and providing IP intelligence to our business and R&D activities. The use of IP intelligence can lead to better management and business decisions and accelerate our growth.

TDK Group is engaged in a wide range of initiatives to acquire IP rights, accelerate growth through its own IP governance, protect its own business through appropriate judicial procedures and utilize IP intelligence. We maintain our competitive edge and achieve sustainable growth through our IP strategy.

## III. Facilities

### 1. Outline of capital expenditures

In fiscal 2024, TDK spent ¥218,589 million on capital expenditures to accurately respond to the rapid technological innovation and the intensified sales competition in the electronics market.

Capital expenditures in the Passive Components segment totaled ¥81,374 million. These expenditures were mainly for the purpose of increasing the production capacity and rationalization of ceramic capacitors and inductive devices.

Capital expenditures in the Sensor Application Products segment totaled ¥34,341million. These expenditures were mainly for the purpose of increasing the production capacity of each sensor products.

Capital expenditures in the Magnetic Application Products segment totaled ¥23,006 million, mainly for the production of next-generation heads for HDDs.

Capital expenditures in the Energy Application Products segment totaled ¥70,417 million, mainly for the production of next-generation rechargeable batteries.

Capital expenditures in the Other totaled ¥2,238 million.

Capital expenditures for the R&D divisions at the headquarters totaled ¥7,213 million mainly for investments in internal IT infrastructure construction and fundamental development research.

## 2. Main facilities

Main facilities of TDK are as follows.

### (1) Passive Components

a. Filing company (the Company)

| Name of facility (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings and structures | Machinery, equipment and vehicles | Land (thousand m$^2$) | Right-of-use asset | Construction in progress | Total | |
| Honjo Plant (Nikaho City, Akita Pref.) 3 other plants in the Pref. 1 other plant in Yamanashi Pref 1 other plant in Iwate Pref | Manufacturing passive components | 60,661 | 86,101 | 816 (150) | 497 | 9,982 | 158,057 | 2,249 |

b. Domestic subsidiaries

| Name of company (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings | Machinery and equipment | Land (thousand m$^2$) | Right-of-use asset | Construction in progress | Total | |
| TDK Electronics Factories Corporation (Yurihonjo City, Akita Pref. and other locations) | Manufacturing passive components | 9,313 | 2,041 | 1,604 (288) | 8,945 | - | 21,903 | 4,897 |

c. Overseas subsidiaries

| Name of company (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings | Machinery and equipment | Land (thousand m$^2$) | Right-of-use asset | Construction in progress | Total | |
| TDK Xiamen Co., Ltd. (China) | Manufacturing passive components | 4,261 | 20,060 | - | - | 2,247 | 26,568 | 4,080 |
| TDK Hungary Components Kft. (Hungary) | Manufacturing passive components | 3,886 | 12,478 | 442 (38) | 117 | 3,121 | 20,044 | 2,071 |
| TDK (Zhuhai FTZ) Co., Ltd. (China) | Manufacturing passive components | 1,705 | 15,178 | - | 119 | 805 | 17,807 | 3,189 |
| TDK Dalian Corporation (China) | Manufacturing passive components | 2,004 | 11,146 | - | 39 | 755 | 13,944 | 982 |
| TDK Electronics AG (Germany) | Manufacturing passive components | - | 7,017 | 2 (1) | 4,371 | 1,379 | 12,769 | 938 |

### (2) Sensor Application Products

a. Filing company (the Company)

| Name of company (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings | Machinery and equipment | Land (thousand $m^2$) | Right-of-use asset | Construction in progress | Total | |
| Asama Plant (Saku City, Nagano Pref.) 1 other plant in Akita Pref | Manufacturing sensor application products | 4,384 | 24,707 | 268 (95) | 23 | 15,339 | 44,721 | 507 |

b. Overseas subsidiaries

| Name of company (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings | Machinery and equipment | Land (thousand $m^2$) | Right-of-use asset | Construction in progress | Total | |
| TDK-Micronas GmbH (Germany) | Manufacturing sensor application products | 2,425 | 12,764 | 1,345 (51) | 1,246 | 2,856 | 20,636 | 723 |

### (3) Magnetic Application Products

a. Filing company (the Company)

| Name of facility (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings and structures | Machinery, equipment and vehicles | Land (thousand $m^2$) | Right-of-use asset | Construction in progress | Total | |
| Narita Plant (Narita City, Chiba Pref.) 1 other plant in Shizuoka Pref. | Manufacturing magnetic application products | 3,307 | 8 | 1,773 (171) | 16 | 0 | 5,104 | 613 |

b. Overseas subsidiaries

| Name of company (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings | Machinery and equipment | Land (thousand $m^2$) | Right-of-use asset | Construction in progress | Total | |
| Headway Technologies, Inc. (U.S.A) | Manufacturing magnetic application products | 3,371 | 15,318 | 1,870 (9) | 662 | 78,354 | 99,575 | 694 |
| Magnecomp Precision Technology Public Co., Ltd. (Thailand) | Manufacturing magnetic application products | 5,934 | 20,999 | 1,022 (136) | 73 | 1,747 | 29,775 | 3,143 |
| SAE Magnetics (H.K.) Ltd. (China) | Manufacturing magnetic application products | 1,295 | 13,326 | - | 2,148 | 146 | 16,915 | 290 |

### (4) Energy Application Products

a. Domestic subsidiaries

| Name of company (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings | Machinery and equipment | Land (thousand $m^2$) | Right-of-use asset | Construction in progress | Total | |
| TDK-Lambda Corporation (Chuo-ku, Tokyo and other locations) | Manufacturing energy application products | 779 | 977 | 363 (64) | 138 | 187 | 2,444 | 668 |

b. Overseas subsidiaries

| Name of company (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings | Machinery and equipment | Land (thousand $m^2$) | Right-of-use asset | Construction in progress | Total | |
| Ningde Amperex Technology Ltd. (China) | Manufacturing energy application products | 87,903 | 100,921 | - | 3,360 | 22,670 | 214,854 | 20,552 |
| ATLBattery Technology (India) Private Limited (India) | Manufacturing energy application products | 3,145 | 5,899 | 11,938 (774) | - | 27,508 | 48,490 | 156 |
| Dongguan NVT Technology Co., Ltd. (China) | Manufacturing energy application products | 1,088 | 25,824 | - | 1,291 | 8,416 | 36,619 | 10,055 |

### (5) Corporate (Common) and Other

a. Filing company (the Company)

| Name of facility (Location) | Description | Book value (Millions of yen) | | | | | | Number of employees (Person) |
|---|---|---|---|---|---|---|---|---|
| | | Buildings and structures | Machinery, equipment and vehicles | Land (thousand $m^2$) | Right-of-use asset | Construction in progress | Total | |
| Technical Center (Ichikawa City, Chiba Pref.) HQ and 5 other locations in Japan 5 other plants in Japan | Corporate (Common) and Other | 28,871 | 4,858 | 5,511 (818) | 21,259 | 12,898 | 73,397 | 2,401 |

Note: Starting from this fiscal year, location classifications for “Corporate (Common) and Other” have been unified to match other reported segments.

## 3. Plan for installation and retirement, etc. of facilities

TDK conducts a broad range of operations in Japan and overseas. As of March 31, 2024, plans for new constructions and expansions of facilities for these operations had not been decided for each individual project. For this reason, figures are disclosed by each business segment. Capital expenditure plans (new constructions and expansions) within the one year period following fiscal 2024 are ¥250,000 million and the breakdown by business segment is as follows.

| Name of business segment | Projected amount at the end of fiscal 2024 (Millions of yen) | Main contents and objectives of facilities, etc. | Capital resource |
|---|---|---|---|
| Passive Components | 65,700 | Production capacity increase and rationalization of ceramic capacitors and inductive devices. | – |
| Sensor Application Products | 32,800 | Production capacity increase of each sensor product | – |
| Magnetic Application Products | 29,600 | Production of next-generation heads for HDDs | – |
| Energy Application Products | 108,200 | Production of next-generation rechargeable batteries | – |
| Other | 2,600 | – | – |
| HQ/R&D divisions | 11,100 | Establishment of internal IT system and basic research and development | – |
| Total | 250,000 | – | Own capital and borrowing |

Note: There are no plans for retirement or sale of important facilities except for the regular retirement or sale related to updating facilities.

# IV. Filing company

## 1. Status of the Company's shares

### (1) Total number of shares authorized, etc.

a. Total number of shares authorized

| Class | Total number of shares authorized by the Company (Shares) |
|---|---|
| Common stock | 1,440,000,000 |
| Total | 1,440,000,000 |

b. Number of shares issued

| Class | Number of issued shares (As of March 31, 2024) | Number of issued shares (As of the date of filing: June 21, 2024) | Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered | Details |
|---|---|---|---|---|
| Common stock | 388,771,977 | 388,771,977 | Tokyo Stock Exchange Prime Market | Share unit number 100 shares |
| Total | 388,771,977 | 388,771,977 | – | – |

Note: The number of shares issued by exercise of stock acquisition rights between June 1, 2024 and the date of filing of this Annual Securities Report, is not included in "Number of issued shares".

**(2) Status of stock acquisition rights**

Stock Acquisition Rights, Etc., Granted to the Company's Directors and Audit & Supervisory Board Members as of the End of the Fiscal Year Under Review in Consideration for the Performance of Their Duties

a. Share-Based Compensation Type Stock Acquisition Rights

| Issue | Issue resolution date | Number of stock acquisition rights | Class and number of shares to be issued upon the exercise of stock acquisition rights | Amount to be paid for stock acquisition rights (issue price) | Exercise period of stock acquisition rights (both days inclusive) | Directors' and Audit & Supervisory Board Members' holdings | |
|---|---|---|---|---|---|---|---|
| | | | | | | Directors | Audit & Supervisory Board Members |
| 2010 | May 26, 2010 | 24 | 7,200 shares of common stock | ¥421,300 (fair value) | From July 4, 2010 to July 3, 2030 | — | — |
| 2011 | May 25, 2011 | 31 | 9,300 shares of common stock | ¥392,500 (fair value) | From July 3, 2011 to July 2, 2031 | — | 1 person 3 rights |
| 2012 | June 21, 2012 | 51 | 15,300 shares of common stock | ¥277,000 (fair value) | From July 8, 2012 to July 7, 2032 | 1 person, 10 rights | 1 person 3 rights |
| 2013 | June 19, 2013 | 65 〔61〕 | 19,500 〔18,300〕 shares of common stock | ¥311,200 (fair value) | From July 7, 2013 to July 6, 2033 | 1 person, 24 rights | 1 person 15 rights |
| 2014 | June 18, 2014 | 103 〔79〕 | 30,900 〔23,700〕 shares of common stock | ¥413,600 (fair value) | From July 6, 2014 to July 5, 2034 | 1 person, 24 rights | 2 people 28 rights |
| 2015 | July 31, 2015 | 308 〔244〕 | 92,400 〔73,200〕 shares of common stock | ¥680,600 (fair value) | From August 23, 2015 to August 22, 2035 | 2 people, 60 rights | 2 people 42 rights |
| 2016 | June 17, 2016 | 257 〔235〕 | 77,100 〔70,500〕 shares of common stock | ¥427,300 (fair value) | From July 10, 2016 to July 9, 2036 | 3 people, 120 rights | 2 people 25 rights |
| 2017 | June 16, 2017 | 152 〔128〕 | 45,600 〔38,400〕 shares of common stock | ¥658,400 (fair value) | From July 9, 2017 to July 8, 2037 | 3 people, 58 rights | 2 people 17 rights |
| 2018 | March 23, 2018 | 377 〔359〕 | 113,100 〔107,700〕 shares of common stock | ¥837,300 (fair value) | From April 8, 2018 to April 7, 2038 | 3 people, 151 rights | 2 people 29 rights |
| 2018 | June 20, 2018 | 24 | 7,200 shares of common stock | ¥1,041,000 (fair value) | From July 8, 2018 to July 7, 2038 | 1 person, 24 rights | — |
| 2019 | March 26, 2019 | 128 | 38,400 shares of common stock | ¥856,200 (fair value) | From April 7, 2019 to April 6, 2039 | 4 people, 50 rights | — |
| 2019 | June 19, 2019 | 32 | 9,600 shares of common stock | ¥780,000 (fair value) | From July 7, 2019 to July 6, 2039 | 1 person, 32 rights | — |
| 2020 | March 25, 2020 | 2 | 600 shares of common stock | ¥759,600 (fair value) | April 12, 2020 to April 11, 2040 | — | — |

Notes: 1. The exercise price is ¥1 per share.
2. Stock acquisition rights have not been granted to Outside Directors and Audit & Supervisory Board Members.
3. Stock acquisition rights held by Directors include stock acquisition rights granted when they were Corporate Officers of the Company.
4. Stock acquisition rights held by Audit & Supervisory Board Members were granted during appointment as Corporate Officers of the Company.
5. The stock acquisition rights listed are based on information as of March 31, 2024. For those which have changed from March 31, 2024 to May 31, 2024, it is stated in [ ]. Others have not changed since March 31, 2024.
6. The stock-linked compensation stock option plan was abolished, with the exception of those stock options already granted, in connection with the introduction of the post-delivery type stock remuneration plan, as approved at the 124th Ordinary General Meeting of Shareholders held on June 23, 2020.
7. The Company split one share of its common stock into three shares on the effective date of October 1, 2021. As a result, the number of shares to be issued upon the exercise of stock acquisition rights has been adjusted.

**(3) Status of exercise of moving strike convertible bonds (MSCB), etc.**

No items to report

**(4) Details of rights plan**

No items to report

**(5) Trends in total number of issued shares, capital stock, etc.**

| Date | Fluctuation in the total number of issued shares (shares) | Balance of total number of issued shares (shares) | Fluctuation in capital stock (Millions of yen) | Balance of capital stock (Millions of yen) | Fluctuation in additional paid-in capital (Millions of yen) | Balance of additional paid-in capital (Millions of yen) |
|---|---|---|---|---|---|---|
| October 1, 2021 (Note) | 259,181,318 | 388,771,977 | – | 32,641 | – | 59,256 |

Note: Based on the resolution adopted at the Board of Directors meeting on July 28, 2021, the Company split one share of its common stock into three shares on effective date of October 1, 2021.

**(6) Shareholder composition**

(As of March 31, 2024)

| Category | Shareholder composition (Number of shares constituting one unit: 100) | | | | | | | | Shares less than one unit (Shares) |
|---|---|---|---|---|---|---|---|---|---|
| | Public sector | Financial institutions | Financial instruments business operators | Other corporations | Foreign investors | | Individuals, etc. | Total | |
| | | | | | Companies, etc. | Individuals | | | |
| Number of shareholders (Person) | – | 96 | 40 | 276 | 874 | 74 | 21,860 | 23,220 | – |
| Number of shares held (Share units) | – | 1,742,751 | 127,657 | 22,228 | 1,702,213 | 788 | 291,181 | 3,886,818 | 90,177 |
| Holding rate of shares (%) | – | 44.84 | 3.28 | 0.57 | 43.79 | 0.02 | 7.49 | 100.00 | – |

Notes: 1. In the “Other corporations” column, nine share units in the name of Japan Securities Depository Center, Inc. are included.

2. 9,380,867 treasury shares of which 93,808 share units are included in “Individuals, etc.” and 67shares are included in “Shares less than one unit.”

### (7) Status of major shareholders

(As of March 31, 2024)

| Name of shareholder | Address | Number of shares held (Thousands of shares) | Percentage of number of shares held in the total number of issued shares (%) |
|---|---|---|---|
| The Master Trust Bank of Japan, Ltd.(Trust account) | 1-8-1, Akasaka, Minato-ku, Tokyo, Japan | 102,039 | 26.90 |
| Custody Bank of Japan, Ltd. (Trust account) | 1-8-12, Harumi, Chuo-ku, Tokyo, Japan | 52,147 | 13.74 |
| JP MORGAN CHASE BANK 385632 | London, UK<br>(2-15-1, Konan, Minato-ku, Tokyo, Japan) | 16,314 | 4.30 |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | North Quincy, U.S.A<br>(2-15-1, Konan, Minato-ku, Tokyo, Japan) | 8,111 | 2.14 |
| SSBTC CLIENT OMNIBUS ACCOUNT | Boston, U.S.A<br>(3-11-1, Nihonbashi Chuo-ku, Tokyo, Japan) | 7,517 | 1.98 |
| HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES | Hong Kong, China<br>(3-11-1, Nihonbashi Chuo-ku, Tokyo, Japan) | 6,855 | 1.81 |
| CITIBANK, N.A.-NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS | New York, U.S.A<br>(6-27-30, Shinjuku, Shinjuku-ku, Tokyo, Japan) | 5,607 | 1.48 |
| JP MORGAN CHASE BANK 385781 | London, UK<br>(2-15-1, Konan, Minato-ku, Tokyo, Japan) | 4,994 | 1.32 |
| GOVERNMENT OF NORWAY | Oslo, Norway<br>(6-27-30, Shinjuku, Shinjuku-ku, Tokyo, Japan) | 4,090 | 1.08 |
| STATE STREET BANK AND TRUST COMPANY 505103 | Boston, U.S.A<br>(2-15-1, Konan, Minato-ku, Tokyo, Japan) | 3,660 | 0.96 |
| Total | - | 211,332 | 55.70 |

Notes: 1. Other than the above, the Company holds 9,381 thousand shares of treasury stock.

2. In a Large Shareholding Report that was disclosed to public on May 21, 2020, the share possessions by shareholders as of May 15, 2020, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2024, the details were not included in the above “Status of major shareholders.”

| Name of shareholder | Address | Number of share certificates, etc. held (Shares) | Percentage of shares certificates held (%) |
|---|---|---|---|
| Daiwa Asset Management Co. Ltd. | 1-9-1, Marunouchi, Chiyoda-ku, Tokyo, Japan | 6,502,400 | 5.02 |

3. The Company split one share of its common stock into three shares on effective date of October 1, 2021. The “Number of share certificates, etc. held” listed in Notes 2 for the Large Shareholding Report is based on the numbers before the share split.

4. In a Change Report that was disclosed to public on November 19, 2021, the share possessions by shareholders as of November 15, 2021, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2024, the details were not included in the above “Status of major shareholders.”

| Name of shareholder | Address | Number of share certificates, etc. held (Shares) | Percentage of shares certificates held (%) |
|---|---|---|---|
| Sumitomo Mitsui Trust Asset Management Co., Ltd. | 1-1-1, Shibakoen, Minato-ku, Tokyo, Japan | 13,885,400 | 3.57 |
| Nikko Asset Management Co., Ltd. | 9-7-1 Akasaka, Minato-ku, Tokyo, Japan | 22,106,700 | 5.69 |
| Total | – | 35,992,100 | 9.26 |

5. In a Change Report that was disclosed to public on November 2, 2022, the share possessions by shareholders as of October 26, 2022, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2024, the details were not included in the above "Status of major shareholders."

| Name of shareholder | Address | Number of share certificates, etc. held (Shares) | Percentage of share certificates held (%) |
|---|---|---|---|
| NOMURA INTERNATIONAL PLC | London, UK | 463,906 | 0.12 |
| Nomura Asset Management Co., Ltd. | 2-2-1, Toyosu, Koto-ku, Tokyo, Japan | 42,303,000 | 10.88 |
| Total | – | 42,766,906 | 11.00 |

6. In a Change Report that was disclosed to public on March 3, 2023, the share possessions by shareholders as of February 28, 2023, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2024, the details were not included in the above "Status of major shareholders."

| Name of shareholder | Address | Number of share certificates, etc. held (Shares) | Percentage of shares certificates held (%) |
|---|---|---|---|
| BlackRock Japan Co., Ltd. | 1-8-3, Marunouchi, Chiyoda-ku, Tokyo, Japan | 9,502,900 | 2.44 |
| BlackRock Investment Management LLC | Wilmington, U.S.A | 632,029 | 0.16 |
| BlackRock (Netherlamds) BV | Amsterdam, Netherlands | 987,985 | 0.25 |
| BlackRock Fund Managers Limited | London, United Kingdom | 929,005 | 0.24 |
| BlackRock Asset Management Ireland Limited | Dublin, Ireland | 2,672,685 | 0.69 |
| BlackRock Fund Advisors | San Francisco, U.S.A | 7,128,200 | 1.83 |
| BlackRock Institutional Trust Company, N.A. | San Francisco, U.S.A | 5,167,096 | 1.33 |
| BlackRock Investment Management (UK) Limited | London, United Kingdom | 571,764 | 0.15 |
| Total | – | 27,591,664 | 7.10 |

7. In a Change Report that was disclosed to public on October 16, 2023, the share possessions by shareholders as of October 9, 2023, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2024, the details were not included in the above "Status of major shareholders."

| Name of shareholder | Address | Number of share certificates, etc. held (Shares) | Percentage of shares certificates held (%) |
|---|---|---|---|
| Mitsubishi UFJ Trust and Banking Corporation | 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan | 8,945,600 | 2.30 |
| Mitsubishi UFJ Asset Management Co., Ltd. | 1-9-1, Higashishimbashi, Minato-ku, Tokyo, Japan | 10,605,100 | 2.73 |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | 1-9-2, Otemachi, Chiyoda-ku, Tokyo, Japan | 640,369 | 0.16 |
| Total | – | 20,191,069 | 5.19 |

8. In a Change Report that was disclosed to public on December 22, 2023, the share possessions by shareholders as of December 15, 2023, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2024, the details were not included in the above "Status of major shareholders."

| Name of shareholder | Address | Number of share certificates, etc. held (Shares) | Percentage of shares certificates held (%) |
|---|---|---|---|
| Capital Research and Management Company | Los Angeles, U.S.A | 18,889,298 | 4.86 |
| Capital International, Inc. | Los Angeles, U.S.A | 1,237,805 | 0.32 |
| Capital International Co., Ltd. | 3-2-3, Marunouchi, Chiyoda-ku, Tokyo, Japan | 660,500 | 0.17 |
| Capital Group Private Client Services, Inc. | Los Angeles, U.S.A | 434,391 | 0.11 |
| Total | – | 21,221,994 | 5.46 |

## (8) Status of voting rights

a. Issued shares

(As of March 31, 2024)

| Classification | Number of shares (Shares) | Number of voting rights (Units) | Content |
|---|---|---|---|
| Shares without voting rights | – | – | – |
| Shares with restricted voting rights (Treasury stock, etc.) | – | – | – |
| Shares with restricted voting rights (Other) | – | – | – |
| Shares with full voting rights (Treasury stock, etc.) | (Treasury stock) Common stock 9,380,800 (Cross-Holding stock) Common stock 276,000 | – | – |
| Shares with full voting rights (Other) | Common stock 379,025,000 | 3,790,250 | – |
| Shares less than one unit | Common stock 90,177 | – | – |
| Total number of issued shares | 388,771,977 | – | – |
| Total number of voting rights | – | 3,790,250 | – |

Note: The number of "Shares with full voting rights (Other)" includes 900 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes nine units of voting rights related to shares with full voting rights in its name.

b. Treasury stock, etc.

(As of March 31, 2024)

| Name of shareholder | Address | Number of shares held under own name (Shares) | Number of shares held under the name of others (Shares) | Total number of shares held (Shares) | Percentage of total number of shares held in the total number of issued shares (%) |
|---|---|---|---|---|---|
| (Treasury stock) TDK Corporation | 2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan | 9,380,800 | – | 9,380,800 | 2.41 |
| (Cross-Holding stock) TODA KOGYO CORP. | 1-23, Kyobashi-cho, Minami-ku, Hiroshima City, Hiroshim Pref. Japan | 270,000 | – | 270,000 | 0.07 |
| (Cross-Holding stock) YURIKOGYO CO.,LTD. | 2-659, Numatashinmichishita, Nishimemachi, Yurihonjo City, Akita Pref. Japan | 6,000 | – | 6,000 | 0.00 |
| Total | – | 9,656,800 | – | 9,656,800 | 2.48 |

## 2. Status of acquisition, etc. of treasury stock

[Class of shares]   Acquisitions of common stock that fall under Article 155, item (VII) of the Companies Act

### (1) Acquisition by resolution of the General Meeting of Shareholders

No items to report

### (2) Acquisition by resolution of the Board of Directors

No items to report

### (3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

| Category | Number of shares (Shares) | Total value (Yen) |
|---|---|---|
| Treasury stock acquired during the fiscal year ended March 31, 2024 | 148 | 882,769 |
| Treasury stock acquired during the period under review | – | – |

Note:

Shares acquired by the purchase of shares less than one unit between June 1, 2024 and the date of filing of this Annual Securities Report are not included in the "Treasury stock acquired during the period under review."

### (4) Status of disposal and ownership of acquired treasury stock

| Category | Fiscal 2024 | | Period under review | |
|---|---|---|---|---|
| | Number of shares (Shares) | Total disposal value (Yen) | Number of shares (Shares) | Total disposal value (Yen) |
| Treasury stock acquired, for which subscription was offered | – | – | – | – |
| Treasury stock acquired, which were disposed | – | – | – | – |
| Treasury stock acquired, which were transferred for merger, share exchange, share issuance or company split | – | – | – | – |
| Other (exercises of stock acquisition rights) | 83,400 | 42,890,270 | 38,100 | 65,278,254 |
| Other (disposal as post-delivery type stock remuneration) | 26,100 | 44,716,869 | – | – |
| Other (sale of shares less than one unit) | 50 | 85,665 | – | – |
| Treasury stock held | 9,380,867 | — | 9,342,767 | — |

Notes: 1. Shares disposed of between June 1, 2024 and the date of filing of this Annual Securities Report are not included in treasury stock disposed of during the period under review.

2. Shares acquired or disposed of between June 1, 2024 and the date of filing of this Annual Securities Report are not included in "Treasury stock held" during the period under review.

## 3. Dividend policy

The Company recognizes that achieving growth in corporate value over the medium-and long term ultimately translates into higher shareholder value. In line with this recognition, the Company'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, the Company is aiming to increase medium- and long-term corporate value. Accordingly, the Company actively reinvests its profits in business activities and determines its dividends taking into consideration comprehensive factors such as return on equity (ROE) and dividends on equity (DOE) on a consolidated basis, as well as changes in the business environment.

The Company's basic policy is to pay dividends from surplus twice a year, at end of year and midterm, with the former determined by the Ordinary General Meeting of Shareholders and the latter by the Board of Directors.

The Articles of Incorporation of the Company prescribe "By resolution of the Board of Directors, the Company may pay interim dividends on September 30 of each year as a record date."

Dividends from surplus for the fiscal year ended March 31,2024 term are as follows.

| Resolution date | Total amount of dividends (Millions of yen) | Dividends per share (Yen) |
|---|---|---|
| Resolution of the Board of Directors held on November 1, 2023 | 22,001 | 58 |
| The General Meeting of Shareholders held on June 21, 2024 | 22,005 | 58 |

## 4. Status of corporate governance, etc.

### (1) Overview of corporate governance

①Basic views on corporate governance

The basic views to achieve sustainable corporate growth and increase of corporate value over mid- to long-term of the corporate group of TDK (the “TDK Group”) are as follows:

a. Based on the founding spirit “Contribute to culture and industry through creativity” as the Corporate Motto of TDK which was established in 1935 as an entrepreneurial venture to industrialize a magnetic material called ferrite invented at the Tokyo Institute of Technology, TDK unremittingly pursues originality and increases corporate value through supplies of new value (products and services) created through the promotion of innovation.

b. TDK strives to build satisfaction, trust, and support among all stakeholders, including shareholders, customers, suppliers, employees and communities, among others, continues to be helpful to the society by contributing to the resolution of social issues, and contributes to the development of a more sustainable society.

c. TDK clearly declares as the “TDK Charter of Corporate Behavior” that TDK will continue to respect human rights; comply with relevant laws, regulations, and international rules; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting the TDK Group seek to behave in strict compliance with the “Corporate Standards of Business Conduct” prescribed by the “TDK Code of Conduct”.

d. TDK aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, TDK strives to foster a sound corporate culture and sincerely conducts business activities, always aware of its place as a member of society.

e. TDK will be accountable to stakeholders through proactive, comprehensive, accurate, timely, impartial, and consistent disclosure of information.

f. Board members consisting of Directors and Audit & Supervisory Board Members and executive side such as Corporate Officers, based on their respective responsibilities, endeavor toward a common purpose such as achieving sustainable corporate growth and increasing of corporate value over the mid- to long-term of the TDK Group. The philosophy and culture shared by the Board of Directors to achieve those purpose are as follows.

“TDK's Board Culture”

①Build and maintain a relationship of deep mutual trust and a sound tension.

②Achieve both “Empowerment” which is the delegation of authority to encourage prompt autonomous decision-making and “Transparency” in business execution.

③Based on the premise that discussions at the Board of Directors meeting should be essential discussions that contribute to corporate value, regardless of inside/outside, Directors/Audit & Supervisory Board Members, actively and diversely make remarks and discussions from each standpoint and from a big picture.

④The executive side takes the opinions of the Board of Directors sincerely as an opportunity to improve management and implements necessary measures. Directors and Audit & Supervisory Board Members supervise and audit from an objective standpoint. Through these efforts, aim to further improve our corporate value.

TDK has established the “TDK Basic Policy on Corporate Governance” as its basic views and policy regarding the corporate governance of TDK, which is posted on the website of TDK.

■TDK Basic Policy on Corporate Governance

https://www.tdk.com/en/ir/tdk_management_policy/governance/basic/index.html

②Overview of current system and reason for adoption

The Company is a company with an Audit & Supervisory Board and has implemented various measures to strengthen its corporate governance. In 2002, efforts to reform governance included the introduction of a Corporate Officer system along with a significant reduction in the number of Directors for the purpose of clearly separating management’s monitoring and execution functions. In addition, to fortify the system for boosting shareholders’ confidence, we shortened the term of office of Directors from 2 years to 1 year and actively invited the participation of Outside Directors.

In addition, the Company has established 3 committees acting as advisory organizations to the Board of Directors (the Nomination Advisory Committee, the Compensation Advisory Committee, the Corporate Governance Committee) to strengthen our management supervision functions.

Further, TDK established “TDK Basic Policy on Corporate Governance”. The policy request to elect Independent Outside Directors which account for half or more of the Directors and to assign an Independent Outside Director as the chair of the Board of Directors in principle. TDK complies them.

In short, the Company has always believed it can realize a system to continuously ensure sound, compliant and transparent management through the introduction of a new framework that strengthens corporate governance based on its Audit & Supervisory Board System.

a. Organization of the Board of Directors

The Company has a small number of Directors to expedite the management decision-making process. At the same time, the Company appoints disinterested, independent Outside Directors in order to enhance the supervision of the Company's management. In addition, the Company's basic policy is to elect independent Outside Directors which account for half or more of the Directors and from the perspective of ensuring clear separation between management oversight and business execution, an independent Outside Director serves as the Chair of the Board of Directors in principle. Furthermore, the Directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every fiscal year.

Organization of the Board of Directors（June 21. 2024）：

| | Position and Duties, etc. at the Company | Name |
|---|---|---|
| | Representative Director, President & CEO<br>General Manager of Humidifier Countermeasures HQ | Noboru Saito |
| | Representative Director & Senior Executive Vice President<br>Chief Financial Officer | Tetsuji Yamanishi |
| | Director & Senior Vice President<br>Chief Technology Officer<br>General Manager of Technology and Intellectual Property HQ | Shigeki Sato |
| | Outside Director | Kozue Nakayama |
| Chair of the board | Outside Director | Mutsuo Iwai |
| | Outside Director | Shoei Yamana |
| | Outside Director | Toru Katsumoto |

Number of the Board of Directors meetings and attendance status (FY 2024)：

| | Position at the Company | Name | Attendance Status |
|---|---|---|---|
| | Representative Director | Noboru Saito | 14 out of 14 meetings |
| | Representative Director | Tetsuji Yamanishi | 14 out of 14 meetings |
| | Director | Shigenao Ishiguro | 14 out of 14 meetings |
| | Director | Shigeki Sato | 14 out of 14 meetings |
| | Outside Director | Kozue Nakayama | 14 out of 14 meetings |
| Chair of the board | Outside Director | Mutsuo Iwai | 14 out of 14 meetings |
| | Outside Director | Shoei Yamana | 14 out of 14 meetings |

Operating Policy of the Board of Directors (FY 2024)：

| | |
|---|---|
| T128<br>Basic Policy | Directors and Audit & Supervisory Board Members and the executive side endeavor toward the common purpose of achieving sustainable corporate growth and increasing the medium- to long-term corporate value of the TDK Group. T128 represents the final year of the current medium-term management plan and the year for formulating a new medium-term plan starting from T129. Therefore, the Board of Directors will provide supervision and advice from various perspectives to ensure the formulation of a plan that is highly feasible and compelling to stakeholders. |
| T128<br>Key Discussion Items | 1. Review of the long-term plan and discussion on the new medium-term management plan.<br>2. Discussion on strengthening stakeholder engagement.<br>3. Discussion on the next management structure. |

Main agenda items in the Board of Directors (FY 2024)：

| | |
|---|---|
| Management Strategy | ・Formulation of long-term vision and new medium-term plan<br>・Progress/validation of medium-term and current-term management plan (Company-wide and major business units)<br>・Financial strategy, fund plan |
| Governance | ・Effectiveness evaluation of the Board of Directors<br>・Group governance, Group risk management, Compliance management<br>・Internal audit report<br>・Internal control system and state of operation |
| Headquarters functions | ・Sustainability<br>・Global human resource strategy<br>・Technology development strategy, Production engineering strategy, Intellectual property strategy, Quality assurance<br>・Management system, Supply chain management<br>・Branding / PR |

As well as the above, the Board of Directors discussed business matters, capital investment, business tie-up, etc.

b. Organization of the Audit & Supervisory Board

The Company has adopted the Audit & Supervisory Board Member System pursuant to the Companies Act of Japan and has appointed independent Outside Audit & Supervisory Board Members who are disinterested in the Company to strengthen the supervision of the Company’s management.
(The status of audit by Audit & Supervisory Board Members is as described in (3) [Status of Audit].)

Organization of the Audit & Supervisory Board（June 21. 2024）：

| | Position at the Company | Name |
|---|---|---|
| Chairperson | Full-time Audit & Supervisory Board Member | Masato Ishikawa |
| | Full-time Audit & Supervisory Board Member | Takakazu Momozuka |
| | Outside Audit & Supervisory Board Member | Douglas K. Freeman |
| | Outside Audit & Supervisory Board Member | Chizuko Yamamoto |
| | Outside Audit & Supervisory Board Member | Takashi Fujino |

c. Overview of advisory organizations to the Board of Directors

< The Nomination Advisory Committee >

The Nomination Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members and Corporate Officers and provides transparency in the decision-making process. In addition, the said Committee confirms the positions of Outside Directors and Outside Audit & Supervisory Board Members held at other companies every term, and investigates and examines the independence of candidates of Directors and Outside Audit & Supervisory Board Members (including cases where the status of independence changes during the term of office). After deliberating and comprehensively judging the content, the said Committee report the deliberation results to the Board of Directors.

Organization of the Nomination Advisory Committee（June 21. 2024）：

| | Position and Duties, etc. at the Company | Name |
|---|---|---|
| Chair of the committee | Outside Director | Kozue Nakayama |
| | Outside Director | Mutsuo Iwai |
| | Outside Director | Shoei Yamana |
| | Outside Director | Toru Katsumoto |
| | Representative Director, President & CEO<br>General Manager of Humidifier Countermeasures HQ | Noboru Saito |

Number of the Nomination Advisory Committee and attendance status (FY 2024)：

| | Position at the Company | Name | Attendance Status |
|---|---|---|---|
| Chair of the committee | Outside Director | Kozue Nakayama | 10 out of 10 meetings |
| | Outside Director | Mutsuo Iwai | 10 out of 10 meetings |
| | Outside Director | Shoei Yamana | 10 out of 10 meetings |
| | Director | Shigenao Ishiguro | 10 out of 10 meetings |
| | Representative Director | Noboru Saito | 10 out of 10 meetings |

Main agenda items in the Nomination Advisory Committee (FY 2024)：

| | |
|---|---|
| Officer structure | ・Selection of director candidates<br>・Organization of Board Advisory committees for the next term<br>・Organization of Corporate Officers for the next term |
| Governance | ・Appointment Policy and Procedure for Directors<br>・Succession planning<br>・Skill matrix |

<The Compensation Advisory Committee>

The Compensation Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee contributes to the securement of the transparency of remuneration decision-making process and the reasonableness of individual remunerations in light of corporate business performance, individual performance and general industry standards by deliberating and reporting to the Board of Directors on the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers.

Organization of the Compensation Advisory Committee（June 21. 2024）：

| | Position and Duties, etc. at the Company | Name |
|---|---|---|
| Chair of the committee | Outside Director | Shoei Yamana |
| | Outside Director | Kozue Nakayama |
| | Outside Director | Mutsuo Iwai |
| | Outside Director | Toru Katsumoto |
| | Representative Director & Senior Executive Vice President<br>Chief Financial Officer | Tetsuji Yamanishi |

Number of the Compensation Advisory Committee and attendance status (FY 2024)：

| | Position at the Company | Name | Attendance Status |
|---|---|---|---|
| Chair of the committee | Outside Director | Shoei Yamana | 9 out of 9 meetings |
| | Outside Director | Kozue Nakayama | 9 out of 9 meetings |
| | Outside Director | Mutsuo Iwai | 9 out of 9 meetings |
| | Director | Shigenao Ishiguro | 9 out of 9 meetings |
| | Representative Director | Tetsuji Yamanishi | 9 out of 9 meetings |

Main agenda items in the Compensation Advisory Committee (FY 2024)：

| | |
|---|---|
| Remuneration of Directors and Corporate Officers | ・Revision of Executive Compensation System (Introduction of Pre-Financial Performance-Based Compensation)<br>· Corporate Officer performance-linked bonuses for the current term<br>· Executive compensation table for the next term<br>· Corporate Officer performance-linked bonus target value for the next term |
| Executive remuneration of major subsidiaries | ・Executive remuneration of overseas subsidiaries |

<The Corporate Governance Committee>

The Corporate Governance Committee conducts deliberations on TDK's medium- to long- term corporate governance way and system, policy for TDK's corporate governance and matters to be consulted by the Board of Directors, etc. and continuously strives to enhance corporate governance for TDK’s sustainable growth and increase of its corporate value over the mid- to long-term.

Organization of the Corporate Governance Committee（June 21. 2024）：

| | Position and Duties, etc. at the Company | Name |
|---|---|---|
| Chair of the committee | Representative Director & Senior Executive Vice President<br>Chief Financial Officer | Tetsuji Yamanishi |
| | Outside Director | Kozue Nakayama |
| | Outside Director | Mutsuo Iwai |
| | Outside Director | Shoei Yamana |
| | Outside Director | Toru Katsumoto |
| | Representative Director, President & CEO<br>General Manager of Humidifier Countermeasures HQ | Noboru Saito |
| | Corporate Officer, GM, Corporate Strategy HQ | Shuichi Hashiyama |

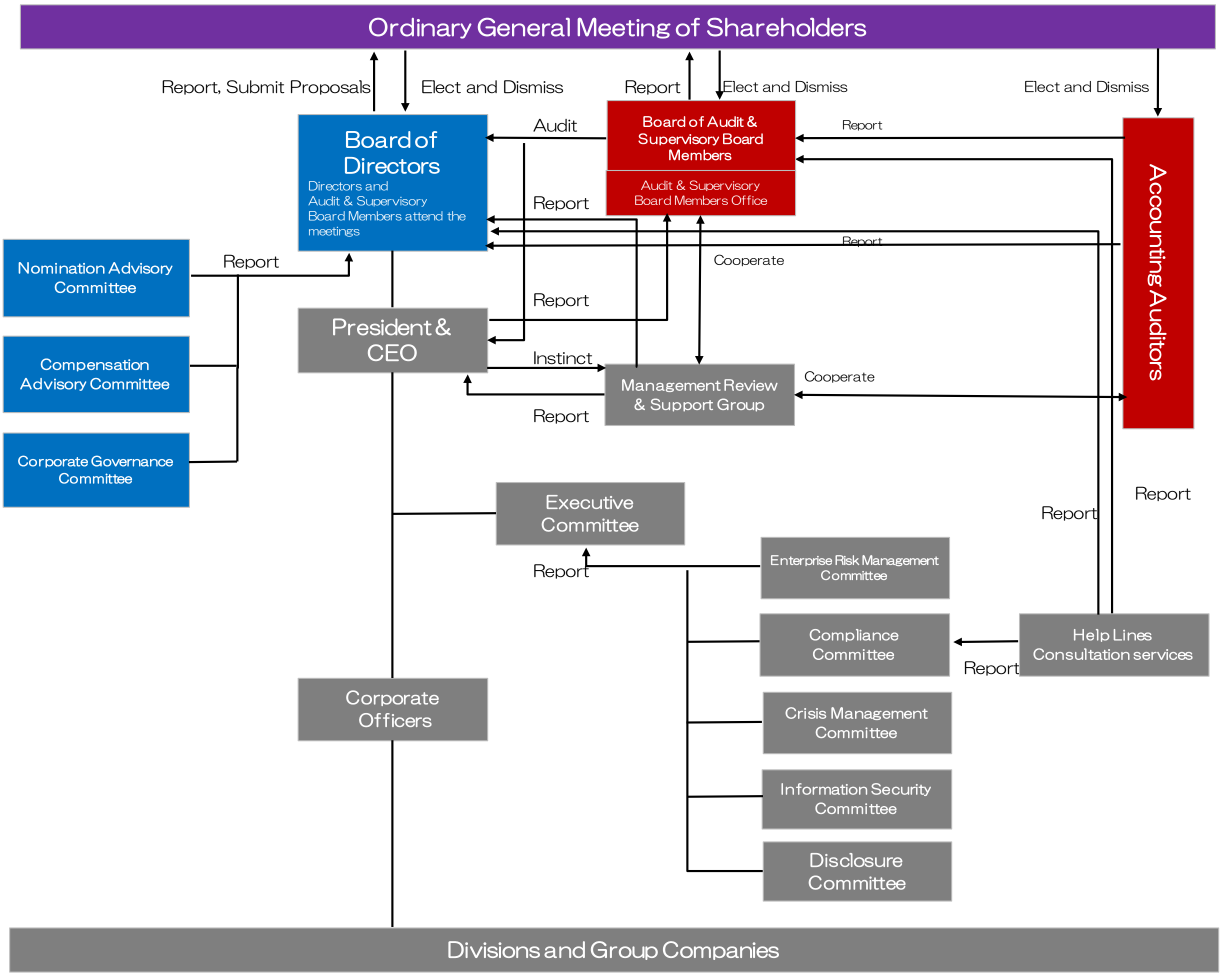
Number of the Corporate Governance Committee and attendance status (FY 2024)：

| | Position at the Company | Name | Attendance Status |
|---|---|---|---|
| Chair of the committee | Director | Shigenao Ishiguro | 4 out of 4 meetings |
| | Outside Director | Kozue Nakayama | 4 out of 4 meetings |
| | Outside Director | Mutsuo Iwai | 4 out of 4 meetings |
| | Outside Director | Shoei Yamana | 4 out of 4 meetings |
| | Representative Director | Noboru Saito | 4 out of 4 meetings |
| | Corporate Officer | Shuichi Hashiyama | 4 out of 4 meetings |

Main agenda items in the Corporate Governance Committee (FY 2024)：

| | |
|---|---|
| Governance | ・TDK's corporate governance ideals and policies<br>・Operating Policy of the Board of Directors<br>・Annual agenda for the Board of Directors meetings<br>・Board of Directors’ Deliberation Criteria (Delegation of Authority)<br>・Evaluation of the effectiveness of the Board of Directors<br>・Internal control system and its operational status<br>・Compliance status with Corporate Governance Codes |

d. Organization Chart




③ Other matters relating to corporate governance

Establishment of systems for ensuring the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems for ensuring the properness of operations of a stock company and operations of a corporate group consisting of such stock company and its subsidiaries.

With respect to the statement above, the Board of Directors of the Company resolved as follows:

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[Establishment of systems for ensuring the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems for ensuring the properness of operations of a stock company and operations of a corporate group consisting of such stock company and its subsidiaries]
(Latest revision date: April 26, 2024)

**(1) Systems for ensuring the execution of duties by Directors of the Company complies with laws and regulations and the Articles of Incorporation:**

The Company was established in 1935 as an entrepreneurial venture to industrialize a magnetic material called ferrite invented at Tokyo Institute of Technology. Since then, the Company has unremittingly pursued originality and increased corporate value through supplies of new value (products and services) created through the promotion of innovation, based on the founding spirit “Contribute to culture and industry through creativity” as its Corporate Motto. In addition, TDK strive to build satisfaction, trust, and support among all stakeholders including shareholders, customers, suppliers, employees and communities, among others, continue to be helpful to the society by contributing to the resolution of social issues and contribute to the development of a more sustainable society. TDK clearly declares as “TDK Charter of Corporate Behavior” that TDK will continue to respect human rights; comply with relevant laws, regulations and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting TDK seek to behave in strict compliance with the “Corporate Standards of Business Conduct” prescribed by the “TDK Code of Conduct”.

In addition, the Company aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, the Company strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, the Company will be accountable to stakeholders through proactive, comprehensive, accurate, timely, impartial, and consistent disclosure of information.

Board members consisting of Directors and Audit & Supervisory Board Members and the executive side such as Corporate Officers, based on their respective responsibilities, endeavor toward the common purpose of achieving sustainable corporate growth and increasing the medium- to long-term corporate value of the TDK Group. The philosophy and culture shared by the Board of Directors to achieve this purpose are as follows.

“TDK's Board Culture”

①Board members and the executive side build and maintain a relationship of deep mutual trust and a sound tension.

②Board members and the executive side achieve both the delegation of authority to encourage prompt and autonomous decision-making and the transparency in business execution (Empowerment & Transparency).

③Based on the premise that discussions at the Board of Directors meetings should be essential discussions that contribute to corporate value, Board members actively and diversely make remarks and engage in discussions from each member’s standpoint and from a broad point of view, regardless of whether they are inside or outside members or whether they are Directors or Audit & Supervisory Board Members.

④The executive side takes the opinions of the Board of Directors sincerely as an opportunity to improve management and implements necessary measures. Directors and Audit & Supervisory Board Members supervise and audit from an objective standpoint. Through these efforts, they aim to further improve the TDK Group’s corporate value.

As mentioned above, the Company sincerely and devotedly seeks to achieve its management philosophy and to establish the following effective and orderly corporate governance systems to continue to ensure soundness, compliance and transparency in its business operations.

①Adoption of the Audit & Supervisory Board Member System and Strengthening of the Supervisory Function:

The Company has adopted the Audit & Supervisory Board Member System pursuant to the Companies Act of Japan and has appointed independent Outside Audit & Supervisory Board Members who are disinterested in the Company to strengthen the supervision of the Company’s management.

②Strengthening the Supervisory Function of the Board of Directors:

The Company has a small number of Directors to expedite the management decision-making process. At the same time, the Company appoints disinterested, independent Outside Directors in order to enhance the supervision of the Company’s management. In addition, the Company’s basic policy is to elect independent Outside Directors which account for half or more of the Directors and from the perspective of ensuring clear separation between management oversight and business execution, an independent Outside Director serves as the Chair of the Board of Directors in principle. Furthermore, the Directors’ terms of office are set at one (1) year to give shareholders an opportunity to cast votes of confidence regarding Directors’ performance every fiscal year.

③Adoption of a Corporate Officer System for Expeditious Business Execution:

The Company has adopted a Corporate Officer system that separates the management decision making and Director supervisory functions of the Board of Directors from the execution of business. This aims to accelerate decision-making by delegation of authority and to clarify the authority and responsibility of business execution. Corporate Officers are in charge of business execution and carrying out decisions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

④Establishment of Advisory Bodies to the Board of Directors (Nomination Advisory Committee, Compensation Advisory Committee and Corporate Governance Committee):

The Nomination Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members and Corporate Officers

and provides transparency in the decision-making process.
The Compensation Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers, as well as presidents and qualifying officers of the Company's principal subsidiaries. It also reviews the transparency of the remuneration decision-making process and verifies whether such remuneration is reasonable in light of corporate business performance, individual performance and general industry standards.
The Corporate Governance Committee conducts deliberations on the Company's medium- to long- term corporate governance way and system, policy for the Company's corporate governance and matters to be consulted by the Board of Directors, etc. and continuously strives to enhance corporate governance for the Company's sustainable growth and increase of its corporate value over the mid- to long-term.

Under the foregoing corporate systems, the Audit & Supervisory Board Members in charge of supervising management, ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Audit & Supervisory Board, the Code of Audit & Supervisory Board Members' Auditing Standards and Audit Practice Standards for Internal Control Systems and by auditing whether the Directors' performance is appropriately and reasonably in compliance with relevant laws and regulations and the Articles of Incorporation.
Similarly, Directors in charge of management decision-making and supervision of business execution ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Directors' Business and the Regulations of the Board of Directors established in accordance with relevant laws and regulations and the Articles of Incorporation. In addition, Corporate Officers in charge of business execution ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business.
The Company has established the Disclosure Committee as well as the following procedures and system to ensure compliance with all applicable securities and exchange laws and other similar laws and regulations of all relevant countries, as well as the rules and regulations of the stock exchange on which the Company's shares are listed (hereinafter collectively referred to as the "Securities Regulations").

(i) Internal control and other procedures to collect, record, analyze, process, summarize and report all information required to be disclosed under the Securities Regulations and warrant timely disclosures within the deadlines stipulated by the Securities Regulations.
(ii) System to ensure that the Company has procedures designed to obtain reasonable assurance that all the transactions that the Company conducts are properly authorized, that the Company's assets are protected from unauthorized or improper use and that all trading activities are appropriately recorded and reported for the purpose of enabling the Company to prepare financial statements in accordance with the accounting standards applied by the Company.
(iii) System to ensure that the Company is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.

**(2) System regarding preservation and control of information in relation to the execution of business by Directors of the Company:**

The President, who is responsible for the business execution of the Company, has established the Document Control Regulations, which are applicable to TDK and provide basic rules for the preservation and control of information regarding the execution of business by Directors.

**(3) Regulations and other systems for managing the risk of loss(es) of the Company and its subsidiaries:**

To enhance the risk management system of TDK, the Company has established each of the following committees (which is chaired by a Corporate Officer) under the direct control of the Executive Committee.

(i) ERM* Committee

Through the ERM Committee, which has been established for the purpose of the company-wide measures against factors (risks) that obstruct the achievement of the business targets and business operations of the Company, the Company further strengthens enterprise risk management. The ERM Committee clarifies the roles of each organization in risk management activities, and promotes the PDCA cycle for a series of risk management activities (identification of risks ~ evaluation and consideration of countermeasures ~ implementation ~ monitoring and improvement).

*ERM (Enterprise Risk Management)

(ii) Compliance Committee

Through the Compliance Committee, which aims to supervise risk management and advance initiatives with respect to compliance, the Company promotes the strengthening of prevention of violations of laws and regulations, etc. and recurrence of such violations. The Compliance Committee approves company-wide compliance activity policies and plans, select risks that TDK will focus on with respect to compliance, assign individual risks to risk owner divisions, and provide instructions to and monitor risk owner divisions.

(iii) Crisis Management Committee

The Crisis Management Committee has been established and operates with the aim of implementing advance measures for serious disasters, accidents and incidents (natural disasters, fire and other accidents, infectious diseases, etc.). that may impede the survival or development of the Company as well as reducing subsequent damage and preventing the expansion of damage. In the event of an emergency, the Company will quickly set up a company-wide Crisis Management Headquarters and, while giving first priority to ensuring the safety of its employees, it will resume business as soon as possible and fulfill its responsibility to supply its customers in accordance with the Business Continuity Plan (BCP).

(iv) Information Security Committee

The Information Security Committee properly manages important information such as information provided by customers and personal information in compliance with laws and regulations, implements measures against cyber-attacks and information leakage from within TDK, and monitors the security status of TDK to prevent cyber-attacks. In addition, in the event of an attack, the said Committee will promptly assess the situation, recover, and take measures. Furthermore, the said Committee assist suppliers in strengthening information security.

(v) Disclosure Committee

The Disclosure Committee deliberates on and scrutinize the Company's important corporate information and disclosure documents that are relevant to the investment decisions of shareholders and investors in order to ensure that the Company makes appropriate disclosures in a proactive, comprehensive, accurate, timely, fair manner, and consistent in accordance with various laws and regulations concerning securities transactions and the rules of the stock exchange on which the Company’s shares are listed.

The Company has ensured that a structure for receiving advice in relation to enhancing the risk management system and increasing its effectiveness (including, but not limited to, identifying, evaluating and reviewing material management risks at TDK and establishing effective countermeasures) is in place through regular confirmation and audit by the Audit & Supervisory Board Members and the internal audit department of the management operations described above. In addition, the Company will seek advice from specialists, including outside legal counsel and other experts, as needed regarding risks surrounding TDK.

**(4) System for ensuring Directors of the Company and Directors, etc. of the Company’s subsidiaries execute their duties efficiently and system for reporting matters concerning the execution of duties of Directors, etc. of the Company’s subsidiaries to the Company:**

The Company has a small number of Directors and has adopted the Corporate Officer system to facilitate the Directors’ ability to make quick and efficient management decisions.

At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing and financing of TDK, are decided by the President upon being deliberated at the Executive Committee which consists of Corporate Officers and HQ General Managers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. As to the status of the execution of their duties, the Company ensures efficient management via regular reports to the Board of Directors and the Executive Committee.

With respect to the Company’s subsidiaries, the Company ensures efficient management execution by having them execute their business based on the responsibilities and authorities stipulated in the “Global Common Regulations” for the entire TDK. Also, the Company has established a system to ensure that appropriate reports are made by stipulating matters to be reported periodically or as necessary on the management situation of the subsidiaries and the status of the execution of duties by Directors, etc. of the subsidiaries in the “Global Common Regulations”, thereby ensuring management transparency.

**(5) System for ensuring performance of duties by employees of the Company and Directors, etc. and employees of the Company’s subsidiaries are in compliance with laws and regulations and the Articles of Incorporation:**

The Company strives to ensure that all members of TDK are fully familiar with TDK’s management philosophy, “TDK Code of Conduct” and “TDK Charter of Corporate Behavior” in order to ensure improved soundness, compliance and transparency of management, as well as compliance with laws, regulations and the Articles of Incorporation throughout the performance of duties by all members of TDK.

In addition, the Company appoints a Global Chief Compliance Officer from among Corporate Officers upon resolution of the Board of Directors and operates the Compliance Committee. The Global Chief Compliance Officer serves as the Chair of the Compliance Committee and appoints Regional Chief Compliance Officers for each region. Through this system, the Company promotes activities to strengthen a compliance system of TDK and the Compliance Committee reports its activities to the President and the Board of Directors.

Furthermore, through the Business Ethics Subcommittee which is an internal organization of the Compliance Committee, the Company operates TDK's internal reporting system (including the Consultations and Help Lines) and the Business Ethics Subcommittee reports its activities to the Compliance Committee and the Board of Directors.

**(6) System for ensuring proper business execution by the corporate group consisting of the Company and its subsidiaries:**

Each Director, Corporate Officer and manager in charge of operations of TDK strives to achieve proper business operations by making decisions and executing business in compliance with the “TDK Code of Conduct” and the “Global Common Regulations”, which summarizes the responsibilities and authorities of each organization.

The Audit & Supervisory Board Members audit, on a regular basis, the condition of the business operations of each department of TDK by inspecting the departments, examining important documents, and attending important meetings. In addition, the internal audit department audits and supports each department of TDK in order to promote consistency in relation to business operations and management policies, effectiveness and efficiency of operations, reliability of reporting, and compliance with relevant laws and regulations as well as the rules of TDK.

**(7) Matters relating to employees who support the duties of Audit & Supervisory Board Members of the Company when Audit & Supervisory Board Members request such employees:**

The Audit & Supervisory Board Members Office, consisting of designated full-time employees who do not perform any business execution duties, has been established and assists duties of the Audit & Supervisory Board Members.

**(8) Matters regarding the independence of employees in the preceding item from Directors and the ensuring of the effectiveness of instructions of Audit & Supervisory Board Members of the Company to such employees:**

The authority to instruct or order the employees who serve as members of the Audit & Supervisory Board Members Office belongs exclusively to the Audit & Supervisory Board Members. In addition, the Audit & Supervisory Board Members directly evaluate the performance of such employees and any transfer or discipline of these employees is determined pursuant to the operating rules of the Company subject to the consent of the Audit & Supervisory Board Members.

**(9) System for ensuring Directors and employees of the Company report to Audit & Supervisory Board Members of the Company, and system for ensuring Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries or persons who have received reports from these persons report to Audit & Supervisory Board Members of the Company:**

All members of TDK provide an appropriate report immediately, if an Audit & Supervisory Board Member requests a report regarding the execution of business. Information regarding management policies of TDK and conditions of business execution by Corporate Officers is timely provided to Audit & Supervisory Board Members who attend important meetings such as Executive Committee meetings and business plan review meetings, and minutes of such meetings are also provided to the Audit & Supervisory Board Members immediately. Furthermore, Audit & Supervisory Board Members may receive explanations directly from Corporate Officers and other personnel as necessary. Audit & Supervisory Board Members may review reports prepared by each department of the Company or company of TDK, and thereby confirm the conditions of the business operations of TDK.

In addition, all members of TDK may report any fact which may cause significant damage to TDK, such as violation of law or regulation, to the Business Ethics Subcommittee through the Consultations and Help Lines established by the said Subcommittee and covering the whole of TDK. In cases where the Business Ethics Subcommittee finds any fact which may cause significant damage to TDK, such as violation of law or regulation, it will immediately report such fact to Audit & Supervisory Board Members or the Audit & Supervisory Board.

Furthermore, information regarding the activities of the ERM Committee and other committees is provided to Audit & Supervisory Board Members from time to time, enabling the Audit & Supervisory Board Members to confirm the overall status of corporate activities.

**(10) System for ensuring persons who have reported as provided in the preceding item will not be treated unfavorably on grounds of such reporting**

The Company prohibits any member of TDK who has reported acts in violation of laws and regulations, etc. or the "TDK Code of Conduct" from being treated unfavorably on the grounds of such reporting, and stipulates to that effect in the "TDK Code of Conduct" and clearly informs all members of TDK of that fact.

**(11) Matters concerning policies for disposal of expenses and obligations associated with the execution of duties by Audit & Supervisory Board Members**

When Audit & Supervisory Board Members demand payment of expenses or obligations associated with execution of their duties from the Company pursuant to Article 388 of the Companies Act of Japan, the Company shall pay such expenses or obligations immediately after deliberation at the department in charge unless the expenses or obligations concerning such demand are proven to be unnecessary for the execution of such duties of the Audit & Supervisory Board Members.

**(12) Other systems for ensuring Audit & Supervisory Board Members of the Company conduct audits effectively:**

The Audit & Supervisory Board Members and the Audit & Supervisory Board meet with the President on a regular basis to confirm management policies and exchange opinions on pressing issues and risks affecting TDK and other important matters from the perspective of the Audit & Supervisory Board Members' audits. These meetings also strengthen the mutual understanding between the Audit & Supervisory Board Members and the President.

The Audit & Supervisory Board Members and the Audit & Supervisory Board ensure that the audits of Audit & Supervisory Board Members are conducted effectively by meeting regularly with the internal audit department, receiving, together with the internal audit department, regular audit reports from the Accounting Auditor, and sharing information regarding initial audit plans and results. Furthermore, the Audit & Supervisory Board has entered into an advisory contract with an attorney who is independent from the business execution department and has established a system to ensure that it receives advice with respect to matters which need to be reviewed or confirmed from the perspective of the Audit & Supervisory Board Members or the Audit & Supervisory Board.

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④ Limited liability agreements with Outside Directors and Audit & Supervisory Board Members

The Company entered into contracts with each Outside Directors and Audit & Supervisory Board Members pursuant to Article 427 paragraph 1 of the Companies Act to limit the liabilities of each such Outside Director/Audit & Supervisory Board Member to the Company under Article 423 paragraph 1 of the same Act to the amount set forth in each such contact, which amount shall be equal to or greater than the amount provided for in Article 425 paragraph 1 of the same Act.

⑤ Summary of Contents of Directors and Officers Liability Insurance Contract

The Company entered into a directors and officers liability insurance contract set forth in Article 430-3, paragraph 1 of the Companies Act of Japan with an insurance company. The insured under such insurance contract are Directors, Audit & Supervisory Board Members, and Corporate Officers and other key persons who executes business of the Company and its domestic subsidiaries, and the insurance premiums for the insured are fully borne by the Company.

Under the said insurance contract, the amount of damages and costs of litigations, etc. that an insured may incur due to claims for damages arising from acts (including omissions) committed by the insured in his/her capacity as a Director, Audit & Supervisory Board Member, Corporate Officer, etc. of the Company or its domestic subsidiaries shall be covered by the insurance.

In addition, in order to ensure that the insured's proper performance of his/her duties is not impaired, the contract does not cover damages, etc. arising from the insured's illegally obtaining personal benefits or favors.

⑥ Number of Directors

The Company’s Articles of Incorporation stipulate that the number of Directors of the Company shall be ten or less.

⑦ Resolution requirements for election and dismissal of Directors

The Company’s Articles of Incorporation stipulate that resolutions of the General Meeting of Shareholders concerning the election or dismissal of Directors shall be adopted by an affirmative vote of a majority of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting.

⑧ Items for resolution by the General Meeting of Shareholders that can be approved by resolution by the Board of Directors

a. Acquisition of treasury stock

Pursuant to Article 165, paragraph 2 of the Companies Act, for the purpose of enabling the execution of flexible capital policy, the Company’s Articles of Incorporation provide for the acquisition of treasury stock to be possible by resolution of the Board of Directors.

b. Interim dividend

The Company’s Articles of Incorporation provide that the Company may distribute an interim dividend with a record date of September 30 each year by resolution of the Board of Directors, pursuant to the provisions of Article 454, paragraph 5 of the Companies Act, to the effect that the Company may flexibly distribute profits to shareholders.

⑨ Requirements of special resolution of the General Meeting of Shareholders

The Company’s Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders as provided for in Article 309, paragraph 2 of the Companies Act shall be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting. This constitutes an easier quorum for special resolutions, which has been provided to facilitate the smooth conduct of the General Meeting of Shareholders.

## (2) Status of Directors and Audit & Supervisory Board Members

### ①List of Directors and Audit & Supervisory Board Members

**Men: 10 Women: 2 (Percentage of women among directors and audit & supervisory board members: 16.7%)**

| Title & Post | Name | Date of birth | Summary of career | Term of office | Number of shares held (Hundreds of shares) |
|---|---|---|---|---|---|
| Representative Director<br>President and CEO, and General Manager of Humidifier Countermeasures HQ | Noboru Saito | Sep. 10, 1966 | Apr. 1989: Entered the Company<br>May 2006: President of TDK Electronics Europe GmbH<br>Jan. 2007: General Manager of Europe Sales Division of Electronic Components Sales & Marketing Group of the Company<br>Oct. 2009: Deputy General Manager of Europe Sales Division of Electronic Components Sales & Marketing Group of TDK-EPC Corporation<br>Jun. 2011: Corporate Officer of the Company<br>Deputy General Manager of Electronic Components Sales & Marketing Group of TDK-EPC Corporation<br>Oct. 2012: Deputy General Manager of Electronic Components Sales & Marketing Group of the Company<br>Apr. 2013: General Manager of Electronic Components Sales & Marketing Group of the Company<br>Jun. 2013: Senior Vice President of the Company<br>Apr. 2014: General Manager of Electronic Components Sales & Marketing Group of the Company<br>Apr. 2015: General Manager of Corporate Strategy HQ of the Company<br>Jun. 2015: Director of the Company (retired in Jun. 2017)<br>Apr. 2017: CEO of Sensor Systems Business Company of the Company<br>Apr. 2022: President & CEO of the Company (present post)<br>General Manager of Humidifier Countermeasures HQ of the Company (present post)<br>Jun. 2022: Representative Director of the Company (present post) | Note: 3 | 256 |
| Representative Director<br>Senior Executive Vice President<br>Chief Financial Officer | Tetsuji Yamanishi | May. 29, 1960 | Apr. 1983: Entered the Company<br>Jan. 2005: Senior Manager of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company<br>Jul. 2008: Head of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company<br>Jun. 2013: General Manager of Finance & Accounting Department of the Company<br>Apr. 2015: General Manager of Finance & Accounting Group of the Company<br>Jun. 2015: Corporate Officer of the Company<br>Jun. 2016: Director of the Company<br>Apr. 2017: General Manager of Finance & Accounting HQ of the Company (present post)<br>Jun. 2017: Senior Vice President of the Company<br>Jun. 2018: Representative Director of the Company (present post)<br>Apr. 2019: Global Chief Compliance Officer of the Company<br>Apr. 2020: Executive Vice President of the Company (present post)<br>Apr. 2023: Senior Executive Vice President and Chief Financial Officer of the Company (present post) | Note: 3 | 189 |

| Title & Post | Name | Date of birth | Summary of career | Term of office | Number of shares held (Hundreds of shares) |
|---|---|---|---|---|---|
| Director<br>Senior Vice President<br>Chief Technology Officer<br>General Manager of Technology and Intellectual Property HQ | Shigeki<br>Sato | Jul. 9, 1964 | Apr. 1989: Entered the Company<br>Jan. 2004: General Manager of Advanced Process Technology Center of the Company<br>Feb. 2007: Head of Technology Division of Capacitors Business Group of the Company<br>Dec. 2011: Senior Manager of Multilayer product Business Unit of Magnetics Business Group of the Company<br>Apr. 2016: General Manager of Ceramic Capacitors Business Group of Electronic Components Business Company of the Company<br>Apr. 2019: Corporate Officer of the Company<br>CEO of Electronic Components Business Company of the Company<br>Apr. 2021: Senior Vice President of the Company (present post)<br>General Manager of Technology and Intellectual Property HQ of the Company (present post)<br>Jun. 2021: Director of the Company (present post)<br>Apr. 2024: Chief Financial Officer of the Company (present post) | Note: 3 | 45 |
| Director | Kozue<br>Nakayama | Feb. 25, 1958 | Apr. 1982: Entered Nissan Motor Co., Ltd.<br>Sep. 2010: Deputy General Manager of Global Branding Division of the said company<br>Mar. 2011: Retired from the said company<br>Apr. 2011: Entered Yokohama City<br>Apr. 2012: Director General of Culture and Tourism Bureau of the said city<br>Jun. 2018: President and Representative Director of Pacific Convention Plaza Yokohama (Jun. 2020 retired)<br>Jun. 2019: Outside Audit & Supervisory Board Member of Imperial Hotel, Ltd. (present post)<br>Jun. 2020: Outside Director of the Company (present post)<br>Outside Director of Isuzu Motors Limited (present post)<br>Jun. 2022: Outside Director of The Nanto Bank, Ltd. (present post) | Note: 3 | — |
| Director | Mutsuo<br>Iwai | Oct. 29, 1960 | Apr. 1983: Entered Japan Tobacco and Salt Public Corporation<br>Jun. 2005: Senior Vice President and Vice President of Food Business Division of Food Business of Japan Tobacco Inc. ("JT")<br>Jun. 2006: Member of the Board and Executive Vice President; President of Food Business of JT<br>Jun. 2008: Executive Vice President; Chief Strategy Officer of JT<br>Jun. 2010: Member of the Board and Senior Vice President; Chief Strategy Officer and Assistant to CEO in Food Business of JT<br>Jun. 2011: Member of the Board of JT International S.A.<br>Jun. 2013: Senior Executive Vice President; Chief Strategy Officer of JT<br>Jan. 2016: Executive Vice President; President of Tobacco Business of JT<br>Mar. 2016: Representative Director and Executive Vice President; President of Tobacco Business of JT<br>Jan. 2020: Member of the Board of JT<br>Mar. 2020: Member and Deputy Chairperson of the Board of JT<br>Jun. 2020: Outside Director of Benesse Holdings, Inc. (present post)<br>Jun. 2021: Outside Director of the Company (present post)<br>Mar. 2022: Member and Chairperson of the Board of JT (present post) | Note: 3 | — |

| Title & Post | Name | Date of birth | Summary of career | Term of office | Number of shares held (Hundreds of shares) |
|---|---|---|---|---|---|
| Director | Shoei Yamana | Nov. 18, 1954 | Apr. 1977: Entered Minolta Camera Co., Ltd.<br>Jan. 2001: CEO of Minolta QMS Inc.<br>Jul. 2002: Executive Officer and General Manager of Management Planning Division of Minolta Co., Ltd.<br>Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of the said company<br>Aug. 2003: Senior Executive Officer of Konica Minolta Holdings, Inc. (current Konica Minolta, Inc.)<br>Executive Officer, and General Manager of MFP Operations and Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of Minolta Co., Ltd.<br>Oct. 2003: Senior Executive Officer of Konica Minolta Holdings, Inc.<br>Managing Director of Konica Minolta Business Technologies, Inc.<br>Jun. 2006: Director and Senior Executive Officer in charge of Corporate Strategy of Konica Minolta Holdings, Inc.<br>Apr. 2011: Director and Senior Executive Officer of the said company<br>Representative Director and President of Konica Minolta Business Technologies, Inc.<br>Apr. 2013: Director and Senior Managing Executive Officer of Konica Minolta, Inc.<br>Apr. 2014: Director, President and CEO, and Representative Executive Officer of the said company<br>Apr. 2022: Director, Executive Chairman and Executive Officer of the said company<br>Jun. 2022: Outside Director of the Company (present post)<br>Jun. 2023: Senior Advisor of Konica Minolta, Inc. (present post)<br>Jun. 2023: Outside Director of Zensho Holdings Co., Ltd. (present post)<br>Jun. 2024: Outside Director of JAPAN POST INSURANCE Co., Ltd. (present post) | Note: 3 | — |
| Director | Toru Katsumoto | Oct. 14, 1957 | Apr. 1982: Entered Sony Corporation (current Sony Group Corporation)<br>Nov. 2012: Senior Vice President of the said company<br>Apr. 2013: Representative Director and President of Sony Olympus Medical Solutions Inc.<br>Apr. 2017: Representative Director and Executive Deputy President of Sony Imaging Products & Solutions Inc. (current Sony Corporation)<br>Apr. 2018: Executive Vice President of Sony Corporation<br>Jun. 2018: Executive Vice President and Managing Director of the said company<br>Jun. 2019: Executive Vice President and Senior Managing Director of the said company<br>Jun. 2020: Senior Executive Vice President of the said company<br>Dec. 2020: Senior Executive Vice President and CTO of the said company<br>Apr. 2022: Senior Executive Vice President of Sony Group Corporation (resigned in Jun. 2022)<br>Jun. 2024: Outside Director of the Company (present post) | Note: 3 | — |

| Title & Post | Name | Date of birth | Summary of career | Term of office | Number of shares held (Hundreds of shares) |
|---|---|---|---|---|---|
| Full-time Audit & Supervisory Board Member | Masato Ishikawa | Jan. 27, 1965 | Apr. 1988: Entered the Company<br>Apr. 2009 Leader, Corporate Strategy of Head Business Group of the Company<br>Sep. 2009: Senior Manager, Corporate Planning Group, Corporate Strategy Group of the Company<br>Apr. 2013: Group Leader, Corporate Planning Group, Corporate Strategy HQ of the Company<br>Apr. 2015: General Manager, Corporate Planning Group, Corporate Strategy HQ of the Company<br>Jul. 2015: Senior Manager, Strategy Planning Group, Magnet Products Business Group of the Company<br>Jun. 2016: General Manager, Management System Group, Corporate Administration HQ of the Company<br>Apr. 2017: General Manager, SCM Reengineering Group, SCM & Management System HQ of the Company<br>Apr. 2019: General Manager, SCM & Management System HQ of the Company<br>Apr. 2023 Senior Manager, Audit & Supervisory Board Members Office of the Company<br>Jun. 2023: Full-time Audit & Supervisory Board Member of the Company (present post) | Note: 4 | — |
| Full-time Audit & Supervisory Board Member | Takakazu Momozuka | Nov. 3, 1958 | Apr. 1982: Entered the Company<br>Apr. 2005: Senior Manager, Finance & Accounting Department, Administration Group of the Company<br>Jun. 2008: General Manager, Finance & Accounting Department, Administration Group of the Company<br>Jun. 2011: Corporate Officer of the Company<br>Jun. 2013: In charge of Finance & Accounting and BPR Project of the Company<br>Apr. 2015: General Manager, Corporate Administration HQ of the Company<br>In charge of Management System and BPR Project of the Company<br>Jun. 2016: Deputy General Manager, Corporate Administration HQ of the Company<br>General Manager, General Affairs Group, Corporate Administration HQ of the Company<br>Oct. 2016: Chief Compliance Officer of the Company<br>General Manager, Compliance HQ of the Company<br>Apr. 2017: General Manager, Legal & Compliance HQ of the Company<br>Mar. 2019: Retirement of Corporate Officer of the Company<br>Jun. 2019: Full-time Audit & Supervisory Board Member of the Company (present post) | Note: 4 | 90 |
| Audit & Supervisory Board Member | Douglas K. Freeman | May. 23, 1966 | Apr. 1990: Entered Goldman Sachs Japan Co., Ltd.<br>Apr. 1996: Registered as lawyer in Japan<br>Joined Mitsui, Yasuda, Wani & Maeda<br>Jun. 1997: Joined Hamada Law Offices<br>Sep. 2002: Registered as lawyer in New York, the United States of America<br>Joined Sullivan & Cromwell LLP<br>Sep. 2007: Principal of Law Offices of Douglas K. Freeman (present post)<br>Feb. 2016: Outside Director of U-Shin Ltd.<br>Apr. 2019: Professor of Keio University Law School (present post)<br>Jun. 2019: Outside Audit & Supervisory Board Member of the Company (present post) | Note: 4 | — |

| Title & Post | Name | Date of birth | Summary of career | | Term of office | Number of shares held (Hundreds of shares) |
|---|---|---|---|---|---|---|
| Audit & Supervisory Board Member | Chizuko Yamamoto | Nov. 18, 1965 | Oct. 1992:<br>Apr. 1996:<br>Jul. 2010:<br>Jul. 2019:<br><br><br>Sep. 2019:<br><br><br><br>Jun. 2020:<br><br>Aug. 2020:<br><br>Jun. 2021:<br><br>Jun. 2023: | Entered Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)<br>Registered as certified public accountant<br>Partner of Deloitte Touche Tohmatsu LLC<br>Permanent Officer of Japanese Institute of Certified Public Accountants, Tokyo Chapter<br>Member of Regulations and Institutions Committee of Japanese Institute of Certified Public Accountants, Tokyo Chapter<br>Principal of Chizuko Yamamoto CPA Office (present post)<br>Outside Audit & Supervisory Board Member of Ozu Corporation (present post)<br>Outside Director of Tokyo Rope Mfg. CO., Ltd. (present post)<br>Outside Audit & Supervisory Board Member of the Company (present post) | Note: 4 | — |
| Audit & Supervisory Board Member | Takashi Fujino | Feb. 12, 1956 | Apr. 1979<br><br>Jan. 2009<br><br>Jan. 2010<br><br>Mar. 2010<br><br>Jan. 2015<br><br><br><br>Mar. 2015<br><br><br>Jun. 2021<br><br>Jun. 2023 | Entered Asahi Glass Co., Ltd. (current AGC Inc.) ("AGC")<br>Executive Officer and General Manager of Corporate Planning Office of AGC<br>Senior Executive Officer, CFO and General Manager of President Office of AGC<br>Director, Senior Executive Officer, CFO and General Manager of President Office of AGC<br>Director, Senior Executive Officer, and Assistant to President of AGC (retired in Mar. 2015<br>Advisor of Ise Chemicals Corporation<br>Representative Director, President and Chief Executive Officer of Ise Chemicals Corporation (retired in Mar. 2019)<br>Outside Director of Kyokuto Boeki Kaisya, Ltd. (present post)<br>Outside Audit & Supervisory Board Member of the Company (present post) | Note: 4 | — |
| Total | | | | | | 580 |

Notes: 1. Ms. Kozue Nakayama, Mr. Mutsuo Iwai, Mr. Shoei Yamana and Mr. Toru Katsumoto are Outside Directors.

2. Mr. Douglas K. Freeman, Ms. Chizuko Yamamoto and Mr. Takashi Fujino are Outside Audit & Supervisory Board Member.

3. One year from the Ordinary General Meeting of Shareholders held on June 21, 2024.

4. Four years from the Ordinary General Meeting of Shareholders held on June 22, 2023.

5. The Company, aiming to boost execution of duties and improve management efficiency, has introduced a Corporate Officer System. The Company has 18 Corporate Officers.

## ②Status of Outside Directors and Outside Audit & Supervisory Board Members

a. Special interests between TDK and its Outside Directors and Outside Audit & Supervisory Board Members

There are no special interests between TDK and any of its current Outside Directors and Outside Audit & Supervisory Board Members (four Outside Directors and three Outside Audit & Supervisory Board Members).

b. Business relationships between TDK and companies where Outside Directors and Outside Audit & Supervisory Board Members serve as officers

Business relationships between TDK and companies where Outside Directors serve as officers are as follows.

・ Although Ms. Kozue Nakayama serves as Outside Director of Isuzu Motors Limited and TDK has a business relationship with Isuzu Group, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2024, the ratio of sales of TDK to Isuzu Group represented less than 1% of the consolidated net sales of TDK and the ratio of sales of Isuzu Group to TDK represented less than 1% of the consolidated net sales of Isuzu Group

・ Although Mr. Mutsuo Iwai serves as Member and Chairperson of the Board of JT and TDK has a business relationship with JT Group, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2024, the ratio of sales of TDK to JT Group represented less than 1% of the consolidated net sales of TDK

c. Function and roll of Outside Directors and Outside Audit & Supervisory Board Members

The Company is actively inviting Outside Directors to participate in our organization for the purpose of strengthening management supervision functions, and building a management conscious of our various stakeholders including shareholders and an effective and disciplined corporate governance framework. As a result, the date of filing of this Annual Securities Report, four of the seven Directors are Outside Directors and three of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, totally seven of twelve directors and Audit & Supervisory Board Members are from outside.

The Outside Directors confirm significant issues through reports from Corporate Officers and others in the Board of Directors and express their opinions as necessary to fulfill their supervisory function. Furthermore, the Outside Audit & Supervisory Board Members confirm the effectiveness of such as the internal control system through reports from the full-time Audit & Supervisory Board Members and reports from the Accounting Auditors and discuss the details of such reports to fulfill their supervisory function.

d. Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members

In order to secure the independence of the Outside Directors and Outside Audit & Supervisory Board Members, the Company has established "items to be verified regarding independence" with reference to such criteria as Rule 436-2 of the Securities Listing Regulation regarding securing independent directors/auditors and Rule III. 5. (3)-2 of Guidelines Concerning Listed Company Compliance, etc., both of which are stipulated by Tokyo Stock Exchange, Inc. The outline of these items is as follows.

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"Items to be verified regarding independence"

(1) In cases where the relevant Outside Director/Audit & Supervisory Board Member has a relationship with TDK

An Outside Director/Audit & Supervisory Board Member shall be judged not to be independent if any of the following cases apply to such person at present or have applied to such person during the past ten years.

(i) A person who Director(except outside director) of TDK or a subsidiary of TDK .

(ii) A person who Audit & Supervisory Board Member (except outside Audit & Supervisory Board Member) of TDK or a subsidiary of TDK .

(iii) A person who Corporate Officer of TDK or a subsidiary of TDK .

(iv) A person who employee of TDK or a subsidiary of TDK

(2) In cases where the relevant Outside Director/ Audit & Supervisory Board Member has a business relationship with TDK

An Outside Director/ Audit & Supervisory Board Member shall be judged not to be independent if they are at present, or have been during the past three years, a party with a business relationship with TDK as described in (i) below, or a person who executes business for such party, or if (ii) below applies to them.

(i) Where it is recognized, objectively and reasonably, that such business relationship is necessary for, or has a substantial influence on, the continued operation of TDK or the other party to such business relationship (where there is a high degree of dependence in the relationship, where the relationship is the source of 2% or more of consolidated sales, and where the other party to the relationship receives money or other assets from TDK other than remuneration for officers)

(ii) Where it is recognized within TDK that the relevant Outside Director/ Audit & Supervisory Board Member is involved in the business relationship with the other party to such relationship

(3) In cases where the relevant Outside Director/ Audit & Supervisory Board Member is a consultant, an accounting professional or a law professional

An Outside Officer shall be judged not to be independent if any of the following cases apply to such person at present or have applied to such person during the past three years.

(i) Where it is recognized, objectively and reasonably, that the relevant Outside Director/ Audit & Supervisory Board Member (including candidates for such position; the same shall apply hereinafter) cannot perform duties as an Independent Outside Director/ Audit & Supervisory Board Member because they receive money or other assets from TDK other than remuneration for officers (where there is a high degree of dependence)

(ii) Where it is recognized, objectively and reasonably, that the relevant Outside Director/ Audit & Supervisory Board Member cannot perform duties as an Independent Outside Director/ Audit & Supervisory Board Member because the organization to which such person belongs (hereinafter the "Relevant Organization") receives money or other assets from the TDK other than remuneration for officers (where this income is equivalent to 2% or more of total annual remuneration)

(iii) Where TDK has a high degree of dependence on a professional or a Relevant Organization, such as a case where services, etc. rendered by such party are essential to the corporate management of TDK or it would be difficult to find an alternative provider of the same services, etc.

(iv) Where it is recognized within TDK that the relevant Outside Director/ Audit & Supervisory Board Member is involved with the services, etc. provided by the Relevant Organization

(4) In the case of a close relative of the relevant Outside Director/ Audit & Supervisory Board Member

An Outside Director/ Audit & Supervisory Board Member shall be judged not to be independent if either of the following cases apply to their close

relative (family member within the second degree (as defined under Japanese law)) at present or have applied to them during the past three years.
(i) A person to whom (2) or (3) above applies (except persons without material significance)
(ii)A person who executes business for the Company or a subsidiary of the Company (except persons without material significance)
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A majority of the members and the Chairman of the Nomination Advisory Committee are Independent Outside Directors. In accordance with the “items to be verified regarding independence” shown above, the committee investigates and deliberates over the independence of the candidates for Outside Directors and Outside Audit & Supervisory Board Members (including cases where there is a change in an Outside Director/ Audit & Supervisory Board Member’s status of independence during their current term of office). After making a comprehensive judgment on the independence of candidates, the committee reports the results of its deliberations to the Board of Directors.

Taking into account the above, the Company has notified the Tokyo Stock Exchange of its Outside Directors, namely Ms. Kozue Nakayama, Mr. Mutsuo Iwai, Mr. Shoei Yamana and Mr. Toru Katsumoto and its Outside Audit & Supervisory Board Members, namely Mr. Douglas K. Freeman, Ms. Chizuko Yamamoto and Mr. Takashi Fujino, who serve as independent directors/auditors pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc

e. Activities during the fiscal year under review

Attendance at meetings of the Board of Directors, etc. during the fiscal year under review is as follows.

(Members who were Outside Directors and Outside Audit & Supervisory Board Members in the end of the fiscal business year)

| | |
|---|---|
| Kozue Nakayama (Outside Director): | Meetings of the Board of Directors: 14 of the 14 meetings<br>Nomination Advisory Committee: 10 out of the 10 meetings<br>Compensation Advisory Committee: 9 out of the 9 meetings<br>Corporate Governance Committee: 4 out of the 4 meetings |
| Mutsuo Iwai (Outside Director): | Meetings of the Board of Directors: 14 of the 14 meetings<br>Nomination Advisory Committee: 10 out of the 10 meetings<br>Compensation Advisory Committee: 9 out of the 9 meetings<br>Corporate Governance Committee: 4 out of the 4 meetings |
| Shoei Yamana (Outside Director): | Meetings of the Board of Directors: 14 of the 14 meetings<br>Nomination Advisory Committee: 10 out of the 10 meetings<br>Compensation Advisory Committee: 9 out of the 9 meetings<br>Corporate Governance Committee: 4 out of the 4 meetings |
| Douglas K. Freeman (Outside Audit & Supervisory Board Member) | Meetings of the Audit & Supervisory Board: 14 of the 15 meetings<br>Meetings of the Board of Directors: 13 of the 14 meetings |
| Chizuko Yamamoto (Outside Audit & Supervisory Board Member)<br>(following appointment in June 2023) | Meetings of the Audit & Supervisory Board: 10 of the 10 meetings<br>Meetings of the Board of Directors: 10 of the 10 meetings |
| Takashi Fujino (Outside Audit & Supervisory Board Member)<br>(following appointment in June 2023) | Meetings of the Audit & Supervisory Board: 10 of the 10 meetings<br>Meetings of the Board of Directors: 10 of the 10 meetings |

Outside Directors participate as the chair of the committee and members of the Nomination Advisory Committee and Compensation Advisory Committee, which are advisory bodies to the Board of Directors, and in doing so, contribute to the transparency of the personnel and remuneration determination process and the adequacy of appointments and remunerations.

**③Cooperation among supervision by Outside Directors, audit by Outside Audit & Supervisory Board Members, internal audit, audit by Audit & Supervisory Board Members and accounting audit and relations with internal control departments**

Outside directors and Outside Audit & Supervisory Board Members receive regular reports from the Corporate Governance Committee on the status of internal control systems at meetings of the Board of Directors, as well as reports from the Management Audit Group, the internal audit division, on the status of internal audits and asks questions and makes proposals from a professional perspective to exercise its management oversight function based on mutual cooperation.

The Audit & Supervisory Board Members and the Audit & Supervisory Board meet with the President on a regular basis to confirm management policies and exchange opinions on pressing issues and risks affecting TDK and other important matters from the perspective of the Audit & Supervisory Board Members' audits. These meetings also strengthen the mutual understanding between the Audit & Supervisory Board Members and the President.

The Audit & Supervisory Board Members and the internal audit department meet regularly and receive regular audit reports from the Accounting Auditor. Audit & Supervisory Board Members conduct efficient audits by sharing information regarding initial audit plans and results. Furthermore, the Audit & Supervisory Board has entered into an advisory contract with an attorney who is independent from the business execution department and has established a system to ensure that it receives advice with respect to matters which need to be reviewed or confirmed from the perspective of the Audit & Supervisory Board Members or the Audit & Supervisory Board.

### (3) Status of audit

①Status of audit by Audit & Supervisory Board Members

The Audit & Supervisory Board is comprised of 2 full-time Audit & Supervisory Board Member and 3 Outside Audit & Supervisory Board Member, and audits business execution by Corporate Officers and operations and financial status of both domestic and overseas subsidiaries. Out of these members, full-time Audit & Supervisory Board Member Mr. Takakazu Momozuka has the experience of serving for many years in the field of financing and accounting of the Company, Outside Audit & Supervisory Board Member Ms. Chizuko Yamamoto is a certified public accountant. Outside Audit & Supervisory Board Member Mr. Takashi Fujino has knowledge concerning accounting and finance in companies with global operations. Thus, they have considerable knowledge in the field of financing and accounting.

During the fiscal year under review, the Company has held Board of Directors meetings once a month (total of 15 times). The details of attendance for each Audit & Supervisory Board members is as follows. Note that the attendance records of Mr. Masato Ishikawa, Ms. Chizuko Yamamoto, and Mr. Takashi Fujino are listed for the Audit & Supervisory Board meetings held after June 22, 2023 (the date of the regular shareholders' meeting).

| Position | Name | Attendance (Attendance ratio) |
|---|---|---|
| Full-Time Audit & Supervisory Board Member | Takakazu Momozuka | 15 of the 15 meetings (Attendance ratio: 100%) |
| Full-Time Audit & Supervisory Board Member | Masato Ishikawa | 10 of the 10 meetings (Attendance ratio: 100%) |
| Outside Audit & Supervisory Board Member | Douglas K. Freeman | 14 of the 15 meetings (Attendance ratio: 93%) |
| Outside Audit & Supervisory Board Member | Chizuko Yamamto | 10 of the 10 meetings (Attendance ratio: 100%) |
| Outside Audit & Supervisory Board Member | Takashi Fujino | 10 of the 10 meetings (Attendance ratio: 100%) |

The Audit & Supervisory Board Members timely collect information regarding management policies of TDK and conditions of business execution by Corporate Officers, etc. by attending the Board of Directors meetings as well as through regular attendance at the Executive Committee meetings, business plan review meetings and other important meetings and inspection of management reports and applications for internal decision-making. The Audit & Supervisory Board Members share and deliberate such information among themselves. The full-time Audit & Supervisory Board Members conducted hearings from operating department managers and headquarter function managers regarding the conditions of business execution and conducted audit of the Company's operating departments and headquarters and the subsidiaries selected according to importance based on the audit policy setting forth the priority audit items in the fiscal year under review. The full-time Audit & Supervisory Board Members share the issues identified through such hearings and audit and confirm the countermeasures therefor with the relevant operating departments and headquarters, etc. Furthermore, the full-time Audit & Supervisory Board Members regularly had meetings and shared information with the Audit & Supervisory Board Members of the company's subsidiaries and exchanged opinions with them on important issues and findings for auditing the entire TDK Group. The Outside Audit & Supervisory Board Members held regular meetings for information sharing with the Outside Directors to exchange opinions, and received briefings from relevant operating departments and headquarters, etc. to confirm the status of responses to major issues, etc.

The Audit & Supervisory Board establishes the Company's audit policy and annual audit plan, confirms the Company's business conditions through regular meetings with the Board of Directors and Representative Director, etc., and expresses opinions and provides recommendations from time to time regarding tasks to be addressed by TDK (including matters concerning corporate governance and compliance), development and operation status of internal control, risks surrounding TDK, important issues in the Audit & Supervisory Board Members' audit and other issues. Also, the Audit & Supervisory Board receives the internal audit report from the internal audit department and promote information sharing and collaboration with them through establishing regular meetings. A summary of These audit results, identified issues and risks, confirmed countermeasures and internal audit status are shared among all Audit & Supervisory Board Members at the Audit & Supervisory Board meetings, and the issues are deliberated at the Audit & Supervisory Board meetings and reported to the Directors when appropriate. The Audit & Supervisory Board Members have meetings from time to time with an attorney with whom it has entered into an advisory contract and receive legal advice regarding Audit & Supervisory Board Members' duties timely, and thereby improve the effectiveness of Audit & Supervisory Board Members' duties.

On the other hand, the Audit & Supervisory Board promotes collaboration with the Accounting Auditor by discussing about audit plan with the Accounting Auditor, holding multiple meetings (including audit results report meeting and liaison meeting), and exchanging opinions regarding key audit matters (KAM) such as the valuation of goodwill and tangible fixed assets. To support the Audit & Supervisory Board, TDK has set an Audit & Supervisory Board Members Office, separate from the operational function to support the administration of Audit & Supervisory Board and to support each member's operation.

②Status of internal audit

The Management Review & Support Group, an internal audit department of the Company, is organized by 15 members.

In this fiscal year, The Management Review & Support Group conducted hearings from the four committees under the direct control of the Executive Committee regarding their activities and verified compliance with relevant laws and regulations, internal regulations, etc. and the efficiency and effectiveness of the operation at operating departments and principal subsidiaries. Also, the Management Review & Support Group conducted the evaluation of the "effectiveness of internal controls over financial reporting" in accordance with the Financial Instruments and Exchange Act of Japan at important locations and important subsidiaries in Japan and overseas. The Management Review & Support Group regularly reports about the results thereof to the President, the Board of Directors and the Audit & Supervisory Board Members.

The Management Review & Support Group and full-time Audit & Supervisory Board Members share information. The Management Review & Support Group submits internal audit reports to full-time Audit & Supervisory Board Members, receives results of the Audit & Supervisory Board Members' audit from full-time Audit & Supervisory Board Members and seeks to conduct effective internal audits.

The Management Review & Support Group regularly confirms the Accounting Auditor's audit activities through quarterly financial statements, etc. and regularly exchanges opinions with the Accounting Auditor regarding the status of evaluation of the "effectiveness of internal controls over financial reporting" in accordance with the Financial Instruments and Exchange Act of Japan.

③Status of accounting audit

a. Name of auditor

KPMG AZSA LLC

b. Continuing Auditing Period

21 years

c. Certified public accountants who conducted the accounting audit

Mr. Michitaka Shishido

Mr. Michiaki Yamabe

Mr. Ryoma Dodo

d. Constitution of assistant in conducting the accounting audit

Working to assist the above accountants in conducting the accounting audit of the Company were 14 certified public accountants, 9 assistant certified public accountants, and 72 other people.

e. Select standard and reason of auditor

The Audit & Supervisory Board prescribes procedures and standards for Appointment, Dismissal, and Reappointment of Accounting Auditors in the Regulations of the Audit & Supervisory Board and Standards for Appointment, Dismissal, and Reappointment of Accounting Auditors and selects the Company's Accounting Auditor based on these procedures and standards. When judging selection, the Audit & Supervisory Board evaluates appropriateness of the quality control organization of the audit firm to be accounting auditor, rationality and validity of conducting the audit by the audit team and judges comprehensively considering the validity of the audit fee as well. In addition, the accounting auditor could be non-reappointed in a case where there is any item that does not meet the standard of Reappointment.

If all of the Audit & Supervisory Board Members acknowledge that the Company's Accounting Auditor falls under any of the conditions set forth in Article 340 paragraph 1 of the Companies Act of Japan and it is difficult for the Accounting Auditor to properly execute auditing, the Company shall dismiss the Accounting Auditor by a unanimous resolution of the Audit & Supervisory Board. In addition to cases falling under any of the statutory reasons for dismissal of accounting auditors, if any fact occurs that is recognized as casting doubt upon important factors relating to the Accounting Auditor's execution of duties, such as the Accounting Auditor's qualifications, independency and ethics, the Audit & Supervisory Board will, in accordance with the Regulations of the Audit & Supervisory Board and Standards for Appointment, Dismissal, and Reappointment of Accounting Auditors, decide as to whether the Accounting Auditor shall be dismissed or shall not be re-appointed, comprehensively taking the facts into account.

f. Evaluation of auditor by the Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board evaluated the status of audit activity of the accounting auditor for the previous fiscal year. The objects of evaluation are appropriateness of the quality control organization of the accounting auditor and rationality and validity of conducting the audit by the audit team, mentioned above. The Audit & Supervisory Board has decided to reappoint KPMG AZSA LLC as accounting auditor for FY2024 based on these results of evaluation for the fiscal year under review.

④Audit fees, etc.

a. Details of fees to auditors

| Category | Fiscal 2023 | | Fiscal 2024 | |
|---|---|---|---|---|
| | Audit fees | Fees for non-attest service | Audit fees | Fees for non-attest service |
| Filing company | 394 | – | 399 | 5 |
| Consolidated subsidiaries | 46 | – | 47 | – |
| Total | 440 | – | 446 | 5 |

In fiscal 2024, the content of non-attest service that TDK Corporation will pay to KPMG AZSA LLC, TDK Corporation's auditors, is for the production of comfort letters related to the issue of bonds.

b. Details of fees to member firms to which auditors belong (member firms of KPMG) (excluding a.)

| Category | Fiscal 2023 | | Fiscal 2024 | |
|---|---|---|---|---|
| | Audit fees | Fees for non-attest service | Audit fees | Fees for non-attest service |
| Filing company | – | 66 | – | 66 |
| Consolidated subsidiaries | 807 | 204 | 872 | 207 |
| Total | 807 | 270 | 872 | 273 |

In fiscal 2023 and fiscal 2024, the content of non-attest service that TDK Corporation and consolidated subsidiaries will pay to member firms of KPMG is mainly tax related.

c. Details of other material audit fees

(Fiscal 2023)

TDK Electronics AG, consolidated subsidiary of TDK Corporation, has paid ¥235 million to Ernst & Young as audit fees.

(Fiscal 2024)

TDK Electronics AG, consolidated subsidiary of TDK Corporation, has paid ¥259 million to Ernst & Young as audit fees.

d. Policy of deciding audit fees

TDK Corporation carefully considers the independence of auditors and decides the audit fees by resolution of the Board of Directors.

e. Reason of agreeing audit fees by the Audit & Supervisory Board

Audit & Supervisory Board consented to audit fees for fiscal 2024, after examining the Accounting Auditor's audit plan, the status of duties conducted in previous fiscal years, and the basis for calculation of the remuneration estimate by receiving the necessary materials and hearing reports from Directors, relevant in-house departments, and the Accounting Auditor.

### (4) Remuneration for Directors and Audit & Supervisory Board Members

①Matters Concerning the Policy on Determining the Details or the amount of Remuneration for Individual Directors

(i) Policy on Determining the Details of Remuneration for Individual Directors

Regarding the Company's policy on determining the details of remuneration for individual Directors (hereinafter, "Determining Policy"), the Board of Directors passed a resolution on the Determining Policy on April 26th 2024 after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee, an advisory body to the Board of Directors. Outline of the Determining Policy is as follows.

<Basic Policy>

The Company designs its remuneration system through deliberation and examination of the Compensation Advisory Committee, an advisory body to the Board of Directors, for the following purposes.

To promote as much as possible behavior on the part of Directors geared towards enhancing corporate results and stock value and sustainably increase the corporate value of the overall TDK Group by constantly pursuing the formulation of a competitive remuneration system to secure diverse and excellent human resources that focuses on linkage with short-term as well as medium to long-term results.

<Policy, Etc. Concerning Determination of Each Remuneration>

The remuneration of Directors is comprised of basic remuneration, results-linked bonus and stock-linked compensation. The policy, etc. on determining the amounts or numbers for each type of the remuneration or the method of calculation thereof is described below.

a. Fixed compensation

For fixed compensation, the Company pays basic remuneration on a monthly basis. Remuneration amounts for individual Directors are determined based on remuneration tables approved by the Board of Directors for each responsibility after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee, while referring to studies, etc. on corporate management remuneration performed by third parties and comparisons of compensation levels at other companies of similar scale, mainly in the same business category.

b. Results-linked compensation

Results-linked compensation shall be results-linked bonuses (monetary compensation) and Performance Share Unit (PSU). The payment amounts of results-linked bonuses are linked to the degree of attainment of targets, using the consolidated results for the fiscal year and the indicators set for each division in charge, with an emphasis placed on short-term performance. The payment ratio of PSU is linked to the achievement ratio of the targets of the consolidated performance indicators in the Medium-Term Plan. Results-linked bonuses are paid out at a certain time each year, PSU is paid out after the Medium-Term as determined by the Board of Directors after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee.

c. Non-monetary compensation

Non-monetary compensation shall be Restricted Stock Unit (RSU) and Performance Share Unit (PSU) and those are paid to Directors excluding Outside Directors. RSU shall be paid 50% by stock and the rest by cash, after the 3 years or longer period defined by the Board of Directors from the first year to the last year of the Medium-Term plan. The number of PSU to be vested for Directors who also serves as Corporate Officers shall be calculated based on the achievement ratio and paid 50% by stock and the rest by cash. Details are determined by the Board of Directors after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee.

d. Ratio of remuneration

Regarding the ratio of remuneration, by type, for Directors concurrently serving as Corporate Officers, the ratio of results-linked compensation is structured so that the higher the responsibility, the higher the ratio of performance-linked remuneration, based on comparisons of compensation levels at other companies of similar scale, mainly in the same business category, while referring to studies, etc. on corporate management remuneration performed by third parties, and is consulted with the Compensation Advisory Committee. While respecting the report from the Compensation Advisory Committee, the Board of Directors determines remuneration tables for each responsibility based on the ratio of remuneration by type indicated in the report.

The guideline for the ratio of remuneration by type is basic remuneration : results-linked bonus : stock-linked compensation = 1 : approximately 0.6-1.0 : approximately 0.8-1.6 (assuming 100% achievement of performance targets).

e. Return of remuneration, etc. (clawback and malus)

In the event that the Company's performance sharply and significantly deteriorates, or there are illegal activities or violations of laws and regulations, the right to the payment or delivery of remuneration may be forfeited or remuneration may be reduced or returned to the Company based on deliberations by the Compensation Advisory Committee and a resolution by the Board of Directors.

(ii) Remuneration Decision-making Process, Etc.

A majority of the members and the Chairman of the Compensation Advisory Committee are Independent Outside Directors. The Compensation Advisory Committee deliberates the framework and levels of remuneration for Directors and Corporate Officers and reports to the Board of Directors, thereby contributing to ensuring the transparency in the remuneration decision-making process and the appropriateness of individual remuneration.

As the Compensation Advisory Committee had conducted a multi-faceted examination of the original proposal, including from the viewpoint of accordance with the Determining Policy, the Board of Directors basically respected the Committee's report and judged that the details of remuneration for individual Directors for the fiscal year under review are in accordance with the Determining Policy.

As explained above, at the Company, the Board of Directors determined the details of remuneration for individual Directors, and does not delegate this determination to a Director or other third party.

(ⅲ) Structure of Remuneration for Directors and Audit & Supervisory Board Members

| Type of Remuneration | | Details of Remuneration | Fixed/Fluctuating |
|---|---|---|---|
| Basic remuneration | | Monetary compensation paid monthly | Fixed |
| Results-linked bonus | | Monetary compensation which is paid at predetermined times each year with an emphasis on the linkage with short-term performance. The amount of the bonus fluctuates within a range of 0% to 200% of the standard payment amount depending on the degree of attainment of the consolidated results for the fiscal year under review (operating income, ROE) and the targets set for each division. | Fluctuating (single fiscal year) |
| Post-delivery type stock remuneration | Restricted Stock Unit (RSU) | RSU is a type of stock remuneration which is issued based on continuous service. In the case of RSU, subject to continuous service for a period of three years from the first day of the first year to the last day of the last year of the Medium-Term Plan (or a period of three years or more as determined by the Board of Directors of the Company, the "Target Period"), a pre-determined amount of the Company's shares and money is delivered after the end of the Target Period. | Fixed |
| | Performance Share Unit (PSU) | PSU is a type of stock remuneration which is issued based on performance. In the case of PSU, an amount of the Company's shares and money calculated in accordance with the degree of achievement of performance targets set by the Medium-Term Plan is delivered after the end of the Target Period. The degree of achievement of performance targets shall vary from 0% to 100% depending on the degree of achievement of consolidated performance targets (operating income, ROE) outlined in the Medium-Term Plan. | Fluctuating (medium- to long-term) |

Note: Directors and Audit & Supervisory Board Members remuneration classification for results-linked compensation, non-monetary compensation and other remuneration is as follows.

| Classification | Basic Remuneration | Results-linked Bonus | RSU** | PSU*** |
|---|---|---|---|---|
| Results-linked compensation | - | ● | - | ● |
| Non-monetary compensation | - | - | ● | ● |
| Compensation other than the above | ● | - | ● | - |

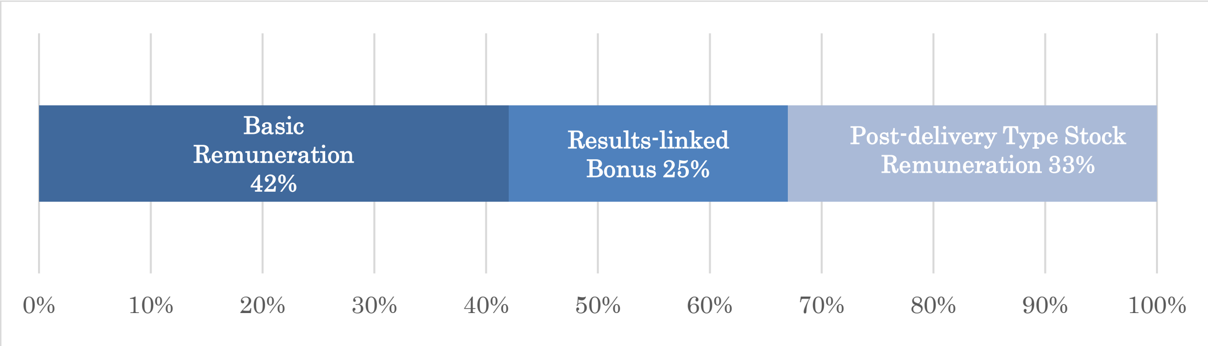
*Under RSU, the stock remuneration portion is classified as "non-monetary compensation" and the monetary compensation portion is classified under "compensation other than the above."

** PSU is classified as "results-linked compensation" and the stock remuneration portion is also classified as "non-monetary compensation."

<Eligible for Payment>

| Classification | Basic Remuneration | Results-linked Bonus | Post-delivery Type Stock Remuneration | |
|---|---|---|---|---|
| | | | RSU | PSU |
| Directors concurrently serving as Corporate Officers | ● | ● | ● | ● |
| Directors not concurrently serving as Corporate Officers | ● | - | ● | - |
| Outside Directors | ● | - | - | - |
| Audit & Supervisory Board Members | ● | - | - | - |

<Breakdown of Remuneration for Directors Concurrently Serving as Corporate Officers (for Standard Payments)>




＜Dilution ratio of stock remuneration-type stock options and post-delivery type stock remuneration as of the end of fiscal year ＞

| Classification | Type and number of shares to be issued | Percentage in total shares issued |
|---|---|---|
| Shares subject to stock acquisition rights as stock remuneration-type stock options | 466,200 common shares | 0.12% |
| Shares to be delivered as post-delivery type stock remuneration | Equivalent to 196,400 common shares | 0.05% |
| Total | Equivalent to 662,600 common shares | 0.17% |

1. With the introduction of the post-delivery stock renumeration plan approved at the 124th Ordinary General Meeting of Shareholders held on June 23, 2020, the stock remuneration-type stock option plan was abolished, except for those already granted. As a result, there were no stock acquisition rights newly issued as stock remuneration-type stock options in the current fiscal year.
2. In the fiscal year under review, 12,000 stocks were delivered to 6 Directors (excluding Outside Directors, including retired Directors) and 14,100 stocks were delivered to 14 Corporate Officers (including retired Corporate Officers) as RSU. PSUs are scheduled to be delivered in the fiscal year ending March 31, 2025 or later.

(ⅳ) Indicators related to performance-linked remuneration, reasons for selecting the indicators, and methods for determining the amount of performance-linked remuneration

a. In calculating results-linked bonuses, the amount is designed to fluctuate within a range of 0% to 200% of the standard payment amount depending on the degree of attainment of targets, using the consolidated results for each fiscal year (operating income, ROE) and the indicators set for each division in charge. The reason for selecting these indicators is to use the same indicators as management targets with an emphasis on the linkage with short-term performance. The targets and results for the main indicators that relate to results-linked bonuses in the fiscal year under review are as follows.

Consolidated operating income ¥190,214 million (target), ¥172,893 million (result)
Consolidated ROE 10.1% (target), 7.9% (result)

b. The amount of the stock and cash delivered through PSU are calculated based on the achievement condition under the Medium-Team Plan. The results achievement condition takes consolidated results under the Medium-Term Plan (operating income, ROE) as an indicator, and varies the number of exercisable options within a range of 0% to 100% of the number of options granted, depending on the degree of attainment of targets. The reason for selecting this indicator is to use the same indicator as management targets under the Medium-Term Plan with an emphasis on the linkage with medium- to long-term performance and corporate value. The targets and results for the indicator that relate to stock-linked compensation stock options during the Medium-Term Plan, which ended in the fiscal year ended March 31, 2024, are as follows.

Consolidated operating income (cumulative amount for three-years)
¥635,100 million (target), ¥508,495 million (actual)
Consolidated ROE (amount for the last year) 16.8% (target), 7.9% (actual)

c. In the fiscal year under review, 12,000 stocks were delivered to 6 Directors (excluding Outside Directors, including retired Directors) as RSU. PSUs are scheduled to be delivered in the fiscal year ending March 31, 2025 or later.

d. The types of remuneration in the table above are classified as Results-linked compensation, etc., Non-monetary compensation, etc., and Compensation other than above, as defined by the Company Law Enforcement Regulations.

(ⅴ) Remuneration Scheme for Directors from next fiscal year

Partial revision of post-delivery type stock remuneration plan for Directors was approved in 128th General Shareholders Meeting on June 21st, 2024. This revision is intended to increase the willingness to contribute to the improvement in medium-term performance and corporate value and ensure a competitive remuneration level in the human capital market in the rapidly changing and difficult-to-predict global business environment. In addition, as evaluation indicators for PSUs, the Company proposes to introduce environmental and social indicators in order to increase the willingness to contribute to the realization of a sustainable society, and to introduce stock price indicators in order to further motivate management practices that are conscious of the cost of capital and stock price.

(ⅵ) Others

The Company has established Corporate Stock Ownership Guidelines. The Company makes an effort to ensure that eligible Directors and Corporate Officers hold at least a certain number of shares in the Company pursuant to their rank, including share-based compensation type stock options.

② Total amount of remuneration and other payments, total amount of remuneration and other payments by type and Number of eligible officers by officer category

| Officer category | Total amount of remuneration and other payments (Millions of yen) | Total amount of remuneration and other payments by type (Millions of yen) | | | | Number of eligible officers |
|---|---|---|---|---|---|---|
| | | Basic remuneration (Fixed remuneration) | Results-linked bonus (Results-linked remuneration) | Restricted Stock Units (RSU) | Performance Share Units (PSU) | |
| Directors (Excluding Outside Directors) | 413 | 231 | 49 | 93 | 40 | 4 |
| Outside Directors | 58 | 58 | | | | 3 |
| Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members) | 62 | 62 | | | | 3 |
| Outside Audit & Supervisory Board Members | 43 | 43 | | | | 5 |

1. Although there were four Directors (Excluding Outside Directors), three Outside Directors, two Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Member as of March 31, 2024. the total number of payees, the total amount of remuneration and the basic remuneration in the breakdown thereof regarding Audit & Supervisory Board Members as shown above include one (1) Audit & Supervisory Board Member and two (2) Outside Audit & Supervisory Board Members who retired at the close of the 127th Ordinary General Meeting of Shareholders held on June 22, 2023, and the amount of remuneration paid to them.
2. For Result-linked bonuses, stock remuneration-type stock options, RSUs and PSUs for directors, the amounts recorded as expenses for the current fiscal year are shown.

< Directors (Numbers as of the date of filing of this Annual Securities Report:7, numbers prescribed in the Articles of Incorporation of the Company: within 10)>

(i) Basic remuneration

The amount of basic remuneration for Directors is ¥25 million or less per month, as approved by the 106th Ordinary General Meeting of Shareholders held on June 27, 2002. There were seven (7) Directors (including one (1) Outside Director) as of the close of the said Ordinary General Meeting of Shareholders.

(ii) Results-linked bonuses

The amount of results-linked bonuses for Directors concurrently serving as Corporate Officers is ¥350 million or less per year, as approved by the 119th Ordinary General Meeting of Shareholders held on June 26, 2015. There were four (4) Directors concurrently serving as Corporate Officers as of the close of the said Ordinary General Meeting of Shareholders.

(iii) Post-delivery Type Stock Remuneration

The amount of compensation as post-delivery type stock remuneration (RSU and PSU) is ¥457 million or less per year (as for the number of shares, 39,000 shares or less per year), as approved by the 124th Ordinary General Meeting of Shareholders held on June 23, 2020. RSU is granted to Directors, excluding Outside Directors, and there were four (4) Directors as of the close of the said Ordinary General Meeting of Shareholders. PSU is granted to Directors concurrently serving as Corporate Officers and there were three (3) Directors as of the close of the said Ordinary General Meeting of Shareholders.

(Note)1. The Company conducted a 3-for-1 stock division of common shares, effective October 1, 2021. As a result, the number of shares for post-delivery stock remuneration was adjusted to 117,000 shares per year.

2. The upper limit of the post-delivery stock remuneration was approved in 128th General Shareholders Meeting on June 21, 2024 as below.

| Item | Type | Before Revision | After Revision |
|---|---|---|---|
| Total amount of Monetary Remuneration Claims, Etc. to be paid to Eligible Directors | RSU | Up to 457 million yen per year | Up to the amount obtained by multiplying the upper limit of the number of Base Stock Units (*2) (40,000 shares) by the Stock Price at Delivery |
| | PSU | | Up to the amount obtained by multiplying the upper limit of the number of Base Stock Units (*2) by the Percentage of Payment (*3) (up to 200,000 shares) by the Stock Price at Delivery |
| Number of shares to be delivered to Eligible Directors | RSU | Up to 39,000 shares per year (up to 117,000 shares per year after the split) | Up to 20,000 shares per year |
| | PSU | | Up to 100,000 shares per year |

< Audit & Supervisory Board Members (Numbers as of the date of filing of this Annual Securities Report:5, numbers prescribed in the Articles of Incorporation of the Company: within 5 ) >

The amount of basic remuneration for Audit & Supervisory Board Members is ¥120 million or less per year, as approved by the 124th Ordinary General Meeting of Shareholders held on June 23, 2020. There were five (5) Audit & Supervisory Board Members (including three (3) Outside Audit & Supervisory Board Members) as of the close of the said Ordinary General Meeting of Shareholders.

③ Total amount of remuneration and other payments for individuals receiving a total of ¥100 million or more, etc.

| Name | Total amount of remuneration and other payments (Millions of yen) | Officer category | Company category | Total amount of remuneration and other payments by type (Millions of yen) | | | |
|---|---|---|---|---|---|---|---|
| | | | | Basic remuneration (Fixed remuneration) | Results-linked bonus (Results-linked remuneration) | Restricted Stock Units (RSU) | Performance Share Units (PSU) |
| Shigeno Ishiguro | 145 | Director, Chairman | Filling company | 77 | - | 44 | 24 |
| Noboru Saito | 116 | Representative Director, President & CEO | Filling company | 77 | 17 | 16 | 6 |

*The Officer categories of Shigenao Ishiguro and Noboru Saito are as of the end of the fiscal year.

### (5) Share ownership

①Standard and policy of classification of investment stocks

TDK holds investment stock whose holding purpose is for net investment to gain profit by changes in the value of stock or dividends pertaining to stock

TDK's basic policy regarding cross-shareholdings is to consistently enhance corporate value of the TDK Group through such shareholdings and TDK holds shares of other companies for the purpose of either (1) strategic shareholding for the development of its business or (2) maintenance and improvement of business relationships.

②Investment stock whose holding purpose is other than for net investment

a. Holding policy, how to verify the rationality of holding and the details of verification of propriety of holding individual stocks at Meetings of the Board of Directors

As to cross-shareholdings, TDK verifies the rationality of continuous holding of such shares and the number of such shares, etc. stock by stock every year at Meetings of the Board of Directors, etc. based on the purpose of such shareholding, situation of transactions, profitability relative to the cost of capital, financial condition, etc., and if the necessity to hold shares of a particular stock has decreased, TDK discusses and negotiates with the issuing company of the stock and promotes the reduction through sale, etc. of such shares.

In exercising voting rights as to its cross-shareholdings, TDK determines to approve or disapprove with full respect for the issuing company's management policies, etc. and considering whether the proposal is appropriate in light of the purpose of strategic shareholding for the development of TDK's business or maintenance and improvement of business relationships, whether the proposal can continuously increase the corporate value of TDK, the issuing company's social responsibilities, whether there is any act which may harm the trust of shareholders, etc. Also, TDK conducts a dialogue with the issuing company regarding the content of the proposal, etc. as appropriate.

b. Number of issues and balance sheet amounts

| | Number of issues (Issues) | Balance sheet amounts (Millions of yen) |
|---|---|---|
| Unlisted stocks | 14 | 3,530 |
| Stocks other than unlisted stocks | 2 | 8,394 |

(Issues which increased in number of shares in the fiscal year under review)

| | Number of issues (Issues) | Total amounts of acquisition costs pertaining to increases in number of shares (Millions of yen) | Reason of increases in number of shares |
|---|---|---|---|
| Unlisted stocks | 2 | 2,548 | Strategic partnership with the goal to take advantage of energy efficiency enhancing technology, and investment with the goal to explore new business areas |
| Stocks other than unlisted stocks | - | - | - |

(Issues which decreased in number of shares in the fiscal year under review)

| | Number of issues (Issues) | Total amounts of sales value pertaining to decreases in number of shares (Millions of yen) |
|---|---|---|
| Unlisted stocks | - | - |
| Stocks other than unlisted stocks | 1 | 466 |

c. Information regarding number of shares, balance sheet amounts and etc. by issues of specified investment stocks and regarded as holding shares

As to specified investment stocks and regarded as holding shares shown below, it is difficult to mention quantitative holding effect. TDK verified the rationality of continuous holding of such shares and the number of such shares, etc. stock by stock at Meetings of the Board of Directors on June, 2024, etc. based on the purpose of such shareholding, situation of transactions, profitability relative to the cost of capital, financial condition, etc.,

Specified investment stocks

| Issue | The fiscal year under review, | The previous fiscal year | Holding purpose, outline of partnership, quantitative holding effect and reason of increases in shares | Whether to hold share of the company |
|---|---|---|---|---|
| | Number of shares (Shares) | Number of shares (Shares) | | |
| | Balance sheet amounts (Millions of yen) | Balance sheet amounts (Millions of yen) | | |
| ALPS LOGISTICS CO., LTD. | 2,804,400 | 2,804,400 | The company does business in logistics, in which TDK conducts business transactions with and continuously holds the share for maintaining and strengthening good business to business transactions. | No |
| | 8,270 | 3,665 | | |
| Mabuchi Motor Co., Ltd. | - | 120,000 | The company did business in Magnets business, etc. in which TDK conducted business transactions with and continuously held the share for maintaining and strengthening good business to business transactions. The company sold whole holding securities in fiscal 2024. | No |
| | - | 466 | | |
| SIIX Corporation | 72,000 | 72,000 | The company does business in Passive Components business, etc. in which TDK conducts business transactions with and continuously holds the share for maintaining and strengthening good business to business transactions. | No |
| | 124 | 101 | | |

Regarded as holding shares

| Issue | The fiscal year under review, Number of shares (Shares) / Balance sheet amounts (Millions of yen) | The previous fiscal year Number of shares (Shares) / Balance sheet amounts (Millions of yen) | Holding purpose, outline of partnership, quantitative holding effect and reason of increases in shares | Whether to hold share of the company |
|---|---|---|---|---|
| Fukuda Denshi Co., Ltd. | 122,300 | 271,800 | The company does business in Passive Components business, etc. in which TDK conducts business transactions with and contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions. | Yes |
| | 847 | 1,159 | | |
| Shinko Shoji Co., Ltd. | 698,000 | 698,000 | The company does business in Passive Components business, etc. in which TDK conducts business transactions with and contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions. | Yes |
| | 835 | 854 | | |
| TODA KOGYO CORP. | 199,400 | 199,400 | It is an affiliate of the company. We are business partner with the goal to strength our material technology. The company contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions. | Yes |
| | 422 | 506 | | |
| NIKKO COMPANY | 2,371,300 | 2,402,900 | The company contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions. | No |
| | 348 | 355 | | |
| Ricoh Company, Ltd. | - | 108,000 | The company did business in Passive Components business, etc. in which TDK conducted business transactions with and contributed on retirement benefit trust. The company sold whole holding securities in fiscal 2024. | No |
| | - | 107 | | |
| DENKYOSHA CO., LTD. | - | 55,500 | The company contributed on retirement benefit trust, and sold whole holding securities in fiscal 2024. | Yes |
| | - | 66 | | |

③Investment stock whose holding purpose is for net investment
Not available

## V. Financial Information

### 1. Preparation methods of consolidated financial statements

(1) The accompanying consolidated financial statements of TDK Corporation ("TDK") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as prescribed in Article 93 of Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976, "the Ordinance on Consolidated Financial Statements").

(2) The amounts in the consolidated financial statements are rounded to the nearest million yen.

### 2. Audit certification

The accompanying consolidated financial statements of TDK as of March 31, 2024 and for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024) have been audited by KPMG AZSA LLC as prescribed in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

### 3. Special efforts to ensure the fairness of the consolidated financial statements and system to properly prepare the consolidated financial statements in accordance with IFRS

TDK makes special efforts to ensure the fairness of the consolidated financial statements and has established a system to properly prepare the consolidated financial statements in accordance with IFRS. The details are as follows:

(1) In order to properly understand accounting standards and to establish a system to appropriately respond to revisions in accounting standards, TDK joins organizations such as the Financial Accounting Standards Foundation and participates in the training sessions conducted by the Foundation.

(2) In applying IFRS, TDK obtains press releases and pronouncements issued by the International Accounting Standards Board, as needed, to understand the latest standards. In addition, TDK has prepared the Group's internal policies and manuals to prepare and present fairly the consolidated financial statements in accordance with IFRS.

## 1. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

### (1) Consolidated financial statements

#### I. Consolidated statements of financial position

(Millions of yen)

| | Note | March 31, 2023 | March 31, 2024 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 506,185 | 649,998 |
| Trade receivables | 6,19 | 546,381 | 558,298 |
| Other financial assets | 7,19 | 52,147 | 47,052 |
| Inventories | 8 | 443,001 | 406,084 |
| Income taxes receivables | | 4,303 | 4,828 |
| Other current assets | 13 | 55,294 | 61,715 |
| Total current assets | | 1,607,311 | 1,727,975 |
| Non-current assets | | | |
| Investments accounted for using the equity method | 9 | 24,706 | 36,990 |
| Other financial assets | 7,19 | 153,950 | 184,425 |
| Property, plant and equipment | 10 | 930,288 | 991,072 |
| Right-of-use assets | 11 | 54,683 | 71,334 |
| Goodwill | 12 | 149,516 | 168,383 |
| Intangible assets | 12 | 61,241 | 57,114 |
| Long-term advances to suppliers | 8 | 110,925 | 105,941 |
| Deferred tax assets | 14 | 44,189 | 56,183 |
| Other non-current assets | | 10,218 | 15,887 |
| Total non-current assets | | 1,539,716 | 1,687,329 |
| Total assets | | 3,147,027 | 3,415,304 |

(Millions of yen)

| | Note | March 31, 2023 | March 31, 2024 |
|---|---|---|---|
| Liabilities | | | |
| Current liabilities | | | |
| Borrowings | 16,19 | 248,510 | 212,907 |
| Lease liabilities | 11 | 10,298 | 11,627 |
| Trade payables | 15,19 | 351,439 | 351,940 |
| Other financial liabilities | 17,19 | 92,673 | 81,774 |
| Income taxes payables | | 30,285 | 38,746 |
| Provisions | 22 | 13,079 | 12,605 |
| Other current liabilities | 18 | 258,027 | 307,291 |
| Total current liabilities | | 1,004,311 | 1,016,890 |
| Non-current liabilities | | | |
| Bonds and borrowings | 16,19 | 448,656 | 400,259 |
| Lease liabilities | 11 | 44,694 | 60,943 |
| Other financial liabilities | 17,19 | 3,849 | 5,837 |
| Retirement benefit liabilities | 20 | 92,313 | 98,388 |
| Provisions | 22 | 9,697 | 13,660 |
| Deferred tax liabilities | 14 | 70,386 | 91,616 |
| Other non-current liabilities | | 10,254 | 12,770 |
| Total non-current liabilities | | 679,849 | 683,473 |
| Total liabilities | | 1,684,160 | 1,700,363 |
| Equity | | | |
| Equity attributable to owners of parent | | | |
| Share capital | 23 | 32,641 | 32,641 |
| Capital surplus | 23 | 45 | 34 |
| Retained earnings | 23 | 1,054,738 | 1,138,732 |
| Other components of equity | 23 | 387,281 | 551,998 |
| Treasury shares | 23 | (16,259) | (16,073) |
| Total equity attributable to owners of parent | | 1,458,446 | 1,707,332 |
| Non-controlling interests | | 4,421 | 7,609 |
| Total equity | | 1,462,867 | 1,714,941 |
| Total liabilities and equity | | 3,147,027 | 3,415,304 |

II. Consolidated statements of profit or loss and comprehensive income

Consolidated statements of profit or loss

(Millions of yen)

| | Note | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Net sales | 4,24 | 2,180,817 | 2,103,876 |
| Cost of sales | 8,10,12 20,25 | (1,596,295) | (1,500,858) |
| Gross profit | | 584,522 | 603,018 |
| Selling, general and administrative expenses | 10,12,20 21,25 | (434,803) | (452,520) |
| Other operating income | 26 | 19,393 | 22,712 |
| Other operating expenses | 26 | (285) | (317) |
| Operating profit | | 168,827 | 172,893 |
| Finance income | 19,27 | 17,372 | 35,902 |
| Finance costs | 19,27 | (20,772) | (30,224) |
| Share of profit/(loss) of investments accounted for using the equity method | 9 | 1,792 | 670 |
| Profit before tax | | 167,219 | 179,241 |
| Income tax expense | 14 | (52,918) | (53,106) |
| Net profit | | 114,301 | 126,135 |
| Net profit attributable to: | | | |
| Owners of parent | | 114,187 | 124,687 |
| Non-controlling interests | | 114 | 1,448 |
| Net profit | | 114,301 | 126,135 |

(Yen)

| | Note | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Earnings per share | 28 | | |
| Basic earnings per share | | 301.19 | 328.70 |
| Diluted earnings per share | | 300.64 | 328.19 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Note | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Net profit | | 114,301 | 126,135 |
| 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 | 23 | 7,781 | (13,308) |
| Remeasurements of defined benefit plans | 23 | 2,863 | 1,160 |
| Share of other comprehensive income of investments accounted for using the equity method | 23 | (34) | 151 |
| Total | | 10,610 | (11,997) |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | 23 | 70,072 | 177,972 |
| Share of other comprehensive income of investments accounted for using the equity method | 23 | (66) | 217 |
| Total | | 70,006 | 178,189 |
| Total other comprehensive income, net of tax | | 80,616 | 166,192 |
| Comprehensive income | | 194,917 | 292,327 |
| Comprehensive income attributable to: | | | |
| Owners of parent | | 194,903 | 290,832 |
| Non-controlling interests | | 14 | 1,495 |
| Comprehensive income | | 194,917 | 292,327 |

III. Consolidated statements of changes in equity

(Millions of yen)

| Fiscal year ended March 31, 2023 | Note | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital surplus | Retained earnings | Other components of equity | Treasury shares | Total | | |
| 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 | 23 | - | - | - | 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 | 23 | - | - | (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 | 21 | - | 209 | - | - | - | 209 | 140 | 349 |
| Exercise of share options | 21 | - | (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 | 23 | - | - | 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 |

(Millions of yen)

| Fiscal year ended March 31, 2024 | Note | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital surplus | Retained earnings | Other components of equity | Treasury shares | Total | | |
| Balance as of April 1, 2023 | | 32,641 | 45 | 1,054,738 | 387,281 | (16,259) | 1,458,446 | 4,421 | 1,462,867 |
| Comprehensive income | | | | | | | | | |
| Net profit | | - | - | 124,687 | - | - | 124,687 | 1,448 | 126,135 |
| Other comprehensive income, net of tax | 23 | - | - | - | 166,145 | - | 166,145 | 47 | 166,192 |
| Total comprehensive income | | - | - | 124,687 | 166,145 | - | 290,832 | 1,495 | 292,327 |
| Transactions with owners | | | | | | | | | |
| Equity transactions with non-controlling interests | | - | (34) | - | - | - | (34) | 2,112 | 2,078 |
| Dividends paid | 23 | - | - | (42,103) | - | - | (42,103) | (546) | (42,649) |
| Transfer from retained earnings to capital surplus | | - | 18 | (18) | - | - | - | - | - |
| Purchase of treasury shares | | - | - | - | - | (1) | (1) | - | (1) |
| Disposal of treasury shares | | - | - | - | - | 1 | 1 | - | 1 |
| Share-based payment transactions | 21 | - | 191 | - | - | - | 191 | 127 | 318 |
| Exercise of share options | 21 | - | (142) | - | - | 142 | 0 | - | 0 |
| Delivery of share under restricted stock unit | 21 | - | (44) | - | - | 44 | - | - | - |
| Total transactions with owners | | - | (11) | (42,121) | - | 186 | (41,946) | 1,693 | (40,253) |
| Transfer from other components of equity to retained earnings | 23 | - | - | 1,428 | (1,428) | - | - | - | - |
| Balance as of March 31, 2024 | | 32,641 | 34 | 1,138,732 | 551,998 | (16,073) | 1,707,332 | 7,609 | 1,714,941 |

IV. Consolidated statements of cash flows

(Millions of yen)

| | Note | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net profit | | 114,301 | 126,135 |
| Depreciation and amortization | | 206,285 | 190,546 |
| Impairment losses (reversal of impairment losses) | | 35,064 | 9,570 |
| Finance income | | (17,372) | (35,902) |
| Finance costs | | 20,772 | 30,224 |
| Share of profit/(loss) of investments accounted for using the equity method | | (1,792) | (670) |
| Income tax expense | | 52,918 | 53,106 |
| Changes in assets and liabilities: | | | |
| Decrease (increase) in trade receivables | | 6,321 | 36,976 |
| Decrease (increase) in inventories | | 11,961 | 72,950 |
| Decrease (increase) in long-term advances to suppliers | | 12,787 | 13,093 |
| Decrease (increase) in other current assets | | 3,071 | (2,905) |
| Increase (decrease) in trade payables | | (116,469) | (19,744) |
| Increase (decrease) in other current liabilities | | 10,738 | 14,966 |
| Increase (decrease) in retirement benefit liabilities | | (11,004) | (4,533) |
| Decrease (increase) in other financial assets | | (3,020) | 12,997 |
| Increase (decrease) in other financial liabilities | | (5,499) | (2,834) |
| Other | | (20,888) | (18,794) |
| Subtotal | | 298,174 | 475,181 |
| Interest and dividends received | | 14,746 | 20,965 |
| Interest paid | | (9,009) | (8,942) |
| Income taxes paid | | (41,139) | (40,197) |
| Cash flows from operating activities | | 262,772 | 447,007 |

(Millions of yen)

| | Note | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| Cash flows from investing activities | | | |
| Purchase of tangible and intangible assets | | (275,709) | (218,589) |
| Proceeds from sale of tangible and intangible assets | | 23,795 | 26,100 |
| Proceeds from withdrawal of time deposits | | 79,937 | 44,796 |
| Payments into time deposits | | (42,416) | (43,183) |
| Proceeds from sale and redemption of securities | | 788 | 1,952 |
| Payment for purchase of securities | | (11,803) | (17,918) |
| Payment for purchase of investments in associates | | (6,754) | (9,693) |
| Other | | (2,240) | (57) |
| Cash flows from investing activities | | (234,402) | (216,592) |
| Cash flows from financing activities | | | |
| Proceeds from long-term borrowings | 32 | 372 | 80,339 |
| Repayment of long-term borrowings | 32 | (4,868) | (25,478) |
| Net increase (decrease) in short-term borrowings | 32 | 65,942 | (168,237) |
| Proceeds from bonds | 32 | - | 20,000 |
| Repayment of lease liabilities | 32 | (10,398) | (12,286) |
| Dividends paid | 23 | (37,198) | (42,152) |
| Other | | 1,097 | 1,446 |
| Cash flows from financing activities | | 14,947 | (146,368) |
| Effect of exchange rate changes on cash and cash equivalents | | 23,529 | 59,766 |
| Net increase in cash and cash equivalents | | 66,846 | 143,813 |
| Cash and cash equivalents at beginning of year | 5 | 439,339 | 506,185 |
| Cash and cash equivalents at end of year | 5 | 506,185 | 649,998 |

Notes to the consolidated financial statements

## 1. Reporting Entity

TDK Corporation ("TDK" or "the Company") 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 associates, for the fiscal year ended March 31, 2024.

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 Note 4 Segment Information.

## 2. 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.

The consolidated financial statements were approved on June 21, 2024 by Noboru Saito, Representative Director, President & CEO and Tetsuji Yamanishi, CFO, Representative Director Senior Executive Vice President.

### (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 Note 3 Material Accounting Policies.

### (3) Functional and presentation currencies

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 TDK's functional and presentation currency. All amounts are rounded to the nearest million yen.

### (4) Significant accounting estimates and judgements

In preparing the consolidated financial statements in accordance with IFRS, TDK Group makes judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates, and these estimates and assumptions are regularly reviewed. The impact of changes in accounting estimates is recognized in the financial statements for the period in which the change occurs and the future periods affected by the change.

The information about the assumptions and estimates that could have a material impact on the consolidated financial statements for the fiscal year ending March 31, 2025 is as follows:

・Impairment of property, plant and equipment, goodwill and intangible assets ( (10) Impairment of non-financial assets in Note 3 Material Accounting Policies, Note 10 Property, Plant and Equipment, and Note 12 Goodwill and Intangible Assets)

・Measurement of defined benefit obligations ((11) Employee benefits in Note 3 Material Accounting Policies and Note 20 Employee Benefits)

・Recoverability of deferred tax assets ((17) Income taxes in Note 3 Material Accounting Policies and Note 14 Income Taxes)

・Recognition and measurement of provisions, and the possibility of an outflow of future economic benefits related to contingent liabilities ((13) Provisions in Note 3 Material Accounting Policies, Note 22 Provisions, and Note 29 Commitments and Contingent Liabilities)

(5) Standards and interpretations issued but not yet adopted

The new or amended standards and interpretations that were issued up to the date of approval of the TDK Group's consolidated financial statements for which TDK Group did not early apply are mainly as follows. The impact of the adoption of the standards and interpretations on the TDK Group's consolidated financial statements is under consideration.

| Accounting standards | Title | Mandatory effective date (annual period beginning on or after) | TDK Group's timing of application | Summary |
|---|---|---|---|---|
| IFRS 18 | Presentation and Disclosure in Financial Statements | January 1, 2027 | Fiscal year ending March 31, 2028 | New provisions on presentation and disclosure of financial performance in the statement of profit or loss |
| IAS 7 | Statement of Cash Flows | January 1, 2027 | Fiscal year ending March 31, 2028 | Amendments to provisions on presentation and disclosure of the statement of cash flows |

(6) Changes in the method of presentation

(Consolidated statements of cash flows)

Decrease (increase) in other financial assets and Increase (decrease) in other financial liabilities which were included in Other of Cash flows from operating activities in the fiscal year ended March 31, 2023, are presented separately in the fiscal year ended March 31, 2024 due to its increased importance in terms of amount. To reflect this change in the method of presentation, the consolidated statements of cash flows for the fiscal year ended March 31, 2023 have been reclassified.

As a result, Other of Cash flows from operating activities ¥(29,407) million, which was presented in the consolidated statements of cash flows for the fiscal year ended March 31, 2023, have been reclassified to Decrease (increase) in other financial assets ¥(3,020) million, Increase (decrease) in other financial liabilities ¥(5,499) and Other ¥(20,888) million.

## 3. Material Accounting Policies

### (1) Basis of consolidation

#### I. Subsidiary

A subsidiary is an entity that is controlled by TDK. TDK controls an entity when TDK is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. TDK includes the financial statements of a subsidiary in the consolidated financial statements from the date when it gains control until the date when it ceases to control the subsidiary.

Intercompany balances and transactions and unrealized gains and losses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership interests in a subsidiary while control is maintained are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of parent. Gains and losses arising from the loss of control of a subsidiary are recognized in profit or loss.

#### II. Associate

An associate is an entity over which TDK has significant influence, being the power to participate in the financial and operating policy decisions of the entity, but not control or jointly control those policies. TDK accounts for its investment in an associate using the equity method from the date when it gains the significant influence until the date when the significant influence ceases.

### (2) Business combination

TDK accounts for each business combination by applying the acquisition method. Acquisition-related costs are expensed as incurred. In principle, identifiable assets acquired and the liabilities assumed in a business combination are measured at their acquisition-date fair values.

If the sum of the consideration transferred in a business combination, the amount of any non-controlling interest in the acquiree, and the fair value of equity interests of the acquiree that TDK previously held exceeds the net fair value of the acquired assets and assumed liabilities, the excess is recognized as goodwill. If below, it is recognized in profit or loss. The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred by TDK, the liabilities incurred by TDK to former owners of the acquiree and the equity interests issued by TDK, which includes the fair values of assets or liabilities arising from contingent consideration arrangements.

For each business combination, non-controlling interest is measured at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

### (3) Foreign currency translation

#### I. Foreign currency transaction

Foreign currency transactions are translated into TDK Group companies’ functional currency using the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at the end of the reporting period. Non-monetary items denominated in foreign currencies measured at fair value are translated into the functional currency using the exchange rate at the date of the fair value measurement, and non-monetary items denominated in foreign currencies measured at cost are translated using the exchange rate at the date of the transaction.

Exchange differences arising from translation and settlement are recognized in profit or loss. Exchange differences arising from equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

#### II. Financial statements of foreign operations

Assets and liabilities of a foreign operation are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expenses are translated using the average exchange rate prevailing during the period unless there is signification fluctuation in the exchange rate. Exchange differences arising on the translation of financial statements of a foreign operation are recognized in other comprehensive income and accumulated in a separate component of equity, except for the portion allocated to non-controlling interests.

When a foreign operation is disposed of and control or significant influence ceases, the cumulative amount of the exchange differences relating to the foreign operation is reclassified to profit or loss.

(4) Financial instruments

I. Non-derivative financial assets

(i) Initial recognition and measurement

Regular way purchase or sale of securities is initially recognized at the settlement date, and the rest of the financial assets are initially recognized when TDK Group becomes a contractual party to the financial instruments.

Financial assets are, at initial recognition, classified into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss. This classification is made based on whether the financial assets are debt instruments or equity instruments.

A financial asset that is a debt instrument is classified as financial assets measured at amortized cost if both of the conditions described below are met. Otherwise, it is classified as financial assets measured at fair value through profit or loss. TDK Group does not hold financial assets that are debt instruments measured at fair value through other comprehensive income.

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

In principle, TDK Group makes an irrevocable election for financial assets that are equity instruments to present subsequent changes in fair value in other comprehensive income, except for equity instruments held for trading. These financial assets are classified as financial assets measured at fair value through other comprehensive income.

For financial assets measured at fair value through profit or loss, transaction costs are initially recognized in profit or loss when incurred. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially measured at fair value plus the transaction costs that are directly attributable to the acquisition of the assets. Trade receivables that do not have a significant financing component are initially measured at their transaction price.

(ii) Subsequent measurement

Financial assets measured at amortized cost are measured using the effective interest method and the interest is recognized in profit or loss.

Financial assets other than those measured at amortized cost are measured at fair value. Changes in fair value of equity instruments that are classified as financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. When a financial asset is derecognized or when a decline in fair value of the financial asset below cost is significant or prolonged, cumulative gains or losses recognized in other comprehensive income are transferred to retained earnings. Dividends are recognized in profit or loss.

Changes in fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(iii) Impairment

A financial asset measured at amortized cost is assessed for impairment and a loss allowance is recognized based on expected credit losses at each reporting date.

At the reporting date, if credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to 12-month expected credit losses. If the credit risk has increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to lifetime expected credit losses, taking reasonable and supportable information including forecasts into consideration.

However, the loss allowance for trade receivables is recognized at an amount equal to lifetime expected credit losses regardless of whether credit risk has increased significantly since initial recognition. The amount of expected credit losses or reversal is recognized in profit or loss.

(iv) Derecognition

When contractual rights to the cash flows from a financial asset expire, or TDK Group transfers contractual rights to receive the cash flows of that financial asset and substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognized.

II. Non-derivative financial liabilities

(i) Initial recognition and measurement

Financial liabilities are initially recognized when TDK Group becomes a contractual party to the financial instruments. Financial liabilities other than contingent considerations are classified as financial liabilities measured at amortized cost upon initial recognition. All financial liabilities are initially measured at fair value. Financial liabilities measured at amortized cost are measured at fair value less transaction costs that are directly attributable to the issue of the financial liabilities.

(ii) Subsequent measurement

Financial liabilities measured at amortized cost are measured using the effective interest method. Interest calculated using the effective interest method and gains and losses from derecognition are recognized in profit or loss.

Contingent considerations are measured at fair value and changes in the fair value are recognized in profit or loss.

(iii) Derecognition

Financial liabilities are derecognized when an obligation specified in a contract is discharged or cancelled or expires.

III. Derivatives

TDK Group enters into derivative contracts, such as forward foreign exchange contracts, to hedge the risk of foreign exchange rate fluctuations. These derivatives are initially recognized at fair value at the date of contract and subsequently remeasured at fair value. Changes in fair value of derivatives are recognized in profit or loss.

TDK Group does not apply hedge accounting to any of these derivatives.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time and short-term investments that are easily redeemable and have a redemption date within three months from the date of acquisition with little risk of value fluctuations.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined based mainly on the weighted average cost formula, and includes the costs of purchase, the costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, plant and equipment

Property, plant and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses using the cost model. The cost includes the incidental costs directly related to acquisition of the assets and the costs of site dismantlement, removal and restoration. Property, plant and equipment is depreciated using the straight-line method over its estimated useful lives.

The estimated useful lives are as follows:

Buildings: 2 to 60 years

Machinery and equipment: 2 to 25 years

Residual values, estimated useful lives and depreciation methods are reviewed at the end of each fiscal year. Changes in these items, if any, are applied prospectively as a change in accounting estimates.

(8) Goodwill and intangible assets

I. Goodwill

Goodwill acquired in a business combination is recorded at cost less any accumulated impairment losses.

II. Intangible assets

Intangible assets are measured using the cost model. Intangible assets with finite useful lives are recorded at cost less accumulated amortization and accumulated impairment losses, and intangible assets with indefinite useful lives are recorded at cost less accumulated impairment losses.

Intangible assets acquired separately are measured at their cost upon initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill at their acquisition-date fair values if they meet the definition of intangible assets, they are identifiable, and their fair values can be measured reliably.

All expenditure incurred in a research phase with the prospect of gaining new scientific or technical knowledge is expensed when it is incurred.

An expenditure incurred in a development phase is capitalized if the expenditure can demonstrate all the following criteria; otherwise, it is expensed as incurred.

・The technical feasibility of completing the intangible asset so that it will be available for use or sale
・The intention to complete the intangible asset and use or sell it
・The ability to use or sell the intangible asset
・How the intangible asset will generate probable future economic benefits
・The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
・The ability to measure reliably the expenditure attributable to the intangible asset during its development

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of major intangible assets are as follows:

Patent: 3 to 20 years
Customer relationships: 4 to 10 years
Software: 2 to 10 years
Technologies other than patent: 3 to 20 years
Other: 2 to 7 years

Residual values, estimated useful lives and amortization methods are reviewed at the end of each fiscal year. Changes in these items, if any, are applied prospectively as a change in accounting estimates.

(9) Leases

TDK Group determines whether a contract is a lease contract, or if it contains a lease, at inception of the contract. Some of the lease contracts include lease and non-lease components, and TDK Group accounts for them separately.

At commencement date of the lease, TDK Group as a lessee recognizes a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability adjusted for initial direct costs, lease payments made at or before the commencement date and other. After initial recognition, if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the possibilities that the lessee will exercise a purchase option, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the useful life of the underlying asset. Otherwise, it is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee’s incremental borrowing rate is used based on the information available at the commencement date.

For short-term leases with a lease term of 12 months or less and leases of low-value assets, a right-of-use asset and a lease liability are not recognized. Instead, total lease payment is recognized as an expense over the lease term using the straight-line method.

(10) Impairment of non-financial assets

Non-financial assets (excluding inventories, deferred tax assets, etc.) are assessed for impairment at each reporting date. If any indication of impairment exists, an impairment test is performed based on the recoverable amount of that asset. The recoverable amount is determined for a cash-generating unit to which the individual asset belongs, unless the asset generates cash inflows that are largely independent of those from other assets or groups of assets. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment test is performed for goodwill and intangible assets with indefinite useful lives at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment. When goodwill acquired in a business combination is tested for impairment, the goodwill is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the business combination.

For investments accounted for using the equity method, the carrying amount of the entire investment is treated as a single asset to test for impairment when there is objective evidence of impairment.

The recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is the higher of its value in use and fair value less costs of disposal. In determining value in use, estimated future cash flows are discounted to their present values at pre-tax discount rates that reflect the time value of money and the risks specific to the asset.

If the recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount is reduced to the recoverable amount. That reduction is an impairment loss, which is recognized in profit or loss.

TDK Group assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If there is such indication and the recoverable amount of the asset or the cash-generating unit exceeds its carrying amount, the impairment loss recognized in prior periods is reversed. In this case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(11) Employee benefits

I. Post-employment benefits

TDK Group sponsors defined benefit plans and defined contribution plans for its employees.

Net defined benefit asset or liability is calculated as the present value of defined benefit obligations less the fair value of any plan assets. The net defined benefit asset has the asset ceiling, which is the present value of future economic benefits available in the form of a cash refund or a reduction in future contributions.

The projected unit credit method is used to determine defined benefit obligations. The present value of the defined benefit obligations is calculated as expected future benefits discounted using the discount rate. The discount rate is determined by reference to market yields on high quality corporate bonds with a term similar to the estimated period of benefit. Service cost and net interest on the net defined benefit asset or liability are recognized in profit or loss. Actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined benefit asset or liability and any change in the effect of the asset ceiling are recognized in other comprehensive income as remeasurements of defined benefit plans in the period in which they occur and immediately transferred to retained earnings.

Past service cost is recognized in profit or loss in the period in which it occurs.

The contributions required under defined contribution plans for the services rendered by employees are recognized in profit or loss and included in employee benefit expenses.

II. Short-term employee benefits

Short-term employee benefits are recognized in profit or loss at the undiscounted amount during the period in which employees provide relevant services and included in employee benefit expenses.

The estimated amounts of bonuses and compensated absences are recognized as liabilities when there is a legal or constructive obligation to make payments and a reliable estimate of the amount can be made.

(12) Share-based payment

TDK Group has a share option plan and post-delivery type share remuneration plans.

The share option plan is an equity-settled share-based payment plan. TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in capital surplus.

The post-delivery type share remuneration plans are classified into equity-settled and cash-settled share-based payment plans. For the equity-settled plan, TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in capital surplus. For the cash-settled plan, TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in liability. Until the liability is settled, the fair value of the liability is remeasured with any changes in the fair value recognized in profit or loss.

(13) Provisions

A provision is recognized when TDK Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, estimated future cash flows are discounted to the present value using the discount rate that reflects the time value of money and the risks specific to the liability.

(14) Equity

I. Common shares

The issue price of common shares issued by TDK is recorded in share capital and capital surplus, and the issuance cost, net of tax, is deducted from capital surplus.

II. Treasury shares

Treasury shares are measured at the amount of consideration paid (including transaction costs) and recognized as a deduction from equity.

When such shares are sold, the amount received is recognized as an increase in equity.

(15) Revenue

TDK Group recognizes revenue arising from transactions within the scope of IFRS 15 Revenue from contracts with customers (“IFRS 15”) based on the following 5 steps:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

TDK Group sells passive components, sensor application products, magnetic application products and energy application products to global ICT related companies, manufacturers of automobile and automotive components, and manufacturers of home electrical appliances and industrial equipment. For these product sales, TDK Group recognizes revenue when products are transferred to the customers as the customers gain control over the products and the performance obligation is satisfied accordingly.

Transaction price that TDK Group receives in exchange for products transferred may include variable consideration such as sales discounts, customer rewards and sales rebates. Variable consideration is included in the transaction price when uncertainty over the variable consideration is resolved to the extent that a significant reversal in the amount of revenue is not expected. Variable consideration is estimated based on past trend or other elements known as of the transaction date and is updated based on the information available at each reporting date.

(16) Government grants

Government grants are recognized at fair value if there is reasonable assurance that TDK Group will comply with the conditions attaching to them and the grants will be received.

When government grants are related to items of expense, the government grants are recognized as revenue on a systematic basis over the periods in which TDK Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to an asset are presented by deducting the grant in arriving at the carrying amount of the asset.

(17) Income taxes

Income tax expense consists of current income tax and deferred income tax and is recognized in profit or loss except to the extent that the tax arises from a business combination and a transaction or event which is recognized either in other comprehensive income or directly in equity.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for the temporary differences between the carrying amount and tax base of assets and liabilities, the net operating loss carryforwards and the tax credit carryforwards. Deferred tax assets and liabilities are not recognized for the following temporary differences:

・Temporary differences arising from initial recognition of goodwill

・Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profits, and does not give rise to equal taxable temporary differences and deductive temporary differences

・Deductible temporary differences arising from investments in subsidiaries and associates to the extent that it is probable that the temporary difference will not reverse in the foreseeable future or taxable profit will not be available against which the temporary difference can be utilized

・Taxable temporary differences arising from investments in subsidiaries and associates to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences are expected to reverse, based on tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are included in non-current assets or non-current liabilities.

Deferred tax assets and deferred tax liabilities are offset if TDK Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized for the deductible temporary differences, net operating loss carryforwards and tax credit carryforwards to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized. Deferred tax assets are reassessed at each reporting date and reduced to the extent that it has become probable that tax benefits will not flow to TDK Group.

Uncertain tax positions are recognized as assets or liabilities at the amount reasonably estimated when it is probable that the tax positions will be sustained upon examinations by the taxation authorities.

TDK Group applies “International Tax Reform - Pillar 2 Model Rules” (“Amendments to IAS 12”), issued by The Organization for Economic Co-operation and Development (OECD).

TDK Group applies an exception defined in Amendments to IAS 12, and it does not recognize nor disclose deferred tax assets and liabilities related to income taxes arising from the Pillar 2 Model Rules.

(18) Earnings per share

Basic earnings per share attributable to owners of parent is calculated by dividing net profit attributable to owners of parent by the weighted average number of common shares outstanding adjusted for treasury shares for the reporting period.

Diluted earnings per share attributable to owners of parent is calculated by adjusting for the impact of potentially dilutive shares.

(19) Application of new standards and interpretations

Accounting standard which TDK Group applied from the fiscal years ended March 31, 2024 is as follows:

| Accounting standards | Title | Summary |
|---|---|---|
| IAS 12 | Income taxes | Accounting treatment clarification of deferred tax related to assets and liabilities arising from a single transaction |

The application of this standard above did not have a material impact on the TDK Group’s consolidated financial statements, except for the impact on (1) Deferred tax assets and liabilities of Note 14 Income Taxes. This standard has been applied retrospectively and the comparative figures in (1) Deferred tax assets and liabilities of Note 14 Income Taxes have been restated.

4. Segment Information

(1) Description of reportable segments

TDK Group's operating segments are components of the 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 segments and to assess their 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 one of these four reportable segments are included in Other.

In accordance with the reorganization for the fiscal year ended March 31, 2024, certain products of Other are reclassified into Passive Components. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

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

| Segment | Principal businesses/Products |
|---|---|
| Passive Components | Ceramic capacitors, Aluminum Electrolytic Capacitors,<br>Film Capacitors, Inductive Devices (Coils, Ferrite Cores and 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, etc. |

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, 2023 and 2024 are as follows:

Fiscal year ended March 31, 2023

(Millions of yen)

| | Reportable segment | | | | | | |
|---|---|---|---|---|---|---|---|
| | Passive Components | Sensor Application Products | Magnetic Application Products | Energy Application Products | Other | Adjustments | Consolidated |
| Net sales | | | | | | | |
| External customers | 578,759 | 169,543 | 200,573 | 1,173,355 | 58,587 | - | 2,180,817 |
| Intersegment | 8,005 | 121 | 118 | 5 | 5,490 | (13,739) | - |
| Total | 586,764 | 169,664 | 200,691 | 1,173,360 | 64,077 | (13,739) | 2,180,817 |
| Operating profit (loss) | 94,606 | 10,726 | (56,392) | 147,389 | 479 | (27,981) | 168,827 |
| Other items | | | | | | | |
| Assets | 811,103 | 325,442 | 436,910 | 1,672,805 | 60,561 | (159,794) | 3,147,027 |
| Depreciation and amortization | 43,218 | 16,784 | 28,406 | 106,751 | 2,315 | 8,811 | 206,285 |
| Capital expenditure | 80,282 | 17,133 | 53,776 | 114,025 | 4,584 | 5,909 | 275,709 |
| Impairment losses (reversal of impairment losses) | 654 | 1,143 | 21,435 | 11,832 | - | - | 35,064 |

Fiscal year ended March 31, 2024

(Millions of yen)

| | Reportable segment | | | | Other | Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| | Passive Components | Sensor Application Products | Magnetic Application Products | Energy Application Products | | | |
| Net sales | | | | | | | |
| External customers | 565,649 | 180,511 | 184,211 | 1,121,662 | 51,843 | - | 2,103,876 |
| Intersegment | 6,901 | 1,697 | 79 | 11 | 7,215 | (15,903) | - |
| Total | 572,550 | 182,208 | 184,290 | 1,121,673 | 59,058 | (15,903) | 2,103,876 |
| Operating profit (loss) | 53,886 | 6,042 | (35,589) | 195,654 | (1,799) | (45,301) | 172,893 |
| Other items | | | | | | | |
| Assets | 906,017 | 386,344 | 476,949 | 1,786,018 | 67,616 | (207,640) | 3,415,304 |
| Depreciation and amortization | 48,312 | 18,514 | 24,608 | 88,345 | 1,426 | 9,341 | 190,546 |
| Capital expenditure | 81,374 | 34,341 | 23,006 | 70,417 | 2,238 | 7,213 | 218,589 |
| Impairment losses (reversal of impairment losses) | (234) | 2,796 | 4,417 | 2,038 | - | 553 | 9,570 |

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

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

Segment assets are adjusted for elimination of intersegment transactions, cash and cash equivalents and property, plant and equipment that are held for general corporate purposes, and deferred tax assets and investments that are not allocated to operating segments.

(3) Geographic segment information

The geographic segment information for the fiscal years ended March 31, 2023 and 2024 are as follows:

Net sales

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Japan | 176,436 | 184,631 |
| Americas | 172,703 | 148,687 |
| Europe | 210,321 | 203,003 |
| China | 1,194,013 | 1,117,576 |
| Asia and others | 427,344 | 449,979 |
| Total | 2,180,817 | 2,103,876 |

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

There is no single country or region, except Japan and China, whose net sales are material to TDK Group.

Major countries in each geographical area are as follows:

(1) Americas..............United States of America

(2) Europe..................Germany

(3) Asia and others.....India, Vietnam, Thailand, Philippines, South Korea

Non-current assets (property, plant and equipment, right-of-use assets, goodwill, and intangible assets)

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Japan | 275,997 | 337,634 |
| Americas | 207,944 | 238,225 |
| Europe | 114,017 | 130,140 |
| China | 465,726 | 429,263 |
| Asia and others | 132,044 | 152,641 |
| Total | 1,195,728 | 1,287,903 |

(4) Information about major customers

There is one customer group that accounts for more than 10% of the consolidated net sales for the fiscal year ended March 31, 2023. The net sales to the customer group are ¥392,712 million.

There is one customer group that accounts for more than 10% of the consolidated net sales for the fiscal year ended March 31, 2024. The net sales to the customer group are ¥353,848 million.

These net sales are mainly included in the Energy Application Products segment for both of the fiscal years ended March 31, 2023 and 2024.

## 5. Cash and Cash Equivalents

Cash and cash equivalents comprise the following. The balance in Cash and cash equivalents in the statements of financial position is consistent with the balance in Cash and cash equivalents in the statements of cash flows.

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Cash on hand and demand deposits | 163,785 | 233,194 |
| Time deposits (with a maturity of three months or less) | 342,145 | 416,391 |
| Money market fund and other | 255 | 413 |
| Total | 506,185 | 649,998 |

In principle, cash and cash equivalents are classified as financial assets measured at amortized cost.

## 6. Trade Receivables

Trade receivables comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Accounts receivables-trade | 447,691 | 452,312 |
| Notes receivables | 101,004 | 108,182 |
| Loss allowance | (2,314) | (2,196) |
| Total | 546,381 | 558,298 |

Trade receivables are classified as financial assets measured at amortized cost.

7. Other Financial Assets

Other financial assets comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Financial assets measured at amortized cost | | |
| Time deposits (with a maturity of three months or more) | 16,228 | 16,118 |
| Accounts receivable-others | 20,731 | 21,489 |
| Other | 19,338 | 22,105 |
| Financial assets measured at fair value through profit or loss | | |
| Derivative financial assets | 6,344 | 1,753 |
| Mutual funds | 1,394 | 3,401 |
| Rabbi trust investments | 8,243 | 10,535 |
| SAFE investments | 3,739 | 1,722 |
| Convertible bonds | 2,370 | 227 |
| Commercial paper | 34 | 34 |
| Stock | - | 29,802 |
| Other | - | 794 |
| Financial assets measured at fair value through other comprehensive income | | |
| Shares | 127,676 | 123,497 |
| Total | 206,097 | 231,477 |
| | | |
| Current assets | 52,147 | 47,052 |
| Non-current assets | 153,950 | 184,425 |
| Total | 206,097 | 231,477 |

Shares measured at fair value through other comprehensive income comprise the following:

(Millions of yen)

| Name | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Guangdong Brunp Recycling Technology Co., Ltd. | 47,322 | 38,677 |
| Group14 Technologies, Inc. | 34,037 | 36,378 |
| Sila Nanotechnologies, Inc. | 7,705 | 8,745 |
| ALPS LOGISTICS CO., LTD. | 3,665 | 8,270 |
| Oura Health Oy | - | 4,357 |
| Other | 34,947 | 27,070 |
| Total | 127,676 | 123,497 |

The shares listed above have been designated as financial assets measured at fair value through other comprehensive income as they are principally held for strategic investment purposes.

Financial assets measured at fair value through other comprehensive income are disposed of and derecognized in order to maximize the efficiency and effective use of assets held. The fair value of the assets and their cumulative gain or loss at the date of derecognition are as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Fair value at the date of disposal | 470 | 1,773 |
| Cumulative gain at the date of disposal | 249 | 330 |

When shares measured at fair value through other comprehensive income are derecognized or a decline in fair value below cost is significant or prolonged, the cumulative gain or loss recognized in other comprehensive income is transferred to retained earnings. The amount transferred from other components of equity to retained earnings upon derecognition is ¥171 million and ¥244 million, net of tax, for the fiscal years ended March 31, 2023 and 2024, respectively. There is no amount transferred from other components of equity to retained earnings as a result of the significant decline in fair value below cost for the fiscal years ended March 31, 2023 and 2024.

Dividends from shares measured at fair value through other comprehensive income comprise the following:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Dividends from shares derecognized during the period | - | 134 |
| Dividends from shares held at the end of the reporting period | 123 | 156 |

Dividend income is included in Finance income in the consolidated statements of profit or loss.

## 8. Inventories

Inventories comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Finished goods | 168,432 | 153,693 |
| Work in process | 87,524 | 92,910 |
| Raw materials | 187,045 | 159,481 |
| Total | 443,001 | 406,084 |

The amount of write-down of inventories is ¥8,838 million and ¥3,133 million for the fiscal years ended March 31, 2023 and 2024, respectively, which is included in Cost of sales in the consolidated statements of profit or loss.

Long-term advances are paid to suppliers to ensure stable procurement of raw materials over the medium to long term. As of March 31, 2023 and 2024, long-term advances (including current portion) is ¥124,395 million and ¥120,668 million, respectively.

## 9. Investments Accounted for Using the Equity Method

The carrying amount of investments in individually immaterial associates in aggregate and TDK’s share of these associates’ comprehensive income are as follows:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Carrying amount | 24,706 | 36,990 |

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| TDK’s share of profit | 1,792 | 1,236 |
| TDK’s share of other comprehensive income | (109) | 368 |
| TDK’s share of comprehensive income | 1,683 | 1,604 |

In addition to the above, for the fiscal year ended March 31, 2024, the impairment loss of ¥566 million was recognized for the investments accounted for using the equity method, which is included in Share of profit/(loss) of investments accounted for using the equity method in the consolidated statements of profit or loss.

## 10. Property, Plant and Equipment

A reconciliation of the carrying amount at the beginning and end of the period, the cost, and the accumulated depreciation and impairment losses of property, plant and equipment are as follows:

(Millions of yen)

| | Land | Buildings | Machinery and equipment | Construction in progress | Total |
|---|---|---|---|---|---|
| April 1, 2022 | | | | | |
| Cost | 24,022 | 489,128 | 1,534,637 | 192,509 | 2,240,296 |
| Accumulated depreciation and accumulated impairment losses | (1,938) | (245,079) | (1,047,566) | (671) | (1,295,254) |
| | 22,084 | 244,049 | 487,071 | 191,838 | 945,042 |
| Additions | - | - | - | 215,885 | 215,885 |
| Depreciation expenses | - | (25,983) | (154,231) | - | (180,214) |
| Impairment losses (reversal of impairment losses) | - | (2,054) | (26,848) | (5,067) | (33,969) |
| Sale or disposal | - | (338) | (15,183) | (21,478) | (36,999) |
| Transfers to other accounts | 9,494 | 35,938 | 172,687 | (218,119) | - |
| Other | - | 7 | (58) | (1,527) | (1,578) |
| Exchange differences on translation of foreign operations | 627 | 2,800 | 11,624 | 7,070 | 22,121 |
| March 31, 2023 | | | | | |
| Cost | 34,143 | 533,033 | 1,708,912 | 174,048 | 2,450,136 |
| Accumulated depreciation and accumulated impairment losses | (1,938) | (278,614) | (1,233,850) | (5,446) | (1,519,848) |
| | 32,205 | 254,419 | 475,062 | 168,602 | 930,288 |
| Additions | - | - | - | 197,922 | 197,922 |
| Depreciation expenses | - | (23,174) | (141,700) | - | (164,874) |
| Impairment losses (reversal of impairment losses) | (76) | (746) | (8,483) | 397 | (8,908) |
| Sale or disposal | (116) | (1,113) | (28,585) | (210) | (30,024) |
| Transfers to other accounts | 429 | 42,745 | 133,709 | (176,883) | - |
| Other | - | - | (1,112) | (147) | (1,259) |
| Exchange differences on translation of foreign operations | 2,477 | 14,987 | 33,399 | 17,064 | 67,927 |
| March 31, 2024 | | | | | |
| Cost | 36,932 | 602,223 | 1,878,121 | 209,675 | 2,726,951 |
| Accumulated depreciation and accumulated impairment losses | (2,013) | (315,105) | (1,415,831) | (2,930) | (1,735,879) |
| | 34,919 | 287,118 | 462,290 | 206,745 | 991,072 |

Depreciation expenses and Impairment losses for property, plant and equipment are included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of profit or loss.

The amount of contractual commitments for the acquisition of property, plant and equipment is disclosed in Note 29 Commitments and Contingent Liabilities. There is no material property, plant and equipment pledged as security for liabilities.

Also, there are no material borrowing costs included in the cost of property, plant and equipment for the fiscal years ended March 31, 2023 and 2024.

The impairment loss of ¥19,023 million recognized in the Magnetic Application Products segment for the fiscal year ended March 31, 2023 resulted from the recoverable amount of a cash-generating unit for machinery and equipment in the suspension application products business falling below its carrying amount, reflecting decreased profitability due to lower sales. The recoverable amount was zero, which was determined based on the value in use at a discount rate of 13.0%.

The impairment loss of ¥2,218 million and ¥2,332 million recognized in the Magnetic Application Products segment for the fiscal years ended March 31, 2023 and 2024 resulted from the recoverable amount of a cash-generating unit for machinery and equipment in the magnet business falling below its carrying amount, reflecting decreased profitability due to lower sales. The recoverable amount was zero, which was determined based on the value in use at a discount rate of 8.7% and 10.2%.

The impairment loss of ¥11,326 million and ¥1,658 million recognized in the Energy Application Products segment for the fiscal years ended March 31, 2023 and 2024 resulted mainly from the recoverable amount of a cash-generating unit for machinery and equipment in the EVs' power source products business falling below its carrying amount, reflecting decreased profitability due to lower sales. The recoverable amount was zero and ¥2,015 million, which was determined based on the value in use at a discount rate of 9.5% and 9.5%.

In allocating the impairment losses recognized to an individual asset within the relevant cash-generating units, the carrying amount of the individual asset is not reduced below its fair value less costs of disposal, if measurable. The fair value was determined based on the property valuation. As unobservable inputs were used in the measurement, the amount is classified as Level 3 in the fair value hierarchy. The levels of the fair value hierarchy are set out in (8) Fair Value Measurement of Financial Instruments in Note 19 Financial Instruments.

## 11. Leases

TDK Group leases land, buildings, machinery and other assets under various lease contracts expiring after March 31, 2024.

TDK Group does not have material lease contracts with variable lease payments.

Some lease contracts include an option to extend or terminate the lease to increase flexibility in TDK Group's businesses. If it is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease, TDK Group determines the lease term together with periods covered by these options.

TDK Group's lease contracts do not contain any material residual value guarantees or material financial covenants.

The carrying amounts of right-of-use assets by class of underlying asset are as follows:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Class of underlying asset | | |
| Land | 6,483 | 7,246 |
| Buildings | 44,132 | 58,775 |
| Machinery | 1,894 | 2,912 |
| Other | 2,174 | 2,401 |
| Total | 54,683 | 71,334 |

The right-of-use assets increased by ¥15,126 million and ¥21,817 million for the fiscal years ended March 31, 2023 and 2024, respectively.

The amounts recognized in profit or loss for leases where TDK Group is the lessee are as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Depreciation expenses for right-of-use assets | | |
| Land | 372 | 407 |
| Buildings | 8,846 | 9,567 |
| Machinery | 358 | 442 |
| Other | 1,013 | 1,151 |
| Total | 10,589 | 11,567 |
| Interest expenses on lease liabilities | 2,076 | 2,213 |
| Expense relating to short-term leases | 1,041 | 885 |
| Expense relating to leases of low-value assets (excluding short-term leases) | 400 | 416 |

Total cash outflow for leases as a lessee is ¥13,915 million and ¥15,800 million for the fiscal years ended March 31, 2023 and 2024, respectively.

Leases recognized as of March 31, 2023 and 2024 contain extension options or termination options which were not included in the measurement of lease liabilities because it was not reasonably certain at that point that the options would be exercised or not exercised. If the possibility of exercising these options changes, it could result in potential future cash outflows.

The maturity analysis of lease liabilities is as follows:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Lease payments | | |
| Within 1 year | 12,253 | 13,878 |
| 1 to 2 years | 10,645 | 10,952 |
| 2 to 3 years | 7,577 | 9,133 |
| 3 to 4 years | 6,061 | 7,038 |
| 4 to 5 years | 4,325 | 6,073 |
| More than 5 years | 28,969 | 44,982 |
| Total future minimum lease payments | 69,830 | 92,056 |
| Less: interest portion | 14,838 | 19,486 |
| Lease liabilities | 54,992 | 72,570 |

The weighted average incremental borrowing rate for the lease liabilities is 3.78% as of March 31, 2023 and 2.66% as of March 31, 2024, with the maturity from April 2024 to May 2054.

12. Goodwill and Intangible Assets

A reconciliation of the carrying amount at the beginning and end of the period, the cost, and the accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

(Millions of yen)

| | | Intangible assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Goodwill | Intangible assets with indefinite useful lives | | Intangible assets with finite useful lives | | | | | Total intangible assets |
| | | Trademarks | Other | Patents | Customer relationships | Software | Unpatented technologies | Other | |
| April 1, 2022 | | | | | | | | | |
| Cost | 186,130 | 4,275 | 190 | 42,445 | 14,928 | 56,475 | 46,629 | 13,425 | 178,367 |
| Accumulated amortization and impairment losses | (48,778) | (823) | - | (32,370) | (13,339) | (30,453) | (26,935) | (5,417) | (109,337) |
| | 137,352 | 3,452 | 190 | 10,075 | 1,589 | 26,022 | 19,694 | 8,008 | 69,030 |
| Additions | 767 | - | - | 146 | - | 4,978 | 65 | 93 | 5,282 |
| Amortization expenses | - | - | - | (2,188) | (801) | (6,543) | (5,283) | (669) | (15,484) |
| Impairment losses | - | - | - | - | - | (531) | (268) | - | (799) |
| Sale or disposal | - | - | - | (3) | - | (3) | - | (2) | (8) |
| Other | - | - | - | 3 | - | 76 | 8 | 118 | 205 |
| Exchange differences on translation of foreign operations | 11,397 | - | - | 860 | 79 | 238 | 1,706 | 132 | 3,015 |
| March 31, 2023 | | | | | | | | | |
| Cost | 202,455 | 4,275 | 190 | 24,427 | 15,659 | 60,894 | 50,426 | 14,016 | 169,887 |
| Accumulated amortization and impairment losses | (52,939) | (823) | - | (15,534) | (14,792) | (36,657) | (34,504) | (6,336) | (108,646) |
| | 149,516 | 3,452 | 190 | 8,893 | 867 | 24,237 | 15,922 | 7,680 | 61,241 |
| Additions | - | - | - | 2 | - | 5,908 | 79 | 28 | 6,017 |
| Amortization expenses | - | - | - | (1,688) | (209) | (6,286) | (5,612) | (310) | (14,105) |
| Impairment losses | - | - | - | - | - | (51) | - | (0) | (51) |
| Sale or disposal | - | - | (1) | (0) | (1) | (46) | (0) | - | (47) |
| Other | - | - | - | 0 | - | 30 | (4) | - | 26 |
| Exchange differences on translation of foreign operations | 18,867 | - | - | 1,090 | 78 | 441 | 1,789 | 636 | 4,033 |
| March 31, 2024 | | | | | | | | | |
| Cost | 228,067 | 4,275 | 189 | 26,954 | 16,182 | 67,716 | 56,563 | 15,389 | 187,269 |
| Accumulated amortization and impairment losses | (59,684) | (823) | - | (18,657) | (15,447) | (43,483) | (44,389) | (7,356) | (130,155) |
| | 168,383 | 3,452 | 189 | 8,297 | 735 | 24,233 | 12,174 | 8,033 | 57,114 |

The amortization expenses of intangible assets are included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of profit or loss. There are no significant internally generated intangible assets other than software.

The amount of research and development expenditure recognized as an expense was ¥179,467 million and ¥188,860 million for the fiscal years ended March 31, 2023 and 2024, respectively.

TDK Group determines that certain assets presented under trademarks and other intangible assets have indefinite useful lives on the grounds that continuous use of the assets is not legally restricted as long as the business continues and management plans to offer services in connection with the assets for the foreseeable future.

Goodwill acquired in a business combination is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The following table presents the amount of goodwill allocated to a cash-generating unit or a group of cash-generating units. Intangible assets with indefinite useful lives are allocated primarily to the power supplies business within the Energy Application

Products segment.

Goodwill

(Millions of yen)

| Cash-generating unit or group of cash-generating units | March 31, 2023 | March 31, 2024 |
|---|---|---|
| MEMS Sensors business | 82,414 | 93,449 |
| HDD Heads business | 17,958 | 20,397 |
| Other | 49,144 | 54,537 |
| Total | 149,516 | 168,383 |

The recoverable amounts of cash-generating units to which a significant amount of goodwill is allocated are measured at their fair values less costs of disposal. As unobservable inputs were used in the measurement, these amounts are classified as Level 3 in the fair value hierarchy. The methods used to measure the fair value less costs of disposal, the key assumptions on which the determination of fair value less costs of disposal is based, and management's approach to determining the values assigned to each of the key assumption are as follows:

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| MEMS Sensors business | | |
| Measurement method | Discounted cash flow method | Discounted cash flow method |
| Perpetual growth rate (%) | 2.0 | 1.6 |
| Cash flow forecast period (years) | 5 | 5 |
| Discount rate (%) | 11.5 | 11.0 |
| HDD Heads business | | |
| Measurement method | Discounted cash flow method and comparable multiple valuation method | Discounted cash flow method |
| Perpetual growth rate (%) | 1.0 | 2.0 |
| Cash flow forecast period (years) | 9 | 9 |
| Discount rate (%) | 8.9 | 11.5 |
| EBITDA multiples (x) | 9.3～17.1 | - |

Under the discounted cash flow method, estimated cash flows determined based on the business plan approved by management are discounted to the present value using the after-tax discount rate for the relevant cash-generating unit. Net sales included in the business plan are based on factors such as the expected growth rate of the market to which the cash-generating unit belongs and the expected sales volume to major customers. The perpetual growth rate applied to extrapolate cash flow projections beyond the period covered by the business plan is calculated using inflation rates and other factors for the cash-generating unit's major sales region or the major sales regions of the business to which the cash-generating unit belongs. The cash flow forecast period is the period covered by the management-approved business plan. The discount rate is determined based on the weighted average cost of capital of the relevant cash-generating unit.

Under the comparable multiple valuation method, the enterprise value is determined by multiplying TDK Group's latest EBITDA by the enterprise multiple of the publicly traded peer companies.

The key assumptions used in determining fair values are based on historical experience and externally-obtained information.

The recoverable amount of the cash-generating unit for the MEMS Sensor business within the Sensor Application Products segment exceeded its carrying amount by ¥67,600 million and ¥55,500 million for the fiscal years ended March 31, 2023 and 2024, respectively. Also, the recoverable amount of the cash-generating unit for the HDD Heads business within the Magnetic Application Products segment exceeded its carrying amount by ¥67,304 million and ¥63,748 million for the fiscal years ended March 31, 2023 and 2024, respectively. The cash-generating unit for the HDD Heads business mainly comprises property, plant and equipment, and its carrying amount was ¥94,368 million and ¥115,431 million as of March 31, 2023 and 2024, respectively.

Management judges that any reasonably possible change in key assumptions used in the impairment test would unlikely cause the unit's or group of units' carrying amount to exceed its recoverable amount.

13. Other Current Assets

Other current assets comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Consumption tax receivable | 24,693 | 22,955 |
| Advances to suppliers | 16,970 | 17,185 |
| Prepaid expenses | 9,518 | 11,665 |
| Accrued interest | 1,580 | 5,164 |
| Other | 2,533 | 4,746 |
| Total | 55,294 | 61,715 |

14. Income Taxes

(1) Deferred tax assets and liabilities

Changes in deferred tax assets and deferred tax liabilities comprise the following:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Balance as of April 1, 2022 | Recognized in profit or loss | Recognized in other comprehensive income | Other changes | Balance as of March 31, 2023 |
| Deferred tax assets | | | | | |
| Inventories | 5,486 | (267) | - | 25 | 5,244 |
| Accrued expenses | 16,809 | 4,259 | - | 394 | 21,462 |
| Defined benefit liability | 10,149 | (2,393) | (2,709) | 201 | 5,248 |
| Net operating loss carryforwards | 5,348 | 2,270 | - | 877 | 8,495 |
| Tax credit carryforwards | 3,612 | (3,801) | - | 189 | - |
| Lease liabilities | 5,492 | 5 | | 290 | 5,787 |
| Property, plant and equipment and intangible assets | 3,297 | 7,236 | - | 559 | 11,092 |
| Other | 1,800 | (1,776) | - | 142 | 166 |
| Total deferred tax assets | 51,993 | 5,533 | (2,709) | 2,677 | 57,494 |
| Deferred tax liabilities | | | | | |
| Marketable securities and other investments in securities | 7,075 | (670) | 1,066 | (110) | 7,361 |
| Undistributed earnings of foreign subsidiaries and associates | 51,584 | 16,142 | - | (889) | 66,837 |
| Right-of-use assets | 5,210 | (50) | - | 273 | 5,433 |
| Tangible and intangible assets acquired in business combinations | 1,937 | (547) | - | (118) | 1,272 |
| Other | 3,579 | (775) | - | (16) | 2,788 |
| Total deferred tax liabilities | 69,385 | 14,100 | 1,066 | (860) | 83,691 |
| Net amount | (17,392) | (8,567) | (3,775) | 3,537 | (26,197) |

(Millions of yen)

| | Fiscal year ended March 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Balance as of April 1, 2023 | Recognized in profit or loss | Recognized in other comprehensive income | Other changes | Balance as of March 31, 2024 |
| Deferred tax assets | | | | | |
| Inventories | 5,244 | (1,214) | - | 197 | 4,227 |
| Accrued expenses | 21,462 | 4,477 | - | 0 | 25,939 |
| Defined benefit liability | 5,248 | (1,828) | 1,510 | 382 | 5,312 |
| Net operating loss carryforwards | 8,495 | 3,905 | - | 429 | 12,829 |
| Tax credit carryforwards | - | - | - | - | - |
| Lease liabilities | 5,787 | (562) | | 555 | 5,780 |
| Property, plant and equipment and intangible assets | 11,092 | (2,205) | - | 1,170 | 10,057 |
| Other | 166 | 362 | - | 78 | 606 |
| Total deferred tax assets | 57,494 | 2,935 | 1,510 | 2,811 | 64,750 |
| Deferred tax liabilities | | | | | |
| Marketable securities and other investments in securities | 7,361 | 20 | (160) | (1) | 7,220 |
| Undistributed earnings of foreign subsidiaries and associates | 66,837 | 13,403 | - | 4,401 | 84,641 |
| Right-of-use assets | 5,433 | (652) | - | 512 | 5,293 |
| Tangible and intangible assets acquired in business combinations | 1,272 | (18) | - | 15 | 1,269 |
| Other | 2,788 | (824) | - | (204) | 1,760 |
| Total deferred tax liabilities | 83,691 | 11,929 | (160) | 4,723 | 100,183 |
| Net amount | (26,197) | (8,994) | 1,670 | (1,912) | (35,433) |

In recognizing deferred tax assets, TDK Group assesses whether it is probable that part or all of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards reduces future taxable profits or the amount of taxes. The recoverability of deferred tax assets is determined by the level of future taxable profits during the periods in which these temporary differences, net operating loss carryforwards and tax credit carryforwards will be deducted. TDK Group assesses the ultimate recoverability of deferred tax assets by considering the expected timing of the reversal of taxable temporary differences, estimated future taxable profits and tax planning strategies. TDK Group believes it is probable that the deferred tax assets recognized as of March 31, 2024 are recoverable based on the consideration of taxable profits in the previous years and the estimated taxable profits of future periods in which deferred tax assets will be used. As described in (19) Application of new standards and interpretations in Note 3 Material Accounting Policies, the amendments to IAS 12 have been applied retrospectively and the comparative figures have been restated.

The deductible temporary differences, net operating loss carryforwards and tax credit carryforwards for which no deferred tax asset is recognized are as follows:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Deductible temporary differences | 200,081 | 296,099 |
| Net operating loss carryforwards | 432,696 | 431,406 |
| Tax credit carryforwards | 15,168 | 20,830 |

The net operating loss carryforwards for which no deferred tax asset is recognized are expected to expire as follows:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Within 1 year | 13,552 | 20,852 |
| 1 to 5 years | 93,165 | 96,955 |
| 5 to 20 years | 152,999 | 139,125 |
| Indefinite periods | 172,980 | 174,474 |
| Total | 432,696 | 431,406 |

The tax credit carryforwards for which no deferred tax asset is recognized are expected to expire as follows:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Within 20 years | 6,776 | 9,016 |
| Indefinite periods | 8,392 | 11,814 |
| Total | 15,168 | 20,830 |

Deferred tax liabilities are not recognized for temporary differences arising from investments when TDK Group is able to control the timing of reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. As of March 31, 2023 and 2024, such temporary differences are ¥199,994 million and ¥214,335 million, respectively.

(2) Income tax expense

Income tax expenses comprise the following:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Current tax expense | 44,351 | 44,112 |
| Deferred tax expense | | |
| Temporary differences and reversals | 8,124 | 2,017 |
| Assessment of recoverability of deferred tax assets | 329 | 6,977 |
| Changes in tax rates | 114 | - |
| Total | 52,918 | 53,106 |

TDK's statutory effective tax rates are 31.1% and 31.1% for the fiscal years ended March 31, 2023 and 2024, respectively.

The difference between the statutory effective tax rates and the average effective tax rates for the fiscal years ended March 31, 2023 and 2024 are as follows:

(%)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Statutory effective tax rate | 31.1 | 31.1 |
| Difference in statutory tax rates of foreign subsidiaries | (10.9) | (15.6) |
| Non-deductible items | 5.1 | 3.6 |
| Non-taxable items | (7.5) | (0.8) |
| Tax rate differences related to changes in profit or loss of loss-making companies | 5.2 | 7.0 |
| Changes in unrecognized deferred tax assets | 2.9 | 2.2 |
| Research and development and investment tax credit | (6.5) | (5.5) |
| Foreign withholding taxes | 8.2 | 4.7 |
| Research and development tax credit | (1.5) | (1.4) |
| Prior-year tax adjustments | (3.9) | (2.4) |
| Undistributed earnings of associates | 8.7 | 5.6 |
| Other | 0.7 | 1.1 |
| Average effective tax rate | 31.6 | 29.6 |

(3) Global minimum top-up taxes

The Japan's 2023 tax reform introduced a global minimum corporate tax, and the related Tax Reform Act (Act on Partial Amendments to the Income Tax Act, etc. (Act No. 3 of 2023) ("Amendments to Corporation Tax Act") was enacted on March 28, 2023. Amendments to Corporation Tax Act introduced the Income Inclusion Rule (IIR) of the global minimum tax rule, under which, from the fiscal year beginning on or after April 1, 2024, a parent company located in Japan will be subject to an additional tax until the tax burden of subsidiaries, etc. of the parent company located in Japan reaches the minimum tax rate (15%).

TDK Group has assessed the potential impact of this tax system on its future financial performance and determined that although the tax system could have an impact in some jurisdictions, it is not expected to have a material impact on the TDK Group's consolidated financial statements.

## 15. Trade Payables

Trade payables comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Notes payables | 194,856 | 175,866 |
| Accounts payables | 156,583 | 176,074 |
| Total | 351,439 | 351,940 |

Trade payables are classified as financial liabilities measured at amortized cost.

Trade payables to be settled more than one year after the end of the fiscal year are ¥289 million and ¥274 million as of March 31, 2023 and 2024, respectively.

## 16. Bonds and Borrowings

Borrowings (current liabilities) comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Short-term borrowings from banks, unsecured (weighted-average interest rate: 0.60% as of March 31, 2023 and 1.15% as of March 31, 2024) | 242,333 | 80,087 |
| Current portion of long-term borrowings | 6,177 | 132,820 |
| Total | 248,510 | 212,907 |

Bonds and borrowings (non-current liabilities) comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Long-term borrowings from banks, unsecured (weighted-average interest rate: 0.68% as of March 31, 2023 and 1.13% as of March 31, 2024) | 255,434 | 313,640 |
| Unsecured bonds due 2025 - 0.18% (issued by TDK) | 29,943 | 29,967 |
| Unsecured bonds due 2027 - 0.31% (issued by TDK) | 29,923 | 29,941 |
| Unsecured bonds due 2030 - 0.43% (issued by TDK) | 39,867 | 39,885 |
| Unsecured bonds due 2026 - 0.15% (issued by TDK) | 29,912 | 29,936 |
| Unsecured bonds due 2028 - 0.26% (issued by TDK) | 39,873 | 39,895 |
| Unsecured bonds due 2031 - 0.38% (issued by TDK) | 29,881 | 29,895 |
| Unsecured bonds due 2028 - 0.52% (issued by TDK) | - | 19,920 |
| Subtotal | 454,833 | 533,079 |
| Less: current portion | 6,177 | 132,820 |
| Total | 448,656 | 400,259 |

Bonds and borrowings are classified as financial liabilities measured at amortized cost.

17. Other Financial Liabilities

Other financial liabilities comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Financial liabilities measured at amortized cost | | |
| Accounts payable-others | 85,549 | 75,674 |
| Other | 7,515 | 6,723 |
| Financial liabilities measured at fair value through profit or loss | | |
| Derivative financial liabilities | 3,191 | 4,911 |
| Other | 267 | 303 |
| Total | 96,522 | 87,611 |
| | | |
| Current liabilities | 92,673 | 81,774 |
| Non-current liabilities | 3,849 | 5,837 |
| Total | 96,522 | 87,611 |

18. Other Current Liabilities

Other current liabilities comprise the following:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Accrued expenses | 216,505 | 264,083 |
| Advances received | 9,139 | 13,623 |
| Accrued consumption tax and other | 12,834 | 8,250 |
| Retirement benefit liabilities | 5,550 | 6,249 |
| Other | 13,999 | 15,086 |
| Total | 258,027 | 307,291 |

19. Financial Instruments

(1) Financial risk management

TDK Group is exposed to various risks such as credit risk, liquidity risk and market risk (including currency risk, interest rate risk and risk of market price changes). TDK Group uses derivative financial instruments, such as forward foreign exchange contracts, to hedge market risk. Derivative transactions are executed and managed based on TDK Group's internal policies that stipulate the level of trading authorizations. TDK Group has a policy not to conduct speculative transactions using derivative financial instruments.

(2) Credit risk

Credit risk is the risk that counterparties to financial instruments will default on their contractual obligations and results in financial losses for TDK Group. In the course of its business operations, TDK Group is exposed to the credit risks of its customers and counterparties that arise from trade receivables, other receivables and other financial assets (such as derivatives).

In order to prevent or reduce such risks, TDK Group does not hold any exposures that result in excessive concentration of credit risks.

Notes receivable and accounts receivable are trade receivables from customers, and TDK Group is exposed to the credit risks of these customers. To manage credit risks arising from receivables from customers, TDK Group manages due dates and balances of the receivables by each customer and operates under a structure to regularly monitor the credit status of major customers based on TDK Group's internal credit management policies.

Derivative transactions are executed and managed based on management policies for derivative transactions. When using derivatives, TDK Group enters into transactions only with financial institutions with high credit ratings in order to mitigate credit risks.

TDK Group's maximum exposure to credit risk at the end of the fiscal year is the carrying amount of financial assets in the consolidated statements of financial position, net of impairment losses, and maximum amount of guarantee obligations. Obligations under guarantee arrangements are set out in Note 29 Commitments and Contingent Liabilities. There are no financial assets or non-financial assets acquired as a result of taking ownership of properties held as collateral or exercising other credit enhancements for the fiscal years ended March 31, 2023 and 2024.

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses. For receivables other than trade receivables, expected credit losses are determined based on the assessment of significant increases in credit risk. TDK Group determines whether there is a significant increase in credit risk based on changes in the risk of default occurring, and in making this determination, TDK Group considers past due information, deterioration in operating results, external credit ratings and other factors related to its counterparties. For receivables other than trade receivables, loss allowances are generally measured at an amount equal to 12-month expected credit losses. However, if credit risk increases significantly since initial recognition, they are measured at an amount equal to lifetime expected credit losses.

The amount of expected credit losses is determined as follows:

・Trade receivables

Determined by applying a certain rate based on historical credit loss experiences, calibrated by forward-looking information, to the outstanding balance of trade receivables.

・Receivables other than trade receivables

If the credit risks of financial assets are not determined to have increased significantly, the amount is determined as a portion of lifetime expected credit losses that represents expected credit losses resulting from events of default on the financial instrument that are possible to occur within 12 months after the reporting date. If the credit risks of financial assets are determined to have increased significantly or if assets are credit-impaired, TDK Group calculates the expected credit losses as the difference between the assets' gross carrying amount and the expected present value of estimated future cash flows discounted at the financial assets' original effective interest rate.

If the following events of default occur that have a detrimental impact on the estimated future cash flows of financial assets, TDK Group assesses whether the financial assets are credit-impaired and measures expected credit losses for each asset separately such as individual receivable. In addition, carrying amounts of financial assets are directly reduced by the amounts that are clearly not recoverable in the future. Financial assets that are not individually material are assessed on a collective basis based on the characteristics of credit risk and the nature of transactions.

・Significant financial difficulties of the issuer or the borrower

・A breach of contract, such as failure to repay or past due interest or principal payments
・It became probable that the borrower will enter bankruptcy or financial reorganization

I. Carrying amounts of financial assets subject to loss allowances are as follows (without netting loss allowance):

(i) Trade receivables

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Trade receivables and contract assets that are measured at an amount equal to lifetime expected credit losses on a recurring basis | 546,186 | 558,144 |
| Credit-impaired financial assets | 2,509 | 2,350 |
| Total | 548,695 | 560,494 |

(ii) Receivables other than trade receivables

TDK Group determines that the credit risks of receivables other than trade receivables as of March 31, 2023 and 2024 have not increased significantly and the credit risks relating to the carrying amounts of these receivables are not material.

II. Reconciliation of loss allowance

A reconciliation of loss allowance at the beginning and end of the period is as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | | |
|---|---|---|---|
| | Financial assets that are measured at amount equal to lifetime expected credit losses on a recurring basis | Credit-impaired financial assets | Total |
| Opening balance | 600 | 1,057 | 1,657 |
| Increase | 495 | 223 | 718 |
| Decrease (intended use) | (56) | (21) | (77) |
| Decrease (reversal) | (20) | (6) | (26) |
| Exchange differences on translation of foreign operations | 31 | 11 | 42 |
| Ending balance | 1,050 | 1,264 | 2,314 |

(Millions of yen)

| | Fiscal year ended March 31, 2024 | | |
|---|---|---|---|
| | Financial assets that are measured at amount equal to lifetime expected credit losses on a recurring basis | Credit-impaired financial assets | Total |
| Opening balance | 1,050 | 1,264 | 2,314 |
| Increase | 383 | 591 | 902 |
| Decrease (intended use) | (37) | (357) | (394) |
| Decrease (reversal) | (489) | (415) | (904) |
| Exchange differences on translation of foreign operations | 168 | 110 | 278 |
| Ending balance | 1,075 | 1,121 | 2,196 |

The increases and reversals of loss allowances are recorded in Selling, general and administrative expenses in the consolidated statements of profit or loss.

There are no significant changes in the gross carrying amount of financial instruments that would affect changes in the loss allowances for the fiscal years ended March 31, 2023 and 2024.

Of the financial assets that were directly written off, there are no significant financial assets that are still subject to enforcement activity for the fiscal years ended March 31, 2023 and 2024.

(3) Liquidity risk

Liquidity risk is the risk that TDK Group will be unable to repay its financial obligations when due. TDK Group needs working capital primarily for manufacturing costs, such as procuring raw materials and components used in the manufacturing of products, as well as for selling, general and administrative costs which include research and development costs used for continuous development of new products. In addition, TDK Group needs long-term capital for capital expenditures to appropriately respond to rapid technological innovations and intensified sales competition in the electronics market, and also for mergers and acquisitions in line with its strategies for further growth.

TDK Group's basic policy is to ensure that it has sufficient liquidity and capital resources necessary for its business operations. TDK Group introduced a cash management system in Japan, the U.S., Europe, China and ASEAN regions to improve its capital efficiencies as well as to ensure liquidity through commitment line agreements. Undrawn amounts of commitment lines are ¥104,172 million and ¥106,685 million as of March 31, 2023 and 2024, respectively.

The following table presents a maturity analysis of TDK Group's non-derivative and derivative financial liabilities. The maturity analysis of lease liabilities is set out in Note 11 Leases.

(Millions of yen)

| | March 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Within 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | | | |
| Trade payables | 351,439 | 351,439 | 351,151 | 267 | 20 | 1 | - | - |
| Short-term borrowings | 242,333 | 243,794 | 243,794 | - | - | - | - | - |
| Long-term borrowings | 255,434 | 257,092 | 6,276 | 149,961 | 35,362 | 45,237 | 190 | 20,066 |
| Bonds | 199,399 | 203,532 | 582 | 582 | 30,546 | 30,513 | 30,421 | 110,888 |
| Other financial liabilities | 93,331 | 93,331 | 89,482 | 699 | 269 | 1,987 | 0 | 894 |
| Total | 1,141,936 | 1,149,188 | 691,285 | 151,509 | 66,197 | 77,738 | 30,611 | 131,848 |
| Derivative financial liabilities | | | | | | | | |
| Forward exchange contracts and others | 3,191 | 3,191 | 3,191 | - | - | - | - | - |
| Total | 3,191 | 3,191 | 3,191 | - | - | - | - | - |

(Millions of yen)

| | March 31, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Within 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | | | |
| Trade payables | 351,940 | 351,940 | 351,666 | 265 | 9 | - | - | - |
| Short-term borrowings | 80,087 | 81,011 | 81,011 | - | - | - | - | - |
| Long-term borrowings | 313,640 | 317,178 | 134,334 | 36,070 | 45,614 | 579 | 20,398 | 80,183 |
| Bonds | 219,439 | 223,409 | 686 | 30,650 | 30,617 | 30,525 | 60,398 | 70,533 |
| Other financial liabilities | 82,700 | 82,700 | 76,863 | 1,067 | 1,229 | 2,574 | 2 | 965 |
| Total | 1,047,806 | 1,056,238 | 644,560 | 68,052 | 77,469 | 33,678 | 80,798 | 151,681 |
| Derivative financial liabilities | | | | | | | | |
| Forward exchange contracts and others | 4,911 | 4,911 | 4,911 | - | - | - | - | - |
| Total | 4,911 | 4,911 | 4,911 | - | - | - | - | - |

For short-term and long-term borrowings from banks, securities or guarantees are given for present and future borrowings when they are requested by the banks. Additionally, the banks have the rights under general agreements to offset cash deposits against such borrowings due from TDK Group as the borrowings become due or in the events of default.

There are no debt covenants or cross-default provisions under TDK Group's borrowing arrangements which cause significant disadvantage to TDK Group. Furthermore, there are no subsidiary-level dividend restrictions under the borrowing arrangements.

(4) Currency risk

TDK Group operates businesses globally, with overseas sales ratio exceeding 90% on a consolidated basis, and many of the currencies used in the transactions are currencies other than Japanese yen, such as the U.S. dollar (USD) and Euro. The sudden appreciation of Japanese yen against these currencies will have an impact on profit or loss, such as decreases in sales and profits. To mitigate this risk, TDK Group is pursuing a strategy to increase the purchase of raw materials denominated in foreign currencies and to promote local procurement of materials that are consumed overseas. In addition, as assets and liabilities denominated in foreign currencies are translated into Japanese yen on the financial statements, fluctuations in foreign exchange rates have an impact on the financial statements arising from the translation differences. TDK Group is taking measures to respond to these fluctuations in foreign exchange rates, such as obtaining funding in foreign currencies and entering into forward foreign exchange contracts. However, sudden or substantial fluctuations in foreign exchange rates could have a significant impact on TDK Group's financial position and results of operations.

The following table presents TDK Group's major exposures to currency risks (net). Amounts for which the currency risks are hedged by forward foreign exchange contracts are excluded.

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| USD | 44,677 | 123,539 |
| Euro | (3,589) | (1,236) |

The following table presents the effect of 1% appreciation of Japanese yen against USD and Euro on profit in the consolidated statements of profit or loss arising from translation of foreign currency denominated financial instruments held as of March 31, 2023 and 2024. All other assumptions are held constant in this calculation.

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| USD | (447) | (1,235) |
| Euro | 24 | 6 |

(5) Interest rate risk

TDK Group pays interest incurred in procuring funds necessary for working capital and capital expenditures in the course of its business activities. TDK Group is exposed to interest rate risk arising from changes in future cash flows when interest on variable interest loans is affected by changes in market interest rates.

TDK Group may use interest rate swap contracts to maintain a desired level of exposures to interest rate risk and to minimize interest expense. Interest-bearing liabilities consist primarily of bonds and borrowings with fixed interest rates. Therefore, the impact of interest rate risk on TDK Group's cash flows is immaterial.

(6) Market price change risk

TDK Group is exposed to the risk of share price changes as it primarily holds shares of companies with which it has business relationships for the purpose of facilitating its business activities. TDK Group regularly monitors market prices of shares held and financial conditions of the issuers to determine valuation gains and losses. In addition, TDK Group continuously reviews its holdings of shares, taking into account the relationships with the issuers.

Shares are classified as financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, and sudden or substantial fluctuations in the market prices could have a significant impact on TDK Group's financial position and results of operations.

The following table presents the effect of 10% fluctuation in market price of shares held as of March 31, 2023 and 2024 on net profit and other comprehensive income, net of tax. All other assumptions are held constant in this calculation.

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Profit before tax | 97 | 259 |
| Other comprehensive income, net of tax | 428 | 1,021 |

(7) Derivatives and hedging activities

TDK Group operates businesses globally and is exposed to the risk of changes in foreign exchange rates and interest rates. In addition, it is exposed to the risk of changes in raw material prices related to its businesses. TDK Group assesses these risks by continuously monitoring changes in foreign exchange rates, interest rates and raw material prices and by considering hedging opportunities. Derivative financial instruments are utilized to reduce these risks.

Derivative financial instruments are not used for speculative trading purposes. Although TDK Group is exposed to credit risks arising from the event of non-performance of counterparties to these derivative contracts, TDK Group does not expect any counterparties to fail to meet their obligations considering their credit ratings. The credit risks of these financial instruments are reflected in the fair values of these contracts, which are determined based on quoted prices obtained from financial institutions. TDK Group does not hold any derivative financial instruments that contain credit-risk-related contingent features.

I. Derivatives not designated as hedging instruments

TDK Group primarily uses forward foreign exchange contracts, non-deliverable forward contracts and currency option contracts in order to reduce currency risks related to assets and liabilities denominated in foreign currencies and forecasted transactions. Although these contracts are not designated as hedging instruments, which is required to apply hedge accounting, TDK Group believes that these contracts are effective as hedges from an economic viewpoint. Changes in fair values of these undesignated contracts are immediately recognized in profit or loss.

II. Fair values and gains or losses on derivative financial instruments

The impact of derivative financial instruments on the consolidated statements of profit or loss, net of tax, for the fiscal years ended March 31, 2023 and 2024 is as follows:

Derivatives not designated as hedging instruments

(Millions of yen)

| | Account | Recognized gains (losses) on derivative instruments | |
|---|---|---|---|
| | | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
| Forward foreign exchange contracts | Finance income and costs | (7,646) | (15,393) |
| Non-deliverable forward contracts | Finance income and costs | (292) | (2,700) |
| Currency option contracts | Finance income and costs | 1,006 | (2,438) |
| | Total | (6,932) | (20,531) |

Notional amounts and carrying amounts of derivatives as of March 31, 2023 and 2024 are as follows:

Derivatives not designated as hedging instruments

(Millions of yen)

| | March 31, 2023 | | |
|---|---|---|---|
| | Notional amount | Carrying amount (fair value) | |
| | Gross amount | Assets | Liabilities |
| Forward foreign exchange contracts | 405,577 | 4,921 | 3,190 |
| Currency option contracts | 77,180 | 1,423 | 1 |

(Millions of yen)

| | March 31, 2024 | | |
|---|---|---|---|
| | Notional amount | Carrying amount (fair value) | |
| | Gross amount | Assets | Liabilities |
| Forward foreign exchange contracts | 275,917 | 1,747 | 3,857 |
| Currency option contracts | 34,211 | 6 | 1,054 |

(8) Fair Value Measurement of Financial Instruments

Financial instruments measured at fair value on a recurring basis subsequent to initial recognition are classified into three levels of a fair value hierarchy based on the observability and significance of inputs used in the measurement.

In this categorization, the fair value hierarchy is defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that TDK Group has the ability to access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are available from the market for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

I. Comparison of fair values and carrying amounts of financial instruments

Carrying amounts and fair values of financial instruments are as follows:

(Millions of yen)

| | March 31, 2023 | | March 31, 2024 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Bonds | 199,399 | 196,447 | 219,439 | 215,796 |
| Long-term borrowings (including current portion) | 255,434 | 250,946 | 313,640 | 311,058 |

Financial instruments measured at fair value or for which the carrying amount is a reasonable approximation of fair value are not included in the table above.

The fair value of TDK Group's bonds and long-term borrowings (including current portion) above is estimated based on the amount of their respective future cash flows discounted by the borrowing rate applied to TDK Group for similar borrowings with comparable maturity as at the closing date or based on the quoted market prices for the same or similar bonds. These financial instruments are classified as Level 2.

II. Categorization by level of fair value hierarchy

Categorization of financial instruments measured at fair value on a recurring basis by level of fair value hierarchy is as follows:

(Millions of yen)

| | March 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Derivative financial assets | | | | |
| Forward foreign exchange contracts | - | 4,921 | - | 4,921 |
| Currency option contracts | - | 1,423 | - | 1,423 |
| Commercial paper | - | 34 | - | 34 |
| SAFE investments | - | - | 3,739 | 3,739 |
| Convertible bonds | - | - | 2,370 | 2,370 |
| Shares | 4,283 | - | 123,393 | 127,676 |
| Mutual funds | 1,394 | - | - | 1,394 |
| Rabbi trust investments | 8,243 | - | - | 8,243 |
| Total | 13,920 | 6,378 | 129,502 | 149,800 |
| | | | | |
| Financial liabilities | | | | |
| Derivative financial liabilities | | | | |
| Forward foreign exchange contracts | - | 3,190 | - | 3,190 |
| Currency option contracts | - | 1 | - | 1 |
| Total | - | 3,191 | - | 3,191 |

(Millions of yen)

| | March 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Derivative financial assets | | | | |
| Forward foreign exchange contracts | - | 1,747 | - | 1,747 |
| Currency option contracts | - | 6 | - | 6 |
| Commercial paper | - | 34 | - | 34 |
| SAFE investments | - | - | 1,722 | 1,722 |
| Convertible bonds | - | - | 227 | 227 |
| Shares | 10,523 | - | 142,776 | 153,299 |
| Mutual funds | 3,401 | - | - | 3,401 |
| Rabbi trust investments | 10,535 | - | - | 10,535 |
| Other | - | - | 794 | 794 |
| Total | 24,459 | 1,787 | 145,519 | 171,765 |
| | | | | |
| Financial liabilities | | | | |
| Derivative financial liabilities | | | | |
| Forward foreign exchange contracts | - | 3,857 | - | 3,857 |
| Currency option contracts | - | 1,054 | - | 1,054 |
| Total | - | 4,911 | - | 4,911 |

Level 1 shares and mutual funds are measured at unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Rabbi trust investments represent an investment in which a portion of the employees' salaries is placed into the trust and invested in financial instruments with quoted prices (require no adjustments) in active markets.

Level 2 derivatives, including forward foreign exchange contracts, currency option contracts and others, are measured at quoted prices obtained from counterparties, which are determined using observable market inputs such as foreign currency exchange rates.

Fair values of Level 3 shares are measured mainly based on the comparable multiple valuation method or transaction cases comparison method.

As of March 31, 2023 and 2024, for financial assets measured at fair value on a recurring basis that are classified as Level 3, significant unobservable inputs used in fair value measurement of equity instruments are primarily EBITDA multiples and enterprise value to revenue multiples, respectively. As of March 31, 2023 and 2024, the weighted average of EBITDA multiples and enterprise value to revenue multiples are 5.3 times and 0.43 times, respectively. If EBITDA multiples and enterprise value to revenue multiples increase, fair values of shares increase. Changes in fair value resulting from changing unobservable inputs to reflect reasonably possible alternative assumptions are not material.

Transfers between levels of the fair value hierarchy are recognized as if they occurred at the end of each reporting period. There are no transfers between Level 1 and Level 2 for the fiscal years ended March 31, 2023 and 2024.

III. Fair value measurement of financial instruments classified as Level 3

(i) Valuation process

Fair values of financial instruments are calculated by TDK Group’s Finance and Accounting staff members using valuation techniques and inputs that most appropriately reflect the nature, characteristics and risks of the financial instruments in accordance with TDK Group’s internal policies. In addition, external experts are used in the fair value measurement of financial instruments when the amount of financial instruments is significant and the measurement requires a high degree of knowledge and expertise. In order to verify results of each period-end fair value measurement of financial instruments including results of measurement by external experts, the results of a fair value fluctuation analysis are reviewed and approved by Finance and Accounting managers.

(ii) Reconciliation of financial instruments classified as Level 3

A reconciliation of financial instruments classified as Level 3 at the beginning and end of the period is as follows:

Financial assets (Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Opening balance | 104,581 | 129,502 |
| Gains or losses | | |
| Profit or loss | 300 | 9,191 |
| Other comprehensive income | 8,497 | (18,905) |
| Acquisition | 11,479 | 15,694 |
| Sales | - | (1,214) |
| Transfers from Level 3 | (88) | (2,633) |
| Other | 4,733 | 13,884 |
| Ending balance | 129,502 | 145,519 |

Transfers from Level 3 recognized during the fiscal years ended March 31, 2023 and 2024 were due to the listing of investees.

Gains or losses recognized in net income are included in Finance income and Finance costs in the consolidated statements of profit or loss.

Gains or losses recognized in other comprehensive income, net of tax, are included in Net change in fair value of equity instruments measured at fair value through other comprehensive income in the consolidated statements of comprehensive income.

20. Employee Benefits

(1) Defined benefits plans

I. Description of retirement benefit plans

TDK and certain of its subsidiaries sponsor retirement and severance plans to substantially all employees. These plans provide for lump-sum retirement payments or pension benefits based on years of service, employee salaries and certain other factors.

TDK and most of its subsidiaries in Japan establish fund-type corporate pension plans under the Defined Benefit Corporate Pension Act. Pools of money in the pension funds are managed by several financial institutions in accordance with applicable laws and regulations. These plan assets are invested primarily in equities, government bonds and insurance contracts.

Directors of the funds are obliged to comply with applicable laws and regulations, administrative actions taken by the Minister of Health, Labor and Welfare or by the directors of the Local Bureaus of Health and Welfare in accordance with laws and regulations, applicable rules and resolutions of the board of representatives, as well as to faithfully perform their duties on behalf of the funds. In addition, it is stipulated that the directors shall be jointly and severally liable to the funds for damages if they fail to fulfill their duties with respect to administration and management of the pooled funds.

Most overseas subsidiaries have pension plans or lump-sum retirement benefit plans for their employees. Under these plans, retirement benefit costs are recognized when contributions are made to the plans each period or when provision for retirement benefit liabilities is recorded. Benefit payments under these plans are calculated based primarily on salary upon retirement and years of service.

These retirement benefit plans are exposed to various risks including general investment, interest rate and inflation risks.

II. Defined benefit obligation and plan assets

A reconciliation of defined benefit obligation and plan assets at the beginning and end of the period is as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Japan | Overseas | Japan | Overseas |
| Present value of defined benefit obligation: | | | | |
| Opening balance | 225,781 | 107,684 | 196,053 | 97,430 |
| Service cost | 5,220 | 3,324 | 4,127 | 2,592 |
| Interest cost | 2,140 | 2,630 | 2,611 | 4,230 |
| Remeasurements | | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | (90) | 295 | - | (222) |
| Actuarial gains and losses arising from changes in financial assumptions | (15,936) | (18,591) | (9,961) | 1,562 |
| Actuarial gains and losses arising from experience adjustments | 1,285 | 797 | 1,030 | 2,459 |
| Benefits paid | (10,258) | (5,468) | (6,954) | (6,331) |
| Plan amendment | (12,089) | (344) | 143 | - |
| Plan curtailment/settlement | - | 10 | (4,502) | 4 |
| Exchange differences on translation of foreign operations | - | 7,129 | - | 11,842 |
| Other | - | (36) | - | (2) |
| Ending balance | 196,053 | 97,430 | 182,547 | 113,564 |
| Plan assets: | | | | |
| Opening balance | 186,485 | 39,044 | 181,682 | 39,997 |
| Interest income | 1,904 | 1,358 | 2,307 | 1,944 |
| Remeasurements | | | | |
| Return on plan assets | (5,283) | (3,254) | 11,798 | 3,674 |
| Employer contributions | 4,983 | 1,160 | 2,855 | 1,077 |
| Benefits paid | (6,407) | (1,384) | (6,434) | (1,635) |
| Exchange differences on translation of foreign operations | - | 3,073 | - | 5,183 |
| Ending balance | 181,682 | 39,997 | 192,208 | 50,240 |
| Deficit/(surplus) | 14,371 | 57,433 | (9,661) | 63,324 |
| Effect of asset ceiling | 18,238 | 227 | 37,156 | 2,340 |
| Net defined benefit liability | 32,609 | 57,660 | 27,495 | 65,664 |

The Company and some of its domestic consolidated subsidiaries have partially amended the retirement benefit plans effective April 1, 2023, which reflects the extension of the retirement age from 60 to 65. As a result, retirement benefit liabilities decreased.

A portion of retirement benefit liabilities is included in Other current liabilities in the consolidated statements of financial position.

Retirement benefit asset is included in Other non-current assets in the consolidated statements of financial position.

Key actuarial assumptions used to determine the present value of defined benefit obligation are as follows:

(%)

| | March 31, 2023 | | March 31, 2024 | |
|---|---|---|---|---|
| | Japan | Overseas | Japan | Overseas |
| Discount rate | 1.4 | 4.2 | 1.7 | 4.1 |

The following table presents the effect of changes in discount rates used in actuarial calculations on the present value of defined benefit obligation at the end of the reporting period. All other assumptions are held constant in this calculation.

No significant change is assumed for the expected rate of increase in future compensation levels.

(Millions of yen)

| | | | March 31, 2023 | March 31, 2024 |
|---|---|---|---|---|
| Discount rate | Japan | Increase by 0.5% | (13,437) | (11,865) |
| | | Decrease by 0.5% | 15,125 | 13,317 |
| | Overseas | Increase by 0.5% | (5,244) | (6,054) |
| | | Decrease by 0.5% | 5,790 | 6,682 |

The contributions to the plan assets by TDK and certain of its subsidiaries are determined by considering various factors including employee salary levels and years of service, funded status of the plan assets and actuarial calculations. In addition, in accordance with provisions of the Defined Benefit Corporate Pension Act, the contributions are regularly recalculated to ensure an adequate funding level for the future. TDK and certain of its subsidiaries make adequate contributions if the amount in the pension funds falls below the minimum funding requirement.

TDK Group expects to contribute ¥2,970 million to defined benefit plans in Japan and ¥586 million to defined benefit plans overseas for the fiscal year ending March 31, 2025.

Weighted average durations of defined benefit obligations are as follows:

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Japan | 18.0 years | 17.8 years |
| Overseas | 11.9 years | 11.7 years |

TDK Group's investment policies are designed to ensure that adequate plan assets are available to provide for future payments of pension benefits to eligible participants. TDK Group creates a model portfolio comprising of an optimal combination of equity instruments and debt instruments, taking into account the expected long-term rate of return on plan assets. Plan assets are invested in individual equity and debt instruments using a guideline for the model portfolio in order to produce total return that will match the expected return over the medium to long term.

TDK Group evaluates the gap between expected long-term return and actual return on plan assets every year to determine if the model portfolio should be revised. TDK Group revises the model portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

TDK Group's asset portfolio for benefit plans in Japan is categorized into three asset classes. As of March 31, 2024, approximately 22% consists of equity instruments, 34% of debt instruments and 44% of cash and cash equivalents and other assets. TDK Group's asset portfolio for benefit plans overseas is also categorized into three asset classes. As of March 31, 2024, approximately 53% consists of equity instruments, 34% of debt instruments and 13% of cash and cash equivalents and other assets. As of March 31, 2024, there is no significant deviation between TDK Group's target allocations and actual results.

Domestic shares included in equity instruments mainly consist of shares listed on stock exchanges, which are selected after thorough examination and analysis of business performance of investment target companies and are appropriately diversified among different sectors and companies. Domestic bonds included in debt instruments mainly consist of government bonds, public bonds and corporate bonds, which are selected after thorough examination and analysis of terms of the bond issue such as bond ratings, coupons and maturity dates and are appropriately diversified among issuers and remaining periods. Investments in foreign shares are made based on selection of target countries and currencies after thorough examination of political and economic stability and market characteristics such as clearing systems and taxation systems of the investment target companies. Other assets include life insurance company general accounts, pooled funds and real estate investment trusts, consisting of investments selected based on thorough examination and analysis of general economic conditions and investment target assets. A life insurance company general account is a product of life insurance companies in which individual insurance funds, corporate plan assets and other funds are jointly managed.

Fair values of TDK Group's plan assets by type are as follows:

(Millions of yen)

| | March 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Japan | | | Overseas | | |
| | Assets with quoted market prices in active markets | Assets without quoted market prices in active markets | Total | Assets with quoted market prices in active markets | Assets without quoted market prices in active markets | Total |
| Cash and cash equivalents | 911 | - | 911 | 3,340 | - | 3,340 |
| Equity instruments: | | | | | | |
| Listed shares | 3,091 | - | 3,091 | 5,633 | - | 5,633 |
| Mutual funds | - | 23,674 | 23,674 | 12,633 | 1,779 | 14,412 |
| Pooled funds | - | 10,745 | 10,745 | - | 403 | 403 |
| Debt instruments: | | | | | | |
| Government bonds, public bonds, corporate bonds | 3,985 | - | 3,985 | 3,005 | 7,452 | 10,457 |
| Mutual funds | - | 33,642 | 33,642 | 1,335 | 1,970 | 3,305 |
| Pooled funds | - | 17,349 | 17,349 | - | 323 | 323 |
| Other assets: | | | | | | |
| Life insurance company general account | - | 22,883 | 22,883 | - | 228 | 228 |
| Mutual funds | - | 19,654 | 19,654 | - | 87 | 87 |
| Pooled funds | - | 38,918 | 38,918 | - | - | - |
| Other | - | 6,830 | 6,830 | - | 1,809 | 1,809 |
| Total | 7,987 | 173,695 | 181,682 | 25,946 | 14,051 | 39,997 |

(Millions of yen)

| | March 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Japan | | | Overseas | | |
| | Assets with quoted market prices in active markets | Assets without quoted market prices in active markets | Total | Assets with quoted market prices in active markets | Assets without quoted market prices in active markets | Total |
| Cash and cash equivalents | 1,948 | - | 1,948 | 4,047 | - | 4,047 |
| Equity instruments: | | | | | | |
| Listed shares | 2,483 | - | 2,483 | - | - | - |
| Mutual funds | - | 29,525 | 29,525 | 21,931 | 4,433 | 26,364 |
| Pooled funds | - | 11,115 | 11,115 | - | 404 | 404 |
| Debt instruments: | | | | | | |
| Government bonds, public bonds, corporate bonds | 7,507 | - | 7,507 | 2,824 | 10,227 | 13,051 |
| Mutual funds | - | 37,343 | 37,343 | 1,221 | 2,176 | 3,397 |
| Pooled funds | - | 20,455 | 20,455 | - | 447 | 447 |
| Other assets: | | | | | | |
| Life insurance company general account | - | 17,673 | 17,673 | - | 294 | 294 |
| Mutual funds | - | 19,729 | 19,729 | - | 104 | 104 |
| Pooled funds | - | 37,520 | 37,520 | - | - | - |
| Other | - | 6,910 | 6,910 | - | 2,132 | 2,132 |
| Total | 11,938 | 180,270 | 192,208 | 30,023 | 20,217 | 50,240 |

Mutual funds and pooled funds invest mainly in marketable instruments such as listed shares, government bonds and public bonds in domestic and global markets.

Defined benefit cost for the fiscal years ended March 31, 2023 and 2024 consists of the following components:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Japan | Overseas | Japan | Overseas |
| Service cost | 5,220 | 3,324 | 4,127 | 2,592 |
| Interest cost on defined benefit obligations | 2,140 | 2,630 | 2,611 | 4,230 |
| Interest income on plan assets | (1,904) | (1,358) | (2,307) | (1,944) |
| Past service cost | (12,089) | (344) | 143 | - |
| Other | - | 10 | (257) | 4 |
| Net defined benefit cost | (6,633) | 4,262 | 4,317 | 4,882 |

The service cost, past service cost and other, which are the components of defined benefit cost, are included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of profit or loss and the interest cost is included in Finance costs in the consolidated statements of profit or loss.

(2) Defined contribution plans

The amounts recognized by TDK and certain of its subsidiaries as expenses for defined contribution plans are ¥2,602 million and ¥3,020 million for the fiscal years ended March 31, 2023 and 2024, respectively.

21. Share-Based Payment

The amounts recognized by TDK Group as expenses for share-based compensation are ¥522 million and ¥699 million for the fiscal years ended March 31, 2023 and 2024, respectively.

(1) TDK's share-based payment plans

TDK has the following share-based payment plans, and the share options described in II. below contains certain performance conditions.

I. Share options, each representing a right to purchase 100 common shares of TDK, are granted to directors and corporate officers of TDK. The share options are fully vested on the grant date and have the exercise period of 20 years. The exercise price of the share options is ¥1 per share.

II. Share options, each representing a right to purchase 100 common shares of TDK, are granted to directors and corporate officers of TDK. The share options are vested depending on the degree of achievement of its Medium-Term Plan and have the exercise period of 20 years. The exercise price of the share options is ¥1 per share.

A summary of TDK's share option activities for the fiscal years ended March 31, 2023 and 2024 is as follows:

| | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Number of shares | Weighted average exercise price (Yen) | Number of shares | Weighted average exercise price (Yen) |
| Outstanding at beginning of year | 808,500 | 1 | 549,600 | 1 |
| Granted | - | - | - | - |
| Exercised | (257,100) | 1 | (83,400) | 1 |
| Forfeited | (1,800) | 1 | - | - |
| Expired | - | - | - | - |
| Outstanding at end of year | 549,600 | 1 | 466,200 | 1 |
| Exercisable at end of year | 549,600 | 1 | 466,200 | 1 |

The weighted average share prices of share options exercised during the year at the date of exercise are ¥4,660 and ¥6,180 for the fiscal years ended March 31, 2023 and 2024, respectively.

Information on share options outstanding as of March 31, 2023 and 2024 is as follows:

| | Fiscal year ended March 31, 2023 | | |
|---|---|---|---|
| Range of exercise price (Yen) | Number of shares | Weighted average remaining contractual life (years) | Weighted average exercise price (Yen) |
| 1 | 549,600 | 13.4 | 1 |

| | Fiscal year ended March 31, 2024 | | |
|---|---|---|---|
| Range of exercise price (Yen) | Number of shares | Weighted average remaining contractual life (years) | Weighted average exercise price (Yen) |
| 1 | 466,200 | 12.4 | 1 |

(2) Share-based payment plans for subsidiaries

TDK's certain subsidiaries in China have following share-based payment plans.

I. Poweramp Technology Limited

The company has share-based payment plans, which grant share options, each representing a right to purchase one common share of the subsidiaries, to directors and senior executives of the subsidiaries and its affiliated companies. The share options are gradually vested by April 30, 2025 and gradually become exercisable by April 30, 2025. The exercise price of the share options is 0.055 RMB per option.

When these share options are exercised, common shares of the subsidiaries held by its affiliated companies are delivered.

The fair value of these share options is determined based on valuation techniques using certain assumptions as these subsidiaries are not listed companies.

A summary of share option activities for the fiscal years ended March 31, 2023 is as follows:

| | Fiscal year ended March 31, 2023 | |
|---|---|---|
| | Number of shares | Weighted average exercise price (RMB) |
| Outstanding at beginning of year | 32,433,025 | 0.055 |
| Granted | - | - |
| Exercised | - | - |
| Forfeited | (32,433,025) | 0.055 |
| Expired | - | - |
| Outstanding at end of year | - | - |
| Exercisable at end of year | - | - |

II. Xiamen Ampack Technology Limited

The company has share-based payment plans, which grant share options, each representing a right to purchase one common share of the subsidiaries, to directors and senior executives of the subsidiaries and its affiliated companies. The share options are gradually vested by May 31, 2026 and gradually become exercisable by July 31, 2026. The exercise price of the share options is 1 RMB per option.

When these share options are exercised, common shares of the subsidiaries held by its affiliated companies are delivered.

The fair value of these share options is determined based on valuation techniques using certain assumptions as these subsidiaries are not listed companies.

A summary of TDK's share option activities for the fiscal years ended March 31, 2024 is as follows:

| | Fiscal year ended March 31, 2024 | |
|---|---|---|
| | Number of shares | Weighted average exercise price (RMB) |
| Outstanding at beginning of year | - | - |
| Granted | 79,759,500 | 1 |
| Exercised | (14,908,050) | 1 |
| Forfeited | (36,000) | 1 |
| Expired | - | - |
| Outstanding at end of year | 64,815,450 | 1 |
| Exercisable at end of year | - | - |

Information on share options outstanding as of March 31, 2024 is as follows:

| | Fiscal year ended March 31, 2024 | | |
|---|---|---|---|
| Range of exercise price (RMB) | Number of shares | Weighted average remaining contractual life (years) | Weighted average exercise price (RMB) |
| 1 | 64,815,450 | 1.3 | 1 |

Fair values of share options as of the grant date are determined using the Binomial model with the following assumptions:

Share-based options

| | Fiscal year ended March 31, 2024 | |
|---|---|---|
| | Granted in April | Granted in December |
| Grant-date fair value | 0.463 RMB | 0.355 RMB |
| Expected remaining life | 1.8 years | 1.4 years |
| Risk-free interest rate | 2.2% | 2.1% |
| Expected volatility | 48.1% | 43.1% |

The expected volatility is determined based on the actual volatility of a similar company for the immediate period corresponding to the expected remaining life.

(3) TDK's Post-delivery Type Share Remuneration Plan

TDK has the following post-delivery type share remuneration plans:

I. Restricted share units ("RSU")

Under this restricted share plan, subject to continuous service for a period of three years corresponding to the Medium-Term Plan (or a period of three years or more as determined by the Board of Directors of TDK, "Target Period"), a pre-determined amount of TDK shares and cash is delivered to directors and corporate officers of TDK as well as to senior executives of TDK Group after the end of the Target Period.

A summary of RSU activities for the fiscal years ended March 31, 2023 and 2024 is as follows:

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| | Number of units | Number of units |
| Outstanding at beginning of year | 118,697 | 183,634 |
| Granted | 67,966 | 63,848 |
| Delivered | - | (47,292) |
| Forfeited | (3,029) | (721) |
| Expired | - | - |
| Outstanding at end of year | 183,634 | 199,469 |
| Deliverable at end of year | - | - |

Fair values of RSUs as of the grant date are as follows:

| | Fiscal year ended March 31, 2023 | | | Fiscal year ended March 31, 2024 |
|---|---|---|---|---|
| | Granted in August | Granted in September | Granted in October | Granted in June |
| Fair value as of the grant date | 4,708 yen | 4,699 yen | 4,418 yen | 4,994 yen |

The fair value of equity-settled RSUs is determined based on the grant-date fair value of TDK's common shares, and the fair value of cash-settled RSUs is determined based on the fair value of TDK's common shares at the end of the reporting period. The fair value measurements include expected dividend yields determined based on the actual dividends for the most recent period corresponding to the Target Period.

The carrying amounts of cash-settled RSUs are ¥185 million and ¥359 million as of March 31, 2023 and 2024, respectively.

II. Performance share units ("PSU")

Under this performance-based plan, subject to continuous service for a period of three years corresponding to the Medium-Term Plan (or a period of three years or more as determined by the Board of Directors of TDK, "Target Period"), TDK shares and cash, which are determined based on the degree of achievement of the performance targets of the Medium-Term Plan, are delivered to directors and corporate officers of TDK as well as to senior executives of TDK Group after the end of the Target Period.

A summary of PSU activities for the fiscal years ended March 31, 2023 and 2024 is as follows:

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| | Number of units | Number of units |
| Outstanding at beginning of year | 123,780 | 151,906 |
| Granted | 28,126 | 1,506 |
| Delivered | - | - |
| Forfeited | - | - |
| Expired | - | - |
| Outstanding at end of year | 151,906 | 153,412 |
| Deliverable at end of year | - | - |

Fair value of PSUs as of the grant date are as follows:

| | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 |
|---|---|---|---|
| | Granted in August | Granted in October | Granted in June |
| Fair value as of the grant date | 4,708 yen | 4,418 yen | 4,994 yen |

The fair value of equity-settled PSUs is determined based on the grant-date fair value of TDK's common shares, and the fair value of cash-settled PSUs is determined based on the fair value of TDK's common shares at the end of the reporting period. The fair value measurements include expected dividend yields determined based on the actual dividends for the most recent period corresponding to the Target Period.

The carrying amount of cash-settled PSUs is ¥100 million and ¥190 million as of March 31, 2023 and 2024, respectively.

22. Provisions

Provisions comprise the following and a reconciliation of the carrying amount at the beginning and end of the period is as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Asset retirement obligations | Provision for product warranties | Provision for restructuring | Other | Total |
| Opening balance | 4,231 | 11,715 | 444 | 6,386 | 22,776 |
| Increase | 16 | 2,798 | 7,166 | 2,355 | 12,335 |
| Decrease (intended use) | - | (1,850) | (2,278) | (576) | (4,704) |
| Decrease (reversal) | (14) | (1,752) | (100) | (4,076) | (5,942) |
| Exchange differences on translation of foreign operations | 14 | 1,052 | 60 | 626 | 1,752 |
| Other | 8 | 33 | (1) | 8 | 48 |
| Ending balance | 4,255 | 11,996 | 5,291 | 4,723 | 26,265 |

Asset retirement obligations

TDK Group recognizes asset retirement obligations mainly for the TDK headquarters building and certain plants in Akita, Japan. The amount of obligations is based on reasonably estimated costs required to remove facilities/equipment or restore the premises to their original conditions. TDK Group expects to pay for these costs after the period of use, which is determined by considering the useful lives of leasehold improvements made to the headquarters building or useful lives of the plants. However, factors such as business plans affect the amount of these costs.

Provision for product warranties

TDK Group recognizes provisions for product warranties to provide for repair costs expected to be incurred during the warranty period of certain products. The amount of provisions is based on reasonably estimated costs of product warranties determined using historical experience and estimated future warranty claims. These costs are expected to be incurred mainly in the following year.

Provision for restructuring

TDK Group recognizes provisions for restructuring when it has a detailed formal plan for the restructuring and it starts to implement that plan, or when the plan is announced to those affected. The amount of provisions is based on reasonably estimated costs related to the plan. A provision for restructuring is necessarily entailed by the restructuring and only includes direct expenditures not associated with the ongoing activities of an entity. The timing of expenditures depends on the future business plans, etc.

## 23. Equity and Other Components of Equity

### (1) Capital management

TDK Group’s basic policy for capital management is to achieve and maintain an optimal capital structure in order to maintain sustained growth in the medium to long term and maximize its corporate value. TDK group uses the following key indicators in its capital management:

- Ratio of equity attributable to owners of parent (equity attributable to owners of parent divided by Total liabilities and equity)
- Ratio of net profit attributable to owners of parent (Return On Equity “ROE”) (Net profit attributable to owners of parent divided by the average equity attributable to owners of parent)

The ratio of equity attributable to owners of parent and the ratio of net profit attributable to owners of parent (ROE) are as follows:

(%)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Equity attributable to owners of parent | 46.3 | 50.0 |
| ROE | 8.3 | 7.9 |

These financial indicators are regularly reported to and monitored by management.

TDK Group is not subject to any externally-imposed capital requirements (other than general requirements such as the Companies Act).

### (2) Number of shares authorized and number of shares issued

The number of shares authorized is as follows:

(Number of shares)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Common shares | 1,440,000,000 | 1,440,000,000 |

A reconciliation of the number of shares issued at the beginning and end of the period is as follows:

(Number of shares)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Opening balance | 388,771,977 | 388,771,977 |
| Increase | - | - |
| Decrease | - | - |
| Ending balance | 388,771,977 | 388,771,977 |

The shares issued by TDK are no-par value common shares with no limited rights, and all shares issued are fully paid.

The number of treasury shares included in the number of shares issued is 9,490,269 shares and 9,380,867 shares as of March 31, 2023 and 2024, respectively.

(3) Capital surplus and retained earnings

Capital surplus comprises capital reserves and other capital surplus. Retained earnings comprises legal reserves and other retained earnings.

The Companies Act in Japan ("the Companies Act") provides that at least one-half of the amount paid-in or the contribution in kind for the shares issued shall be allocated to share capital and the remainder to capital reserves. It allows capital reserves to be allocated to share capital, subject to a resolution at a shareholders' meeting.

The Companies Act also stipulates that one-tenth of the amount to be distributed as dividends from surplus shall be appropriated as capital reserves or legal reserves. No further appropriation is required when the sum of capital reserves and legal reserves equals one-fourth of the share capital. The accumulated legal reserves can be used to offset capital deficits. It can also be used for other purposes subject to a resolution at a shareholders' meeting.

(4) Other components of equity

A reconciliation of other components of equity at the beginning and end of the period is as follows:

(Millions of yen)

| | Items that will not be reclassified to profit or loss | | | Items that may be reclassified to profit or loss | | |
|---|---|---|---|---|---|---|
| | Net change in fair value of equity instruments measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Share of other comprehensive income of investments accounted for using the equity method | Exchange differences on translation of foreign operations | Share of other comprehensive income of investments accounted for using the equity method | Total |
| April 1, 2022 | 66,238 | - | 128 | 242,987 | 254 | 309,607 |
| Other comprehensive income attributable to owners of parent | 7,781 | 2,863 | (34) | 70,172 | (66) | 80,716 |
| Transfers to retained earnings | (171) | (2,863) | (8) | - | - | (3,042) |
| March 31, 2023 | 73,848 | - | 86 | 313,159 | 188 | 387,281 |
| Other comprehensive income attributable to owners of parent | (13,308) | 1,160 | 151 | 177,925 | 217 | 166,145 |
| Transfers to retained earnings | (244) | (1,160) | (24) | - | - | (1,428) |
| March 31, 2024 | 60,296 | - | 213 | 491,084 | 405 | 551,998 |

The amount recognized in other comprehensive income for the period, the amount reclassified to profit or loss and the related tax effects are as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Recognized for the period | Reclassification adjustments | Before tax | Tax effect | After 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 | 8,857 | - | 8,857 | (1,076) | 7,781 |
| Remeasurements of defined benefit plans | 5,572 | - | 5,572 | (2,709) | 2,863 |
| Share of other comprehensive income of investments accounted for using the equity method | (44) | - | (44) | 10 | (34) |
| Total | 14,385 | - | 14,385 | (3,775) | 10,610 |
| Items that may be reclassified to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | 70,095 | (23) | 70,072 | 0 | 70,072 |
| Share of other comprehensive income of investments accounted for using the equity method | (66) | - | (66) | - | (66) |
| Total | 70,029 | (23) | 70,006 | 0 | 70,006 |
| Total other comprehensive income | 84,414 | (23) | 84,391 | (3,775) | 80,616 |

(Millions of yen)

| | Fiscal year ended March 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Recognized for the period | Reclassification adjustments | Before tax | Tax effect | After 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 | (13,465) | - | (13,465) | 157 | (13,308) |
| Remeasurements of defined benefit plans | (350) | - | (350) | 1,510 | 1,160 |
| Share of other comprehensive income of investments accounted for using the equity method | 148 | - | 148 | 3 | 151 |
| Total | (13,667) | - | (13,667) | 1,670 | (11,997) |
| Items that may be reclassified to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | 178,045 | (73) | 177,972 | - | 177,972 |
| Share of other comprehensive income of investments accounted for using the equity method | 217 | - | 217 | - | 217 |
| Total | 178,262 | (73) | 178,189 | - | 178,189 |
| Total other comprehensive income | 164,595 | (73) | 164,522 | 1,670 | 166,192 |

(5) Dividends

Dividends paid are as follows:

Fiscal year ended March 31, 2023

| Resolution | Share class | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 24, 2022 | Common shares | 17,056 | 45 | March 31, 2022 | June 27, 2022 |
| Board of Directors Meeting on November 1, 2022 | Common shares | 20,097 | 53 | September 30, 2022 | December 2, 2022 |

Fiscal year ended March 31, 2024

| Resolution | Share class | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 22, 2023 | Common shares | 20,102 | 53 | March 31, 2023 | June 23, 2023 |
| Board of Directors Meeting on November 1, 2023 | Common shares | 22,001 | 58 | September 30, 2023 | December 4, 2023 |

Dividends for which the effective date is in the fiscal year ending March 31, 2025 are as follows:

| Resolution | Share class | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 21, 2024 | Common shares | 22,005 | 58 | March 31, 2024 | June 24, 2024 |

24. Revenue

(1) Disaggregation of revenue

TDK Group disaggregates revenue by industry segment, product and geographic segment based on contracts with customers. The following table presents disaggregation of revenue. The detailed information of geographic segment is set out in Note 4 Segment Information. In accordance with the reorganization for the fiscal year ended March 31, 2024, certain products of Other are reclassified into Capacitors of Passive Components. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

(Millions of yen)

| | Fiscal year ended March 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Japan | Americas | Europe | China | Asia and others | Total |
| Capacitors | 25,503 | 45,598 | 53,473 | 76,349 | 41,590 | 242,513 |
| Inductive devices | 24,647 | 20,401 | 50,609 | 75,936 | 26,888 | 198,481 |
| Other passive components | 13,225 | 17,074 | 37,678 | 45,026 | 24,762 | 137,765 |
| Passive Components | 63,375 | 83,073 | 141,760 | 197,311 | 93,240 | 578,759 |
| Sensor Application Products | 19,138 | 13,797 | 27,275 | 84,813 | 24,520 | 169,543 |
| Magnetic Application Products | 34,850 | 1,099 | 6,036 | 33,708 | 124,880 | 200,573 |
| Energy Application Products | 39,978 | 65,331 | 31,857 | 859,276 | 176,913 | 1,173,355 |
| Other | 19,095 | 9,403 | 3,393 | 18,905 | 7,791 | 58,587 |
| Net sales total | 176,436 | 172,703 | 210,321 | 1,194,013 | 427,344 | 2,180,817 |

(Millions of yen)

| | Fiscal year ended March 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Japan | Americas | Europe | China | Asia and others | Total |
| Capacitors | 26,267 | 45,427 | 56,189 | 74,775 | 42,389 | 245,047 |
| Inductive devices | 25,350 | 18,332 | 48,594 | 75,572 | 24,102 | 191,950 |
| Other passive components | 11,998 | 11,425 | 34,560 | 44,638 | 26,031 | 128,652 |
| Passive Components | 63,615 | 75,184 | 139,343 | 194,985 | 92,522 | 565,649 |
| Sensor Application Products | 21,362 | 14,390 | 30,475 | 84,820 | 29,464 | 180,511 |
| Magnetic Application Products | 35,411 | 954 | 4,661 | 34,394 | 108,791 | 184,211 |
| Energy Application Products | 48,648 | 54,856 | 26,546 | 778,117 | 213,495 | 1,121,662 |
| Other | 15,595 | 3,303 | 1,978 | 25,260 | 5,707 | 51,843 |
| Net sales total | 184,631 | 148,687 | 203,003 | 1,117,576 | 449,979 | 2,103,876 |

Net sales are primarily revenue recognized from contracts with customers. The revenue recognized from other sources is not material.

TDK Group sells passive components, sensor application products, magnetic application products and energy application products to global ICT related companies, manufacturers of automobile and automotive components, manufacturers of home electrical appliances and industrial equipment. For these product sales, TDK recognizes revenue when products are transferred to the customers as the customers gain control over the products and the performance obligation is satisfied accordingly.

Transaction price that TDK Group receives in exchange for products transferred may include variable consideration such as sales discounts, customer rewards and sales rebates. Variable consideration is included in the transaction price when uncertainty over the variable consideration is resolved to the extent that a significant reversal in the amount of revenue is not expected. Variable consideration is estimated based on past trends or other elements known as of the transaction date and is updated based on the information available at each reporting date.

The amount of consideration in exchange for transactions is received within one year from the satisfaction of the performance obligation, and the consideration does not include a significant financing component.

(2) Contract balances

The balance of contract liabilities is as follows:

(Millions of yen)

| | April 1, 2022 | March 31, 2023 | March 31, 2024 |
|---|---|---|---|
| Contract liabilities | 12,340 | 7,988 | 9,045 |

The contract liabilities mainly represent advances received from customers. Mainly for the sale of products based on individual contracts, TDK Group recognizes the consideration received from customers that exceeds the amount already recognized as revenue as advances received until the performance obligation is satisfied by delivery of the products, which is included in Other current liabilities in the consolidated statements of financial position. Of the contract liabilities as of April 1, 2022 and March 31, 2023, ¥8,086 million and ¥2,961 million are recognized as revenue for the fiscal years ended March 31, 2023 and 2024, respectively. For the fiscal year ended March 31, 2024, the amount of revenue recognized from the performance obligation that had been satisfied in the previous periods is not material.

(3) Transaction price allocated to the remaining performance obligations

TDK Group does not disclose information on the remaining performance obligations if they are part of the contracts with an original contract term not exceeding one year, applying the practical expedient. There are no significant transactions with an individual expected contract term exceeding one year.

## 25. Expenses by Nature

The following table presents major items of cost of sales and selling, general and administrative expenses by nature.

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Employee benefit expenses | 499,500 | 531,633 |
| Depreciation and amortization | 206,285 | 190,546 |
| Impairment losses | 35,064 | 9,570 |

The following table presents restructuring expenses included in each account.

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Employee benefit expenses | 71 | 7,475 |
| Impairment losses | 20,815 | 3,412 |
| Other | 48 | 1,206 |
| Total | 24,126 | 12,093 |

26. Other Operating Income and Other Operating Expenses

Other operating income and other operating expenses comprise the following:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Other operating income | | |
| Government grants | 7,757 | 5,735 |
| Compensation income | 1,798 | 1,488 |
| Gain on sale of tangible and intangible assets | 3,629 | 2,548 |
| Consumption taxes refund | 260 | 3,914 |
| Other | 5,949 | 9,027 |
| Other operating income | 19,393 | 22,712 |
| Other operating expenses | | |
| Loss on sale of tangible and intangible assets | 285 | 317 |
| Other operating expense | 285 | 317 |

The government grants for the fiscal years ended March 31, 2023 and 2024 consist mainly of government grants for research and development activities. The other for the fiscal years ended March 31, 2023 and 2024 consist mainly of income from research and development activities and equipment development.

## 27. Finance Income and Finance Costs

Finance income and finance costs comprise the following:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Finance income | | |
| Interest income | 15,510 | 23,845 |
| Dividend income | 127 | 324 |
| Gain on revaluation of securities | 499 | 9,783 |
| Other | 1,236 | 1,950 |
| Total finance income | 17,372 | 35,902 |
| Finance costs | | |
| Interest expense | 11,329 | 14,655 |
| Net foreign exchange loss | 7,238 | 13,746 |
| Loss on revaluation of securities | 290 | 885 |
| Other | 1,915 | 938 |
| Total finance costs | 20,772 | 30,224 |

The interest income is earned mainly on financial assets measured at amortized cost and the dividend income is earned mainly on financial assets measured at fair value through other comprehensive income. The gain and loss on revaluation of securities is earned on financial assets measured at fair value through profit or loss. The interest expense includes ¥7,640 million and ¥9,953 million of interest expense arising from financial liabilities measured at amortized cost for the fiscal years ended March 31, 2023 and 2024, respectively.

Valuation gains and losses on derivatives not designated as hedging instruments are included in Net foreign exchange loss.

## 28. Earnings per Share

The basic and diluted earnings per share are as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Basic | Diluted | Basic | Diluted |
| Net profit attributable to owners of parent | 114,187 | 114,187 | 124,687 | 124,687 |

Number of shares (thousands)

| | Fiscal year ended March 31, 2023 Basic | Fiscal year ended March 31, 2023 Diluted | Fiscal year ended March 31, 2024 Basic | Fiscal year ended March 31, 2024 Diluted |
|---|---|---|---|---|
| Weighted average number of common shares issued | 379,117 | 379,117 | 379,336 | 379,336 |
| Incremental shares arising from exercise of share options | - | 651 | - | 506 |
| Incremental shares arising from delivery under RSU | - | 41 | - | 61 |
| Incremental shares arising from delivery under PSU | - | 7 | - | 19 |
| Weighted average number of common shares issued - Total | 379,117 | 379,816 | 379,336 | 379,922 |

(Yen)

| | Fiscal year ended March 31, 2023 Basic | Fiscal year ended March 31, 2023 Diluted | Fiscal year ended March 31, 2024 Basic | Fiscal year ended March 31, 2024 Diluted |
|---|---|---|---|---|
| Earnings per share | 301.19 | 300.64 | 328.70 | 328.19 |

Certain PSUs that vest upon the achievement of certain performance conditions are excluded from the calculation of diluted earnings per share for the fiscal years ended March 31, 2023 and 2024, as the achievement of the conditions is not probable.

Share options issued by TDK's consolidated subsidiaries are excluded from the calculation of diluted earnings per share for the fiscal years ended March 31, 2023 and 2024, as the effect would have been antidilutive.

## 29. Commitments and Contingent Liabilities

### (1) Contractual commitments for acquisition of assets

Material contractual commitments for acquisition of assets are as follows:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Purchase of property, plant and equipment | 150,102 | 114,769 |

### (2) Warranty obligations

TDK Group provides guarantees to third parties on employee bank loans. The guarantees cover loans to purchase a home, and in the event of default, TDK Group would be required to repay the loan on behalf of its employees.

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Guarantees to third parties on employee bank loans | 180 | 123 |

### (3) Litigation

Several claims against TDK and a part of its subsidiaries are pending. Claims include class actions filed in the United States of America and Canada for violation of antitrust law associated with HDD suspension assemblies. It is not possible to make a reasonable estimate of the impact for these claims at this time. In the opinion of management, any additional liability not currently provided for will not materially affect the consolidated financial position or results of operations of TDK Group.

## 30. Subsidiaries

TDK's major subsidiaries are described in Consolidated subsidiaries in 3. Status of subsidiaries and affiliates under I. Overview of the Company.

There are no significant changes in the major subsidiaries and the ownership ratio of voting rights for the fiscal years ended March 31, 2023 and 2024.

## 31. Related Party Transaction

Although TDK Group’s subsidiaries are related parties of TDK, transactions with the subsidiaries are not disclosed as they have been eliminated in the consolidated financial statements. Transactions between TDK and other related parties are as follows:

### (1) Transactions with associates

Due from, due to, and lease liabilities owed to associates accounted for using the equity method are as follows:

(Millions of yen)

| | March 31, 2023 | March 31, 2024 |
|---|---|---|
| Due from | 37,933 | 30,004 |
| Due to | 1,000 | 3,090 |
| Lease liabilities | 1,447 | 2,328 |

Due from associates accounted for using the equity method as of March 31, 2023 and 2024 include trade receivables of ¥29,296 million and ¥10,192 million, respectively. Due from associates accounted for using the equity method as of March 31, 2023 and 2024 also includes accounts receivable-others related to sale of tangible and intangible assets of ¥8,146 million and ¥18,833 million, respectively.

Sales and purchases transactions with and lease payments to associates as well as proceeds from sale of tangible and intangible assets for the fiscal years ended March 31, 2023 and 2024 are as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Net sales | 59,939 | 69,145 |
| Gross purchases | 11,376 | 19,979 |
| Lease payments | 68 | 222 |
| Gain (loss) on sale of tangible and intangible assets | 490 | (253) |
| Other revenue | 4 | 604 |

TDK Group has sales transactions of tangible and intangible assets with some of its related parties. The total transaction amount for the fiscal years ended March 31, 2023 and 2024 is ¥8,264 million and ¥17,971 million, respectively.

### (2) Key management personnel remuneration

TDK Group’s key management personnel remuneration is as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Basic remuneration | 393 | 394 |
| Performance-based bonuses | 29 | 49 |
| RSU | 67 | 93 |
| PSU | 57 | 40 |
| Total | 546 | 576 |

Key management personnel consist of TDK’s directors and audit and supervisory board members.

## 32. Cash Flows

(1) Changes in interest-bearing liabilities arising from financing activities

Changes in interest-bearing liabilities arising from financing activities are as follows:

(Millions of yen)

| | Fiscal year ended March 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Non-cash changes | | | | |
| | Balance as of April 1, 2022 | Changes arising from cash flows | Changes in foreign exchange rates | New leases | Transfers to other accounts | Other | Balance as of March 31, 2023 |
| Short-term borrowings | 172,666 | 65,942 | 3,725 | - | - | - | 242,333 |
| Long-term borrowings | 259,541 | (4,496) | 451 | - | - | (62) | 255,434 |
| Bonds | 199,279 | - | - | - | - | 120 | 199,399 |
| Lease liabilities | 48,327 | (10,398) | 1,822 | 15,094 | - | 147 | 54,992 |
| Total | 679,813 | 51,048 | 5,998 | 15,094 | - | 205 | 752,158 |

(Millions of yen)

| | Fiscal year ended March 31, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Non-cash changes | | | | |
| | Balance as of April 1, 2023 | Changes arising from cash flows | Changes in foreign exchange rates | New leases | Transfers to other accounts | Other | Balance as of March 31, 2024 |
| Short-term borrowings | 242,333 | (168,237) | 5,991 | - | - | - | 80,087 |
| Long-term borrowings | 255,434 | 54,861 | 3,344 | - | - | 1 | 313,640 |
| Bonds | 199,399 | 20,000 | - | - | - | 40 | 219,439 |
| Lease liabilities | 54,992 | (12,286) | 3,955 | 21,565 | - | 4,344 | 72,570 |
| Total | 752,158 | (105,662) | 13,290 | 21,565 | - | 4,385 | 685,736 |

Transfers to other accounts include changes due to repayment schedule changes.

(2) Non-cash transactions

For the fiscal years ended March 31, 2023 and 2024, there were no material non-cash activities.

## 33. Subsequent Events

There is no item to report.

(2) Other

Quarterly information for the fiscal year ended March 31, 2024

| (Period) | Three months ended June 30, 2023 | Six months ended September 30, 2023 | Nine months ended December 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|---|---|
| Net sales (Millions of yen) | 503,399 | 1,059,711 | 1,618,961 | 2,103,876 |
| Income before income taxes (Millions of yen) | 21,012 | 80,242 | 157,122 | 179,241 |
| Net income attributable to owners of parent (Millions of yen) | 14,725 | 54,188 | 119,491 | 124,687 |
| Basic earnings per share (Yen) | 38.82 | 142.86 | 315.01 | 328.70 |

| (Period) | Three months ended June 30, 2023 | Three months ended September 30, 2023 | Three months ended December 31, 2023 | Three months ended March 31, 2024 |
|---|---|---|---|---|
| Basic earnings per share (Yen) | 38.82 | 104.04 | 172.14 | 13.70 |

## VI. Outline of filing company's business concerning shares

| | |
|---|---|
| Business year | From April 1 to March 31 |
| Ordinary General Meeting of Shareholders | June |
| Record date | March 31 |
| Record dates for dividends from surplus | September 30<br>March 31 |
| Number of shares consisting one unit | 100 shares |
| Purchase demands or additional purchase requests of shares less than one unit: | |
| Office for handling business | (Special Account)<br>Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited.<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan |
| Administrator of shareholder registry | (Special Account)<br>Sumitomo Mitsui Trust Bank, Limited.<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan |
| Forwarding office | – |
| Handling charge for purchase | Free of charge |
| Method of public notice | Electronic public notice will be made. However, if TDK is unable to make an electronic public notice due to an incident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper.<br>The electronic public notice will be notified on TDK's website (https://www.tdk.com/ja/index.html). |
| Special benefits for shareholders | None |

Note: 1.Pursuant to the provisions of TDK Corporation's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following: (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to request to TDK Corporation in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to TDK Corporation to sell shares less than one unit.

## VII. Reference information on filing company

### 1. Information on filing company's parent company

TDK Corporation does not have a parent company.

# B. INFORMATION ON GUARANTEE COMPANIES, ETC. OF FILING COMPANY

No items to report

**<u>Independent Auditor's Report on the Financial Statements</u>**
**<u>and</u>**
**<u>Internal Control Over Financial Reporting</u>**

June 21, 2024

To the Board of Directors of TDK Corporation:

KPMG AZSA LLC
Tokyo Office, Japan

Michitaka Shishido
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Michiaki Yamabe
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ryoma Dodo
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

## <u>Report on the Audit of the Consolidated Financial Statements</u>

### Opinion

We have audited the accompanying consolidated financial statements of TDK Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "V. Financial Information" section in the company's Annual Securities Report, which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Appropriateness of the valuation of a cash-generating unit (including goodwill) comprising the MEMS sensor business</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group recognized goodwill of ¥168,383 million on the consolidated statements of financial position for the current fiscal year. As described in Note 12. “Goodwill and Intangible Assets” to the consolidated financial statements, ¥93,449 million of the above amount, representing approximately 2.7% of total assets, was allocated to the MEMS sensor business.<br><br>An impairment test is performed for a cash-generating unit (CGU) or a group of CGUs to which goodwill is allocated at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment. When the recoverable amount of a CGU or a group of CGUs to which goodwill is allocated is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as an impairment loss in profit or loss. The recoverable amount is the higher of a CGU’s value in use and its fair value less costs of disposal.<br><br>Although the MEMS sensor business has not yet had any profitable year since the acquisition of InvenSense, Inc., a core company within the business, the Company did not recognize any impairment loss on the CGU (including goodwill) as a result of the impairment test performed in the current fiscal year.<br><br>The Company used the fair value less costs of disposal as the recoverable amount of the CGU for the MEMS sensor business, and the fair value was measured using the discounted cash flow method based on unobservable inputs.<br><br>The estimated future cash flows used in the discounted cash flow method reflected key assumptions adopted by management, including the expansion of customer base and product application, which supported the sales increase incorporated into the business plan of the MEMS sensor business, as well as a terminal growth rate for the periods subsequent to the years included in</td><td>The primary procedures we performed to assess whether the Company’s valuation of a CGU (including goodwill) comprising the MEMS sensor business was appropriate included the following:<br><br>(1) Internal control testing<br><br>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to calculating the recoverable amount used in impairment test for a CGU or a group of CGUs to which goodwill is allocated.<br><br>(2) Assessment of the appropriateness of the estimated fair value less costs of disposal<br><br>In order to assess the appropriateness of the estimated fair value less costs of disposal of the CGU (including goodwill) comprising the MEMS sensor business, we:<br><br>● inquired of management and the personnel responsible for the business about the basis for the expansion of customer base and product application, which supported the sales increase incorporated into the business plan of the MEMS sensor business, and then assessed the reasonableness of respective assumptions by comparing them with market reports related to the MEMS sensor business;<br><br>● assessed the reasonableness of the terminal growth rate for the periods subsequent to the years included in the business plan of the MEMS sensor business, with the assistance of valuation specialists within our network firms, by comparing it with the inflation rates and long-term growth rates of major sales regions or markets of the MEMS sensor business published by external organizations;<br><br>● assessed the reasonableness of the discount rate calculated based on the weighted average cost of capital, with the assistance of the above valuation specialists, by evaluating the appropriateness of the calculation models and the selection of comparables used to determine</td></tr>
</table>

| | |
|---|---|
| the business plan. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, in estimating the discount rate based on the weighted average cost of capital, which was another key assumption adopted by management, the selection of calculation models and input data required a high degree of expertise in valuation.<br>We, therefore, determined that our assessment of the appropriateness of the valuation of a cash-generating unit (including goodwill) comprising the MEMS sensor business was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | input data, as well as by comparing the input data used by management with relevant data independently obtained by the valuation specialists from external organizations; and<br>● analyzed, based on our understanding of the achievement status of the past business plans of the MEMS sensor business and the results of performing the above procedures, whether there was any potential effect on the judgment as to whether an impairment loss should be recognized on goodwill (i.e., a headroom analysis) when the effects of specific uncertainties were incorporated into the business plan, the terminal growth rate or the discount rate calculated based on the weighted average cost of capital. |

| **Appropriateness of the valuation of a cash-generating unit (including goodwill) comprising the HDD Heads business** | |
|---|---|
| **The key audit matter** | **How the matter was addressed in our audit** |
| The Group recognized goodwill of ¥168,383 million and property, plant and equipment of ¥991,072 million on the consolidated statements of financial position for the current fiscal year. As described in Note 12. "Goodwill and Intangible Assets" to the consolidated financial statements, ¥20,397 million of the goodwill and ¥115,431 million of the property, plant and equipment, representing approximately 4.0% of total assets, comprises the HDD Heads business.<br><br>An impairment test is performed for a cash-generating unit (CGU) or a group of CGUs to which goodwill is allocated at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment. When the recoverable amount of a CGU or a group of CGUs to which goodwill is allocated is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as an impairment loss in profit or loss. The recoverable amount is the higher of a CGU's value in use and its fair value less costs of disposal.<br><br>Although the sales of HDD Heads business decreased significantly and has not been profitable for the current fiscal year due to the rapid decline in HDD demand for PCs and data centers, the Company did not recognize any impairment loss on the CGU (including goodwill) as a result of the | The primary procedures we performed to assess whether the Company's valuation of a CGU (including goodwill) comprising the HDD Heads business was appropriate included the following:<br><br>**(1) Internal control testing**<br><br>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to calculating the recoverable amount used in impairment test for a CGU or a group of CGUs to which goodwill is allocated.<br><br>**(2) Assessment of the appropriateness of the estimated fair value less costs of disposal**<br><br>In order to assess the appropriateness of the estimated fair value less costs of disposal of the CGU (including goodwill) comprising the HDD Heads business, we:<br><br>● inquired of management and the personnel responsible for the business about the basis for the recover of the HDD market and the increase in sales volume to main customers, which supported the sales increase incorporated into the business plan of the HDD Heads business, and then assessed the reasonableness of respective assumptions by comparing them with market reports related to the HDD Heads business; |

| | |
|---|---|
| impairment test performed in the current fiscal year.<br><br>The Company used the fair value less costs of disposal as the recoverable amount of the CGU for the HDD Heads business, and the fair value was measured using the discounted cash flow method based on unobservable inputs.<br><br>The estimated future cash flows used in the discounted cash flow method reflected key assumptions adopted by management, including the recover of the HDD market and the increase in sales volume to main customers, which supported the sales increase incorporated into the business plan of the HDD Heads business, as well as a terminal growth rate for the periods subsequent to the years included in the business plan. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, in estimating the discount rate based on the weighted average cost of capital, which was another key assumption adopted by management, the selection of calculation models and input data required a high degree of expertise in valuation.<br>We, therefore, determined that our assessment of the appropriateness of the valuation of a cash-generating unit (including goodwill) comprising the HDD Heads business was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | ● assessed the reasonableness of the terminal growth rate for the periods subsequent to the years included in the business plan of the HDD Heads business, with the assistance of valuation specialists within our network firms, by comparing it with the inflation rates and long-term growth rates of major sales regions or markets of the HDD Heads business published by external organizations;<br><br>● assessed the reasonableness of the discount rate calculated based on the weighted average cost of capital, with the assistance of the above valuation specialists, by evaluating the appropriateness of the calculation models and the selection of comparables used to determine input data, as well as by comparing the input data used by management with relevant data independently obtained by the valuation specialists from external organizations; and<br><br>● analyzed, based on our understanding of the achievement status of the past business plans of the HDD Heads business and the results of performing the above procedures, whether there was any potential effect on the judgment as to whether an impairment loss should be recognized on goodwill (i.e., a headroom analysis) when the effects of specific uncertainties were incorporated into the business plan, the terminal growth rate or the discount rate calculated based on the weighted average cost of capital. |

## Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Internal Control Report

### Opinion

We also have audited the accompanying internal control report of TDK Corporation ("the Company") as at March 31, 2024, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2024, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan**.**

### Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

### Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision

and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**Fee-related Information**

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in “(3)Status of audit” of “Status of corporate governance, etc.”

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Audit Report:**
The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan.

***Management's Annual Report***
***on Internal Control over Financial Reporting***

## 1. Matters relating to the basic framework for internal control over financial reporting

Representative Director, President & CEO Noboru Saito, and Chief Financial Officer, Representative Director, Senior Executive Vice President Tetsuji Yamanishi of TDK Corporation are responsible for designing and operating effective internal control over financial reporting of TDK and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

## 2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2024, which is the end of the current fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this evaluation, we selected business processes to be tested. In assessing the business processes, we analyzed these selected business processes, identified key controls that may have a material impact on the reliability of TDK's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of TDK.

We determined the scope of assessment of internal control over financial reporting, covering TDK Corporation, consolidated subsidiaries and equity-method affiliates and deemed necessary from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls covering all locations and business units except for consolidated subsidiaries and equity-method affiliates whose materiality of such impacts were deemed immaterial, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and/or business units to be tested in descending order of sales for the previous fiscal year, and the locations and/or business units whose combined sales volume reaches approximately two thirds of consolidated sales amount were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of TDK. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

## 3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of the current fiscal year, we concluded that TDK's internal control over financial reporting was effectively maintained.

## 4. Additional notes

Not applicable.

## 5. Special notes

Not applicable.