June 1, 2021

To Shareholders

INTERNET DISCLOSURE ITEMS FOR NOTICE OF CONVOCATION OF THE 125TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

1. CONSOLIDATED STATEMENT OF EQUITY
2. LIST OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[125th Fiscal Year (From April 1, 2020 to March 31, 2021)]

TDK Corporation
Tokyo, Japan

Disclosure documents audited by the Accounting Auditors and Audit & Supervisory Board Members are provided to shareholders on website of TDK Corporation (https://www.tdk.com/ja/index.html) pursuant to relevant laws and regulations and Article 16 of the Articles of Incorporation of TDK Corporation.

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

2. There are no English translations: Non-Consolidated Statement of Changes in Net Assets and List of Notes to the Non-Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF EQUITY
(prepared in accordance with U.S. GAAP)
From: April l, 2020
To: March 31, 2021

(¥ in millions)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)
Balance as of beginning of period	32,641	1,783	45,254	971,140	(190,055)
Equity transaction of consolidated subsidiaries and other		(4,591)			(67)
Cash dividends				(22,738)	
Transferred to legal reserve			1,149	(1,149)	
Transferred from retained earnings to additional paid-in capital		2,574		(2,574)	
Comprehensive income					
Net income				79,340	
Foreign currency translation adjustments					78,420
Pension liability adjustments					28,846
Net unrealized gains (losses) on securities					123
Total comprehensive income (loss)					
Acquisition of treasury stock					
Compensation expenses related to stock options		256			
Exercise of stock option		(22)			
Balance as of end of period	32,641	－	46,403	1,024,019	(82,733)

	Treasury stock	Total TDK Stockholders' equity	Non controlling interests	Total equity
Balance as of beginning of period	(16,806)	843,957	4,607	848,564
Equity transaction of consolidated subsidiaries and other		(4,658)	(1,492)	(6,150)
Cash dividends		(22,738)	(366)	(23,104)
Transferred to legal reserve		—		—
Transferred from retained earnings to additional paid-in capital		—		—
Comprehensive income				
Net income		79,340	(135)	79,205
Foreign currency translation adjustments		78,420	139	78,559
Pension liability adjustments		28,846	6	28,852
Net unrealized gains (losses) on securities		123		123
Total comprehensive income (loss)		186,729	10	186,739
Acquisition of treasury stock	(8)	(8)		(8)
Compensation expenses related to stock options		256		256
Exercise of stock option	22	0		0
Balance as of end of period	(16,792)	1,003,538	2,759	1,006,297

Note: Amounts less than ¥1 million have been rounded to the nearest unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Important Matters for Preparation of Consolidated Financial Statements]

1. Matters Concerning Scope of Consolidation

Number of consolidated subsidiaries:	140
Name of major consolidated subsidiaries:	TDK-Lambda Corporation TDK Akita Corporation SAE Magnetics (Hong Kong) Limited TDK U.S.A. Corporation TDK Europe S.A. TDK Electronics AG Amperex Technology Limited InvenSense, Inc.

2. Matters Concerning Equity-Method

Number of Equity-method affiliates:	5
Name of a principal Equity-method affiliate:	TODA KOGYO Co. Semiconductor Energy Laboratory Co., Ltd.

3. Significant Accounting Policies

(1) Standards for preparation of consolidated financial statements:

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

(2) Valuation standards and methods for inventories:

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

(3) Valuation standards and methods for securities:

The Accounting Standards Codification ("ASC") 320, "Investments-Debt Securities" and ASC 321 "Investments-Equity Securities" issued by the U.S. Financial Accounting Standards Board ("FASB") are applied.

Equity securities:	In principle, equity securities excluding investments in consolidated subsidiaries and affiliates are measured at fair value and the changes in its fair value are recognized in the consolidated statements of income. The cost of securities sold is primarily calculated by the moving-average method.
Debt securities	Debt securities are classified as available-for-sale securities and measured at fair value. Net unrealized gains (losses) are charged or credited directly to other comprehensive income (loss). The cost of securities sold is primarily calculated by the moving-average method.

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

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

(5) Goodwill and other intangible assets:

TDK group ("TDK") does not amortize Goodwill, but instead is tested for impairment at least annually, except for a case in which indicators show or change in situation arise that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. The test is conducted more frequently if certain indicators arise. In a case the carrying amount of a reporting unit is more than its fair value, an impairment loss is recognized. The main method used for fair value measurement is discounted cash flow method.

TDK amortize intangible assets with finite useful lives over their respective estimated useful lives. Intangible assets with indefinite useful lives are not amortized unless the useful like is determined to no longer be indefinite, and instead are tested for impairment annually except for a case in which indicators show or change in situation arise that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. In a case the carrying amount is more than its fair value, an impairment loss is recognized.

(6) Derivative financial instruments:

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

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

(7) Accounting basis of principal allowances:

Allowance for doubtful receivables:

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

Retirement and severance benefits:

For the future payment of retirement and severance benefits to employees, TDK recognizes an amount based on projected benefit obligations and the fair value of plan assets as of March 31, 2021, in accordance with ASC 715, "Compensation-Retirement Benefits."

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

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

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

Consumption taxes are accounted using tax exclusion method.

(9) Taxes:

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

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

(10) Lease:

Right-of-use assets of operating lease and operating lease obligation is recognized on the consolidated balance sheet based on present value of lease expense throughout the lease term. Lease expense is recognized throughout the lease term by straight-line method.

4. Adoption of new accounting standards:

(1) Amendments of fair value measurement disclosure requirements:

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13 "Amendments of fair value measurement disclosure requirements". This ASU eliminates, amends and adds some of disclosure requirements for fair value measurement. TDK adopted this ASU from April 1, 2020.

The adoption of this ASU did not have an impact on TDK's results of operations and financial position because this ASU is related to disclosure.

[Notes to Consolidated Balance Sheet]

1. Allowance for doubtful receivables:	¥1,442 million
2. Accumulated depreciation of property, plants and equipment:	¥995,381 million

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

4. Assets pledged as collateral:
   TDK has pledged time deposit amounting to ¥67 million as guarantee deposit for import duties amounting to ¥67 million.

5. Contingent liabilities:
   TDK provides guarantees to third parties on bank loans of its employees.
   The guarantees on behalf of the employees are made for their housing loans.
   The maximum amount of undiscounted payments TDK would have to make in the event of default as of March 31, 2021 is ¥354 million.
   Several claims against TDK are pending. Claims include class action raised in United States of America and Canada for violation of antitrust law and damage suit raised by a customer; both cases are associated with HDD suspension assemblies. For these claims, it is not possible to make a reasonable estimate of impact at this time. In the opinion of TDK management, any additional liability not currently provided for will not materially affect the consolidated financial position or result of operations of TDK.

[Notes to Consolidated Statements of Income]

Following is breakdown of Other operating expense (income)

Gain on business transfer:	¥ (2,433) million
Impairment loss on Long-lived assets:	¥7,914 million

[Note to Per-Share Data]

Net income attributable to TDK:	
Basic:	¥79,340 million
Diluted:	¥79,340 million
Weighted average common shares outstanding – Basic:	126,322 thousand shares
Incremental shares arising from the exercise of stock option:	261 thousand shares
Weighted average common shares outstanding – Diluted:	126,583 thousand shares
Net income attributable to TDK per share:	
Basic:	¥628.08
Diluted:	¥626.78
TDK stockholders' equity per share:	¥7,944.23
Total number of issued common shares outstanding:	129,590 thousand shares
Number of common shares of treasury stock:	3,267 thousand shares
Issued number of common shares that are used in calculating TDK stockholders' equity per share:	126,323 thousand shares

[Notes regarding Financial Instruments]

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

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

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

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

Many of the investments in securities are unlisted shares, and TDK measures certain nonmarketable equity securities without readily determinable fair values, in principle, at cost minus impairment. If TDK can identify observable price changes in orderly transactions for the identical or a similar investment of the same issuer, TDK measures the equity securities at fair values as of the date that the observable transaction occurred. Other unlisted shares are mainly measured by comparable multiple valuation method.

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

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

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

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

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

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

(3) Long-term debt

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

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2021 were as follows.

(¥ in millions)

	Carrying amount	Estimated fair value
Assets:		
Marketable securities	56	56
Investments in securities and other assets	42,287	42,287
Liability:		
Long-term debt, including current portion (excluding finance lease obligations)	(284,728)	(285,104)

(4) Derivative financial instruments

The fair values of derivative financial instruments are estimated based on quotation obtained from financial institutions, and reflect to the consolidated balance sheet.
Amounts of derivative financial instruments as of March 31, 2021, are as follows.

(¥ in millions)

	Contract amount	Carrying amount	Fair value
Forward foreign exchange contracts	336,943	774	774

[Notes regarding Revenue Recognition]

TDK 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 those product sales, TDK recognizes revenue when products are transferred to the customers as the customers will gain control over the products and performance obligation is satisfied accordingly.

[Notes regarding Use of Estimates]

Management of TDK has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingencies to prepare these consolidated financial statements in conformity with U.S. GAAP. Significant items subject to such estimates and assumptions include the valuation of goodwill and other intangible assets, long-lived assets, trade receivables, inventories, investments in securities, deferred tax assets, and assumptions related to the estimation of actuarial determined employee benefit obligations. Actual results could differ from those estimates.

(additional information)

Accounting assumptions in making estimates relating to the impacts of COVID-19

Based on the external information that TDK has the ability to access, in the year ending March 31, 2022, although concerns over the resurgence of COVID-19 pandemic remain, social and economic activities as well as production activities are expected to continue to recover as a result of the progress in COVID-19 vaccine programs and economic stimulus measures by each country. In the electronics market, TDK foresees that the production volume of automobiles and smartphones will exceed the level from the year ending March 31, 2021. In addition, TDK expects that there will be no further significant disruptions to its future production activities and supply chains, including the procurement of raw materials, due to factors such as the resurgence of COVID-19.

Based on these assumptions, TDK has made accounting estimates relating to the valuation of goodwill and other intangible assets, long-lived assets and so on.

However, the impacts from the resurgence of COVID-19 has many uncertain elements. When there are changes in the assumptions above, it could have a significant impact on the consolidated financial position or result of operations of TDK from the year ending March 31, 2022 onward.

[Notes regarding Significant Subsequent Events]

In the Board of Directors held on April 28, 2021, TDK resolved entering into a business alliance and cross-licensing agreement under which, Amperex Technology Limited (Hong Kong Special Administrative Region of China, hereinafter “ATL”), that engages in the business of rechargeable battery will establish a joint venture with Contemporary Amperex Technology Co., Limited (Fujian, China, hereinafter “CATL”), which manufactures and sell of EV battery. On the same day, ATL entered into a definitive agreement regarding business alliance and cross-license. Details are as follows.

1. Purpose of and Reasons for the Business Alliance and the Establishment of Joint Venture

While the Company’s core business is the passive components business based on magnetic material technology, the Company has been earnestly developing businesses with the aim of enhancing its corporate value sustainably by capturing new market trends centered on Digital Transformation (DX) and Energy Transformation (EX) in recent years.

Above all, demand for rechargeable battery is expected to continue expanding as a key device in the evolution of EX in the current situation which requires the global dissemination of renewable energy and the improvement of energy efficiency.

In this environment, ATL, a subsidiary of the Company, plays the leading role in strengthening the small size rechargeable battery business for ICT devices such as smartphones, tablet PC and laptop. However, believing that it is necessary to strengthen the medium size rechargeable battery business such as Residential Energy Storage System (RESS) , electric motorcycles, industrial applications and other applications to ensure continued growth in the global market, the Company to entered into a definitive agreement to establish business alliance, which includes the establishment of a joint venture between ATL and CATL, the world's largest EV battery business with significant achievements that manufactures and sells highly reliable products in the global market, and cross-license.

2. Outline of the Establishment of Joint Venture and Business Alliance

ATL and CATL will establish and operate two joint ventures specializing in the development, manufacture and sale of the medium size rechargeable battery such as RESS and electric motorcycles, industrial applications and other applications by integrating their technologies and expertise in the battery business, where they excel.

In addition, the Company has been strengthening the business of products related to electronic components and power supplies such as DC-DC converter and On board charger for automotive application. The Company also entered into a definitive agreement regarding strategic collaborative relationship with CATL, including the provision of in-vehicle electronic components and power supplies, in which the Company excels, in power units for EV including CATL's rechargeable battery.

3. Overview of the consolidated subsidiaries of the Company

(1) Name	Amperex Technology Limited
(2) Location	Hong Kong Special Administrative Region of China
(3) Representative	Fumio Sashida (Chairman)
(4) Business	Development, manufacture and sale of lithium-ion rechargeable batteries
(5) Capital	US$277,588,100
(6) Date of establishment	June 11, 1999
(7) Equity ratio	100% (as of 2021/03/31)

4. Outline of the Joint Venture

(1) Name	To be announced
(2) Location	To be announced
(3) Representative	To be announced
(4) Business	Development, manufacture and sale of rechargeable battery cell
(5) Capital	5.0 Billion RMB
(6) Date of establishment	To be announced
(7) Equity ratio	ATL: 30%, CATL: 70%

(1) Name	To be announced
(2) Location	To be announced
(3) Representative	To be announced
(4) Business	Development, manufacture and sale of rechargeable battery pack
(5) Capital	1.0 Billion RMB
(6) Date of establishment	To be announced
(7) Equity ratio	ATL: 70%, CATL: 30%

5. Outline of counterparty to the Business Alliance

(1) Name	Contemporary Amperex Technology Co., Limited
(2) Location	Fujian, China
(3) Representative	Robin Zeng (Chairman)
(4) Business	Development, manufacture and sale of automobile batteries
(5) Capital	2,329,474,028 RMB
(6) Date of establishment	December 16, 2011